



**The Lubelski Węgiel BOGDANKA Group**

**Consolidated Quarterly Report for the First Quarter  
of 2014**

**as at and for the period ended on 31 March 2015**

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

## Notes to the Consolidated Quarterly Report of the Lubelski Węgiel Bogdanka Group for the First Quarter of 2015

### 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.

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.

The shares of LW Bogdanka S.A. are listed on the Warsaw Stock Exchange in Warsaw.

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

The Company is the Parent in the Lubelski Węgiel BOGDANKA Group.

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

As at 31 March 2015, 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. Its activities also involve the construction and repair of heat-generating, water supply and sewage disposal systems. 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 2015, 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 2015, 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.

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

As at 31 March 2015, the Parent held 100.00% of share in capital of its subsidiary MR Bogdanka Sp. z o.o.

MR Bogdanka SP. z o.o. provides services to the mine with respect to renovation, regeneration and production of steel constructions. The company prepares its balance sheet as at 31 December.

The Group prepares condensed interim consolidated financial statements in accordance with IFSR for the period from 1 January to 31 March 2015.

In order to understand fully the Group's financial standing and the results of its operation, these condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Lubelski Węgiel Bogdanka Group, as well as with the audited financial statements of the Parent, Lubelski Węgiel Bogdanka, for the financial period ended on 31 December 2014. Those financial statements will be available on the Parent's website at [www.lw.com.pl](http://www.lw.com.pl).

## **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 interim consolidated financial statements of the LW Bogdanka Group and condensed interim financial statements of the Parent, LW Bogdanka, for the first quarter of 2015 were prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting".

This Consolidated Quarterly Report was prepared according to the historical cost principle except for derivative instruments measured at fair value and share-based payments, 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 1 January 2005.

Historical cost is calculated on the basis of fair value of the payment made for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a customary transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless whether such price is directly observable or estimated using other valuation technique. In the fair value measurement of an asset or liability, the Group takes into account the characteristics of the given asset or liability if the market participants take them into account when pricing assets or liabilities at the measurement date. Fair value for the purpose of measurement and / or disclosure in the Group's Consolidated Quarterly Report is determined in accordance with the above principle, except for share-based payments which are covered by the scope of IFRS 2, lease transactions which are covered by the scope of IAS 17, and measurements which are in a certain way similar to fair value but are not defined as fair value, such as net realisable value according to IAS 2 or value in use according to IAS 36.

The Consolidated Quarterly Report were prepared using the same accounting principles for the current and comparative periods; the financial statements follow the same accounting principles (policies) and calculating methods as the latest approved annual consolidated financial statements.

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

As regards the business activities pursued by the Parent in the analysed period of the first quarter of 2015 and until the publication date of these Consolidated Quarterly Report, the following material events with influence on the Group's operations in 2015 occurred:

- On 25 March 2015, the Management Board of the Parent concluded an Annex to the Annual Agreement for the Supply of Power Coal in 2015, attached as Appendix 6 to Long-Term Agreement concluded with ENEA Wytwarzanie Sp. z o.o. with registered office in Świerże Górne. The Annex specifies terms of coal supply for 2015 covered by the Annual Agreement which is in effect from 1 January 2015 to 31 December 2015 and concerns basic coal supplies in 2015 for the ENEA Wytwarzanie Sp. z o.o. power plant, in compliance with the Long-Term Agreement. As a result of concluding the Annex, the value of the entire Long-Term Agreement in 2011-2025 currently amounts to PLN 10.603 million.

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

In the first quarter of 2015 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.

#### **5. Data with regard to the Condensed Interim Consolidated Financial Statements for the Lubelski Węgiel Bogdanka Group in the first quarter of 2015.**

##### Consolidated Income Statement

Consolidated net revenue on sales of products, goods and materials in the first quarter of 2015 amounted to PLN 428,279,000. By way of comparison, consolidated revenue on sales of products, goods and materials in the same period of 2014 equalled PLN 481,540,000.

Consolidated operating profit in the first quarter of 2015 amounted to PLN 48,152,000.

Net profit attributable to the shareholders of the Parent recorded in the first quarter of 2015 amounted to PLN 32,522,000, while net profit attributable to the shareholders of the Parent generated by the Group in the same period of 2014 amounted to PLN 62,381,000.

##### Consolidated Statement of Financial Position

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 2015 amounted to PLN 448,489,000, which shows an increase by PLN 24,571,000 as compared to the amount achieved as at 31 December 2014.

As at 31 March 2015, deferred income tax liability occurred in the amount of PLN 112,585,000, which represents a decrease by PLN 1,652,000 in comparison to the balance of this item as at 31 December 2014.

#### **6. Data with regard to the condensed interim financial statements for the Parent in the first quarter of 2015**

##### Income Statement

In the first quarter of 2015, net revenue on sales of products, goods and materials amounted to PLN 427,136,000 as compared to PLN 480,161,000 achieved in the same period of 2014.

Operating profit in the first quarter of 2015 amounted to PLN 45,721,000.

Net profit for the first quarter of 2015 amounted to PLN 30,628,000, while in the same period of the previous year the Company generated net profit of PLN 58,036,000.

#### Statement of Financial Position

Total provisions for other liabilities and charges, as well as provisions for employee benefits as at 31 March 2015 amounted to PLN 445,611,000, which shows an increase by PLN 24,542,000 as compared to the amount achieved as at 31 December 2014.

As at 31 March 2015, deferred income tax liability occurred in the amount of PLN 112,403,000, which represents a decrease by PLN 1,647,000 in comparison to the balance of this item as at 31 December 2014.

#### **7. Explanations regarding seasonal and cyclical nature of the Group's activity in the presented 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.

#### **8. 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 2015 by either the Group or the Parent.

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

In the first quarter of 2015 and in the same period of 2014, the Parent did not pay any dividend to the Shareholders.

The Parent's Management Board recommends that a dividend be paid in 2015 to the Company's Shareholders in the amount of PLN 3 per each share, i.e. 37.5% of the consolidated net profit for 2014 (PLN 102 million).

#### **10. Events after the balance-sheet date not disclosed in the Consolidated Quarterly Report.**

The presented results for the first quarter of 2015 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 Consolidated Quarterly Report occurred after the balance-sheet date.

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

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

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

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

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 the co-operation Łęczyńska Energetyka Sp. z o.o., 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 the co-operation with its subsidiary, EkoTRANS Bogdanka Sp. z o.o., relates predominantly to payments for lease of premises and telecommunication services.

Purchases include primarily services of transportation, utilisation and recovery of spoil arising during coal- associated shale cleaning and washing.

Further, the Company's revenue resulting from the cooperation with the subsidiary, RG Bogdanka Sp. z o.o., is in the most part generated through lease of premises, fees for using the machinery, and telecommunications services.

Purchases include primarily services with respect to the mining works and regeneration services.

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

Purchases primarily include the purchase of services connected with renovation of mining equipment and devices, as well as regeneration services.

In the reporting periods ended on 31 March 2014 and 31 March 2015 the value of trade related to purchase with the following subsidiaries: Łęczyńska Energetyka Sp. z o.o., EkoTRANS Sp. z o.o., RG Bogdanka Sp. z o. o. and MR Bogdanka Sp. z o.o., and the balance of the Company's liabilities towards these related entities as at subsequent balance-sheet dates were as follows:

	<b>31 Mar. 2015</b>	<b>31 Dec. 2014</b>	<b>31 Mar. 2014</b>
Purchases in period	22,668	90,484	24,730
Liabilities at end of period including VAT	11,034	10,867	12,456

In the reporting periods ended on 31 March 2014 and 31 March 2015 the value of trade related to sales with the following subsidiaries: Łęczyńska Energetyka Sp. z o.o., EkoTRANS Sp. z o.o., RG

Bogdanka Sp. z o.o. and MR Bogdanka Sp. z o.o., and the balance of the Company's liabilities towards these associated entities as at subsequent balance-sheet dates were as follows:

	<b>31 Mar. 2015</b>	<b>31 Dec. 2014</b>	<b>31 Mar. 2014</b>
Sales in period	4,145	21,485	3,807
Total receivables at end of period including VAT	1,433	2,077	1,275

In the reporting periods ending on 31 March 2014 and 31 March 2015 the value of dividends from subsidiaries - Łęczyńska Energetyka Sp. z o.o., EkoTRANS Bogdanka Sp. z o.o., RG Bogdanka Sp. z o.o. and MR Bogdanka Sp. z o.o. as at subsequent balance-sheet dates were as follows:

	<b>31 Mar. 2015</b>	<b>31 Dec. 2014</b>	<b>31 Mar. 2014</b>
Dividend received	-	3,411	-

### **13. 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.

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

	31 Mar. 2015	31 Dec. 2014
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,594,075	3,613,168
Intangible assets	23,778	24,291
Deferred tax assets	2,261	2,379
Trade and other receivables	1,517	1,495
Cash and cash equivalents	88,911	88,832
	<u>3,710,542</u>	<u>3,730,165</u>
<b>Current assets</b>		
Inventories	138,146	132,488
Trade and other receivables	235,799	300,626
Overpaid income tax	5,582	5,655
Cash and cash equivalents	275,714	195,481
	<u>655,241</u>	<u>634,250</u>
<b>TOTAL ASSETS</b>	<b><u>4,365,783</u></b>	<b><u>4,364,415</u></b>
<b>Equity</b>		
<b>Equity attributable to owners of the Parent</b>		
Ordinary shares	301,158	301,158
Other capital	1,590,498	1,593,863
Retained profits	642,430	619,317
	<u>2,534,086</u>	<u>2,514,338</u>
<b>Non-controlling interests</b>	<b><u>9,657</u></b>	<b><u>9,489</u></b>
<b>Total equity</b>	<b><u>2,543,743</u></b>	<b><u>2,523,827</u></b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans and borrowings	14,765	13,222
Deferred income tax liabilities	112,585	114,237
Provisions for employee benefits	211,175	186,195
Provisions for other liabilities and charges	119,927	123,585
Subsidies	14,917	15,109
Financing liabilities on account of bond issue	700,000	700,000
Trade and other liabilities	18,695	18,933
	<u>1,192,064</u>	<u>1,171,281</u>
<b>Current liabilities</b>		
Loans and borrowings	139,019	100,526
Provisions for employee benefits	40,933	40,529
Financial liabilities	-	308
Provisions for other liabilities and charges	76,454	73,609
Subsidies	1,017	988
Financing liabilities on account of bond issue	195	106
Current income tax liabilities	74	63
Trade and other liabilities	372,284	453,178
	<u>629,976</u>	<u>669,307</u>
<b>Total liabilities</b>	<b><u>1,822,040</u></b>	<b><u>1,840,588</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>4,365,783</u></b>	<b><u>4,364,415</u></b>



## Interim Consolidated Income Statement

	Q1 2015 period from 1 Jan. 2015 to 31 Mar. 2015	Q1 2014 period from 1 Jan. 2014 to 31 Mar. 2014
Revenue	428,279	481,540
Costs of products, goods and materials sold	(349,711)	(364,108)
<b>Gross profit</b>	<b>78,568</b>	<b>117,432</b>
Selling cost	(8,816)	(9,267)
Administrative costs	(23,298)	(23,060)
Other income	1,818	78
Other costs	(268)	(471)
Other net profit/loss	148	1,246
<b>Operating profit</b>	<b>48,152</b>	<b>85,958</b>
Finance income	1,506	2,351
Finance cost	(7,048)	(9,095)
Finance cost - net	(5,542)	(6,744)
<b>Profit before taxation</b>	<b>42,610</b>	<b>79,214</b>
Income tax	(9,920)	(16,614)
<b>Net profit for the financial period including:</b>	<b>32,690</b>	<b>62,600</b>
- attributable to owners of the Parent	32,522	62,381
- attributable to non-controlling interest	168	219
Earnings per share attributable to owners of the Parent during the year (in PLN per share)		
- basic	0.96	1.83
- diluted*	0.96	1.83

\* As at 31 March 2015, in connection with the introduction of the Management Options Scheme in 2013, the Parent held instruments causing possible dilution of ordinary shares. As at 31 March 2015, the impact of the dilution is immaterial. Diluted earnings per share are therefore equal to basic earnings per share of the Company (the same situation took place as at 31 March 2014).

## Interim Consolidated Statement of Comprehensive Income

	Q1 2015 period from 1 Jan. 2015 and 31 Mar. 2015	Q1 2014 period from 1 Jan. 2014 and 31 Mar. 2014
<b>Net profit for the financial period</b>	<b>32,690</b>	<b>62,600</b>
<b>Other comprehensive income for the financial period</b>		
<b>Items which never will be subject to reclassification to profit or loss for the current period</b>		
Actuarial gains (losses) of defined benefit schemes	(11,616)	2,039
Income tax relating to non-transferrable items	2,207	(387)
<b>Items which never will be subject to reclassification to profit or loss for the current period - total</b>	<b>(9,409)</b>	<b>1,652</b>
<b>Items which are or may be subject to reclassification to profit or loss for the current period</b>		
Cash flow hedges		
- Profit (loss) for period	(5,236)	(831)
Income tax relating to transferrable items	995	158
<b>Items which are or may be subject to reclassification to profit or loss for the current period - total</b>	<b>(4,241)</b>	<b>(673)</b>
<b>Other comprehensive income/(loss) for the financial period</b>	<b>(13,650)</b>	<b>979</b>
<b>Comprehensive net income for the financial period - total</b>	<b>19,040</b>	<b>63,579</b>
<b>z tego:</b>		
- Attributable to owners of the Parent	18,872	63,360
- attributable to non-controlling interest	168	219

## Interim Consolidated Statement of Changes in Equity

	Attributable to owners of the Parent							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	Retained profits	Total equity			
<b>As at 1 Jan. 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 of 31 Mar. 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>	
<b>As at 1 Jan. 2015</b>	<b>301,158</b>	<b>1,585,859</b>	<b>8,241</b>	<b>(237)</b>	<b>619,317</b>	<b>2,514,338</b>	<b>9,489</b>	<b>2,523,827</b>	
Total net comprehensive income for the reporting period:	-	-	-	(4,241)	23,113	18,872	168	19,040	
- Net profit	-	-	-	-	32,522	32,522	168	32,690	
- other comprehensive income	-	-	-	(4,241)	(9,409)	(13,650)	-	(13,650)	
- Management Options Issue	-	-	876	-	-	876	-	876	
<b>As of 31 Mar. 2015</b>	<b>301,158</b>	<b>1,585,859</b>	<b>9,117</b>	<b>(4,478)</b>	<b>642,430</b>	<b>2,534,086</b>	<b>9,657</b>	<b>2,543,743</b>	

## Interim Consolidated Statement of Cash Flows

	<b>For Q1 ended on 31 March</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flow from (used in) operating activities</b>		
Cash inflow from operating activities	178,363	181,265
Interest received	1,909	1,737
Income tax paid	(8,191)	(13,438)
Net cash flows from operating activities	<b>172,081</b>	<b>169,564</b>
<b>Cash flows from (used in) investing activities</b>		
Acquisition of property, plant and equipment	(127,146)	(137,146)
Interest paid regarding investing activity	(2,775)	(2,598)
Acquisition of intangible assets	(91)	(33)
Inflow from the sale of property, plant and equipment	10	5,679
Interest received	876	1,247
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(79)	(21)
Net cash flows from investing activities	<b>(129,205)</b>	<b>(132,872)</b>
<b>Cash flow from (used in) financing activities</b>		
Proceeds from loans and borrowings	40,106	-
Repayments of loans and borrowings	-	(50,000)
Interest and commissions paid regarding financial activity	(2,749)	(2,691)
Other net cash flow from (used in) financing activity	-	4
Net cash flows from (used in) financing activities	<b>37,357</b>	<b>(52,687)</b>
Net change in cash and cash equivalents	80,233	(15,995)
Cash and cash equivalents at beginning of period	195,481	212,004
<b>Cash and cash equivalents at end of period</b>	<b>275,714</b>	<b>196,009</b>

\*detailed list of cash inflows from (used in) operating activities is presented on page 13.

## Consolidated cash inflow from operating activities

	<b>For Q1 ended on 31 March</b>	
	<b>2015</b>	<b>2014</b>
Profit before taxation	42,610	79,214
- Depreciation of non-current assets	95,645	87,752
- Amortisation of intangible assets	598	439
- Loss on sale of property, plant and equipment	1	40
- Income and costs related to changes in the property, plant and equipment	1,793	(1,325)
- Actuarial gains/losses as recognised in the consolidated statement of comprehensive income:	(11,616)	2,039
- Change in provisions for employee benefits liabilities	25,384	7,585
- Change in provisions	4,566	6,924
- Other flows	(43)	(174)
- Recognition of forward transactions the in Consolidated statement of comprehensive income	(5,529)	-
- Cost of Management Options	876	5,629
- Creating and using impairment losses of property, plant and equipment	33	(297)
- Change in inventories	(5,658)	3,360
- Change in trade and other receivables	64,805	(53,305)
- Change in trade and other liabilities	(35,102)	43,384
<b>Operating cash inflow</b>	<b>178,363</b>	<b>181,265</b>
Balance-sheet change in liabilities	(81,295)	70,208
Change in investment liabilities	46,193	(26,824)
<b>Change in liabilities for the purposes of the consolidated statement of cash flows</b>	<b>(35,102)</b>	<b>43,384</b>
Increase in non-current assets	83,728	166,568
Change in investment liabilities	46,193	(26,824)
Interest paid regarding investing activity	(2,775)	(2,598)
<b>Acquisition of property, plant and equipment</b>	<b>127,146</b>	<b>137,146</b>

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

	31 Mar. 2015	31 Dec. 2014
<b>ASSETS</b>		
<b>Assets</b>		
Property, plant and equipment	3,506,486	3,529,546
Intangible assets	23,182	23,692
Non-current investments	75,601	75,601
Trade and other receivables	155	160
Cash and cash equivalents	88,911	88,832
	<u>3,694,335</u>	<u>3,717,831</u>
<b>Current assets</b>		
Inventories	136,708	130,848
Trade and other receivables	233,323	297,304
Overpaid income tax	4,804	4,737
Cash and cash equivalents	255,513	172,263
	<u>630,348</u>	<u>605,152</u>
<b>TOTAL ASSETS</b>	<b><u>4,324,683</u></b>	<b><u>4,322,983</u></b>
<b>Equity</b>		
Ordinary shares	301,158	301,158
Other capital	1,598,063	1,601,428
Retained profits	624,101	602,882
<b>Total equity</b>	<b><u>2,523,322</u></b>	<b><u>2,505,468</u></b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred income tax liabilities	112,403	114,050
Provisions for employee benefits	208,728	183,777
Provisions for other liabilities and charges	119,927	123,585
Subsidies	14,917	15,109
Financing liabilities on account of bond issue	700,000	700,000
Trade and other liabilities	18,619	18,833
	<u>1,174,594</u>	<u>1,155,354</u>
<b>Current liabilities</b>		
Loans and borrowings	136,742	99,008
Provisions for employee benefits	40,502	40,098
Financial liabilities	-	308
Financing liabilities on account of bond issue	195	106
Provisions for other liabilities and charges	76,454	73,609
Grants	1,017	988
Trade and other liabilities	371,857	448,044
	<u>626,767</u>	<u>662,161</u>
<b>Total liabilities</b>	<b><u>1,801,361</u></b>	<b><u>1,817,515</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>4,324,683</u></b>	<b><u>4,322,983</u></b>

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

	Q1 2015 period from 1 Jan. 2015 to 31 Mar. 2015	Q1 2014 period from 1 Jan. 2014 to 31 Mar. 2014
Revenue	427,136	480,161
Costs of products, goods and materials sold	(350,511)	(367,467)
<b>Gross profit</b>	<b>76,625</b>	<b>112,694</b>
Selling cost	(9,405)	(9,884)
Administrative costs	(23,128)	(23,334)
Other income	1,784	59
Other costs	(265)	(470)
Other net profit/loss	110	1,350
<b>Operating profit</b>	<b>45,721</b>	<b>80,415</b>
Finance income	1,442	2,204
Finance cost	(7,046)	(9,091)
Finance cost - net	(5,604)	(6,887)
<b>Profit before taxation</b>	<b>40,117</b>	<b>73,528</b>
Income tax	(9,489)	(15,492)
<b>Net profit for the reporting period</b>	<b>30,628</b>	<b>58,036</b>
Earnings per share attributable to owners of the Company during the year (in PLN per share)		
- basic	0.90	1.71
- diluted*	0.90	1.71

\*As at 31 March 2015, in connection with the introduction of the Management Options Scheme in 2013, the Company held instruments causing possible dilution of ordinary shares. As at 31 March 2015, the impact of the dilution is immaterial. Diluted earnings per share are therefore equal to basic earnings per share of the Company (the same situation took place as at 31 March 2014).

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

	Q1 2015 period from 1 Jan. 2015 and 31 Dec. 2015	Q1 2014 period from 1 Jan. 2014 and 31 Dec. 2015
<b>Net profit for the reporting period</b>	<b>30,628</b>	<b>58,036</b>
<b>Other comprehensive income for the reporting period</b>		
Actuarial gains/losses of defined benefit schemes	(11,616)	2,039
Income tax relating to non-transferrable items	2,207	(387)
<b>Items which never will be subject to reclassification to profit or loss for the current period - total</b>	<b>(9,409)</b>	<b>1,652</b>
<b>Items which are or may be subject to reclassification to profit or loss for the current period</b>		
Cash flow hedges		
- Profit (loss) for period	(5,236)	(831)
Income tax relating to transferrable items	995	158
<b>Items which are or may be subject to reclassification to profit or loss for the current period - total</b>	<b>(4,241)</b>	<b>(673)</b>
<b>Other comprehensive income/(loss) for the financial period</b>	<b>(13,650)</b>	<b>979</b>
<b>Net comprehensive income for the reporting period - total</b>	<b>16,978</b>	<b>59,015</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 Jan. 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 of 31 Mar. 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>
<b>As at 1 Jan. 2015</b>	<b>301,158</b>	<b>1,593,424</b>	<b>8,241</b>	<b>(237)</b>	<b>602,882</b>	<b>2,505,468</b>
Total net comprehensive income for the reporting period:	-	-	-	(4,241)	21,219	16,978
- Net profit	-	-	-	-	30,628	30,628
- other comprehensive income	-	-	-	(4,241)	(9,409)	(13,650)
Management Options Issue	-	-	876	-	-	876
<b>As of 31 Mar. 2015</b>	<b>301,158</b>	<b>1,593,424</b>	<b>9,117</b>	<b>(4,478)</b>	<b>624,101</b>	<b>2,523,322</b>

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

	<b>For Q1 ended on 31 March</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flow from (used in) operating activities</b>		
Cash inflow from operating activities*	173,010	189,545
Interest received	1,909	1,741
Income tax paid	(8,000)	(13,160)
Net cash flows from operating activities	<b>166,919</b>	<b>178,126</b>
<b>Cash flows from (used in) investing activities</b>		
Acquisition of property, plant and equipment	(116,707)	(129,404)
Interest paid regarding investing activity	(2,775)	(2,598)
Acquisition of intangible assets	(84)	(25)
Inflow from the sale of property, plant and equipment	45	5,679
Interest received	876	950
Acquisition of shares in subsidiaries	-	(67)
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(79)	(21)
Net cash flows from investing activities	<b>(118,724)</b>	<b>(125,486)</b>
<b>Cash flow from (used in) financing activities</b>		
Proceeds from loans and borrowings	37,734	-
Repayments of loans and borrowings	-	(50,000)
Interest and commissions paid regarding financial activity	(2,679)	(2,691)
Net financing cash flow	<b>35,055</b>	<b>(52,691)</b>
Net increase / (decrease) in cash and cash equivalents	83,250	(51)
Cash and cash equivalents at beginning of period	172,263	177,898
<b>Cash and cash equivalents at end of period</b>	<b>255,513</b>	<b>177,847</b>

\*detailed list of cash inflows from (used in) operating activities is presented on page 19.

## Cash inflow from operating activities

	<b>For Q1 ended on 31 March</b>	
	<b>2015</b>	<b>2014</b>
Profit before taxation	40,117	73,528
- Depreciation of non-current assets	94,374	86,700
- Amortisation of intangible assets	589	437
- Loss on sale of property, plant and equipment	26	20
- Income and costs related to changes in the property, plant and equipment	1,793	8,649
- Actuarial gains/losses as recognised in the statement of comprehensive income	(11,616)	2,039
- Change in provisions for employee benefits liabilities	25,355	7,575
- Change in provisions	4,566	6,924
- Other flows	(53)	(21)
- Recognition of forward transactions the in Consolidated statement of comprehensive income	(5,529)	-
- Cost of Management Options	876	5,629
- - Using and creating revaluation write-offs		
Property, plant and equipment	33	(297)
- Change in inventories	(5,860)	3,188
- Change in trade and other receivables	63,986	(51,728)
- Change in trade and other liabilities	(35,647)	46,902
<b>Operating cash inflow</b>	<b>173,010</b>	<b>189,545</b>
Balance-sheet change in liabilities	(76,567)	80,693
Change in investment liabilities	40,920	(33,791)
<b>Change in liabilities for the purposes of the statement of cash flows</b>	<b>(35,647)</b>	<b>46,902</b>
Increase in non-current assets	78,562	165,793
Change in investment liabilities	40,920	(33,791)
Interest paid regarding investing activity	(2,775)	(2,598)
<b>Acquisition of property, plant and equipment</b>	<b>116,707</b>	<b>129,404</b>

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

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby declares that as at 29 April 2015 it approves this Consolidated Quarterly Report for the first quarter covering the period between 1 Jan. 2015 and 31 Mar. 2015.

#### **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 Director for Economic and Financial Affairs;
Krzysztof Szlaga	Vice-President of the Management Board, Procurement and Investments
Urszula Piątek	Chief Accountant