The Lubelski Węgiel Bogdanka S.A. Group

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

	Note	30 Jun. 2015	31 Dec. 2014
Assets			
Non-current assets			
Property, plant and equipment	6	3,573,185	3,613,168
Intangible assets	7	23,326	24,291
Deferred tax assets		2,363	2,379
Trade and other receivables		1,469	1,495
Cash and cash equivalents		89,947	88,832
		3,690,290	3,730,165
Current assets			
Inventories		135,539	132,488
Trade and other receivables		232,747	300,626
Overpaid income tax		410	5,655
Cash and cash equivalents		222,536	195,481
		591,232	634,250
TOTAL ASSETS		**4,281,522**	**4,364,415**
Equity			
Equity attributable to owners of the Parent Company			
Ordinary shares	8	301,158	301,158
Other capital	9	1,756,988	1,593,863
Retained earnings		414,888	619,317
		2,473,034	2,514,338
Non-controlling interests		**9,643**	**9,489**
Total equity		**2,482,677**	**2,523,827**
Liabilities			
Non-current liabilities			
Loans and borrowings	11	16,932	13,222
Deferred tax liabilities		115,253	114,237
Provisions for employee benefits	13	198,464	186,195
Provisions for other liabilities and charges	14	112,784	123,585
Grants	10	14,618	15,109
Financial liabilities due to bonds issue	12	700,000	700,000
Trade and other liabilities		15,613	18,933
		1,173,664	1,171,281
Current liabilities			
Loans and borrowings	11	59,786	100,526
Provisions for employee benefits	13	46,796	40,529
Financial liabilities	22	-	308
Provisions for other liabilities and charges	14	76,998	73,609
Grants	10	1,017	988
Financial liabilities due to bond issue	12	46	106
Current tax liabilities		3,701	63
Liabilities on account of dividend*		119,052	4
Trade and other liabilities		317,78	453,174
		625,181	669,307
Total liabilities		**1,798,845**	**1,840,588**
TOTAL EQUITY AND LIABILITIES		**4,281,522**	**4,364,415**

* As at 31 December 2014, liabilities on account of dividend in the amount of PLN 4,000 were disclosed in aggregate under the item "Trade and other liabilities".

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

Interim Consolidated Income Statement

	Note	For the six months ended 30 June 2015	2014
Revenue		843,560	945,371
Costs of products, goods and materials sold		(680,005)	(744,794)
Gross profit		**163,555**	**200,577**
Selling cost		(17,661)	(19,187)
Administrative costs		(46,147)	(46,655)
Other income	15	2,016	828
Other costs	16	(383)	(999)
Other losses - net	17	(60)	(7,906)
Operating profit		**101,320**	**126,658**
Finance income	18	3,262	4,601
Finance cost	18	(11,370)	(14,463)
Finance cost - net		(8,108)	(9,862)
Profit before taxation		**93,212**	**116,796**
Income tax	19	(17,714)	(25,372)
Net profit for the financial period		**75,498**	**91,424**
including:			
- attributable to owners of the Parent Company		75,344	91,217
- attributable to non-controlling interest		154	207
Earnings per share attributable to owners of the Parent Company during the year (in PLN per share)			
- basic	20	2.22	2.68
- diluted	20	2.22	2.68

Notes presented on pages 9 – 31 constitute an integral part of these condensed interim consolidated financial statements.

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

Interim Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2015	**2014**
Net profit	**75,498**	**91,424**
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 net comprehensive income/ (loss) for the reporting period	**648**	**(1,482)**
Other net comprehensive income for the reporting period - total	**76,146**	**89,942**
Including:		
- attributable to owners of the Parent Company	75,992	89,735
- attributable to non-controlling interest	154	207

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

Interim Consolidated Statement of Changes in Equity

	Attributable to owners of the Parent Company							
		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	Non-controlling interests	Total equity
As at 1 January 2014	**301,158**	**1,456,608**	**2,853**	**(4,238)**	**688,846**	**2,445,227**	**10,304**	**2,455,531**
Total net comprehensive income for the reporting period:	-	-	-	(2,738)	92,473	89,735	207	89,942
- net profit	-	-	-	-	91,217	91,217	207	91,424
- other comprehensive income	-	-	-	(2,738)	1,256	(1,482)	-	(1,482)
Dividends concerning 2013	-	-	-	-	(197,279)	(197,279)	(311)	(197,590)
Transfer of the result for 2013	-	129,251	-	-	(129,251)	-	-	-
Management Options Issue	-	-	5,905	-	-	5,905	-	5,905
As at 30 June 2014	**301,158**	**1,585,859**	**8,758**	**(6,976)**	**454,789**	**2,343,588**	**10,200**	**2,353,788**
As at 1 January 2015	**301,158**	**1,585,859**	**8,241**	**(237)**	**619,317**	**2,514,338**	**9,489**	**2,523,827**
Total net comprehensive income for the reporting period:	-	-	-	(86)	76,078	75,992	154	76,146
- net profit	-	-	-	-	75,344	75,344	154	75,498
- other comprehensive income	-	-	-	(86)	734	648	-	648
Dividends concerning 2014	-	-	-	-	(119,048)	(119,048)	-	(119,048)
Transfer of the retained profits	-	161,459	-	-	(161,459)	-	-	-
Management Options Issue	-	-	1,752	-	-	1,752	-	1,752
As at 30 June 2015	**301,158**	**1,747,318**	**9,993**	**(323)**	**414,888**	**2,473,034**	**9,643**	**2,482,677**

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

Interim Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2015	**2014**
Cash flow from operating activities		
Cash inflow from operating activities*	362,892	357.287
Interest received	2,190	2.692
Income tax paid	(8,247)	(25.020)
Net cash flow from operating activities	**356,835**	**334.959**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(284,612)	(311.512)
Interest paid regarding investing activity	(5,425)	(5.719)
Acquisition of intangible assets	(174)	(147)
Inflow from the sale of property, plant and equipment	1,461	36
Interest received	1,694	2.279
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	**(288,171)**	**(316.294)**
Cash flow from financing activities		
Proceeds from loans and borrowings	4,441	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	(4,803)	(4.640)
Other net cash flow from financing activities	-	8
Net cash flows from financing activities	**(41,609)**	**(26.589)**
Net increase / (decrease) in cash and cash equivalents	27,055	(7.924)
Cash and cash equivalents at the beginning of period	195,481	212.004
Cash and cash equivalents at the end of period	**222,536**	**204,080**

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

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

Interim Consolidated cash inflow from operating activities

	For the six months ended 30 June	
	2015	**2014**
Profit before taxation	93,212	116,796
- Depreciation of non-current assets (Note 6)	189,333	176,721
- Amortisation of intangible assets (Note 7)	1,134	889
- Profit / (loss) on sale of property, plant and equipment	59	-
- Result on income and costs related to changes in the property, plant and equipment	5,199	6,273
- Use and creation of impairment losses	33	(275)
- Net finance income	-	(261)
- Actuarial gains / (losses) as recognised in the interim consolidated statement of comprehensive income	887	1,550
- Change in provisions for employee benefits (Note 13)	18,536	13,923
- Change in provisions	6,648	20,053
- Other flows	539	(1,279)
- Cost of Management Options	1,752	5,905
- Change in inventories	(3,051)	14,362
- Change in trade and other receivables	67,905	(26,047)
- Change in trade and other liabilities	(19,294)	28,677
Cash inflow from operating activities	**362,892**	**357,287**
Balance-sheet change in receivables	67,905	(75,619)
Receivables related to advances paid for property, plant and equipment	-	49,572
Change in receivables for the purposes of the interim consolidated statement of cash flows	**67,905**	**(26,047)**
Balance-sheet change in liabilities	(20,123)	187,173
Change in investment liabilities	119,877	38,783
Liabilities on account of dividend concerning the previous year	(119,048)	(197,279)
Change in liabilities for the purposes of the interim consolidated statement of cash flows	**(19,294)**	**28,677**
Increase in property, plant and equipment	170,160	278,448
Interest paid regarding investing activity	(5,425)	(5,719)
Change in investment liabilities	119,877	38,783
Acquisition of property, plant and equipment	**284,612**	**311,512**

Notes to the Condensed Interim Consolidated Financial Statements

1. General information

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

The following companies form the Lubelski Węgiel Bogdanka S.A. Group (hereinafter referred to as the Group):

The Parent Company – 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 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 European Classification of Activity (PKD 0510Z), are mining and agglomeration of hard coal.

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

As at 30 June 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. In addition, the Company supplies heat to third-party entities such as housing estates and other structures in Łęczna. The company also conducts activities involving the construction and refurbishment of heat-generating, water supply and sewage disposal installations. The company prepares its balance sheet as at 31 December.

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

As at 30 June 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 30 June 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 30 June 2015, the Parent held 100.00% of share in the capital of the 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.

Lubelski Węgiel Bogdanka S.A. is the Parent in the Lubelski Węgiel Bogdanka Group. The Group prepares condensed interim consolidated financial statements for the period of six months ended 30 June 2015.

1.2. Assumption of the Company going concern

The condensed interim consolidated 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 Group's activities.

2. Description of key accounting principles applied

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

2.1. Basis of preparation

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

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

These condensed interim consolidated 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 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 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 consolidated 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 Group. The main estimates and judgements have not changed since the publication of the annual consolidated financial statements for 2014.

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

a) Standards and interpretations applied by the Group 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 Group 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 consolidated 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 consolidated financial statements.

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

When approving these condensed interim consolidated financial statements, the Group 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 Group will apply amendments to various standards "Amendments to IFRS (2010-2012 Cycle)" as from 1 January 2016. The Group has analysed the impact of the above standards on accounting policies applied by the Group. The application of these amendments will not have a material impact on the consolidated 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 Group will apply amendments to IAS 19 "Employee Benefits" as from 1 January 2016. The Group has analysed the impact of the above standards on accounting policies applied by the Group. The application of the amendment to IAS 19 will not have a material impact on the consolidated 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 Group has analysed the impact of the above standards (and amendments) on the applied accounting principles. In the opinion of the Parent's 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 Group'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 consolidated financial statements if it was adopted for application at the balance-sheet date.

3. Information on business segments

IFRS 8 – "Operating Segments" is applicable for the purposes of preparing these condensed interim consolidated financial statements. That standard requires that the interim consolidated financial statements of the Group present a series of data concerning individual segments, while the approach to segmentation of the Group presented in the interim consolidated 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 Group since the Group'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 38,117,000 (PLN 41,968,000 in an analogous period of the previous year), representing, 4.52% of total revenue (4.66% in an analogous period of the previous year).

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

b) Supplementary reporting structure - geographical segments

The Group 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 Group does not hold the related assets or liabilities outside Poland.

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

c) Key coal customers

Within six months in 2015 and 2014, key customers for the Group'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%	17%
ENERGA Elektrownie Ostrołęka S.A.	11%	15%
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 0.5% of the total sales. They do not have any significant impact on the operating and financial activities of the Group.

5. Acquisition of subsidiary

During the first 6 months of 2015, the Parent Company did not acquire any subsidiaries.

During the first 6 months of 2014, one acquisition occurred, namely, on 17 April 2014 the Parent Company signed with WARBO S.A. a share purchase agreement covering 100% of shares in MR Bogdanka Sp. z o.o. The price paid by the Parent Company for the acquired shares amounted to PLN 5,000.

The activity of MR Bogdanka Sp. z o.o. includes repairs, regeneration and steel structure construction services.

In accordance with IFRS 3 “Business Combinations”, as at the MR Bogdanka Sp. z o.o. acquisition date, the Parent Company measured identifiable assets, liabilities and recognised contingent liabilities at their fair value.

Below is the information about the payment provided and the net assets acquired as at the acquisition date:

Identified acquired assets and assumed liabilities:	PLN ‘000
Property, plant and equipment	1,650
Intangible assets	34
Inventories - materials	31
Trade and other receivables	95
Recognised deferred tax assets	12
Cash and cash equivalents	4
Provisions for employee benefits	(63)
Trade and other liabilities	(508)
Recognised provision for deferred tax	(247)
Fair value of identified net assets	**1,008**
Goodwill/gain on a bargain purchase	PLN ‘000
Total payment made	5
(Percentage of shares acquired)	100%
Fair value of identified net assets	1,008

Gain on a bargain purchase	**1,003**

Gain on a bargain purchase of PLN 1,003,000 was disclosed in the interim consolidated income statement under “Other loss - net”.

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

6. 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	4,633	2,632,629	1,818,083	1,669,720	114,450	17,558	333,938	4,772,928
Accumulated depreciation	-	(884,754)	(667,120)	(643,929)	(62,823)	(11,700)	-	(1,603,206)
Net book value	**4,633**	**1,747,875**	**1,150,963**	**1,025,791**	**51,627**	**5,858**	**333,938**	**3,169,722**
As at 30 June 2014								
Net book value at beginning of year	4,633	1,747,875	1,150,963	1,025,791	51,627	5,858	333,938	3,169,722
Increases*	-	11,092	-	-	-	-	228,620	239,712
Increase as a result of purchasing a subsidiary	-	11	-	1,566	56	17	-	1,650
Transfer from construction in progress	21	138,560	129,360	26,742	2,769	517	(168,609)	-
Decreases*	(21)	(6,293)	(5,996)	(16)	(1)	-	(128)	(6,459)
Depreciation for the period	-	(109,099)	(91,282)	(63,756)	(3,261)	(605)	-	(176,721)
Net book value	**4,633**	**1,782,146**	**1,183,045**	**990,327**	**51,190**	**5,787**	**393,821**	**3,227,904**
As at 30 June 2014								
Cost or assessed value	4,633	2,743,915	1,909,446	1,695,482	114,820	18,040	393,821	4,970,711
Accumulated Depreciation	-	(961,769)	(726,401)	(705,155)	(63,630)	(12,253)	-	(1,742,807)
Net book value	**4,633**	**1,782,146**	**1,183,045**	**990,327**	**51,190**	**5,787**	**393,821**	**3,227,904**
As at 1 January 2015								
Cost or assessed value	5,403	2,927,282	1,950,646	2,010,085	115,541	21,674	428,081	5,508,066
Accumulated depreciation	-	(1,068,589)	(814,902)	(749,092)	(64,127)	(13,090)	-	(1,894,898)
Net book value	**5,403**	**1,858,693**	**1,135,744**	**1,260,993**	**51,414**	**8,584**	**428,081**	**3,613,168**
As at 30 June 2015								
Net book value at beginning of year	5,403	1,858,693	1,135,744	1,260,993	51,414	8,584	428,081	3,613,168
Increases*	-	-	-	1	-	-	170,367	170,368
Transfer from construction in progress	122	141,820	141,312	26,202	1,342	145	(169,631)	-
Decreases*	(33)	(19,253)	(5,193)	(41)	(1,510)	(3)	(178)	(21,018)
Depreciation for the period	-	(111,485)	(90,249)	(73,771)	(3,339)	(738)	-	(189,333)
Net book value	**5,492**	**1,869,775**	**1,181,614**	**1,213,384**	**47,907**	**7,988**	**428,639**	**3,573,185**
As at 30 June 2015								
Cost or assessed value	5,492	2,962,461	1,999,376	2,031,523	113,264	21,778	428,639	5,563,157
Accumulated depreciation	-	(1,092,686)	(817,762)	(818,139)	(65,357)	(13,790)	-	(1,989,972)
Net book value	**5,492**	**1,869,775**	**1,181,614**	**1,213,384**	**47,907**	**7,988**	**428,639**	**3,573,185**

* the items include creating 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.)

6.1. 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%**

7. Intangible assets

	Computer software	Fees, licences	Geological information	Other	Total
As at 1 January 2014					
Cost or assessed value	5,037	4,425	26,709	977	37,148
Accumulated amortisation	(3,279)	(1,399)	(8,404)	(941)	(14,023)
Net book value	**1,758**	**3,026**	**18,305**	**36**	**23,125**
As at 30 June 2014					
Net book value at beginning of year	1,758	3,026	18,305	36	23,125
Increases	8	118	-	21	147

Increase as a result of purchasing of a subsidiary	26	8	-	-	34
Amortisation for the period	(180)	(125)	(577)	(7)	(889)
Net book value	**1,612**	**3,027**	**17,728**	**50**	**22,417**
As at 30 June 2014					
Cost or assessed value	5,051	4,549	26,709	57	36,366
Accumulated amortisation	(3,439)	(1,522)	(8,981)	(7)	(13,949)
Net book value	**1,612**	**3,027**	**17,728**	**50**	**22,417**
As at 1 January 2015					
Cost or assessed value	5,244	6,746	26,709	582	39,281
Accumulated amortisation	(3,599)	(1,726)	(9,652)	(13)	(14,990)
Net book value	**1,645**	**5,020**	**17,057**	**569**	**24,291**
As at 30 June 2015					
Net book value at beginning of year	1,645	5,020	17,057	569	24,291
Increases	16	151	-	6	173
Decreases	-	(4)	-	-	(4)
Amortisation for the period	(208)	(289)	(629)	(8)	(1,134)
Net book value	**1,453**	**4,878**	**16,428**	**567**	**23,326**
As at 30 June 2015					
Cost or assessed value	5,257	6,843	26,709	625	39,434
Accumulated amortisation	(3,804)	(1,965)	(10,281)	(58)	(16,108)
Net book value	**1,453**	**4,878**	**16,428**	**567**	**23,326**

8. 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 Parent have been fully paid up.

9. Other capital

Pursuant to the Articles of Association, the Parent 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 Parent 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 Parent 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:

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

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

- 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 Parent Companys's 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 consolidated income statement under "Administrative expenses" and in the interim consolidated 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 consolidated statement of financial position and in the interim consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated statement of financial position (balance sheet) under "Property, plant and equipment".

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

10. 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**

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

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.

11. Loans and borrowings

	30 Jun. 2015	**31 Dec. 2014**
Long-term:	**16,932**	**13,222**
Special purpose loans:	16,932	13,222
- Provincial Fund for Environment Protection in Lublin	16,932	13,222
Short-term:	**59,786**	**100,526**
Special purpose loans:	2,024	1,518
- Provincial Fund for Environment Protection in Lublin	2,024	1,518
Bank loans:	57,762	99,008
- mBank S.A.	57,762	99,008
	76,718	**113,748**

In 2014 the subsidiary Łęczyńska Energetyka received from the Regional Environmental Protection Fund in Lublin a targeted loan intended for financing an investment "Construction of a water treatment facility in Bogdanka along with technological connections". The loan will be repaid in equal monthly instalments starting as of November 2015. The due date for payment of the last instalment is 31 March 2024. Interest on the loan corresponds to 0.7 of the rediscount rate determined by the Monetary Policy Council (not less however than 4% p.a.). The loan is secured with a blank promissory note to the amount of PLN 34,554,000 as well as assignment of receivables under a heat sale agreement concluded with the Parent.

On 21 May 2014, the Parent 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 Parent 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 Parent Company to the Bank.
3. Assignment of receivables of the Parent 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 Parent.

The fair value of loans and borrowings does not significantly differ from their carrying amount. The loans and borrowings received by the Group are denominated in Polish zlotys.

12. Financial liabilities on account of bond issue

	30 Jun. 2015	**31 Dec. 2014**
Non-current:		
Bond issue	700,000	700,000

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

- 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 Parent 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 Parent 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 400,000,000 were issued with the redemption date on 30 June 2016. According to the issue Scheme, the Parent 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 Parent Company established collateral in favour of the Banks in the following forms: agreements for assignment of receivables under a contract with one of the Parent 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 Parent Company.

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

13. Provisions for employee benefits

	30 Jun. 2015	31 Dec. 2014
As disclosed in the interim consolidated statement of financial position		
- Retirement and disability benefits	29,806	38,549
- Jubilee awards	82,453	76,980
- Coal allowances in kind	106,619	97,501
- Other benefits for employees (unused holidays, death benefits and other)	26,382	13,694
	245,260	**226,724**
including:		
- non-current	198,464	186,195
- current	46,796	40,529

	30 Jun. 2015	30 Jun. 2014
As disclosed in the interim consolidated income statement:		
- Retirement and disability benefits	1,214	1,821
- Jubilee awards	9,542	2,682
- Coal allowances in kind	2,586	2,255
- Other benefits for employees (unused holidays, death benefits and other)	21,584	23,007

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

	34,926	**29,765**

	30 Jun. 2015	**30 Jun. 2014**
Costs recognised in the consolidated 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	**226,724**	**200,030**
Costs of current employment	28,325	28,673
Interest expense	2,636	4,219
Actuarial (gains)/losses as disclosed in the interim consolidated income statement	3,965	(3,127)
Actuarial (gains)/losses as disclosed in the interim consolidated statement of comprehensive income	(887)	(1,550)
Total as disclosed in the interim consolidated statement of comprehensive income	**34,039**	**28,215**
Benefits paid	(15,503)	(14,230)
As at 30 June	**245,260**	**214,015**

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

	30 Jun. 2015	**30 Jun. 2014**
Costs of products, goods and materials sold	29,322	23,346
Selling cost	175	123
Administrative expenses	2,793	2,077
Finance cost	2,636	4,219
Total as disclosed in the interim consolidated income statement	**34,926**	**29,765**
Actuarial (gains)/losses as disclosed in the interim consolidated statement of comprehensive income	(887)	(1,550)
Total as disclosed in the interim consolidated statement of comprehensive income	**34,039**	**28,215**

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

14. Provisions for other liabilities and charges

	Mine closure	Mining damage	Legal claims	Real property tax	ZUS claims – contribution for accident insurance	Other	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 consolidated statement of financial position							
- Revaluation of provision created	12,133	-	-	-	-	-	12,133
Recognition in the interim consolidated income statement							
- Creation of additional provisions	-	-	127	3,541	1,811	90	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**	**90**	**181,054**
Including:							
Non-current	101,248	-	-	-	-	-	101,248
Current	-	12,230	24,465	32,581	10,440	90	79,806
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 consolidated statement of financial position							
- Revaluation of provision created	(12,500)	-	-	-	-	-	(12,500)
Recognition in the interim consolidated 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 Group 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 consolidated 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 consolidated statement of financial position as a decrease in "Property, plant and equipment".

(b) Removing mining damage

Given the need of removing mining damage, the Group 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 Group by customers and suppliers. The value of created/released provisions in the current period is disclosed in the interim consolidated income statement as "Other losses – net." In the Parent Company's 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 Parent 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 Parent 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 Parent Company's books as at 30 June 2015 (disclosed in the interim consolidated 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 Parent Company contain objects constituting structures on which real property tax is chargeable. The values connected with real property tax are disclosed in the interim consolidated 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 Parent 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 Parent 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 Parent Company in 2015). Real property tax liabilities arising from settled decisions equalled the amount of the provision created by the Parent Company.

However, in spite of having made the above settlement, the Parent 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 Parent 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 Parent 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 interim consolidated 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent Company, adjourned the case without stating any date of the adjourned hearing, and informed that the Parent 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 condensed interim consolidated 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.

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

Having taken the above into account, the provision disclosed in the Parent 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).

15. Other income

	1 Jan. 2015 – 30 Jun. 2015	1 Jan. 2014 – 30 Jun. 2014
Compensations and damages received	1,841	250
Other,	175	578
including:		
- Release of used other provisions for liabilities	-	*393*
- Release of impairment losses	*123*	*16*
- Other income	*52*	*169*
Total other income	**2,016**	**828**

16. Other costs

	1 Jan. 2015 – 30 Jun. 2015	1 Jan. 2014 – 30 Jun. 2014
Donations	(134)	(423)
Enforcement fees and penalties	(56)	(51)
Compensations	(117)	(474)
Other	(76)	(51)
Total other costs	**(383)**	**(999)**

17. Other profit/(loss) – net

	1 Jan. 2015 – 30 Jun. 2015	1 Jan. 2014 – 30 Jun. 2014
Profit / (loss) on sale of fixed assets	(46)	-
Currency exchange differences	(389)	(309)
Creating and using impairment losses of property, plant and equipment	(33)	275
Profit on bargain purchase	-	1,003
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,	1,946	1,028
including:		
- Creation/release of other provisions	*1,479*	*1,402*
- Other	*467*	*(374)*
Total other net losses	**(60)**	**(7,906)**

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

18. Finance income and costs

	1 Jan. 2015 – 30 Jun. 2015	1 Jan. 2014 – 30 Jun. 2014
Interest income on short-term bank deposits	1,837	2,210
Other, including:	1,425	2,391
interest regarding the Mine Closure Fund	*1,002*	*1,231*
Total finance income	**3,262**	**4,601**
Interest and commissions on loans and bonds	(4,723)	(4,675)
Interest expense on valuation of employee benefits	(2,636)	(4,219)
Settlement of discount on other non-current provisions	(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)
Other cost	(906)	(461)
Total finance cost	**(11,370)**	**(14,463)**
Finance cost - net	**(8,108)**	**(9,862)**

19. Income tax

	1 Jan. 2015 – 30 Jun. 2015	1 Jan. 2014 – 30 Jun. 2014
Current tax	16,815	24,331
Deferred tax charged into profit or loss	899	1,041
Deferred tax charged into other comprehensive income:		
- as cash flow hedge	(20)	(643)
- as actuarial gains/losses as recognised in the interim consolidated statement of comprehensive income	153	294
	17,847	**25,023**

Income tax in the condensed interim consolidated 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 Group 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 Group for the purpose of corporate income tax in a way that differs from the classification presented by the Group, 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 consolidated financial statements can therefore be changed after their amount has been finally determined by the tax authorities.

20. Earnings per share

(a) Basic

Basic earnings per share are calculated as the quotient of the profit attributable to the shareholders of the Parent 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 Parent Company	75,344	91,217
Weighted average number of ordinary shares ('000)	34,014	34,014
Basic earnings per share (in PLN per share)	**2.22**	**2.68**

(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 Parent Company held 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 Parent Company (analogous situation occurred as at 30 June 2014).

21. Dividend per share

In the first half of 2015 and in the same period of 2014, the Parent 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 Parent Company. The dividend rate to shareholders of the Parent 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 Parent Company and the number of ordinary shares as at the dividend date.

22. 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 Group does 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 Group. 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.

23. 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 Parent Company does not create a provision (provision for real property tax, in its parts deemed as probable by the Parent Company, amounts to PLN 25,390,000 and is presented in Note 14), may primarily result from the existing discrepancies between the position of the Parent 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 Parent Company from which the Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 PLN 34,592,000. Moreover, on 7 April 2015, a claim was brought against the Parent 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 Parent Company, in the total amount of PLN 27,232,000. In the Parent 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 Parent Company. The Parent 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 Parent Company to pay claims, and that the final financial result of both parties' claims should not be adverse for the Parent Company.

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

24. Future contractual liabilities of the Parent Company and subsidiaries

Investment liabilities

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

	30 Jun. 2015	31 Dec. 2014	30 Jun. 2014
Property, plant and equipment	47,302	221,430	461,215

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

	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 Group.

27. Events after the balance-sheet date

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

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

28. Approval of the condensed interim consolidated 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 consolidated financial statements of the Group 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