Lubelski Węgiel Bogdanka S.A.

Condensed Interim Financial Statements

for the period of six months ended 30 June 2015

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(All amounts in the tables are in PLN thousand, unless otherwise specified.)

Interim Statement of Financial Position (Balance Sheet)

	Note	30 Jun. 2015	31 Dec. 2014
Assets			
Non-current assets			
Property, plant and equipment	5	3,483,615	3,529,546
Intangible assets	6	22,736	23,692
Non-current investments		75,601	75,601
Trade and other receivables		150	160
Cash and cash equivalents		89,947	88,832
		3,672,049	3,717,831
Current assets			
Inventories		134,110	130,848
Trade and other receivables		233,561	297,304
Overpaid income tax		-	4,737
Cash and cash equivalents		200,927	172,263
		568,598	605,152
TOTAL ASSETS		**4,240,647**	**4,322,983**
Equity			
Ordinary shares	7	301,158	301,158
Other capital	8	1,756,988	1,601,428
Retained earnings		407,428	602,882
Total equity		**2,465,574**	**2,505,468**
Liabilities			
Non-current liabilities			
Deferred tax liabilities		115,081	114,050
Provisions for employee benefits	12	195,998	183,777
Provisions for other liabilities and charges	13	112,784	123,585
Grants	9	14,618	15,109
Financial liabilities due to bonds issue	11	700,000	700,000
Trade and other liabilities		15,507	18,833
		1,153,988	1,155,354
Current liabilities			
Loans and borrowings	10	57,762	99,008
Provisions for employee benefits	12	45,241	40,098
Financial liabilities	21	-	308
Provisions for other liabilities and charges	13	76,998	73,609
Grants	9	1,017	988
Financial liabilities due to bond issue	11	46	106
Current tax liabilities		3,584	-
Liabilities on account of dividend*		119,052	4
Trade and other liabilities		317,385	448,040
		621,085	662,161
Total liabilities		**1,775,073**	**1,817,515**
TOTAL EQUITY AND LIABILITIES		**4,240,647**	**4,322,983**

* As at 31 December 2014, liabilities on account of dividend were disclosed in aggregate under the item “Trade and other liabilities”.

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

Interim Income Statement

	Note	For the six months ended 30 June	
		2015	**2014**
Revenue		841,639	943,007
Costs of products, goods and materials sold		(679,765)	(748,898)
Gross profit		**161,874**	**194,109**
Selling cost		(18,800)	(20,323)
Administrative costs		(45,623)	(46,815)
Other income	14	1,961	693
Other costs	15	(360)	(997)
Other losses - net	16	(98)	(8,799)
Operating profit		**98,954**	**117,868**
Finance income	17	6,387	7,744
Finance cost	17	(11,368)	(14,457)
Finance cost - net		(4,981)	(6,713)
Profit before taxation		**93,973**	**111,155**
Income tax	18	(17,219)	(23,756)
Net profit for the financial period		**76,754**	**87,399**
Earnings per share attributable to owners of the Company during the year (in PLN per share)			
- basic	19	2.26	2.57
- diluted	19	2.26	2.57

Notes presented on pages 9 – 30 constitute an integral part of these condensed interim financial statements.

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

Interim Statement of Comprehensive Income

	For the six months ended 30 June	
	2015	**2014**
Net profit for the financial period	**76,754**	**87,399**
Other comprehensive income for the reporting period		
Items never intended to be reclassified as profit or loss of the current period		
Actuarial gains/losses of defined benefit schemes	887	1,550
Income tax relating to non-transferrable items	(153)	(294)
Items never intended to be reclassified as profit or loss of the current period - total	**734**	**1,256**
Items which are or may be reclassified as profit or loss of the current period		
Cash flow hedges		
- Profit/(loss) for the period	(3,374)	(3,381)
- Adjustments resulting from transferring amounts to original values of hedged items	3,268	-
Income tax relating to transferrable items	20	643
Items which are or may be reclassified as profit or loss of the current period - total	**(86)**	**(2,738)**
Other comprehensive income/ loss for the reporting period	**648**	**(1,482)**
Other net comprehensive income for the reporting period - total	**77,402**	**85,917**

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

Interim Statement of Changes in Equity

		Other capital				
	Ordinary shares	**Other capital – transfer of profit / loss**	**Other capital – issue of Management Options**	**Equity on valuation of cash flow hedges**	**Retained earnings**	**Total equity**
As at 1 January 2014	**301,158**	**1,464,173**	**2,853**	**(4,238)**	**672,224**	**2,436,170**
Total net comprehensive income for the reporting period:	-	-	-	(2,738)	88,655	85,917
- net profit	-	-	-	-	87,399	87,399
- other comprehensive income	-	-	-	(2,738)	1,256	(1,482)
Dividends concerning 2013	-	-	-	-	(197,279)	(197,279)
Transfer of the result for 2013	-	129,251	-	-	(129,251)	-
Management Options Issue	-	-	5,905	-	-	5,905
As at 30 June 2014	**301,158**	**1,593,424**	**8,758**	**(6,976)**	**434,349**	**2,330,713**
As at 1 January 2015	**301,158**	**1,593,424**	**8,241**	**(237)**	**602,882**	**2,505,468**
Total net comprehensive income for the reporting period:	-	-	-	(86)	77,488	77,402
- net profit	-	-	-	-	76,754	76,754
- other comprehensive income	-	-	-	(86)	734	648
Dividends concerning 2014	-	-	-	-	(119,048)	(119,048)
Transfer of result for 2014	-	153,894	-	-	(153,894)	-
Management Options Issue	-	-	1,752	-	-	1,752
As at 30 June 2015	**301,158**	**1,747,318**	**9,993**	**(323)**	**407,428**	**2,465,574**

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

Interim Statement of Cash Flows

	Note	For the six months ended 30 June 2015	2014
Cash flow from operating activities			
Cash inflow from operating activities*		354,159	349.410
Interest received		1,870	2.699
Income tax paid		(8,000)	(23.830)
Net cash flow from operating activities		**348,029**	**328.279**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(270,023)	(301.479)
Interest paid regarding investing activity		(5,425)	(5.719)
Acquisition of intangible assets		(167)	(124)
Inflow from the sale of property, plant and equipment		1,496	10.032
Interest received	17	1,694	1.941
Acquisition of shares in subsidiaries		-	(1.067)
Dividend received		-	580
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund		(1,115)	(1.231)
Net cash flows from investing activities		**(273,540)**	**(297.067)**
Cash flow from financing activities			
Proceeds from loans and borrowings		-	18.043
Inflow from issue of bonds		-	100.000
Repayments of loans and borrowings		(41,247)	(140.000)
Interest and commissions paid due to financing activities		(4,578)	(4.640)
Net cash flows from financing activities		**(45,825)**	**(26.597)**
Net increase in cash and cash equivalents		28,664	4.615
Cash and cash equivalents at the beginning of period		172,263	177,898
Cash and cash equivalents at the end of period		**200,927**	**182,513**

* Detailed list of inflow from operating activities is presented on page 8.

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

Interim cash inflow from operating activities

	For the six months ended 30 June	
	2015	**2014**
Profit before taxation	93,973	111,155
- Depreciation of non-current assets (Note 5)	186,783	174,561
- Amortisation of intangible assets (Note 6)	1,119	877
- Profit / (loss) on sale of property, plant and equipment (Note 16)	84	(20)
- Result on income and costs related to changes in the property, plant and equipment	5,199	6,273
- Actuarial gains / (losses) as recognised in the interim statement of comprehensive income	887	1,550
- Change in provisions for employee benefits (Note 12)	17,364	13,910
- Change in provisions	6,648	20,053
- Other flows	554	28
- Dividend due and received	(3,267)	(3,411)
- Cost of Management Options	1,752	5,905
- Use and creation of impairment losses for plant, property and equipment (Note 16)	33	(275)
- Change in inventories	(3,261)	14,497
- Change in trade and other receivables	67,020	(26,527)
- Change in trade and other liabilities	(20,729)	30,834
Cash inflow from operating activities	**354,159**	**349,410**
Balance-sheet change in receivables	63,753	(78,930)
Receivables related to dividend	3,267	2,831
Receivables related to advances paid for property, plant and equipment	-	49,572
Change in receivables for the purposes of the interim statement of cash flows	**67,020**	**(26,527)**
Balance-sheet change in liabilities	(15,395)	195,361
Change in investment liabilities	113,714	32,752
Liabilities on account of dividend concerning the previous year	(119,048)	(197,279)
Change in liabilities for the purposes of the interim statement of cash flows	**(20,729)**	**30,834**
Increase in property, plant and equipment	161,734	274,446
Change in investment liabilities	113,714	32,752
Interest paid regarding investing activity	(5,425)	(5,719)
Acquisition of property, plant and equipment	**270,023**	**301,479**

Notes to the Condensed Interim Financial Statements

1. General information

1.1. Information about the Company

Lubelski Węgiel Bogdanka S.A. is a joint stock company, operating under the laws of Poland. The Company was established 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 Lubelski Węgiel Bogdanka Spółka Akcyjna are listed at the Warsaw Stock Exchange (WSE).

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 Group prepares condensed interim consolidated financial statements in accordance with IFRS for the period from 1 January to 30 June 2015. In order to understand fully the Company’s financial standing and the results of its operation, these condensed interim financial statements should be read in conjunction with the condensed interim consolidated financial statements of the Lubelski Węgiel Bogdanka Group, for the period ended 30 June 2015. Those financial statements will be available on the Company’s website at www.lw.com.pl on the date conforming to the current report regarding the date for the provision of the interim consolidated report for the first half of 2015.

1.2. Assumption of the Company going concern

The condensed interim financial statements were prepared under the assumption of going concern in the foreseeable future and that there are no circumstances indicating any risk to the continuation of the Company’s activities.

2. Description of key accounting principles applied

These condensed interim financial statements follow the same accounting principles (policies) and calculating methods as the latest annual financial statements.

2.1. Basis of preparation

These condensed interim financial statements of LW Bogdanka S.A. for the first six months of 2015 were prepared in accordance with International Accounting Standard 34 – “Interim Financial Reporting.”

The condensed interim financial statements were prepared according to the historical cost principle except for derivative instruments measured at fair value as well as 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 Company 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 Company’s condensed interim financial statements 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.

Preparing of the condensed interim financial statements in accordance with IAS 34 requires the use of certain significant accounting estimates. It also requires that the Management Board exercises its own judgement when applying the accounting principles adopted by the Company. The main estimates and judgements have not changed since the publication of the annual financial statements for 2014.

These condensed interim financial statements were prepared using the same accounting principles for the current and comparative periods.

a) Standards and interpretations applied for the first time in 2015

The following standards, amendments to the existing standards, and interpretations published by the International Accounting Standards Board (IASB) and endorsed for application in the European Union came into force for the first time in the Company in 2015:

- **Amendments to various standards "Improvements to IFRS (2011-2013 cycle)"** – amendments made under the annual procedure of amending IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40), primarily oriented at eliminating inconsistencies and specifying terminology, endorsed by the EU on 18 December 2014 (applicable to annual periods beginning on or after 1 January 2015); published on 12 December 2013. Amendments were made to various standards and interpretations under the annual procedure of amending the Standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily oriented at eliminating inconsistencies and specifying terminology. The amendments specified more precisely the required accounting treatment in situations where previously freedom of interpretation was allowed. The most important are new or amended requirements regarding: (i) the meaning of the effective Standards in IFRS 1; (ii) the scope of exceptions regarding joint ventures; (iii) scope of paragraph 52 IFRS 13 (portfolio exception), and (iv) specifying relations between IFRS 3 and IAS 40 regarding the classification of real properties as investment real properties or real properties used for own purposes.

  The introduction of amendments to the above standards does not materially affect these condensed interim financial statements.

- **IFRIC 21 Interpretation "Levies"** endorsed by the EU on 13 June 2014 (applicable to annual periods beginning on or after 17 June 2014), published by the International Accounting Standards Board on 20 May 2013. IFRIC 21 is the interpretation of IAS 37 "Contingent liabilities and contingent assets." IAS 37 sets forth the criteria for recognition of a liability, one of which is a requirement to have a present obligation arising from past events (the so called obligating event). The interpretation clarifies that the event triggering an obligation to pay a levy is the activity for which levies are imposed in accordance with the relevant legislation.

  The introduction of amendments to interpretation of IFRIC 21 does not materially affect these condensed interim financial statements.

b) Standards and interpretations published and endorsed by the European Union, but not effective yet

When approving these condensed interim financial statements, the Company was not applying the following standards, standard amendments or interpretations which were published by the International Accounting Standards Board and endorsed by the European Union for use within the European Union but which were not effective yet:

- **Amendments to various standards "Improvements to IFRS (2010-2012)"** – amendments made under the annual procedure of amending IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily oriented at eliminating inconsistencies and specifying terminology – endorsed by the European Union on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015) published by the International Accounting Standards Board on 12 December 2013. Amendments to various standards and interpretations as part of procedure of introducing annual amendments to Standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 2 and IAS 38), primarily oriented at eliminating inconsistencies and specifying terminology. The amendments clarified the required accounting treatment in situations wherein previously freedom of interpretation was allowed. The most important are new or amended requirements regarding: (i) definition of "vesting condition"; (ii) accounting for contingent consideration in a business combination; (iii) aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; (iv) measurement of current receivables and payables; (v) proportionate restatement of accumulated depreciation in the revaluation method, and (vi) definition of key management personnel.

The Company will apply amendments to various standards "Amendments to IFRS (2010-2012 Cycle)" as from 1 January 2016. The Company has analysed the impact of the above standards on accounting policies applied by the Company. The application of these amendments will not have a material impact on the financial statements.

- **Amendments to IAS 19 "Employee benefits"** – Defined Benefit Plans: Employee Contributions - endorsed by the European Union on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015) published by the International Accounting Standards Board on 21 November 2013. Smaller amendments relate to the scope of application of the standard to contributions from employees or third parties paid to defined benefit plans. The objective is to simplify the accounting for contributions which are independent of the number of years of service (e.g. employee contributions calculated as a fixed percentage of salary).

  The Company will apply amendments to IAS 19 "Employee Benefits" as from 1 January 2016. The Company has analysed the impact of the above standards on accounting policies applied by the Company. The application of the amendment to IAS 19 will not have a material impact on the financial statements.

c) Standards and interpretations adopted by IASB, but not yet endorsed by the European Union

At present, the IFRS endorsed by the European Union do not differ substantially from the regulations adopted by the International Accounting Standards Board (IASB), save for the following standards, standard amendments or interpretations which as at 20 August 2015 were not adopted for use in the European Union:

- **IFRS 9 "Financial Instruments"** (applicable to annual periods beginning on or after 1 January 2018), was published on 24 July 2014 as a standard to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 sets forth the requirements for recognition and measurement, impairment, de-recognition, and hedge accounting. Classification and measurement – IFRS 9 introduces a new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements according to IAS 39. The new model also results in a single impairment model being applied to all financial instruments. Impairment – IFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. Hedge accounting – IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities. Own credit risk – IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.
- **IFRS 14 "Regulatory Deferral Accounts"** (applicable to annual periods beginning on or after 1 January 2016) was published by the International Accounting Standards Board on 30 January 2014. The aim of the standard is to enable IFRS first-time adopters to continue to account for regulatory deferral account balances in accordance with their previous generally applicable accounting policies, on and following first-time adoption of IFRS.
- **IFRS 15 "Revenue from Contracts with Customers"** (applicable to annual periods beginning on or after 1 January 2017) was published by the International Accounting Standards Board on 28 May 2014. The standard specifies how and when revenue is to be recognised and requires more detailed disclosures. The standard replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and many interpretations connected with revenue recognition. The standard is applicable to nearly all contracts with customers (with main exceptions covering lease contracts, financial instruments and insurance agreements). The core principle of the new standard is that an entity will recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration (i.e. price) to which the entity expects to be entitled in exchange for those goods or services. The standard also provides guidance for recognition of transactions which have not been regulated in detail by previous standards (e.g. revenue from services or contract modifications) as well as more comprehensive explanations to recognition of multi-part contracts.
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual periods beginning on or after 1 January 2016), published on 11 September 2014. The

amendments address a conflict between the requirements of IAS 28 and IFRS 10, and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** – Investment Entities: Applying the Consolidation Exception (applicable to annual periods beginning on or after 1 January 2016), published on 18 December 2014. Narrow scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the accounting for investment entities. The amendments also provide for, in specific circumstances, certain exceptions in this regard.
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for the acquisition of interests in joint operations (applicable to annual periods beginning on or after 1 January 2016) published by the International Accounting Standards Board on 6 May 2014. The amendments give new guidance how to account for the acquisition of an interest in a joint operation that is a business.
- **Amendments to IAS 1 "Presentation"** – initiative in relation to disclosures (applicable to annual periods beginning on or after 1 January 2016), published on 18 December 2014. The amendments to IAS 1 are designed to encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of acceptable methods of depreciation and amortisation (applicable to annual periods beginning on or after 1 January 2016) was published by the International Accounting Standards Board on 12 May 2014. The amendments clarify that application of revenue-based methods to calculate depreciation of property, plant and equipment is not appropriate as revenue generated from the activity covering the use of assets usually reflects other factors than consumption of the economic benefits embodied in the asset. The amendments also clarify that adoption of revenue as measurement basis of the use of economic benefits embodied in the intangible asset is in principle not recognised as appropriate. However, exceptions to that rule are allowed in strictly specified circumstances.
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: bearer plants (applicable to annual periods beginning on or after 1 January 2016) published by the International Accounting Standards Board on 30 June 2014; The amendments include bearer plants which are used solely to grow produce within the scope of application of IAS 16 and so they are accounted for in the same way as property, plant and equipment.
- **Amendments to IAS 27 "Separate Financial Statements"** – Equity Method in separate financial statements (applicable to annual periods beginning on or after 1 January 2016), published by the International Accounting Standards Board on 12 August 2014. The amendments are intended to restore the equity method as an additional option for settlements of investments in subsidiaries, joint ventures and associated entities in separate financial statements.
- **Amendments to various standards "Improvements to IFRS (2012-2014 Cycle)"** – amendments made under the annual procedure of amending IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34), primarily oriented at eliminating inconsistencies and specifying terminology (applicable to annual periods beginning on or after 1 January 2016); published on 25 September 2014. Amendments were made to various standards and interpretations under the annual procedure of amending the Standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily oriented at eliminating inconsistencies and specifying terminology. The amendments clarified the required accounting treatment in situations wherein previously freedom of interpretation was allowed. The improvements include new or amended requirements regarding: (i) changes in methods of disposal; (ii) servicing contracts; (iii) applicability of the amendments to IFRS 7 in condensed interim financial statements; (iv) discount rate: regional market issues; (v) disclosure of information "elsewhere in the interim financial report".

The Company has analysed the impact of the above standards and amendments thereto on the applied accounting principles. In the opinion of the Management Board, the above standards will not have any material impact on the accounting policies applied to date. At the same time, hedge accounting for the portfolio of financial assets and liabilities, whose principles have not been endorsed for use by the European Union yet still remain outside the regulations endorsed by the European Union. According to the Company's estimates, the application of hedge accounting to the portfolio of financial assets and liabilities in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" would not have any adverse impact on the condensed interim financial statements if it was adopted for application at the balance-sheet date.

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

3. Information on business segments

IFRS 8 – "Operating Segments" is applicable for the purposes of preparing these condensed interim financial statements. That standard requires that the financial statements of the Company present a series of data concerning individual segments, while the approach to segmentation of the Company presented in the financial statements should be consistent with the division into segments used for the purposes of making strategic management decisions.

a) Key reporting structure - industry segments

The Management Board does not apply division into segments for managing the Company since the Company's core business is production and sale of coal. In the period from 1 January 2015 to 30 June 2015, revenue from sales of other products and services amounted to PLN 32,699,000 (PLN 38,604,000 in an analogous period of the previous year), representing 3.89% of total revenue (4.09% in an analogous period of the previous year).

Accordingly, the Company does not present its results by industry segments.

b) Supplementary reporting structure - geographical segments

The Company operates primarily in Poland. In the period from 1 January 2015 to 30 June 2015, revenue from foreign sales amounted to PLN 2,683,000 (PLN 280,000 in an analogous period of the previous year), representing 0.32% of total revenue in the particular period (0.03% in an analogous period of the previous year). The Company does not hold the related assets or liabilities outside Poland.

Accordingly, the Company does not present its results by geographical segments.

c) Key coal customers

Within six months in 2015 and 2014, key customers for the Company's coal, whose share in sales exceeded 10% of the total revenue on sales, were:

	6 months of 2015	**6 months of 2014**
ENEA Wytwarzanie Sp. z o.o.	45%	39%
GDF Suez Energia Polska S.A.	18%	18%
ENERGA Elektrownie Ostrołęka S.A.	11%	16%
PGNiG Termika S.A.	10%	12%

4. Information regarding seasonality

The production is not seasonal, whereas seasonal character of sales can be noticed in the case of retail sales at a point of coal sale. Sales to individual customers account for 0.50% of the total sales. They do not have any significant impact on the operating and financial activities of the Company.

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

5. Property, plant and equipment

	Land	Buildings and structures total	Buildings and structures including excavations	Plant and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
As at 1 January 2014								
Cost or assessed value	4,394	2,564,586	1,818,083	1,642,358	113,704	16,225	315,332	4,656,599
Accumulated depreciation	-	(851,318)	(667,120)	(634,080)	(62,259)	(10,592)	-	(1,558,249)
Net book value	**4,394**	**1,713,268**	**1,150,963**	**1,008,278**	**51,445**	**5,633**	**315,332**	**3,098,350**
As at 30 June 2014								
Net book value at beginning of year	4,394	1,713,268	1,150,963	1,008,278	51,445	5,633	315,332	3,098,350
Increases*	-	11,092	-	-	-	-	224,992	236,084
Transfer from construction in progress	21	136,442	129,360	26,182	2,767	497	(165,909)	-
Decreases*	(21)	(6,293)	(5,996)	(16)	(1)	-	(118)	(6,449)
Depreciation for the period	-	(107,987)	(91,282)	(62,781)	(3,223)	(570)	-	(174,561)
Net book value	**4,394**	**1,746,522**	**1,183,045**	**971,663**	**50,988**	**5,560**	**374,297**	**3,153,424**
As at 30 June 2014								
Cost or assessed value	4,394	2,673,827	1,909,446	1,666,519	114,299	16,692	374,297	4,850,028
Accumulated depreciation	-	(927,305)	(726,401)	(694,856)	(63,311)	(11,132)	-	(1,696,604)
Net book value	**4,394**	**1,746,522**	**1,183,045**	**971,663**	**50,988**	**5,560**	**374,297**	**3,153,424**
As at 1 January 2015								
Cost or assessed value	5,056	2,851,163	1,950,646	1,980,216	115,020	19,588	404,468	5,375,511
Accumulated depreciation	-	(1,032,957)	(814,902)	(737,637)	(63,775)	(11,596)	-	(1,845,965)
Net book value	**5,056**	**1,818,206**	**1,135,744**	**1,242,579**	**51,245**	**7,992**	**404,468**	**3,529,546**
As at 30 June 2015								
Net book value at beginning of year	5,056	1,818,206	1,135,744	1,242,579	51,245	7,992	404,468	3,529,546
Increases*	-	-	-	-	-	-	161,941	161,941
Transfer from construction in progress	122	141,550	141,312	25,650	1,333	123	(168,778)	-
Decreases*	(33)	(19,253)	(5,193)	(41)	(1,581)	(3)	(178)	(21,089)
Depreciation for the period	-	(110,162)	(90,249)	(72,633)	(3,305)	(683)	-	(186,783)
Net book value	**5,145**	**1,830,341**	**1,181,614**	**1,195,555**	**47,692**	**7,429**	**397,453**	**3,483,615**
As at 30 June 2015								
Cost or assessed value	5,145	2,886,071	1,999,376	2,001,115	112,574	19,673	397,453	5,422,031
Accumulated depreciation	-	(1,055,730)	(817,762)	(805,560)	(64,882)	(12,244)	-	(1,938,416)
Net book value	**5,145**	**1,830,341**	**1,181,614**	**1,195,555**	**47,692**	**7,429**	**397,453**	**3,483,615**

* the items include creating, releasing and using the impairment losses on property, plant and equipment.

The cost of external financing (interest and commissions on liabilities) activated during six months of 2015 in the value of the property, plant and equipment totalled at PLN 5,425,000 (six months of 2014: PLN 5,719,000).

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

5.1. Property, plant and equipment - excavations

The tables below present short characteristics of galleries and other PPP items, disclosed under "excavations".

As at 30 June 2015:

Item	Number [pcs]	Length [m]	Initial value	Depreciation	Net value as at the balance-sheet date	Degree of depreciation at a given group
Galleries disclosed under non-current assets, depreciated by using a natural method, including:	27	32,185	505,432	279,374	226,058	55%
- depreciated until June 2015	*18*	*16,025*	*378,588*	*279,374*	*99,214*	*74%*
Galleries disclosed under non-current assets, depreciated according to useful life	235	99,450	1,198,908	428,912	769,996	36%
Other items, depreciated according to useful life (shafts, shaft towers, dams, reservoirs and other)	32	-	295,036	109,476	185,560	37%
Total as at 30 June 2015	**294**	**131,635**	**1,999,376**	**817,762**	**1,181,614**	**41%**

As at 30 June 2014:

Item	Number [pcs]	Length [m]	Initial value	Depreciation	Net value as at the balance-sheet date	Degree of depreciation at a given group
Galleries disclosed under non-current assets, depreciated by using a natural method, including:	27	34,551	500,390	243,793	256,597	49%
- depreciated until June 2014	*16*	*15,307*	*367,378*	*243,793*	*123,585*	*66%*
Galleries disclosed under non-current assets, depreciated according to useful life	223	96,106	1,109,372	383,096	726,276	35%
Other items, depreciated according to useful life (shafts, shaft towers, dams, reservoirs and other)	32	-	299,684	99,512	200,172	33%
Total as at 30 June 2014	**282**	**130,657**	**1,909,446**	**726,401**	**1,183,045**	**38%**

6. Intangible assets

	Computer software	Fees, licences	Geological information	Other	Total
As at 1 January 2014					
Cost or assessed value	4,989	4,423	26,709	6	36,127
Accumulated amortisation	(3,232)	(1,397)	(8,404)	-	(13,033)
Net book value	**1,757**	**3,026**	**18,305**	**6**	**23,094**
As at 30 June 2014					
Net book value at beginning of year	1,757	3,026	18,305	6	23,094
Increases	-	118	-	5	123
Amortisation for the period	(175)	(125)	(577)	-	(877)
Net book value	**1,582**	**3,019**	**17,728**	**11**	**22,340**

As at 30 June 2014					
Cost or assessed value	4,969	4,541	26,709	11	36,230
Accumulated amortisation	(3,387)	(1,522)	(8,981)	-	(13,890)
Net book value	**1,582**	**3,019**	**17,728**	**11**	**22,340**
As at 1 January 2015					
Cost or assessed value	5,163	6,738	26,709	-	38,610
Accumulated amortisation	(3,541)	(1,725)	(9,652)	-	(14,918)
Net book value	**1,622**	**5,013**	**17,057**	**-**	**23,692**
As at 30 June 2015					
Net book value at beginning of year	1,622	5,013	17,057	-	23,692
Increases	16	151	-	-	167
Decreases	-	(4)	-	-	(4)
Amortisation for the period	(202)	(288)	(629)	-	(1,119)
Net book value	**1,436**	**4,872**	**16,428**	**-**	**22,736**
As at 30 June 2015					
Cost or assessed value	5,176	6,835	26,709	-	38,720
Accumulated amortisation	(3,740)	(1,963)	(10,281)	-	(15,984)
Net book value	**1,436**	**4,872**	**16,428**	**-**	**22,736**

7. Share capital

	Number of shares ('000)	**Ordinary shares - par value**	**Hyperinflation adjustment**	**Total**
As at 1 January 2014	34,014	170,068	131,090	301,158
As at 30 June 2014	34,014	170,068	131,090	301,158
As at 1 January 2015	34,014	170,068	131,090	301,158
As at 30 June 2015	34,014	170,068	131,090	301,158

All shares issued by the Company have been fully paid up.

8. Other capital

Pursuant to the Articles of Association, the Company can create supplementary capital and other reserve capitals, the purpose of which is determined by provisions of law and resolutions of decision-making bodies. Other capital includes supplementary capital under the Management Options issue and capital resulting from valuation of cash flow hedging financial instruments (in the portion deemed as effective hedging).

On 30 September 2013 the Supervisory Board of the Company adopted, by way of a resolution, the Rules of Management Options Scheme in 2013-2017. The resolution was adopted based on Resolution no. 26 of the Annual General Shareholders Meeting of the Company of 4 July 2013 regarding issue of up to 1,360,540 registered series A subscription warrants with the exclusion of a pre-emptive right, conditional increase in the Company's share capital by no more than PLN 6,802,700 through issue of up to 1,360,540 ordinary series D shares with a par value of PLN 5 each and with the exclusion of a pre-emptive right. As at the allocation date, the valuation of the scheme was made using the Black – Scholes – Merton model, the calculated value of bonds as at the allocation date amounted to PLN 23,657,000. In the valuation model, the following assumptions were made:

- option allocation date (valuation date) was set to fall on 30 September 2013 for each of the tranches.

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

- current price for calculation purposes was the forecast share price of Lubelski Węgiel Bogdanka S.A. as at 30 September 2013,

- the option life was calculated with the assumption of its maturity falling in the middle of the range between the first and the last possible day of option exercise,

- risk-free rate was defined as the semi-annual average of weekly prices of 5-year Treasury bonds,

- share price variability was calculated on the basis of annual rates of return on shares of Lubelski Węgiel Bogdanka S.A. using continuous capitalisation for the 4-year period of Company listings,

- zero dividend rate is assumed in connection with the MOS provisions that set out that dividends to be paid by Lubelski Węgiel Bogdanka S.A. will be deducted from the Option strike price.

As at 30 June 2015 revaluation was made with respect to Management Options Scheme. The value of the scheme remained unchanged in comparison to the value as at the end of 2014 and amounted to PLN 16,744,000.

As at 30 June 2015 the number of options granted under the Scheme for was 1,143,863. Out of this pool, the number of granted rights to exercise these options (for the period 2013-2014) is 335,199. The aggregate costs of the scheme as at 30 June 2015 amounted to PLN 9,993,000, out of which the amount of PLN 1,752,00 was recognised in the interim income statement under “Administrative expenses” and in the interim statement of changes in equity under “Other capital” as at 30 June 2015 (31 December 2014: PLN 5,388,000).

Other capitals include also derivatives used as cash flow hedges after tax effect (in the part which is considered to be an effective hedge). The loss on cash flow hedges in first 6 months of 2015 amounted in total to PLN 3,374,000 (PLN 2,733,000 after tax effect), while in an analogous period of 2014 the loss amounted to PLN 3,381,000. The aggregate losses suffered (by 30 June 2015) were recognised under the following items in the interim statement of financial position and in the interim statement of comprehensive income:

- the loss attributable to the period of first 6 months of 2015 in the amount of PLN 352,000 (PLN 285,000 after tax effect), together with the loss disclosed at the end of 2014 in the amount of PLN 47,000 (PLN 38,000 after tax effect), relating to a link hedging the cash flows (the primary hedge was a forward contract that was later replaced with a non-derivative instrument) open as at 30 June 2015, was recognised in the interim statement of comprehensive income in section cash flow hedges under “Profit/ (loss) for the period” (in the section related to 2015) and in the interim statement of financial position (balance sheet) under “Other capital”;

- the loss attributable to the period of first 6 months of 2015 in the amount of PLN 3,022,000 (PLN 2,448,000 after tax effect) together with the loss disclosed at the end of 2014 in the amount of PLN 246,000 (PLN 199,000 after tax effect) in relation to forward contracts concluded in 2013 and settled in 2014 – in aggregate PLN 3,268,000 (PLN 2,647,000 after tax effect) – was disclosed in the statement of comprehensive income in section cash flow hedges under “Adjustments from transferring amounts to original values of hedged items” and was taken to the initial value of non-current assets disclosed in the interim statement of financial position (balance sheet) under “Property, plant and equipment”.

In total, the interim statement of comprehensive income shows a decrease in comprehensive income related to cash flow hedges in the amount of PLN 86,000.

9. Grants

	30 Jun. 2015	31 Dec. 2014
Non-current liabilities		
Grants	14,618	15,109
Current liabilities		
Grants	1,017	988
	15,635	**16,097**

The grants received should be settled in the full amount on the moment they are amortised in full, sold or if an asset financed with these grants is liquidated.

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

10. Loans and borrowings

	30 Jun. 2015	31 Dec. 2014
Short-term:		
Bank loans:	57,762	99,008
- mBank S.A.	57,762	99,008
	57,762	**99,008**

On 21 May 2014, the Company entered with mBank S.A. into a revolving overdraft facility agreement with the limit of PLN 150,000,000. As at the balance sheet date, the facility was drawn in the amount of PLN 57,762,000, at the same time unused credit line amounted to PLN 92,238,000. The credit line was granted for a period of 2 years, i.e. by 22 May 2016, and interest is WIBOR 1M + bank's margin.

The facility is secured with:

1. Statement by the Company on the submission to execution, under Article 97.1 and 97.2 of the Banking Law of 29 August 1997, up to the amount of PLN 225,000,000.
2. Power of attorney to a current account kept by the Bank, granted by the Company to the Bank.
3. Assignment of receivables of the Company under the coal sale agreement up to the amount of debt under the facility together with interest and other costs, but no more than PLN 225,000,000, and transfer of proceeds from the agreement performance to the current account kept by the Bank for the Company.

The fair value of the loan does not significantly differ from its carrying amount. The loan received by the Company is denominated in Polish zlotys.

11. Financial liabilities on account of bond issue

	30 Jun. 2015	31 Dec. 2014
Non-current:		
Bond issue	700,000	700,000
- PEKAO S.A.	500,000	500,000
- BGK	200,000	200,000
Current:		
Interest on bonds:	46	106
- PEKAO S.A.	33	76
- BGK	13	30
	700,046	**700,106**

Financial liabilities under bonds relate to two program agreements covering bond issue scheme. Under the first Program Agreement concluded by the Company on 3 September 2013 with Bank Polska Kasa Opieki S.A., 3,000 bonds in the aggregate amount of PLN 300,000,000 were issued and are to be redeemed by 31 December 2018. The redemption date of bonds in the amount of PLN 75 million in each case is 30 March 2018, 30 June 2018, 30 September 2018 and 30 December 2018. Interest on the bonds is based on WIBOR 3M plus a fixed margin.

Under the second Program Agreement concluded by the Company on 30 June 2014 with Bank Polska Kasa Opieki S.A. (200 bonds) and Bank Gospodarstwa Krajowego (200 bonds), 400 bonds in the aggregate amount of PLN

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

400,000,000 were issued with the redemption date on 30 June 2016. According to the issue Scheme, the Company has the right to issue further bond series under a given tranche to refinance previous issue in a given tranche (roll up), which justifies the long-term nature of the scheme. Such situation occurred on 30 June 2015 when the redemption of the previously issued bonds, as part of a tranche, with the redemption date on 30 June 2015 was refinanced with the issue of another two series of bonds with the redemption date on 30 June 2016.

The interest rate of the bonds is based on WIBOR 3M, increased by a fixed margin.

The Company established collateral in favour of the Banks in the following forms: agreements for assignment of receivables under a contract with one of the Company's customers, statements on submission to execution under Article 777.1.5 of the Civil Procedure Code and powers of attorney to designated bank accounts of the Company.

Fair value of the financial liabilities on account of bond issue does not differ materially from the accounting value.

12. Provisions for employee benefits

	30 Jun. 2015	31 Dec. 2014
As disclosed in the interim statement of financial position		
- Retirement and disability benefits	29,013	37,773
- Jubilee awards	80,527	75,087
- Coal allowances in kind	106,619	97,501
- Other benefits for employees (unused holidays, death benefits and other)	25,080	13,514
	241,239	**223,875**
including:		
- non-current	195,998	183,777
- current	45,241	40,098

	30 Jun. 2015	30 Jun. 2014
As disclosed in the interim income statement:		
- Retirement and disability benefits	1,190	1,712
- Jubilee awards	9,440	2,682
- Coal allowances in kind	2,586	2,255
- Other benefits for employees (unused holidays, death benefits and other)	20,460	23,007
	33,676	**29,656**

	30 Jun. 2015	30 Jun. 2014
Costs recognised in the statement of comprehensive income regarding the distribution of actuarial gains and losses resulting from demographic assumptions, financial assumption and other changes:		
- Retirement and disability benefits	(7,255)	50
- Coal allowances in kind	6,536	(1,515)
- Other benefits for employees (death benefits)	(168)	(85)
	(887)	**(1,550)**

Change in provisions for employee benefits

	30 Jun. 2015	30 Jun. 2014
As at 1 January	**223,875**	**197,934**
Costs of current employment (unused holidays, death benefits and other)	27,075	28,564
Interest expense	2,636	4,219
Actuarial (gains)/losses as disclosed in the interim income statement	3,965	(3,127)

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

Actuarial (gains)/losses as disclosed in the interim statement of comprehensive income	(887)	(1,550)
Total as disclosed in the interim statement of comprehensive income	**32,789**	**28,106**
Benefits paid	(15,425)	(14,197)
As at 30 June	**241,239**	**211,843**

Total amount of employee benefits as disclosed in the interim income statement and the interim statement of comprehensive income:

	30 Jun. 2015	**30 Jun. 2014**
Costs of products, goods and materials sold	28,187	23,130
Selling cost	168	125
Administrative expenses	2,685	2,182
Finance cost	2,636	4,219
Total as disclosed in the interim income statement	**33,676**	**29,656**
Actuarial (gains)/losses as disclosed in the interim statement of comprehensive income	(887)	(1,550)
Total as disclosed in the interim statement of comprehensive income	**32,789**	**28,106**

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

13. Provisions for other liabilities and charges

	Mine closure	Mining damage	Legal claims	Real property tax	ZUS claims – contribution for accident insurance	Total
As at 1 January 2014	**85,278**	**12,933**	**24,058**	**27,846**	**-**	**150,115**
Including:						
Non-current	85,278	-	-	-	-	85,278
Current	-	12,933	24,058	27,846	-	64,837
Recognition in the interim statement of financial position						
- Revaluation of provision created	12,133	-	-	-	-	12,133
Recognition in the interim income statement						
- Creation of additional provisions	-	-	127	3,541	1,811	5,569
- Additional fine	-	-	-	-	8,092	8,092
- Use of provision	-	(703)	(699)	-	-	(1,402)
- Interest	-	-	979	1,194	537	2,710
- Discount settlement	3,837	-	-	-	-	3,837
As at 30 June 2014	**101,248**	**12,230**	**24,465**	**32,581**	**10,440**	**180,964**
Including:						
Non-current	101,248	-	-	-	-	101,248
Current	-	12,230	24,465	32,581	10,440	79,716
As at 1 January 2015	**123,585**	**9,155**	**25,295**	**23,258**	**15,901**	**197,194**
Including:						
Non-current	123,585	-	-	-	-	123,585
Current	-	9,155	25,295	23,258	15,901	73,609
Recognition in the interim statement of financial position						
- Revaluation of provision created	(12,500)	-	-	-	-	(12,500)
Recognition in the interim income statement						
- Creation of additional provisions	-	-	-	3,768	239	4,007
- Additional fine	-	-	-	-	1,299	1,299
- Use of the provision	-	(1,248)	(231)	(2,455)	-	3,934
- Interest	-	-	571	819	627	2,017
- Discount settlement	1,699	-	-	-	-	1,699
As at 30 June 2015	**112,784**	**7,907**	**25,635**	**25,390**	**18,066**	**189,782**
Including:						
Non-current	112,784	-	-	-	-	112,784
Current	-	7,907	25,635	25,390	18,066	76,998

(a) Mine closure

The Company creates a provision for expenses related to closure of a mining plant, as required under applicable laws. The value of expenses related to closure of a mining plant calculated as at 30 June 2015 amounts to PLN 112,784,000. The change in provision compared to 31 December 2014 is PLN -10,801,000, and an increase caused by discount write-off was recognised in the interim income statement under “Finance cost” in the amount of PLN 1,699,000, while a decrease caused by update of assumptions, amounting in total to PLN -12,500,000, was recognised in the interim statement of financial position as a decrease in "Property, plant and equipment".

(b) Removing mining damage

Given the need of removing mining damage, the Company creates a provision for mining damage. The estimated value of works necessary to remove damage as at 30 June 2015 amounts to PLN 7,907,000, and covers predominantly planned costs which will have to be incurred in connection with repair of damaged power lines, buy-out of developed properties (where damage appeared) and compensations for damage to agricultural land. In the period of 6 months of 2015, the provision used amounted in total to PLN 1,248,000 (PLN 703,000 in the period of 6 months of 2014).

(c) Legal claims

The amount disclosed constitutes a provision for certain legal claims filed against the Company by customers and suppliers. The value of created/released provisions in the current period is disclosed in the interim income statement as "Other losses – net." In the Management Board's opinion, supported by an appropriate legal opinion, those claims being filed will not result in significant losses in an amount that would exceed the value of provisions created as at 30 June 2015. The value of provision for legal claims as well as their legal status did not change materially compared to the end of the previous financial year (31 December 2014), and the change primarily referred to the revaluation of interest as at the balance-sheet date.

(d) Real property tax

The amount disclosed constitutes a provision for real property tax. While preparing statements for real property tax, the Company (like other mining companies in Poland) does not take into account the value of underground mining excavations or the value of equipment installed there, for the purpose of calculating this tax.

The position taken by the Constitutional Tribunal in its ruling of 13 September 2011, confirmed subsequently by a line of decisions given by administrative courts, is that real property tax is not chargeable on mining excavation understood as empty space in the rock mass which has been created as a result of carrying out mining works. At the same time, the Constitutional Tribunal did not exclude in the above ruling that mining excavations may contain objects constituting structures within the meaning of the Act on Local Charges and Taxes on which real property tax may be chargeable. If it is determined that mining excavations contain objects constituting structures within the meaning of the Act on Local Charges and Taxes. The assessment of taxable base cannot include the value of works which consist in performing the mining excavation.

The above ruling by the Constitutional Tribunal however has not resolved finally and unequivocally what elements of the equipment in mining excavations are chargeable with real property tax, in addition until now there is no position to that extent in a uniform line of decisions given by administrative courts.

In 2015, a decision of the Supreme Administrative Court was issued where the Court, by dismissing a cassation complaint of one of mining enterprises, considered rightful the standing of tax authorities and the Provincial Administrative Court that casings of underground mining excavations are structures in the form of retaining framework, however based on the decision it is not possible to decide unequivocally that a uniform judicial ruling in administrative courts with this respect has already been developed.

In connection with decisions issued by the Commune Heads and the Local Government Appellate Court in Lublin, determining real property tax of the Company for 2008-2012 – with respect to all communes, the amounts of real property tax calculated for 2010-2015 were adjusted – with respect to the Ludwin Commune, for 2011-2015 – with respect to the Puchaczów Commune, and for 2013-2015 with respect to the Cyców Commune. The adjustment of the tax provision calculated was supported by a risk that in tax proceedings relating to those years the tax authorities will decide in the same way as in relation to 2008-2012. Having taken the above into account, the provision disclosed in the books as at 30 June 2015 (disclosed in the interim statement of financial position under "Provisions for other liabilities and charges") in the amount of PLN 25,390,000 (31 December 2014: PLN 23,258,000) represents a provision for real property tax liabilities, if any, and interest thereon for 2011-2015 – with respect to the Puchaczów Commune, for 2010-2015 – with respect to the Ludwin Commune and for 2013-2015 – with respect to the Cyców Commune, should the tax authorities determine that mining excavations of the Company contain objects constituting structures on which real property tax is chargeable. The values connected with real property tax are disclosed in the interim income statement under "Cost of products, goods and materials sold."

At the end of 2014 decisions issued by the Commune Heads and determining real property tax for the Company for 2009 (Ludwin and Puchaczów Communes) and for 2009-2012 (Cyców Commune) were upheld by the Local Government Appellate Court, and so it was decided to make the settlement of real property tax receivables and liabilities. As a result of the settlement, a provision created previously in the amount of PLN 11,640,000 was used (mainly by offsetting it against tax overpaid by the Company). In 2015, a similar settlement was made with reference to 2010 for the Puchaczów Commune. As a result of the settlement, a previously created provision in the amount of PLN 2,455,000 was used (the use consisted entirely in a set-off with the overpayment due to the Company in 2015). Real property tax liabilities arising from settled decisions equalled the amount of the provision created by the Company.

However, in spite of having made the above settlement, the Company takes all legal steps in order to challenge effectively the fact of assessment of real property tax in relation to the equipment and the casings. The Company is going to appeal against the decisions to the Provincial Administrative Court and next, if necessary, to the Supreme Administrative Court.

At the same time, based on the above facts, in connection with settlements made in 2015 (offsetting overpayments against liabilities) of real property tax related to underground mining excavations for 2010 (Puchaczów Commune), the Company calculated at 30 June 2015 the amounts due on account of overpaid real property tax of PLN 14,848,000 (31 December 2014: PLN 24,461,000). They are disclosed in the condensed statement of financial position as current assets under “Trade debtors and other receivables”.

(e) Claims of the Social Security Institution (ZUS) related to contribution for accident insurance

The percentage rate of a contribution for accident insurance, determined by the Social Security Institution based on ZUS IWA documents (Information on data required for calculation of contribution for accident insurance) and an adjustment of ZUS IWA document for 2012 submitted by the Company, was 3.09% for the settlement period from 1 April 2013 to 31 March 2014 and 2.70% for the settlement period from 1 April 2014 to 31 March 2015. In its Decision No. 7/2014 of 18 June 2014, the Social Security Institution, Branch in Lublin, determined the percentage rate of a contribution for accident insurance for the Company. Having taken into account ZUS IWA adjustments for the years of 2011 and 2012 (made *ex officio*), the authority determined the percentage rate of a contribution for accident insurance at 3.47% for the settlement period from 1 April 2013 to 31 March 2014 and at 3.09% for the settlement period from 1 April 2014 to 31 March 2015. In addition, pursuant to Article 34 of the Act on Social Insurance against Accidents at Work and Occupational Diseases and Article 83.1.3 of the Act on Social Insurance System, the Social Security Institution determined for the Company the percentage rate of a contribution for accident insurance increased by 50% for the above contributory years, i.e. at 5.21% for the contributory year from 1 April 2013 to 31 March 2014 and at 4.64% for the contributory year from 1 April 2014 to 31 March 2015. On 25 July 2014 the Company filed an appeal to the Regional Court in Lublin, against the above decision, requesting that it be cancelled and proceeding be discontinued, or in the alternative that the Court change the decision appealed against and decide that the Company is not required to pay the contribution for accident insurance at the rate increased by 50%, as well as decide that the percentage rate of the contribution for the above contributory years should be 3.09% and 2.7% respectively. On 20 January 2015, the first hearing in the case was held, during which the Court admitted all evidence from documents as requested by the Company, adjourned the case without stating any date of the adjourned hearing, and informed that the Company’s request for admitting evidence from opinions of expert doctors would be analysed at a hearing in camera. The hearing took place on 6 February 2015, when the Court decided to admit evidence in the form of a joint opinion of court expert physicians. Until the date of preparing these interim financial statements, such opinion has not been prepared yet.

The above decision, which determined the percentage rate of a contribution for accident insurance and increased the rate so determined by 50%, is not final and binding.

Having taken the above into account, the provision disclosed in the Company’s books as at 30 June 2015 and amounting to PLN 18,066,000 represents a provision for claims of the Social Security Institution related to a contribution for accident insurance (PLN 3,046,000), the increased percentage rate of that contribution by 50% (PLN 13,352,000) and interest (PLN 1,668,000).

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

14. Other income

	1 Jan. 2015 – 30 Jun. 2015	1 Jan. 2014 – 30 Jun. 2014
Compensations and damages received	1,833	250
Other, including:	128	443
- Release of used other provisions for liabilities	*-*	*393*
- Release of impairment losses	*123*	*16*
Total other income	**1,961**	**693**

15. Other costs

	1 Jan. 2015 – 30 Jun. 2015	1 Jan. 2014 – 30 Jun. 2014
Donations	(130)	(423)
Enforcement fees and penalties	(56)	(51)
Compensations	(117)	(474)
Other	(57)	(49)
Total other costs	**(360)**	**(997)**

16. Other profit/(loss) – net

	1 Jan. 2015 – 30 Jun. 2015	1 Jan. 2014 – 30 Jun. 2014
Profit / (loss) on sale of fixed assets	(84)	20
Currency exchange differences	(389)	(309)
Creating and using impairment losses of property, plant and equipment	(33)	275
Creation of provision for ZUS claims related to contribution for accident insurance, including:	(1,538)	(9,903)
- Creation of the provision for the contribution	*(239)*	*(1,811)*
- Creation of the provision for additional fine	*(1,299)*	*(8,092)*
Other, including:	1,946	1,118
- Release of the provision for mining damage	*1,248*	*703*
- Other	*698*	*415)*
Total other net losses	**(98)**	**(8,799)**

17. Finance income and costs

	1 Jan. 2015 – 30 Jun. 2015	1 Jan. 2014 – 30 Jun. 2014
Interest income on short-term bank deposits	1,694	1,941
Dividend due and received	3,267	3,411
Other finance income, including:	1,426	2,392
- interest regarding the Mine Closure Fund	*1,002*	*1,231*
Total finance income	**6,387**	**7,744**

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

Interest and commissions on bank loans and bonds	(4,722)	(4,669)
Interest expense on valuation of employee benefits	(2,636)	(4,219)
Settlement of discount on other non-current provisions and liabilities, including:	(2,604)	(4,298)
- settlement of discount regarding the Mine Closure Fund	*(1,699)*	*(3,837)*
Creation of a provision and impairment allowances of interest	(779)	(734)
Provision on interest on ZUS claims related to contribution for accident insurance	(627)	(537)
Total finance cost	**(11,368)**	**(14,457)**
Finance cost - net	**(4.981)**	**(6.713)**

18. Income tax

	1 Jan. 2015 – 30 Jun. 2015	**1 Jan. 2014 – 30 Jun. 2014**
Current tax	16,321	22,700
Deferred tax charged into profit or loss	898	1,056
Deferred tax charged into other comprehensive income:		
- as cash flow hedge	(20)	(643)
- as actuarial gains/losses as recognised in the statement of comprehensive income	153	294
	17,352	**23,407**

Income tax in the condensed interim financial statements was determined according to the expected interest rate for 2015 amounting to 19.0% (2014: 19.0%).

The regulations concerning value added tax, real property tax, corporate income tax, personal income tax and social security contributions are frequently changed. As a result, there is sometimes no reference to established regulations or legal precedents. The applicable regulations also contain ambiguities which result in differences in opinions regarding the legal interpretation of tax regulations, both between state authorities and between state authorities and businesses.

Such interpretational doubts concern, for example, tax classification of outlays on creating certain mining excavations. The practice currently applied by the Company and other coal sector companies consists of recognising costs related to the creation of exploitation excavations, i.e. excavations which are not part of permanent underground infrastructure of a mine, directly in the tax costs of the period.

However, in the light of applicable tax regulations, it may not be ruled out that such costs could be classified by the Company for the purpose of corporate income tax in a way that differs from the classification presented by the Company, which could potentially result in adjustments in corporate income tax settlements and the payment of an additional amount of tax. Such amount could be significant.

Tax and other settlements (e.g. customs or foreign currency settlements) can be inspected by the authorities which are entitled to impose heavy fines, and additional amounts of liabilities established as a result of an inspection must be paid with high interest. As a result, the tax risk in Poland is greater than that which usually exists in countries with more advanced tax systems. Tax settlements can be inspected within a five-year period. Amounts disclosed in the condensed interim financial statements can therefore be changed after their amount has been finally determined by the tax authorities.

19. Earnings per share

(a) Basic

Basic earnings per share are calculated as the quotient of the profit attributable to the shareholders of the Company and the weighted average number of ordinary shares during the year.

	1 Jan. 2015 – 30 Jun. 2015	**1 Jan. 2014 – 30 Jun. 2014**
Earnings attributable to owners of the Company	76,754	87,399
Weighted average number of ordinary shares ('000)	34,014	34,014
Basic earnings per share (in PLN per share)	**2.26**	**2.57**

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares as if an exchange was made for potential ordinary shares causing dilution. As at 30 June 2015, the Company holds instruments resulting in potential dilution of ordinary shares due to the introduction of the Management Options Scheme in 2013. As at 30 June 2015, the impact of the dilution is immaterial. Diluted earnings per share are therefore equal to basic earnings per share of the Company (analogous situation occurred as at 30 June 2014).

20. Dividend per share

In the first half of 2015 and in the same period of 2014, the Company did not pay dividend to shareholders. Dividend for 2014 in the amount of PLN 119,048,000 will be paid on 8 October 2015. Under Resolution No. 20 of the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A. of 18 June 2015, net profit for 2014 in the portion of PLN 119,048,000 has been allocated for distribution among the shareholders of the Company. The dividend rate to shareholders of the Company is presented in the table below.

	1 Jan. 2015 – 30 Jun. 2015	**1 Jan. 2014 – 30 Jun. 2014**
Dividend due	119,048	197,279
Number of ordinary shares as at the dividend date ('000)	34,014	34,014
Dividend per share (in PLN per share)	**3.50**	**5.80**

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

21. Financial instruments (financial liabilities)

Hierarchy of financial instruments measured at fair value.

Financial instruments measured at fair value may be categorised 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 June 2015 the Company did not have any financial instruments measured at fair value.

As at 31 December 2014 derivatives were the only financial instruments measured at fair value in the Company. Level 2 was used to measure the liabilities under derivatives measured at fair value, amounting to PLN 308,000 as at 31 December 2014. The fair value measurement of currency forwards is determined based on discounted future cash flows from concluded transactions, calculated based on a difference between the forward price and the transaction price. The forward price is determined based on fixing rates at the National Bank of Poland and interest rate curve implied from fx swap transactions.

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

22. Contingent items

The Company has contingent liabilities on account of real property tax and contingent assets and liabilities on account of legal claims arising in the normal course of its business activities.

a) Real property tax

The contingent liability concerning the value of mining excavations from which the Company does not create a provision (provision for real property tax, in its parts deemed as probable by the Company, amounts to PLN 25,390,000 and is presented in Note 13), may primarily result from the existing discrepancies between the position of the Company and the position of tax authorities with respect to the subject of that tax. The issue revolves around the question of whether there are in the mining excavations any structures within the meaning of the Act on Local Taxes and Charges which would be subject to the property tax. The discrepancies may also occur with regard to the value of particular facilities — in the event that it is agreed that the facilities are subject to the real property tax. The extent of such liability has not changed significantly compared to the end of the prior financial year (31 December 2014).

b) Legal claims related to patents

The contingent liability for legal claims related to the fee for co-inventors of inventions covered with patents no. 206048 and 209043 functioning at the Company from which the Company does not create provision may primarily result from impossibility to assess whether the claim in question is justified and different positions taken by the Company and the co-inventors of inventions covered with the abovementioned patents. The value of the possible liability as at the day of publishing these condensed interim financial statements amounts to PLN 48 million. The Company estimated a provision for remuneration for co-inventors to the best of its knowledge and in line with principles so far applied at the Company when calculating remunerations for inventors. The item provisions for legal claims shows a provision for legal claims regarding remuneration for co-inventors of inventions covered by patents No. 206048 and 209043, used at the Company. The amount of remuneration will be subject to analysis of court experts or experts accepted by both parties. The extent of such liability has not changed significantly compared to the end of the prior financial year (31 December 2014).

c) Contingent assets and liabilities regarding a dispute with a Consortium

As at 30 June 2015, the Company issued debit notes to a Consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. ("Consortium") regarding the contractual compensation, contractual penalties for delays in the performance of the agreement, and compensation for lost profits, in the total amount of PLN 34,592,000. Moreover, on 7 April 2015, a claim was brought against the Company to the Arbitration Court at the National Chamber of Commerce in Warsaw by the Consortium. The claim covers primarily a reimbursement of costs incurred by the Consortium due to delayed performance of an agreement and contractual penalties for withdrawal from the agreement attributable to the Company, in the total amount of PLN 27,232,000. In the Company's Management Board's opinion, both the contractual penalties and the claim covering the additional costs are groundless, especially that the delay in the performance of the agreement was attributable to the Consortium.

Given the above, in the Management Board's opinion, moving to the Arbitration Court was a response to charging contractual penalties, contractual compensation, and compensation for lost profits to the Consortium by the Company. The Company's Management Board believes that it is very unlikely that the dispute will be resolved to the benefit of the Consortium, which would entail a necessity for the Company to pay claims, and that the final financial result of both parties' claims should not be adverse for the Company.

23. Future contractual liabilities

Investment liabilities

Contractual investment liabilities incurred as at the balance-sheet date, but still not disclosed in the interim statement of financial position, amount to:

	30 Jun. 2015	**31 Dec. 2014**	**30 Jun. 2014**
Property, plant and equipment	40,535	207,601	435,184

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

24. Related party transactions

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, the 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 Sp. z o.o., 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 the co-operation with its subsidiary, RG Bogdanka Sp. z o.o., 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.

The Company's revenue resulting from cooperation with MR Bogdanka Sp. z o.o., a Company's subsidiary, is in the most part generated through lease of premises and telecommunications services.

Purchases primarily include the purchase of services connected with renovation of mining equipment and devices, performance of regeneration works, performance of services in order to maintain operation and supplies of devices and components.

In the reporting periods ended on 30 June 2014 and 30 June 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 parties as at subsequent balance-sheet dates were as follows:

	1 Jan. 2015 – 30 Jun. 2015	**1 Jan. 2014 – 30 Jun. 2014**
Purchases in period	43,1034	47,712
Total liabilities at the end of period including VAT	9,972	11,805

In the reporting periods ended on 30 June 2014 and 30 June 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 receivables towards these associated entities as at subsequent balance-sheet dates were as follows:

	1 Jan. 2015 – 30 Jun. 2015	**1 Jan. 2014 – 30 Jun. 2014**
Sales in period	6,197	15,507
Total receivables at the end of period including VAT	3,899	3,482

(All amounts in the tables are in PLN thousand, unless otherwise specified.)

In the reporting periods ended on 30 June 2014 and 30 June 2015 the value of dividends due and received from the following subsidiaries: Łęczyńska Energetyka Sp. z o.o., EkoTRANS Sp. z o.o., and RG Bogdanka Sp. z o.o. as at subsequent balance-sheet dates were as follows:

	1 Jan. 2015 – 30 Jun. 2015	**1 Jan. 2014 – 30 Jun. 2014**
Dividend	3,267	3,411

25. Information on remuneration of the Management Board, the Supervisory Board and the commercial proxies

	1 Jan. 2015 – 30 Jun. 2015	**1 Jan. 2014 – 30 Jun. 2014**
Remuneration of Management Board members and commercial proxies	3,247	2,624
Remuneration of the Supervisory Board members	461	387

26. Unusual events affecting the financial result

In the period of six months of 2015, no unusual events occurred that would seriously affect the financial position of the Company.

27. Events after the balance-sheet date

The presented financial results for the first half of 2015 refer to the events, identified by the Company that occurred in this period. After the balance-sheet date no events affecting the financial results occurred that would not be disclosed in these condensed interim financial statements.

From the publication date of these condensed interim financial statements, no events affecting the Company's operations in 2015, have occurred.

28. Approval of the condensed interim financial statements

The Management Board of Lubelski Węgiel BOGDANKA S.A. declares that as of 19 August 2015, it approves for publication these condensed interim financial statements of the Company for the period from 1 January to 30 June 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, Sales and Logistics
Roger de Bazelaire	Vice-President of the Management Board, Chief Financial Officer
Krzysztof Szlaga	Vice-President of the Management Board, Procurement and Investments
Urszula Piątek	Chief Accountant