



**LUBELSKI WĘGIEL „BOGDANKA”**  
**SPÓŁKA AKCYJNA**

## **The Lubelski Węgiel BOGDANKA Group**

### **Condensed Quarterly Consolidated Financial Statements**

**for the 3rd quarter of 2013**

**as at and for the period ended on 30 September 2013**

**Statement prepared in accordance with IAS 34 – Interim**

**Financial Reporting**

## **Additional information to the condensed quarterly consolidated financial statements for the Lubelski Węgiel Bogdanka Group and to the condensed quarterly financial statements for the Group's Parent, Lubelski Węgiel Bogdanka S.A., for the third quarter 2013.**

### **1. General information**

The composition of the Group and the purpose of the Group's business

The Lubelski Węgiel Bogdanka S.A. Capital Group (hereinafter referred to as the „Group”) is composed of the following companies:

#### **Parent - Lubelski Węgiel Bogdanka S.A., with registered office in Bogdanka, 21-013 Puchaczów.**

Lubelski Węgiel Bogdanka S.A. is a joint stock company, operating under the laws of Poland. The Company was created as a result of the restructuring of the state enterprise Kopalnia Węgla Kamiennego Bogdanka with registered office in Bogdanka, under the Act on the Privatisation of State Enterprises of 13 July 1990.

The deed of transformation of a state-owned enterprise into a company wholly owned by the State Treasury operating under the business name: Kopalnia Węgla Kamiennego Bogdanka S.A. was drawn up on 1 March 1993 (Rep. A No. 855/1993) by Notary Public Jacek Wojdyło maintaining a Notarial Office in Katowice at ul. Kopernika 26.

The Company was entered in Section B of the Commercial Register of the District Court in Lublin, VIII Commercial Division, under No. H - 2993, on the basis of a valid decision of that Court issued on 30 April 1993 (file ref. No. HB - 2993, Ns. Rej. H 669/93).

On 26 March 2001, Lubelski Węgiel Bogdanka Spółka Akcyjna was registered in the Register of Entrepreneurs maintained by the District Court in Lublin, XI Division of the National Court Register, under KRS No. 0000004549.

On 22 June 2009, pursuant to the decision of the Polish Financial Supervision Authority, Series A and C Shares and Rights to Series C Shares were admitted to public trading on the WSE's main market. On 25 June 2009, the Company made its debut on the WSE by introducing Rights to Series C Shares to trading. As a result of transactions effected in 2010 regarding the disposal of shares effected by the State Treasury, represented by the Minister of the State Treasury as well as transfer of shares on the basis of contracts on a free-of-charge disposal of shares for the benefit of eligible employees under the Act on Commercialisation and Privatisation, Lubelski Węgiel Bogdanka Spółka Akcyjna has lost the status of the Company owned by the State Treasury.

In accordance with resolution of the Management Board of the National Depository for Securities No. 74/13 of 24 January 2013, on 4 February 2013 the National Depository registered 34,754 shares of the Company and marked them with code PLLWBGD00016. On the same date 34,754 employee shares were introduced to the WSE. As at today, 135 registered series B shares are outstanding.

The Company's core business activities, pursuant to the European Classification of Activity (EKD 0510Z), are mining and agglomeration of hard coal.

The Company is the parent in the Lubelski Węgiel Bogdanka Group. The Group is preparing condensed consolidated financial statements for the period of 9 months ended on 30 September 2013.

**The subsidiary** – Łęczyńska Energetyka Sp. z o.o., with registered office in Bogdanka, 21-013, Puchaczów.

---

As at 30 September 2013, the Parent held 88.70% of share in capital of its subsidiary Łęczyńska Energetyka Sp. z o.o.

Łęczyńska Energetyka Sp. z o.o. provides services to the mine involving supplying heat energy and conducts water/wastewater management. The company also conducts activities involving the construction and refurbishment of heat-generating, water supply and sewage disposal installations.

**The subsidiary** – EkoTRANS Sp. z o.o., with registered office in Bogdanka, 21-013, Puchaczów.

As at 30 September 2013, the Parent held 100.00% of share in capital of its subsidiary EkoTRANS Sp. z o.o.

EkoTRANS Sp. z o.o. provides services to the mine with respect to recovery of spoil arising during coal-associated shale cleaning and washing.

**The subsidiary** – RG Bogdanka Sp. z o.o., with registered office in Bogdanka, 21-013, Puchaczów.

As at 30 September 2013, the Parent held 100.00% of share in capital of its subsidiary RG Bogdanka Sp. z o.o.

RG Bogdanka Sp. z o.o. provides services to the mine with respect to the mining works and regeneration services.

## **2. Principles applied in preparing the condensed quarterly consolidated financial statements and the condensed quarterly financial statements of Lubelski Węgiel Bogdanka S.A.**

These condensed quarterly consolidated financial statements of the LW Bogdanka Group for the third quarter of 2013 were prepared in accordance with International Accounting Standard 34 – “Interim Financial Reporting”.

In order to understand fully the Group’s financial standing and the results of its operation, these condensed quarterly consolidated financial statements should be read in conjunction with the condensed quarterly financial statements of the Parent, Lubelski Węgiel Bogdanka S.A., for the period ended 30 September 2013. Those financial statements will be available on the Parent’s website at [www.lw.com.pl](http://www.lw.com.pl) on the date given in the current report regarding the date for the provision of the Company’s quarterly report and the Group’s consolidated report for the period ended 30 September 2013.

These condensed quarterly consolidated financial statements were prepared in accordance with the historical cost principle, including the valuation at fair value of certain components of property, plant and equipment in connection with assuming fair value as a deemed cost, which was carried out as at the day of the Group’s transition to the IFRS, i.e. 1 January 2005.

Drawing up the condensed quarterly consolidated financial statements in accordance with IAS 34 requires the use of certain significant accounting estimates. It also requires that the Management Board exercise its own judgement when applying the accounting principles adopted by the Group. The main estimates and judgements have not changed since the publication of the annual consolidated financial statements for 2012.

These condensed quarterly consolidated financial statements were prepared using the same accounting principles for the current and comparative periods, with adjustment of the comparative period to comparable conditions in order to reflect changes in the accounting principles and presentation adopted in the financial statements in the current period in connection with applying amendments to IAS 19 “Employee Benefits”.

These condensed quarterly consolidated financial statements follow the same accounting principles (policies) and calculating methods as the latest annual consolidated financial statements, with the exception of:

- change in the accounting principles related to the amendments to IAS 19 "Employee benefits",
- financial instruments measured at fair value in accordance with IFRS 13.

Detailed data on the impact of the amendments to IAS 19 on the condensed quarterly consolidated financial statements is disclosed in the tables below.

The Group applied the amendments to IAS 19 as of 1 January 2013 and recognises actuarial gains/losses arising from the measurement of post-employment defined benefit plans in other comprehensive income. Because of retroactive application of the amendments, the quarterly consolidated income statement and the quarterly consolidated statement of comprehensive income include restated data for the period ended 30 September 2012. Accordingly, there was a change to the quarterly consolidated statement of changes in equity as at 30 September 2012. These changes did not affect the consolidated statement of financial position as at 31 December 2012.

The condensed quarterly consolidated financial statements for the third quarter of 2012 were restated to the conditions applicable currently based on the actuarial valuation prepared by an actuary for the first 6 months of 2012.

The impact of application of the amendments to IAS 19 on the consolidated income statement and the consolidated statement of comprehensive income for the period ended 30 September 2012 is presented in the tables below:

### Consolidated Income Statement

	Q3 2012 period from 1 Jul. 2012 to 30 Sep. 2012	Adjustment following from application of amendmen ts to IAS 19	Q3 2012 period from 1 Jul. 2012 to 30 Sep. 2012	3Qs 2012 period from 1 Jan. 2012 to 30 Sep. 2012	Adjustment following from application of amendmen ts to IAS 19	3Qs 2012 period from 1 Jan. 2012 to 30 Sep. 2012
Revenue	485,702	-	485,702	1,392,240	-	1,392,240
Costs of products, goods and materials sold	(357,915)	700	(357,215)	(963,008)	2,100	(960,908)
<b>Gross profit</b>	<b>127,787</b>	<b>700</b>	<b>128,487</b>	<b>429,232</b>	<b>2,100</b>	<b>431,332</b>
Selling costs	(13,109)	4	(13,105)	(33,130)	12	(33,118)
Administrative costs	(21,325)	63	(21,262)	(64,036)	188	(63,848)
Other income	29,957	-	29,957	31,525	-	31,525
Other costs	(237)	-	(237)	(680)	-	(680)
Other profits/(losses) - net	2,590	-	2,590	(24,433)	-	(24,433)
<b>Operating profit</b>	<b>125,663</b>	<b>767</b>	<b>126,430</b>	<b>338,478</b>	<b>2,300</b>	<b>340,778</b>
Finance income	4,577	-	4,577	10,243	-	10,243
Finance cost	(2,453)	(2,106)	(4,559)	(7,576)	(6,318)	(13,894)
Net finance income/cost	2,124	(1,339)	18	2,667	(6,318)	(3,651)

<b>Profit before taxation</b>	<b>127,787</b>	<b>(1,339)</b>	<b>126,448</b>	<b>341,145</b>	<b>(4,018)</b>	<b>337,127</b>
Income tax	(24,097)	254	(23,843)	(64,208)	763	(63,445)
<b>Net profit for the period</b>	<b>103,690</b>	<b>(1,085)</b>	<b>102,605</b>	<b>276,937</b>	<b>(3,255)</b>	<b>273,682</b>

### Consolidated Statement of Comprehensive Income

	Q3 2012 period from 1 Jul. 2012 to 30 Sep. 2012	Adjustment following from application of amendmen ts to IAS 19	Q3 2012 period from 1 Jul. 2012 to 30 Sep. 2012	3Qs 2012 period from 1 Jan. 2012 to 30 Sep. 2012	Adjustment following from application of amendmen ts to IAS 19	3Qs 2012 period from 1 Jan. 2012 to 30 Sep. 2012
<b>Profit for the financial year</b>	<b>103,690</b>	<b>(1,085)</b>	<b>102,605</b>	<b>276,937</b>	<b>(3,255)</b>	<b>273,682</b>
<b>Other comprehensive income</b>						
Items not intended to be transferred to the profit/loss						
- Actuarial gains/losses of defined benefit schemes	-	(1,801)	(1,801)	-	(5,403)	(5,403)
- Income tax relating to non-transferrable items	-	342	342	-	1,027	1,027
<b>Total items not intended to be transferred to the profit/loss</b>	<b>-</b>	<b>(1,459)</b>	<b>(1,459)</b>	<b>-</b>	<b>(4,376)</b>	<b>(4,376)</b>
<b>Comprehensive income for the financial year</b>	<b>103,690</b>	<b>(2,544)</b>	<b>101,146</b>	<b>276,937</b>	<b>(7,631)</b>	<b>269,306</b>

The impact of application of the amendments to IAS 19 on the income statement and the statement of comprehensive income of the Parent, Lubelski Węgiel Bogdanka S.A., for the period ended 30 September 2012 is presented in the tables below:

**Income Statement of Lubelski Węgiel Bogdanka S.A.**

	Q3 2012 period from 1 Jul. 2012 to 30 Sep. 2012	Adjustment following from application of amendments to IAS 19	Q3 2012 period from 1 Jul. 2012 to 30 Sep. 2012	3Qs 2012 period from 1 Jan. 2012 to 30 Sep. 2012	Adjustment following from application of amendments to IAS 19	3Qs 2012 period from 1 Jan. 2012 to 30 Sep. 2012
Revenue	484,515	-	484,515	1,388,114	-	1,388,114
Costs of products, goods and materials sold	(356,243)	700	(355,543)	(961,874)	2,100	(959,774)
<b>Gross profit</b>	<b>128,272</b>	<b>700</b>	<b>128,972</b>	<b>426,240</b>	<b>2,100</b>	<b>428,340</b>
Selling costs	(13,106)	4	(13,102)	(33,253)	12	(33,241)
Administrative costs	(20,285)	63	(20,222)	(61,444)	188	(61,256)
Other income	29,463	-	29,463	30,747	-	30,747
Other costs	(237)	-	(237)	(680)	-	(680)
Other profits/(losses) - net	2,625	-	2,625	(24,334)	-	(24,334)
<b>Operating profit</b>	<b>126,732</b>	<b>767</b>	<b>127,499</b>	<b>337,276</b>	<b>2,300</b>	<b>339,576</b>
Finance income	4,101	-	4,101	9,181	-	9,181
Finance cost	(2, 441)	(2,106)	(4,547)	(7,552)	(6,318)	(13,870)
Net finance income	1,660	(2,106)	(446)	1,629	(6,318)	(4,689)
<b>Profit before taxation</b>	<b>128,392</b>	<b>(1,339)</b>	<b>127,053</b>	<b>338,905</b>	<b>(4,018)</b>	<b>334,887</b>
Income tax	(24,120)	254	(23,866)	(63,714)	763	(62,951)
<b>Net profit for the period</b>	<b>104,272</b>	<b>(1,085)</b>	<b>103,187</b>	<b>275,191</b>	<b>(3,255)</b>	<b>271,936</b>

### Statement of Comprehensive Income of Lubelski Węgiel Bogdanka S.A.

	Q3 2012 period from 1 Jul. 2012 to 30 Sep. 2012	Adjustment following from application of amendmen ts to IAS 19	Q3 2012 period from 1 Jul. 2012 to 30 Sep. 2012	3Qs 2012 period from 1 Jan. 2012 to 30 Sep. 2012	Adjustment following from application of amendmen ts to IAS 19	3Qs 2012 period from 1 Jan. 2012 to 30 Sep. 2012
<b>Profit for the financial year</b>	<b>104,272</b>	<b>(1,085)</b>	<b>103,187</b>	<b>275,191</b>	<b>(3,255)</b>	<b>271,936</b>
<b>Other comprehensive income</b>						
Items not intended to be transferred to the profit/ loss						
- Actuarial gains/ losses of defined benefit schemes	-	(1,801)	(1,801)	-	(5,403)	(5,403)
- Income tax relating to non-transferrable items	-	342	342	-	1,027	1,027
<b>Total items not intended to be transferred to the profit/loss</b>	<b>-</b>	<b>(1,459)</b>	<b>(1,459)</b>	<b>-</b>	<b>(4,376)</b>	<b>(4,376)</b>
<b>Comprehensive income for the financial year</b>	<b>104,272</b>	<b>(2,544)</b>	<b>101,728</b>	<b>275,191</b>	<b>(7,631)</b>	<b>267,560</b>

Data regarding the impact of application of IFRS 13 on the condensed quarterly consolidated financial statements is disclosed below.

IFRS 13 *Fair Value Measurement* sets out a single framework for measuring fair value and for disclosures about fair value measurement where such measurement is required or allowed under another IFRS. In particular, it provides for a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The standard also replaces and extends the requirements for disclosures about fair value measurement contained in other IFRS, including IFRS 7 *Financial Instruments: Disclosures*. As presentation of certain information within the above scope became obligatory in quarterly financial statements, the Group made relevant disclosures in these quarterly consolidated financial statements.

Implementation of IFRS 13 provisions had no impact on the principles for measuring assets and liabilities as used by the Group to date, and consequently on the level of such measurements.

Hierarchy of financial instruments measured at fair value.

Financial instruments measured at fair value may be categorised in to the following valuation models:

- Level 1: quoted prices (unadjusted) for identical assets and liabilities in an active market,

- 
- Level 2: data inputs, other than quoted prices used in Level 1, which are observable for given assets and liabilities, both directly (e.g. as prices) or indirectly (e.g. derived from provisions),
  - Level 3: data inputs which are not based on observable market prices (unobservable data inputs).

As at 30 September 2013 derivatives were the only financial instruments measured at fair value in the Group. Level 2 was used to measure the liabilities under derivatives measured at fair value, amounting to PLN 929,000 as at 30 September 2013 (31 December 2012: PLN 0).

### **3. Brief description of achievements and failures of the Group during the reporting period, along with the list of the related key events.**

With regard to the conducted activities, the following events took place in the third quarter of 2013 under analysis:

By the publication date of these condensed quarterly consolidated financial statements, the following material events affecting the Group's operations in 2013 occurred:

- The Annual General Shareholders Meeting of the Parent, in accordance with Resolution No. 26 of 4 July 2013, has decided to carry out a conditional increase in the Parent's share capital by an amount not higher than PLN 6,802,700 by way of an issue of not more than 1,360,540 Series D ordinary bearer shares with a nominal value of PLN 5 per share. The conditional increase in the Company's share capital is made in order to grant the right to acquire Series D Shares to holders of the Warrants to be issued under that Resolution as part of the Management Options Scheme.

By virtue of the Resolution of 30 September 2013 and also as part of the Programme, the Supervisory Board of the Parent allocated a total of 1,102,032 options for 2013-2017. This was announced by the Parent in Current Report No. 35/2013 of 30 September 2013.

### **4. Description of factors and events, in particular of untypical nature, with a significant bearing on the financial results.**

In the third quarter of 2013 the Management Board of the Parent decided to make permanent impairment charge of assets in the amount of PLN 22,647,000.

#### ***Lubelski Węgiel Bogdanka Group***

##### ***The third quarter of 2013 (Q3)***

In the third quarter of 2013 the consolidated net revenue from the sale of products, goods and materials achieved the level of PLN 539,395,000, while in the same period of 2012 the consolidated revenue from the sale of products, goods and materials amounted to PLN 485,702,000.

The consolidated operating profit in Q3 2013 amounted to PLN 119,403,000.

As a result of this operating profit, net profit attributable to the shareholders of the Parent generated in the third quarter of 2013 amounted to PLN 82,695,000. By way of comparison, net profit attributable to the shareholders of the Parent recorded by the Group in the same period of 2012 amounted to PLN 102,802,000.

##### ***Three quarters of 2013 (3Qs cumulative)***

In cumulative terms, the revenue from the sale of products, goods and materials for three quarters of 2013 amounted to PLN 1,418,299,000, which represents an increase by 1.87% compared to the same period of the previous year.



The operating profit for three quarters of 2013 amounted to PLN 307,559,000.

In cumulative terms, the net profit attributable to the shareholders of the Parent for three quarters of 2013 amounted to PLN 224,438,000, which represents a decrease by 17.94% compared to the same period of the previous year.

***Parent – Lubelski Węgiel Bogdanka S.A.***

***The third quarter of 2013 (Q3)***

In the third quarter of 2013, net revenue from the sale of products, goods and materials amounted to PLN 537,902,000, compared to PLN 484,515,000 in the same period of 2012. This represents an increase in the net revenue in 2013 by 11.01%.

The operating profit in Q3 2013 amounted to PLN 119,334,000.

The net profit for the third quarter of 2013 amounted to PLN 82,439,000, while in the same period of the previous year the Company recorded net profit of PLN 103,187,000.

***Three quarters of 2013 (3Qs cumulative)***

In cumulative terms, the revenue from the sale of products, goods and materials for three quarters of 2013 amounted to PLN 1,413,853,000, which represents an increase by 1.85% compared to the same period of the previous year.

The operating profit for three quarters of 2013 amounted to PLN 305,067,000.

In cumulative terms, net profit for three quarters of 2013 amounted to PLN 221,890,000, which shows a decrease by 19.3% compared to the same period of the previous year.

***The Lubelski Węgiel Bogdanka S.A. Group***

***Three quarters of 2013 (3Qs cumulative)***

As at 30 September 2013, the balance of total provisions for other liabilities and charges and amounts payable on account of employee benefits of the Group's companies amounted to PLN 373,912,000, which shows an increase by PLN 45,385,000 compared to the balance as at 31 December 2012.

Deferred income tax liability for three quarters of 2013 amounts to PLN 95,844,000. This marks an increase by PLN 20,793,000 compared to the balance as at 31 December 2012.

***Parent – Lubelski Węgiel BOGDANKA S.A.***

***Three quarters of 2013 (3Qs cumulative)***

Provisions for other liabilities and charges and amounts payable on account of employee benefits of the Parent as at 30 September 2013 amounted to PLN 371,611,000. This marks an increase by PLN 45,100,000 compared to the balance as at 31 December 2012.

Deferred income tax liability as at 30 September 2013 amounted to PLN 95,896,000, which represents an increase by PLN 20,440,000 compared to the balance as at 31 December 2012.

**5. Information concerning the issue, redemption and repayment of debt and equity securities**

Seasonality of production does not occur. However, seasonality of sales is visible in connection with retail coal sales at a point of sale. Sales to retail customers account for 1.99% of total sales. This has no significant effect on operating and financing activity of the Group.

## 6. Information concerning the issue, redemption and repayment of debt and equity securities

In the third quarter of 2013 the Parent obtained PLN 150 million for investment and current financing of its business through the issue of bonds acquired by Bank Polska Kasa Opieki S.A.

## 7. Information concerning the dividend paid (or declared), in aggregate and calculated per share, divided into ordinary and preferred shares

In the third quarter of 2013, the Parent did not pay any dividend to the shareholders. Dividend for 2012 in the amount of PLN 172,110,000 was paid on 1 October 2013. Under Resolution No. 23 of the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A. of 27 June 2013, profit for 2012 in the amount of PLN 172,110,000 has been allocated for distribution among the shareholders of the Parent. The payment of dividend for 2011 in the amount of PLN 136,054,000 was made on 14 August 2012. The dividend rate due to shareholders of the Parent is presented in the table below.

	<b>1 Jan. 2013-30 Sep. 2013</b>	<b>1 Jan. 2012-30 Sep. 2012</b>
Dividend due	172,110	136,054
Number of ordinary shares as at the dividend date ('000)	34,014	34,014
<b>Dividend per share (in PLN per share)</b>	<b>5.06</b>	<b>4.00</b>

The dividend rate per share is calculated as the quotient of the dividend attributable to the shareholders of the Parent and the number of ordinary shares as at the dividend date.

## 8. Events after the balance-sheet date not disclosed in the condensed quarterly consolidated financial statements

The presented results for the third quarter of 2013 and three quarters of 2013 cover events identified by the Group that occurred in this period. After the balance-sheet date no events affecting the financial results occurred that would not be disclosed in the condensed quarterly consolidated financial statements.

## 9. Information on changes in contingent liabilities or contingent assets, occurring following the end of the previous financial year

Since the previous consolidated report, other balance of contingent liabilities has not changed significantly.

## 10. Transactions of the Lubelski Węgiel Bogdanka Group with related parties

### *Transactions of the Parent with related parties*

All transactions with the subsidiaries are concluded as part of regular operations of the Company and are performed on an arms' length basis.

The Company's revenue resulting from cooperation with Łęczyńska Energetyka, a Company's subsidiary, is in the most part generated through sale of coal and bricks, lease of premises, telecommunications services and re-invoicing electricity costs.

Purchases primarily include the purchase of heat power, potable water and the maintenance services for sewage installations, central heating, tailwater and water grid.

The Company's revenue resulting from co-operation with its subsidiary, EkoTRANS Sp. z o.o. in Bogdanka, relates predominantly to payments for lease of premises and telecommunication services.

Purchases primarily include the purchase of services connected with recovery of spoil arising during coal-associated shale cleaning and washing.

The Company's revenue resulting from co-operation with its subsidiary, RG Bogdanka Sp. z o.o. in Bogdanka, relates predominantly to payments for lease of premises, fees for use of equipment and tools, and telecommunication services.

Purchases primarily include the purchase of services connected with performance of mining works and regeneration works.

In the reporting periods ended on 30 September 2012 and 30 September 2013 the value of trade related to purchase with the following subsidiaries: Łęczyńska Energetyka Sp. z o.o. in Bogdanka, EkoTRANS Sp. z o.o. in Bogdanka and RG Bogdanka Sp. z o. o. in Bogdanka, and the balance of the Company's liabilities towards these associated entities as at subsequent balance-sheet dates were as follows:

	<b>30 Sep. 2013</b>	<b>31 Dec. 2012</b>	<b>30 Sep. 2012</b>
Purchases in period	23,561	17,013	11,797
Total liabilities at end of period including VAT	4,369	2,599	841

In the reporting periods ended on 30 September 2012 and 30 September 2013 the value of trade related to purchase with the following subsidiaries: Łęczyńska Energetyka Sp. z o.o. in Bogdanka, EkoTRANS Sp. z o.o. in Bogdanka and RG Bogdanka Sp. z o. o. in Bogdanka, and the balance of the Company's liabilities towards these associated entities as at subsequent balance-sheet dates were as follows:

	<b>30 Sep. 2013</b>	<b>31 Dec. 2012</b>	<b>30 Sep. 2012</b>
Sales in period	7,619	10,819	6,831
Total receivables at end of period including VAT	513	2,204	378

## 11. Reporting by segments: industry and location

The Management Board does not apply division into segments for managing the Group since the Group mainly focuses its activities on the production and sale of coal.

## Consolidated Statement of Financial Position (Balance Sheet)

	30 Sep. 2013	31 Dec. 2012
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,113,220	2,969,791
Intangible assets	23,957	23,116
Deferred income tax assets	1,729	1,890
Trade and other receivables	1,767	825
Cash and cash equivalents	70,190	68,031
	<u>3,210,863</u>	<u>3,063,653</u>
<b>Current assets</b>		
Inventories	86,570	55,383
Trade and other receivables	452,592	238,605
Overpaid income tax	177	6,964
Cash and cash equivalents	200,510	120,551
	<u>739,849</u>	<u>421,503</u>
<b>TOTAL ASSETS</b>	<b><u>3,950,712</u></b>	<b><u>3,485,156</u></b>
<b>Equity</b>		
<b>Equity attributable to owners of the Parent</b>		
Ordinary shares	301,158	301,158
Other capital	1,462,886	1,345,888
Retained profits	566,295	639,335
	<u>2,330,339</u>	<u>2,286,381</u>
<b>Non-controlling interests</b>	<b><u>10,287</u></b>	<b><u>9,993</u></b>
<b>Total equity</b>	<b><u>2,340,626</u></b>	<b><u>2,296,374</u></b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans and borrowings	151,000	421,000
Deferred income tax liabilities	95,844	75,051
Employee benefits liabilities	188,998	152,111
Provisions for other liabilities and charges	98,186	89,861
Subsidies	16,392	18,122
Financial liabilities on account of bond issue	150,000	-
Financial liabilities	135	-
Trade and other liabilities	17,338	16,963
	<u>717,893</u>	<u>773,108</u>
<b>Current liabilities</b>		
Loans and borrowings	275,000	20,000
Current income tax liabilities	10,257	-
Employee benefits liabilities	41,355	40,557
Provisions for other liabilities and charges	45,373	45,998
Financial liabilities	794	-
Subsidies	988	-
Dividend payable	172,113	4
Trade and other liabilities	346,313	309,115
	<u>892,193</u>	<u>415,674</u>
<b>Total liabilities</b>	<b><u>1,610,086</u></b>	<b><u>1,188,782</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>3,950,712</u></b>	<b><u>3,485,156</u></b>

## Consolidated Income Statement

	Q3 2013 period from 1 Jul. 2013 to 30 Sep. 2013	3Qs 2013 period from 1 Jan. 2013 to 30 Sep. 2013	Q3 2012 period from 1 Jul. 2012 to 30 Sep. 2012 restated*	3Qs 2012 period from 1 Jan. 2012 to 30 Sep. 2012 restated*
Revenue	539,395	1,418,299	485,702	1,392,240
Costs of products, goods and materials sold	(358,413)	(982,754)	(357,215)	(960,908)
<b>Gross profit</b>	<b>180,982</b>	<b>435,545</b>	<b>128,487</b>	<b>431,332</b>
Selling cost	(12,291)	(33,378)	(13,105)	(33,118)
Administrative costs	(25,789)	(71,537)	(21,262)	(63,848)
Other income	384	2,292	29,957	31,525
Other costs	(383)	(925)	(237)	(680)
Other profits/losses - net	(23,500)	(24,438)	2,590	(24,433)
<b>Operating profit</b>	<b>119,403</b>	<b>307,559</b>	<b>126,430</b>	<b>340,778</b>
Finance income	2,535	5,439	4,577	10,243
Finance cost	(2,944)	(12,029)	(4,559)	(13,894)
Net finance income/cost	(409)	(6,590)	18	(3,651)
<b>Pre-tax profit</b>	<b>118,994</b>	<b>300,969</b>	<b>126,448</b>	<b>337,127</b>
Income tax	(36,295)	(76,236)	(23,843)	(63,445)
<b>Net profit for the period</b>	<b>82,699</b>	<b>224,733</b>	<b>102,605</b>	<b>273,682</b>
<b>including:</b>				
- attributable to owners of the Parent	82,695	224,438	102,802	273,492
- attributable to non-controlling interest	4	294	(197)	190
<b>Income for the period</b>	<b>82,699</b>	<b>224,733</b>	<b>102,605</b>	<b>273,682</b>
Earnings per share attributable to owners of the Parent during the year (in PLN per share)				
- basic		6.60		8.05
- diluted		6.60		8.05

\*Explanation provided in note 2.

## Consolidated Statement of Comprehensive Income

	Q3 2013 period from 1 Jul. 2013 to 30 Sep. 2013	3Qs 2013 period from 1 Jan. 2013 to 30 Sep. 2013	Q3 2012 period from 1 Jul. 2012 to 30 Sep. 2012 restated*	3Qs 2012 period from 1 Jan. 2012 to 30 Sep. 2012 restated*
<b>Profit for the financial year</b>	<b>82,699</b>	<b>224,733</b>	<b>102,605</b>	<b>273,682</b>
<b>Other comprehensive income</b>				
Items not intended to be transferred to the profit/ loss				
- Actuarial gains/ losses of defined benefit schemes	(3,135)	(9,405)	(1,801)	(5,403)
- Income tax relating to non- transferrable items	596	1,787	342	1,027
<b>Items not intended to be transferred to the profit/ loss - total</b>	<b>(2,539)</b>	<b>(7,618)</b>	<b>(1,459)</b>	<b>(4,376)</b>
Items which may be transferred to the profit/ loss				
Cash flow hedges				
- Profit/(loss) for period	(6,396)	(929)	-	-
- Income tax relating to transferrable items	1,215	176	-	-
<b>Items which may be transferred to the profit/ loss - total</b>	<b>(5,181)</b>	<b>(753)</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income/ loss for the financial year</b>	<b>(7,720)</b>	<b>(8,371)</b>	<b>(1,459)</b>	<b>(4,376)</b>
<b>Other comprehensive income for the financial year</b>	<b>74,979</b>	<b>216,362</b>	<b>101,146</b>	<b>269,306</b>

\*Explanation provided in note 2.

## Consolidated Statement of Changes in Equity

			Retained profits		Total	Non-controlling interests	Total equity
	Ordinary shares	Other capital	Equity on valuation of cash flow hedges	Other retained profits			
<b>As at 1 January 2012</b>	<b>301,158</b>	<b>1,261,013</b>	-	<b>570,896</b>	<b>2,133,067</b>	<b>9,579</b>	<b>2,142,646</b>
Total comprehensive income for the reporting period – restated*:							
- net profit	-	-	-	269,116	269,116	190	269,306
- other comprehensive income	-	-	-	(4,376)	(4,376)	-	(4,376)
Dividends concerning 2011	-	-	-	(136,054)	(136,054)	-	(136,054)
Transfer of the result for 2011	-	84,875	-	(84,875)	-	-	-
<b>As at 30 September 2012</b>	<b>301,158</b>	<b>1,345,888</b>	-	<b>619,083</b>	<b>2,266,129</b>	<b>9,769</b>	<b>2,275,898</b>
<b>As at 1 January 2013</b>	<b>301,158</b>	<b>1,345,888</b>	-	<b>639,335</b>	<b>2,286,381</b>	<b>9,993</b>	<b>2,296,374</b>
Total comprehensive income for the reporting period:							
- net profit	-	-	(753)	216,821	216,068	294	216,362
- other comprehensive income	-	-	(753)	(7,618)	(8371)	-	(8,371)
Dividends concerning 2012	-	-	-	(172,110)	(172,110)	-	(172,110)
Transfer of the result for 2012	-	116,998	-	(116,998)	-	-	-
<b>As at 30 September 2013</b>	<b>301,158</b>	<b>1,462,886</b>	<b>(753)</b>	<b>567,048</b>	<b>2,330,339</b>	<b>10,287</b>	<b>2,340,626</b>

## Consolidated Statement of Cash Flows

	<b>For 3 quarters ending on 30 September</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flow from (used in) operating activities</b>		
Cash inflow from operating activities	600,151	610,650
Interest paid	(184)	(2,506)
Income tax paid	(36,969)	(67,896)
Net cash flow from (used in) operating activities	<b>562,998</b>	<b>540,248</b>
<b>Cash flow from (used in) investing activities</b>		
Acquisition of property, plant and equipment	(434,479)	(382,626)
Interest paid regarding investing activity	(12,103)	(11,428)
Acquisition of intangible assets	(2,136)	(2,233)
Inflow from the sale of property, plant and equipment	207	155
Interest received	2,460	5,991
Other net cash flow from (used in) investing activities	-	(1,771)
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(2,159)	(2,827)
Net cash flow from (used in) investing activities	<b>(448,209)</b>	<b>(394,739)</b>
<b>Cash flow from (used in) financing activities</b>		
Proceeds from loans and borrowings	-	100,000
Repayments of loans and borrowings	(15,000)	-
Inflow from issue of bonds	150,000	-
Funds transferred to the National Depository of Securities (Krajowy Depozyt Papierów Wartościowych S.A.) towards anticipated dividend	(169,830)	-
Dividend paid to owners of the Parent	-	(136,050)
Net cash flow from (used in) financing activities	<b>(34,830)</b>	<b>(36,050)</b>
Net increase in cash and cash equivalents	79,959	109,459
Cash and cash equivalents at beginning of period	120,551	102,820
<b>Cash and cash equivalents at end of period</b>	<b>200,510</b>	<b>212,279</b>



## Statement of Financial Position (Balance Sheet) of Lubelski Węgiel Bogdanka S.A.

	30 Sep. 2013	31 Dec. 2012
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,060,289	2,918,273
Intangible assets	23,393	23,115
Non-current investments	74,534	73,341
Trade and other receivables	176	-
Cash and cash equivalents	70,190	68,031
	<u>3,228,582</u>	<u>3,082,760</u>
<b>Current assets</b>		
Inventories	85,722	54,095
Trade and other receivables	448,565	234,838
Overpaid income tax	-	7,234
Cash and cash equivalents	164,917	86,094
	<u>699,204</u>	<u>382,261</u>
<b>TOTAL ASSETS</b>	<b><u>3,927,786</u></b>	<b><u>3,465,021</u></b>
<b>Equity</b>		
Ordinary shares	301,158	301,158
Other capital	1,464,173	1,349,255
Retained profits	556,289	629,798
<b>Total equity</b>	<b><u>2,321,620</u></b>	<b><u>2,280,211</u></b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans and borrowings	151,000	421,000
Deferred tax liabilities	95,896	75,456
Employee benefits liabilities	186,697	150,095
Provisions for other liabilities and charges	98,186	89,861
Subsidies	16,392	18,122
Financial liabilities on account of bond issue	150,000	-
Financial liabilities	135	-
Trade and other liabilities	17,242	16,909
	<u>715,548</u>	<u>771,443</u>
<b>Current liabilities</b>		
Loans and borrowings	275,000	20,000
Employee benefits liabilities	41,355	40,557
Provisions for other liabilities and charges	45,373	45,998
Current tax liabilities	10,257	-
Trade and other liabilities	344,738	306,808
Financial liabilities	794	-
Subsidies	988	-
Dividend payable	172,113	4
	<u>890,618</u>	<u>413,367</u>
<b>Total liabilities</b>	<b><u>1,606,166</u></b>	<b><u>1,184,810</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>3,927,786</u></b>	<b><u>3,465,021</u></b>

## Income Statement of Lubelski Węgiel Bogdanka S.A.

	Q3 2013 period from 1 Jul. 2013 to 30 Sep. 2013	3Qs 2013 period from 1 Jan. 2013 to 30 Sep. 2013	Q3 2012 period from 1 Jul. 2012 to 30 Sep. 2012 restated*	3Qs 2012 period from 1 Jan. 2012 to 30 Sep. 2012 restated*
Revenue	537,902	1,413,853	484,515	1,388,114
Costs of products, goods and materials sold	(357,423)	(981,935)	(355,543)	(959,774)
<b>Gross profit</b>	<b>180,479</b>	<b>431,918</b>	<b>128,972</b>	<b>428,340</b>
Selling cost	(12,558)	(33,882)	(13,102)	(33,241)
Administrative costs	(25,042)	(69,401)	(20,222)	(61,256)
Other income	334	1,440	29,463	30,747
Other expenses	(338)	(925)	(237)	(680)
Other profits/losses - net	(23,496)	(24,083)	2,625	(24,334)
<b>Operating profit</b>	<b>119,334</b>	<b>305,067</b>	<b>127,499</b>	<b>339,576</b>
Finance income	2,203	4,373	4,101	9,181
Finance cost	(2,939)	(12,008)	(4,547)	(13,870)
Net finance cost	(736)	(7,635)	(446)	(4,689)
<b>Pre-tax profit</b>	<b>118,598</b>	<b>297,432</b>	<b>127,053</b>	<b>334,887</b>
Income tax	(36,159)	(75,542)	(23,866)	(62,951)
<b>Net profit for the period</b>	<b>82,439</b>	<b>221,890</b>	<b>103,187</b>	<b>271,936</b>
<b>Income for the period</b>	<b>82,439</b>	<b>221,890</b>	<b>103,187</b>	<b>271,936</b>
Earnings per share attributable to owners of the Company during the year (in PLN per share)				
- basic		6.52		7.99
- diluted		6.52		7.99

\*Explanation provided in note 2.

## Statement of Comprehensive Income of Lubelski Węgiel Bogdanka S.A.

	Q3 2013 period from 1 Jul. 2013 to 30 Sep. 2013	3Qs 2013 period from 1 Jan. 2013 to 30 Sep. 2013	Q3 2012 period from 1 Jul. 2012 to 30 Sep. 2012 restated*	3Qs 2012 period from 1 Jan. 2012 to 30 Sep. 2012 restated*
<b>Profit for the financial year</b>	<b>82,439</b>	<b>221,890</b>	<b>103,187</b>	<b>271,936</b>
<b>Other comprehensive income</b>				
Items not intended to be transferred to the profit/loss				
- Actuarial gains/ losses of defined benefit schemes	(3,135)	(9,405)	(1,801)	(5,403)
- Income tax relating to non- transferrable items	596	1,787	342	1,027
<b>Items not intended to be transferred to the profit/ loss - total</b>	<b>(2,539)</b>	<b>(7,618)</b>	<b>(1,459)</b>	<b>(4,376)</b>
Items which may be transferred to the profit/ loss				
Cash flow hedges				
- Profit/(loss) for period	(6,396)	(929)	-	-
- Income tax relating to non- transferrable items	1,215	176	-	-
<b>Items which may be transferred to the profit/ loss - total</b>	<b>(5,181)</b>	<b>(753)</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income/ loss for the financial year</b>	<b>(7,720)</b>	<b>(8,371)</b>	<b>(1,459)</b>	<b>(4,376)</b>
<b>Other comprehensive income for the financial year</b>	<b>74,719</b>	<b>213,519</b>	<b>101,728</b>	<b>267,560</b>

\*Explanation provided in note 2.

## Statement of Changes in Equity of Lubelski Węgiel Bogdanka S.A.

	Retained profits				Total equity
	Ordinary shares	Other capital	Equity on valuation of cash flow hedges	Other retained profits	
<b>As at 1 January 2012</b>	<b>301,158</b>	<b>1,266,331</b>	-	<b>561,749</b>	<b>2,129,238</b>
Total comprehensive income for the reporting period – restated*:	-	-	-	267,560	267,560
- net profit	-	-	-	271,936	271,936
- other comprehensive income	-	-	-	(4,376)	(4,376)
Dividends concerning 2011	-	-	-	(136,054)	(136,054)
Transfer of the result for 2011	-	82,924	-	(82,924)	-
<b>As at 30 September 2012</b>	<b>301,158</b>	<b>1,349,255</b>	-	<b>610,331</b>	<b>2,260,744</b>
<b>As at 1 January 2013</b>	<b>301,158</b>	<b>1,349,255</b>	-	<b>629,798</b>	<b>2,280,211</b>
Total comprehensive income for the reporting period:	-	-	(753)	214,272	213,519
- net profit	-	-	-	221,890	221,890
- other comprehensive income	-	-	(753)	(7,618)	(8,371)
Dividends concerning 2012	-	-	-	(172,110)	(172,110)
Transfer of the result for 2012	-	114,918	-	(114,918)	-
<b>As at 30 September 2013</b>	<b>301,158</b>	<b>1,464,173</b>	<b>(753)</b>	<b>557,042</b>	<b>2,321,620</b>

## Statement of Cash Flows of Lubelski Węgiel Bogdanka S.A.

	<b>For 3 quarters ending on 30 September</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flow from (used in) operating activities</b>		
Cash inflow from operating activities	596,287	607,297
Interest paid	(163)	(2,482)
Income tax paid	(36,001)	(67,152)
Net cash flow from (used in) operating activities	<b>560,123</b>	<b>537,663</b>
<b>Cash flow from (used in) investing activities</b>		
Acquisition of property, plant and equipment	(430,260)	(379,378)
Interest paid regarding investing activity	(12,103)	(11,428)
Acquisition of intangible assets	(1,571)	(2,233)
Inflow from the sale of property, plant and equipment	204	155
Interest received	1,575	4,930
Purchase of shares	(1,193)	-
Other net cash flow from (used in) investing activities	-	(1,771)
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(2,159)	(2,827)
Net cash flow from (used in) investing activities	<b>(445,507)</b>	<b>(392,552)</b>
<b>Cash flow from (used in) financing activities</b>		
Proceeds from loans and borrowings	-	100,000
Repayments of loans and borrowings	(15,000)	-
Inflow from issue of bonds	150,000	-
Dividend paid to owners of the Company	-	(136,050)
Funds transferred to the National Depository of Securities (Krajowy Depozyt Papierów Wartościowych S.A.) towards anticipated dividend	(169,830)	-
Other net cash flow from (used in) financing activities	(963)	-
Net cash flow from (used in) financing activities	<b>(35,793)</b>	<b>(36,050)</b>
Net increase in cash and cash equivalents	78,823	109,061
Cash and cash equivalents at beginning of period	86,094	70,397
<b>Cash and cash equivalents at end of period</b>	<b>164,917</b>	<b>179,458</b>

## 12. Approval of the Condensed Quarterly Consolidated Financial Statements

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby represents that as of 6 November 2013 it approves these condensed quarterly consolidated financial statements of the Group and the condensed quarterly financial statements of the Parent for the third quarter of 2013, covering the period from 1 January 2013 to 30 September 2013, for publication.

### **SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD AND THE CHIEF ACCOUNTANT**

Zbigniew Stopa	President of the Management Board
Waldemar Bernaciak	Vice-President of the Management Board, Sales and Logistics
Roger de Bazelaire	Vice-President of the Management Board, Economic and Financial Affairs
Krzysztof Szlaga	Member of the Management Board, Procurement and Investments
Krystyna Borkowska	Chief Accountant