



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

**The Lubelski Węgiel BOGDANKA Group**  
**Quarterly Consolidated Report for the First Quarter**  
**of 2014**  
**as at and for the period ended on 31 March 2014**

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

## **Notes on the Condensed Interim Consolidated Quarterly Report for the Lubelski Węgiel BOGDANKA Group and the Condensed Interim Quarterly Financial Statements for the Parent, Lubelski Węgiel BOGDANKA S.A., for Q1 2014**

### **1. General information**

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

The Lubelski Węgiel Bogdanka 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, there are 135 registered series B shares outstanding.

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

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

As at 31 March 2013, the Parent held 88.70% of shares in the capital of the subsidiary, Łęczyńska Energetyka Sp. z o.o.

Łęczyńska Energetyka Sp. z o.o. provides services to mines 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 Company prepares its balance sheet as at 31 December.

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

As at 31 March 2013, the Parent held 100.00% of shares in the capital of the subsidiary, EkoTRANS Bogdanka Sp. z o.o.

EkoTRANS Bogdanka Sp. z o.o. provides services to the mine with respect to recovery of spoil arising during coal- associated shale cleaning and washing. The Company prepares its balance sheet as at 31 December.

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

As at 31 March 201, 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. The company prepares its balance sheet as at 31 December.

Lubelski Węgiel Bogdanka S.A. is the Parent in the Lubelski Węgiel Bogdanka Group. The Group prepares condensed interim consolidated financial statements in accordance with IFSR for the period from 1 January to 31 March 2014. These financial statements are available at the Parent's website at [www.lw.com.pl](http://www.lw.com.pl) on the date as announced in a current report stating the date of publication of the Parent's financial statements as well as the Group's consolidated financial statements for the financial period ended on 31 March 2013.

## **2. Principles applied in preparing the condensed interim consolidated financial statements of the Group and the condensed interim financial statements of Lubelski Węgiel BOGDANKA S.A.**

These condensed quarterly consolidated financial statements of the LW Bogdanka Group for the first quarter of 2014 were prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting".

These condensed quarterly consolidated financial statements were prepared in accordance with the historical cost principle, including valuation at fair value of certain components of property, plant and equipment in connection with assuming fair value to represent 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 2013.

These condensed quarterly consolidated financial statements were prepared using the same accounting principles and calculating methods as the latest annual consolidated financial statements for the current and comparative periods, with adjustment of the comparative period to comparable conditions in order to reflect the changes to the accounting principles and presentation in the financial statements resulting from the application of amendments to IAS 19 "Employee

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Benefits". The Group has (already in the consolidated financial statements, as well as in the separate financial statements in case of the Parent, for the previous year) applied the changes to IAS 19 as of 1 January 2013 and recognises actuarial gains/losses arising from the measurement of post-employment benefit schemes in other comprehensive income. However, due to the fact that the measurement of employee benefits used to be performed only at year-end, as at the date the condensed quarterly consolidated financial statements for the period ended 31 March 2013 were prepared, the Group did not have at its disposal sufficient data to enable it to adequately recognise actuarial gains/losses arising from the measurement of post-employment benefit schemes.

In accordance with the decision taken by the Management Board of the Parent, the valuation of post-employment benefit schemes is now performed on a quarterly basis. The actuarial valuation of benefit schemes for the period ended 31 March 2013 was additionally performed during the valuation for the period ended 31 March 2014. Consequently, because of the retroactive application of the amendments to comparative data, the quarterly consolidated income statement and the quarterly consolidated statement of comprehensive income include restated data for the period ended 31 March 2013. Accordingly, there was a change to the quarterly consolidated statement of changes in equity as at 31 March 2013. Those changes did not affect the consolidated statement of financial position as at 31 December 2013.

The impact of application of the amendments to IAS 19 on the interim consolidated income statement and the interim consolidated statement of comprehensive income for the period ended 31 March 2013 is presented in the tables below:

#### Interim Consolidated Income Statement

	<b>For the period from 1 Jan. 2013 to 31 Mar. 2013 - approved</b>	<b>Adjustment following from application of amendments to IAS 19</b>	<b>For the period from 1 Jan. 2013 to 31 March 2013 - restated</b>
Revenue	430,758	-	430,758
Costs of products, goods and materials sold	(309,966)	2,080	(307,886)
<b>Gross profit</b>	<b>120,792</b>	<b>2,080</b>	<b>122,872</b>
Selling cost	(9,991)	11	(9,980)
Administrative costs	(22,292)	185	(22,107)
Other income	2,427	-	2,427
Other costs	(356)	-	(356)
Other losses - net	(3,142)	-	(3,142)
<b>Operating profit</b>	<b>87,438</b>	<b>2,276</b>	<b>89,714</b>
Finance income	1,268	-	1,268
Finance cost	(1,277)	(2,067)	(3,344)
Finance cost - net	(9)	(2,067)	(2,076)
<b>Profit before taxation</b>	<b>87,429</b>	<b>209</b>	<b>87,638</b>
Income tax	(17,503)	(40)	(17,543)
<b>Net profit for the reporting period</b>	<b>69,926</b>	<b>169</b>	<b>70,095</b>

Net profit for the reporting period, including:		
- attributable to owners of the Parent	69,694	69,863
- attributable to non-controlling interest	232	232
Earnings per share attributable to owners of the Parent during the year (in PLN per share)		
- basic	2.05	2.05
- diluted	2.05	2.05

### Interim Consolidated Statement of Comprehensive Income

	For the period from 1 Jan. 2013 to 31 Mar. 2013 - approved	Adjustment following from application of amendments to IAS 19	For the period from 1 Jan. 2013 to 31 March 2013 - restated
<b>Net profit for the reporting period</b>	<b>69,926</b>	<b>169</b>	<b>70,095</b>
<b>Other comprehensive income for the reporting period - net</b>			
Actuarial gains/ losses of defined benefit schemes	-	(209)	(209)
Income tax relating to items non-transferrable to profit/loss	-	40	40
<b>Items not intended to be transferred to profit/ loss</b>	<b>-</b>	<b>(169)</b>	<b>(169)</b>
<b>Net comprehensive income for the reporting period - total</b>	<b>69,926</b>	<b>-</b>	<b>69,926</b>

The impact of application of the amendments to IAS 19 on the interim income statement and the interim statement of comprehensive income of the Parent, Lubelski Węgiel Bogdanka S.A., for the period ended on 31 March 2013 is presented in the tables below:

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

	For the period from 1 Jan. 2013 to 31 Mar. 2013 - approved	Adjustment following from application of amendments to IAS 19	For the period from 1 Jan. 2013 to 31 March 2013 - restated
Revenue	429,427	-	429,427
Costs of products, goods and materials sold	(311,354)	2,080	(309,274)
<b>Gross profit</b>	<b>118,073</b>	<b>2,080</b>	<b>120,153</b>
Selling cost	(10,182)	11	(10,171)
Administrative costs	(21,802)	185	(21,617)
Other income	2,220	-	2,220
Other costs	(356)	-	(356)
Other losses - net	(2,927)	-	(2,927)
<b>Operating profit</b>	<b>85,026</b>	<b>2,276</b>	<b>87,302</b>
Finance income	1,102	-	1,102
Finance cost	(1,267)	(2,067)	(3,334)
Finance cost - net	(165)	(2,067)	(2,232)
<b>Profit before taxation</b>	<b>84,861</b>	<b>209</b>	<b>85,070</b>
Income tax	(17,005)	(40)	(17,045)
<b>Net profit for the reporting period</b>	<b>67,856</b>	<b>169</b>	<b>68,025</b>

Earnings per share attributable to owners of the Company

during the year (in PLN per share)

- basic	1.99	2.00
- diluted	1.99	2.00

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

	For the period from 1 Jan. 2013 to 31 Mar. 2013 - approved	Adjustment following from application of amendments to IAS 19	For the period from 1 Jan. 2013 to 31 March 2013 - restated
<b>Net profit for the reporting period</b>	<b>67,856</b>	<b>169</b>	<b>68,025</b>
<b>Other comprehensive income for the reporting period - net</b>			
- Actuarial gains/ losses of defined benefit schemes	-	(209)	(209)
- Income tax relating to items non-transferrable to profit/loss	-	40	40
<b>Items not intended to be transferred to profit/ loss</b>	<b>-</b>	<b>(169)</b>	<b>(169)</b>
<b>Net comprehensive income for the reporting period - total</b>	<b>67,856</b>	<b>-</b>	<b>67,856</b>

In the presented period, the Group did not introduce any material changes in the value of the estimated amounts presented for the preceding financial year.

### 3. Brief description of achievements and failures of the issuer during the reporting period

As regards the business activities pursued by the Parent, the following material events with influence on the Group's operations occurred in the period of the first quarter of 2014 until the publication date of these condensed interim consolidated financial statements:

- On 15 January 2014, the Management Board of the Parent concluded an Annex to the Annual Agreement for the Supply of Power Coal in 2013, attached as Appendix 4 to Long-Term Agreement No. UW/LW/01/2010 with ENEA Wytwarzanie S.A. with registered office in Świerże Górne. The Annex extends the term of the Agreement until 31 March 2014 and sets forth the conditions for supplies between 1 January 2014 to 31 March 2014. The value of the Annual Agreement for 2013 has decreased by PLN 3.5 million as compared to the original value.

Moreover, an Annual Agreement for the Supply of Power Coal in 2014 was also concluded on 15 January 2014. It is attached as Appendix 5 to Long-Term Agreement No. UW/LW/01/2010 and applies in the period from 1 January 2014 to 31 December 2014. The value of the Agreement as per current prices amounts to PLN 767 million net.

An Annual Agreement for the Supply of Power Coal in 2015 was also concluded on 15 January 2014. It is attached as Appendix 6 to Long-Term Agreement No. UW/LW/01/2010 and applies in the period from 1 January 2015 to 31 December 2015. The value of the Agreement as per current prices amounts to PLN 773 million net.

As a result of concluding the Annex and the Agreements mentioned above, the value of the entire Long-Term Agreement currently amounts to PLN 10,677 million net.

- On 31 March 2014, the Parent concluded an Annex to the Long-Term Agreement for the Sale of Power Coal of 19 July 2011, concluded with EDF Paliwa Sp. z o.o. with registered office in Krakow. The Annex extends the term of the Agreement until 31 December 2017. As a result of concluding the Annex, the estimated value of the entire Agreement currently amounts to PLN 832 million net.
- On 17 April 2014, the Parent concluded a Share Sale Agreement with WARBO S.A. with registered office in Bogdanka, a sole shareholder of a single-person limited liability company MR Bogdanka Sp. z o.o. with registered office in Bogdanka, and established a limited liability company under the name: MR Bogdanka Sp. z o.o. with registered office in Bogdanka. By 30 April 2014, the Parent had paid up all shares in the company. The value of the shares amounted to PLN 1 million. The company's core business consists in repairs, regeneration and production of steel structures.
- On 24 April 2014, the Parent signed an Annex to the Agreement for the Sale/Purchase of Power Coal, concluded with PGNIG Termika S.A. with registered office in Warsaw. The Annex amends condition subsequent and specifies that in the event of failure to establish the supply price for 2015 by 31 July 2014, the Agreement is automatically terminated as at 31 December 2014.

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

In the first quarter of 2014 no untypical events occurred that would have a significant bearing on the financial results achieved by both the Lubelski Węgiel Bogdanka Group and its Parent.

#### ***The Lubelski Węgiel BOGDANKA Group***

##### ***Q1 2014***

Consolidated net revenue on sales of products, goods and materials in the first quarter of 2014 amounted to PLN 481,540,000. By way of comparison, consolidated revenue on sales of products, goods and materials in the same period of 2013 equalled PLN 430,758,000.

Consolidated operating profit in the first quarter of 2014 amounted to PLN 85,958,000.

As a consequence of achieving the operating profit, net profit attributable to the shareholders of the Parent was also recorded in the first quarter of 2014 and amounted to PLN 62,381,000. Net profit attributable to the shareholders of the Parent generated by the Group in the same period of 2013 amounted to PLN 69,863,000.



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

***Q1 2014***

In the first quarter of 2014, net revenue on sales of products, goods and materials amounted to PLN 480,161,000 as compared to PLN 429,427,000 achieved in the same period of 2013.

Operating profit in the first quarter of 2014 amounted to PLN 80,415,000.

Net profit for the first quarter of 2014 amounted to PLN 58,036,000, while in the same period of the previous year the Company generated net profit of PLN 68,025,000.

***The Lubelski Węgiel BOGDANKA Group***

***Q1 2014***

Total provisions for other liabilities and charges, as well as provisions for employee benefits in the companies of the Lubelski Węgiel Bogdanka Group as at 31 March 2014 amounted to PLN 369,543,000, which shows an increase by PLN 19,398,000 as compared to the amount achieved as at 31 December 2013.

Deferred income tax liability disclosed as at 31 March 2014 amounted to PLN 101,586,000, which represents an increase of PLN 1,764,000 as compared to the balance of this item as at 31 December 2013.

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

***Q1 2014***

The balance of provisions for other liabilities and charges, as well as provisions for employee benefits as at 31 March 2014 amounted to PLN 367,272,000, which represents an increase by PLN 19,223,000 as compared to the balance of this item as at 31 December 2013.

Deferred income tax liability disclosed as at 31 March 2014 amounted to PLN 101,630,000, which represents an increase of PLN 1,761,000 as compared to the balance of this item as at 31 December 2013.

**5. Information regarding seasonal or cyclical character of the Issuer's activity in the discussed period**

Seasonality of production does not occur. However, seasonality of sales is visible in connection with retail sales at a point of coal sale. However, retail sales constitute only 0.38% of total sales. For this reason, the influence that seasonality exerts over the Group's operations and finances is not significant.

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

No transactions involving issue, redemption or repayment of debt and equity securities were completed in the first quarter of 2014 by either the Group or the Parent.

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

In the first quarter of 2014 and in the same period of 2013, the Parent did not pay any dividend to the Shareholders.

In accordance with the dividend policy for the period between 2013 and 2015, the Management Board of the Parent adopted a resolution on a motion to the Annual General Shareholders Meeting of the Parent regarding the proposed distribution of net profit for 2013. On 24 April 2014, the Supervisory Board of the Parent approved the motion of the Management Board concerning the distribution of net profit for the financial year 2013. Pursuant to the motion in question, a share of the net profit generated by the Parent in 2013 amounting to PLN 197,278,822.00 shall be distributed to the Parent's shareholders, with the dividend per share of PLN 5.80. Further, the Management Board suggests scheduling the dividend record date on 11 September 2014 and the dividend payment date on 2 October 2014.

The final decision on the distribution of profit for the financial year 2013 shall be made by the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A.

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

The presented results for the first quarter of 2014 refer to the events that occurred in this period and were identified by the Group. No events that would influence the financial results and were not disclosed in the Quarterly Consolidated Report occurred after the balance-sheet date.

#### **9. Information on changes in contingent liabilities or contingent assets that occurred after the end of the previous financial year**

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

#### **10. Transactions of the Lubelski Węgiel Bogdanka Group with associated entities**

##### *Transactions of the Parent with associated entities*

All transactions with subsidiaries are concluded as part of regular business operations of the Parent and performed at arm's length.

The revenue of the Parent resulting from the co-operation with its subsidiary, Łęczyńska Energetyka Sp. z o.o. with registered office in Bogdanka, is generated primarily by the sale of coal and bricks, as well as by payments for the lease of premises, telecommunications services and re-invoicing the cost of electricity.

The purchases include, first and foremost, the purchase of heat power and potable water, as well as maintenance services for the sanitary sewage system, central heating, underground water installations and the water supply network.

The revenue of the Parent resulting from the co-operation with its subsidiary EkoTRANS Bogdanka Sp. z o.o. with registered office in Bogdanka is generated primarily by payments for the lease of premises and telecommunications services.

The purchases include, first and foremost, the purchase of services related to the recovery of waste generated by shale rinsing and cleansing.

The revenue of the Parent resulting from the co-operation with its subsidiary RG Bogdanka Sp. z o.o. with registered office in Bogdanka is generated primarily by payments for the lease of premises, for the use of machinery and tools and for telecommunications services.

The purchases include, first and foremost, the purchase of services related to the execution of mining works, as well as the provision of reprocessing services.

In the reporting periods ending on 31 March 2013 and 31 March 2014, the value of turnover on account of purchases with Łęczyńska Energetyka Sp. z o.o. in Bogdanka, EkoTRANS Bogdanka Sp. z o.o. in Bogdanka and RG Bogdanka Sp. z o. o. in Bogdanka subsidiaries and the total liabilities of the Parent towards those related entities for subsequent balance-sheet dates were as follows:

	<b>31 Mar. 2014</b>	<b>31 Dec. 2013</b>	<b>31 Mar. 2013</b>
Purchases in period	24,730	36,201	6,701
Total liabilities at end of period including VAT	12,456	7,175	2,202

In the reporting periods ending on 31 March 2013 and 31 March 2014 the value of turnover on account of sales to Łęczyńska Energetyka Sp. z o.o. in Bogdanka, EkoTRANS Bogdanka Sp. z o.o. in Bogdanka and RG Bogdanka Sp. z o. o. in Bogdanka subsidiaries and the total receivables of the Parent towards those related entities for subsequent balance-sheet dates were as follows:

	<b>31 Mar. 2014</b>	<b>31 Dec. 2013</b>	<b>31 Mar. 2013</b>
Sales in period	3,807	9,364	5,163
Total receivables at end of period including VAT	1,275	1,704	1,686

## **11. Reporting by segments: industry and location**

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

## Interim Consolidated Statement of Financial Position (Balance Sheet)

	<b>31 Mar. 2014</b>	<b>31 Dec. 2013</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,249,208	3,169,722
Intangible assets	22,719	23,125
Deferred tax assets	1,857	1,817
Trade and other receivables	1,450	1,428
Cash and cash equivalents	77,933	77,912
	<u>3,353,167</u>	<u>3,274,004</u>
<b>Current assets</b>		
Inventories	108,143	111,503
Trade and other receivables	298,022	244,739
Overpaid income tax	837	1,880
Cash and cash equivalents	196,009	212,004
	<u>603,011</u>	<u>570,126</u>
<b>TOTAL ASSETS</b>	<b><u>3,956,178</u></b>	<b><u>3,844,130</u></b>
<b>Equity</b>		
<b>Equity attributable to owners of the Parent</b>		
Ordinary shares	301,158	301,158
Other capital	1,460,179	1,455,223
Retained profits	752,879	688,846
	<u>2,514,216</u>	<u>2,445,227</u>
<b>Non-controlling interests</b>	<b>10,523</b>	<b>10,304</b>
<b>Total equity</b>	<b><u>2,524,739</u></b>	<b><u>2,455,531</u></b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	101,586	99,822
Provisions for employee benefits	158,807	160,479
Provisions for other liabilities and charges	94,417	85,278
Grants	15,860	16,145
Financing liabilities due to bond issue	200,000	200,000
Trade and other liabilities	17,760	17,907
	<u>588,430</u>	<u>579,631</u>
<b>Current liabilities</b>		
Loans and borrowings	371,000	421,000
Provisions for employee benefits	48,807	39,551
Financing liabilities	6,063	5,232
Current income tax liabilities	691	52
Provisions for other liabilities and charges	67,512	64,837
Grants	988	988
Dividend payable	4	4
Trade and other liabilities	347,944	277,304
	<u>843,009</u>	<u>808,968</u>
<b>Total liabilities</b>	<b><u>1,431,439</u></b>	<b><u>1,388,599</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>3,956,178</u></b>	<b><u>3,844,130</u></b>

## Interim Consolidated Income Statement

	Q1 2014 period from 1 Jan. 2014 to 31 Mar. 2014	Q1 2013 period from 1 Jan. 2013 to 31 Mar. 2013 restated*
Revenue	481,540	430,758
Costs of products, goods and materials sold	(364,108)	(307,886)
<b>Gross profit</b>	<b>117,432</b>	<b>122,872</b>
Selling cost	(9,267)	(9,980)
Administrative costs	(23,060)	(22,107)
Other income	78	2,427
Other costs	(471)	(356)
Other profits/losses - net	1,246	(3,142)
<b>Operating profit</b>	<b>85,958</b>	<b>89,714</b>
Finance income	2,351	1,268
Finance cost	(9,095)	(3,344)
Finance cost - net	(6,744)	(2,076)
<b>Profit before taxation</b>	<b>79,214</b>	<b>87,638</b>
Income tax	(16,614)	(17,543)
<b>Net profit for the reporting period including:</b>	<b>62,600</b>	<b>70,095</b>
- attributable to owners of the Parent	62,381	69,863
- attributable to non-controlling interest	219	232
Earnings per share attributable to owners of the Parent during the year (in PLN per share)		
- basic	1.83	2.05
- diluted	1.83	2.05

\* Explanation provided in note 2.

## Interim Consolidated Statement of Comprehensive Income

	Q1 2014 period from 1 Jan. 2014 to 31 Mar. 2014	Q1 2013 period from 1 Jan. 2013 to 31 Mar. 2013 restated*
<b>Net profit for the reporting period</b>	<b>62,600</b>	<b>70,095</b>
<b>Other comprehensive income for the reporting period</b>		
<b>Items not intended to be transferred to profit/ loss</b>		
Actuarial gains/ losses of defined benefit schemes	2,039	(209)
Income tax relating to non-transferrable items	(387)	40
<b>Items not intended to be transferred to profit/ loss - total</b>	<b>1,652</b>	<b>(169)</b>
<b>Items which may be transferred to profit/ loss</b>		
Cash flow hedges	(831)	-
Income tax relating to transferrable items	158	-
<b>Items which may be transferred to profit/ loss - total</b>	<b>(673)</b>	<b>-</b>
<b>Other comprehensive income / loss for the reporting period</b>	<b>979</b>	<b>(169)</b>
<b>Comprehensive income for the reporting period - total</b>	<b>63,579</b>	<b>69,926</b>

\* Explanation provided in note 2.

## Interim Consolidated Statement of Changes in Equity

	Attributable to owners of the Parent							
	Other capital				Retained profits	Total equity	Non-controlling interests	Total equity
	Ordinary shares	Other capital – transfer of profit / loss	Other capital – issue of Management Options	Equity on valuation of cash flow hedges				
<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 net comprehensive income for the reporting period – restated*	-	-	-	-	69,694	69,694	232	69,926
- net profit	-	-	-	-	69,863	69,863	232	70,095
- other comprehensive income	-	-	-	-	(169)	(169)	-	(169)
<b>As at 31 March 2013</b>	<b>301,158</b>	<b>1,345,888</b>	-	-	<b>709,029</b>	<b>2,356,075</b>	<b>10,225</b>	<b>2,366,300</b>
<b>As at 1 January 2014</b>	<b>301,158</b>	<b>1,456,608</b>	<b>2,853</b>	<b>(4,238)</b>	<b>688,846</b>	<b>2,445,227</b>	<b>10,304</b>	<b>2,455,531</b>
Total net comprehensive income for the reporting period:	-	-	-	(673)	64,033	63,360	219	63,579
- net profit	-	-	-	-	62,381	62,381	219	62,600
- other comprehensive income	-	-	-	(673)	1,652	979	-	979
Management Options Issue	-	-	5,629	-	-	5,629	-	5,629
<b>As at 31 March 2014</b>	<b>301,158</b>	<b>1,456,608</b>	<b>8,482</b>	<b>(4,911)</b>	<b>752,879</b>	<b>2,514,216</b>	<b>10,523</b>	<b>2,524,739</b>

\* Explanation provided in note 2.

## Interim Consolidated Statement of Cash Flows

	<b>For Q1 ended on 31 March</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flow from (used in) operating activities</b>		
Cash inflow from operating activities	181,265	145.701
Interest received	1,737	420
Income tax paid	(13,438)	(12.730)
Net cash flow from (used in) operating activities	<b>169,564</b>	<b>133.391</b>
<b>Cash flow from (used in) investing activities</b>		
Acquisition of property, plant and equipment	(137,146)	(168.571)
Interest paid regarding investing activity	(2,598)	(4.389)
Acquisition of intangible assets	(33)	(565)
Inflow from the sale of property, plant and equipment	5,679	9
Interest received	1,247	499
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(21)	(799)
Net cash flow from (used in) investing activities	<b>(132,872)</b>	<b>(173.816)</b>
<b>Cash flow from (used in) financing activities</b>		
Repayments of loans and borrowings	(50,000)	(5.000)
Interest and commissions paid on loans and borrowings	(2,691)	(762)
Other net cash flow from (used in) financing activities	4	-
Net cash flow from (used in) financing activities	<b>(52,687)</b>	<b>(5.762)</b>
Net decrease in cash and cash equivalents	(15,995)	(46.187)
Cash and cash equivalents at beginning of period	212.004	120,551
<b>Cash and cash equivalents at end of period</b>	<b>196.009</b>	<b>74,364</b>



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

	31 Mar. 2014	31 Dec. 2013
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,178,113	3,098,350
Intangible assets	22,682	23,094
Non-current investments	74,601	74,534
Trade and other receivables	175	180
Cash and cash equivalents	77,933	77,912
	<u>3,353,504</u>	<u>3,274,070</u>
<b>Current assets</b>		
Inventories	107,173	110,361
Trade and other receivables	293,258	241,525
Overpaid income tax	837	1,639
Property, plant and equipment intended for sale	-	9,974
Cash and cash equivalents	177,847	177,898
	<u>579,115</u>	<u>541,397</u>
<b>TOTAL ASSETS</b>	<b><u>3,932,619</u></b>	<b><u>3,815,467</u></b>
<b>Equity</b>		
Ordinary shares	301,158	301,158
Other capital	1,467,744	1,462,788
Retained profits	731,912	672,224
<b>Total equity</b>	<b><u>2,500,814</u></b>	<b><u>2,436,170</u></b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	101,630	99,869
Provisions for employee benefits	156,707	158,565
Provisions for other liabilities and charges	94,417	85,278
Grants	15,860	16,145
Financing liabilities due to bond issue	200,000	200,000
Trade and other liabilities	17,736	17,785
	<u>586,350</u>	<u>577,642</u>
<b>Current liabilities</b>		
Loans and borrowings	371,000	421,000
Provisions for employee benefits	48,802	39,369
Financing liabilities	6,063	5,232
Provisions for other liabilities and charges	67,346	64,837
Grants	988	988
Dividend payable	4	4
Trade and other liabilities	351,252	270,225
	<u>845,455</u>	<u>801,655</u>
<b>Total liabilities</b>	<b><u>1,431,805</u></b>	<b><u>1,379,297</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>3,932,619</u></b>	<b><u>3,815,467</u></b>

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

	Q1 2014 period from 1 Jan. 2014 to 31 Mar. 2014	Q1 2013 period from 1 Jan. 2013 to 31 Mar. 2013 restated*
Revenue	480,161	429,427
Costs of products, goods and materials sold	(367,467)	(309,274)
<b>Gross profit</b>	<b>112,694</b>	<b>120,153</b>
Selling cost	(9,884)	(10,171)
Administrative cost	(23,334)	(21,617)
Other income	59	2,220
Other costs	(470)	(356)
Other profits/losses - net	1,350	(2,927)
<b>Operating profit</b>	<b>80,415</b>	<b>87,302</b>
Finance income	2,204	1,102
Finance cost	(9,091)	(3,334)
Finance cost - net	(6,887)	(2,232)
<b>Profit before taxation</b>	<b>73,528</b>	<b>85,070</b>
Income tax	(15,492)	(17,045)
<b>Net profit for the reporting period</b>	<b>58,036</b>	<b>68,025</b>
Earnings per share attributable to owners of the Parent during the year (in PLN per share)		
- basic	1.71	2.00
- diluted	1.71	2.00

\* Explanation provided in note 2.

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

	Q1 2014 period from 1 Jan. 2014 to 31 Mar. 2014	Q1 2013 period from 1 Jan. 2013 to 31 Mar. 2013 restated*
<b>Net profit for the reporting period</b>	<b>58,036</b>	<b>68,025</b>
<b>Other comprehensive income for the reporting period</b>		
<b>Items not intended to be transferred to profit/ loss</b>		
Actuarial gains/losses of defined benefit schemes	2,039	(209)
Income tax relating to non-transferrable items	(387)	40
<b>Items not intended to be transferred to profit/ loss - total</b>	<b>1,652</b>	<b>(169)</b>
<b>Items which may be transferred to profit/ loss</b>		
Cash flow hedges	(831)	-
Income tax relating to transferrable items	158	-
<b>Items which may be transferred to profit/ loss - total</b>	<b>(673)</b>	<b>-</b>
<b>Other comprehensive income / loss for the reporting period</b>	<b>979</b>	<b>(169)</b>
<b>Net comprehensive income for the reporting period - total</b>	<b>59,015</b>	<b>67,856</b>

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

	Ordinary shares	Other capital			Retained profits	Total equity
		Other capital – transfer of profit / loss	Other capital – issue of Management Options	Equity on valuation of cash flow hedges		
<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 net comprehensive income for the reporting period – restated*	-	-	-	-	67,856	67,856
- net profit	-	-	-	-	68,025	68,025
- other comprehensive income	-	-	-	-	(169)	(169)
<b>As at 31 March 2013</b>	<b>301,158</b>	<b>1,349,255</b>	-	-	<b>697,654</b>	<b>2,348,067</b>
<b>As at 1 January 2014</b>	<b>301,158</b>	<b>1,464,173</b>	<b>2,853</b>	<b>(4,238)</b>	<b>672,224</b>	<b>2,436,170</b>
Total net comprehensive income for the reporting period:	-	-	-	(673)	59,688	59,015
- net profit	-	-	-	-	58,036	58,036
- other comprehensive income	-	-	-	(673)	1,652	979
Management Options Issue	-	-	5,629	-	-	5,629
<b>As at 31 March 2014</b>	<b>301,158</b>	<b>1,464,173</b>	<b>8,482</b>	<b>(4,911)</b>	<b>731,912</b>	<b>2,500,814</b>

\* Explanation provided in note 2.

## Interim Statement of Cash Flows of Lubelski Węgiel BOGDANKA S.A.

	For Q1 ended on 31 March	
	2014	2013
<b>Cash flow from (used in) operating activities</b>		
Cash inflow from operating activities	189.545	143.529
Interest received	1.741	430
Income tax paid	(13.160)	(12.116)
Net cash flow from (used in) operating activities	<b>178.126</b>	<b>131.843</b>
<b>Cash flow from (used in) investing activities</b>		
Acquisition of property, plant and equipment	(129.404)	(168.369)
Interest paid regarding investing activity	(2.598)	(4.389)
Acquisition of intangible assets	(25)	(239)
Inflow from the sale of property, plant and equipment	5.679	9
Interest received	950	332
Acquisition of shares in related entities	(67)	-
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(21)	(799)
Net cash flow from (used in) investing activities	<b>(125.486)</b>	<b>(173.455)</b>
<b>Cash flow from (used in) financing activities</b>		
Repayments of loans and borrowings	(50.000)	(5.000)
Interest and commissions paid on loans and borrowings	(2.691)	(762)
Net cash flow from (used in) financing activities	<b>(52.691)</b>	<b>(5.762)</b>
Net decrease in cash and cash equivalents	(51)	(47.374)
Cash and cash equivalents at beginning of period	177.898	86.094
<b>Cash and cash equivalents at end of period</b>	<b>177.847</b>	<b>38.720</b>

## **12. Approval of the financial statements**

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby declares that as at 6 May 2014 it approves this Consolidated Quarterly Report for the first quarter for the period between 1 January 2014 and 31 March 2014.

### **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, Trade and Logistics

Roger de  
Bazelaire              Vice-President of the Management  
Board,  
Economic and Financial Affairs

Krzysztof Szlaga      Vice-President of the Management  
Board, Procurement and  
Investments

Urszula Piątek        Chief Accountant