



**The Lubelski Węgiel BOGDANKA Group**

**Consolidated Quarterly Report for the Third Quarter of 2015**

**as at and for the period ended on 30 September 2015**

**Financial Statements prepared in accordance with IAS 34 -**

**Interim Financial Reporting**

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

### 1. General information

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

The Lubelski Węgiel Bogdanka Group (hereinafter referred to as the "Group") is composed of the following companies:

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

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

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

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

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

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

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

As at 30 September 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. Moreover, the Company provides heat energy to third parties such as housing estates and other facilities in Łęczna. The company also conducts activities involving the construction and repair of heat-generating, water supply and sewage disposal systems. The company prepares its balance sheet as at 31 December.

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

As at 30 September 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 September 2015, the Parent held 100.00% of shares in the capital of the 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 September 2015, the Parent held 100.00% of shares 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 repairs, regeneration and production of steel constructions. The company prepares its balance sheet as at 31 December.

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

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

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

This Consolidated Quarterly Report was prepared according to the historical cost principle except for derivative instruments measured at fair value and share-based payments, including the valuation at fair value of certain components of property, plant and equipment in connection with assuming fair value as a deemed cost, which was carried out as at 1 January 2005.

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

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

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

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

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

- On 21 August 2015, the Parent received from Enea Trading Sp. z o.o., acting on behalf of Enea Wytwarzanie Sp. z o.o. with registered office in Świerże Górne, a statement on the termination of the Long-Term Agreement for the Supply of Power Coal concluded on 4 March 2010 by and between Elektrownia Kozienice S.A. (currently Enea Wytwarzanie Sp. z o.o.) and the Parent. The subject matter of the Agreement are supplies of power coal to the ENEA Wytwarzanie S.A. power plant in Kozienice in the period from 4 March 2010 to 31 December 2025. The Agreement was terminated by Enea Wytwarzanie under Article 13.1 of the Agreement, i.e. as a result of the Company and ENEA Wytwarzanie failing to agree, by way of negotiations, on the price for the next calendar year (2016) in three first successive negotiation rounds out of four provided for in the Agreement. As a result of the statement on the Agreement termination made by Enea Wytwarzanie, the agreement shall be

terminated as of 1 January 2018. During the notice period, in 2016 and 2017, the volumes of supplies of power coal for the needs of the ENEA Wytwarzanie Sp. z o.o. power plant shall not change as compared to volumes contracted for these years in the Agreement prior to the termination.

- On 31 August 2015, the Management Board of the Parent concluded an Annex to the Agreement on Sale/Purchase of Power Coal with PGNIG Termika S.A. with registered office in Warsaw. The Agreement concerns coal supplies provided for the purposes of, among others, Siekierki Heat and Power Station owned by PGNIG Termika S.A. The Annex concerns the extension of the term of the Agreement until 31 December 2016 and the terms and conditions of supplies in 2016. As a result of concluding the Annex, the value of the entire Agreement until 31 December 2016 amounts currently to PLN 977.3 million.
- On 14 September 2015, ENEA S.A. with registered office in Poznań announced a tender offer for the shares of the Parent. As a result of the offer ENEA S.A. intends to acquire up to 64.57% of the total number of votes at the General Shareholders Meeting of the Parent, which corresponds to the acquisition of 21,962,189 shares, and together with its subsidiary ENEA Wytwarzanie Sp. z o.o., ENEA S.A. intends to acquire, as a result of the offer, 22,448,969 shares conferring the right to 66% of the total number of votes at the General Shareholders Meeting of the Parent.

In its letter of 21 October 2015 addressed to the Parent, ENEA Wytwarzanie Sp. z o.o. announced that its sole shareholder, i.e. ENEA S.A., obtained an unconditional consent of the Office of Competition and Consumer Protection to take control over the Parent, which was the last condition to be met in this respect. According to the information provided by ENEA S.A. in the current report of 16 October 2015, the expected day of the share acquisition transaction at the Stock Exchange is 26 October 2015, while the settlement of the acquisition transaction shall take place on 29 October 2015.

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

During 9 months ended on 30 September 2015, no untypical events occurred that would have a significant bearing on the financial results achieved by both the Lubelski Węgiel Bogdanka Group and its Parent.

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

##### ***The third quarter of 2015***

##### Interim Consolidated Income Statement

Consolidated net revenue on sales of products, goods and materials in the third quarter of 2015 amounted to PLN 483,424,000. By way of comparison, consolidated revenue on sales of products, goods and materials in the same period of 2014 equalled PLN 544,973,000.

Consolidated operating profit in the third quarter of 2015 amounted to PLN 73,225,000.

In the third quarter of 2015, net profit attributable to owners of the Parent was recorded in the amount of PLN 56,696,000, while in the comparable period of 2014 the Group recorded net profit attributable to owners of the Parent of PLN 80,218,000. It represents a decrease by 29.32% compared to the same period of the previous year.

### ***Three quarters of 2015***

#### Interim Consolidated Income Statement

In cumulative terms, revenue on sales of products, goods and materials for three quarters of 2015 amounted to PLN 1,326,984,000, which represents a decrease by 10.96% compared to the same period of the previous year.

The operating profit for three quarters of 2015 amounted to PLN 174,545,000.

In cumulative terms, the net profit attributable to owners of the Parent for three quarters of 2015 was recorded in the amount of PLN 132,040,000, while in the comparable period of 2014 the Group recorded net profit attributable to owners of the Parent of PLN 171,435,000. It represents a decrease by 22.98% compared to the same period of the previous year.

#### Interim Consolidated Statement of Financial Position

As at 30 September 2015, the balance of total provisions for other liabilities and charges, as well as provisions for employee benefits payable in the member companies of the of the Lubelski Węgiel Bogdanka Group amounted to PLN 435,185,000, which represents an increase by PLN 11,267,000 in comparison to the balance as at 31 December 2014.

As at 30 September 2015, deferred income tax liability occurred in the amount of PLN 114,576,000, which represents an increase by PLN 339,000 in comparison to the balance of this item as at 31 December 2014.

## **6. Data with regard to the condensed interim financial statements for the Parent in the third quarter and for three quarters of 2015.**

### ***The third quarter of 2015***

#### Interim Income Statement

In the third quarter of 2015, the net revenue on sales of products, goods and materials achieved the level of PLN 483,094,000, while in the comparable period of 2014 the item amounted to PLN 544,417,000, which represents a decrease in the net revenue in 2015 by 11.26%.

Operating profit in the third quarter of 2015 amounted to PLN 74,014,000.

Net profit for the third quarter of 2015 amounted to PLN 57,514,000, while in the same period of the previous year the Company generated net profit of PLN 84,902,000. It represents a decrease by 32.26% compared to the same period of the previous year.

### ***Three quarters of 2015***

#### Interim Income Statement

In cumulative terms, revenue on sales of products, goods and materials for three quarters of 2015 amounted to PLN 1,324,733,000, which represents a decrease by 10.94% compared to the same period of the previous year.

The operating profit for three quarters of 2015 amounted to PLN 172,968,000.

In cumulative terms, the net profit for three quarters of 2015 amounted to PLN 134,268,000, while in the same period of 2014 the Company recorded net profit of PLN 172,301,000. It represents a decrease by 22.07% compared to the same period of the previous year.

#### Interim Statement of Financial Position

As at 30 September 2015, the balance of the Parent's provisions for other liabilities and charges, as well as provisions for employee benefits amounted to PLN 431,678,000, which represents an increase by PLN 10,609,000 in comparison to the balance as at 31 December 2014.

As at 30 September 2015, deferred income tax liability occurred in the amount of PLN 114,408,000, which represents an increase by PLN 358,000 in comparison to the balance of this item as at 31 December 2014.

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

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 in the third quarter of 2015 accounted for 1.17% of total consolidated revenue, whereas cumulatively for three quarters of 2015, the sale accounted for 0.74% of total consolidated revenue. This has no significant effect on operating and financing activities of the Group.

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

Under the Programme Agreement of 30 June 2014, concluded by the Parent, Bank Polska Kasa Opieki S.A. and Bank Gospodarstwa Krajowego, on 30 June 2015, bonds issued earlier within a given tranche, with maturity date falling on 30 June 2015, were redeemed. The repurchase was refinanced through an issue of another two series of bonds with maturity date falling on 30 June 2016. The bond scheme provides for the Parent's right to issue further series of bonds within a given tranche in order to roll over the previous issue of this tranche, which justifies the long-term nature of this Scheme.

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

In the third quarter of 2015, the Parent did not pay any dividend to the shareholders. The payment of dividend for 2014, in the amount of PLN 119,048,000, took place on 8 October 2015. In compliance with Resolution No. 20 of the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A. of 18 June 2015, the profit for 2014 in the portion of PLN 119,048,000 has been distributed among the owners of the Parent. The payment of dividend for 2013, in the amount of PLN 197,279,000, took place on 2 October 2014. The dividend rate due to the owners of the Parent is presented in the table below.

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

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

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

The presented results for the third quarter and three quarters of 2015 refer to the events, identified by the Group, that occurred in this period. No events that would affect the financial results and were not disclosed in the Consolidated Quarterly Report occurred after the balance-sheet date.

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

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

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

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

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

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

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

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

Purchases include primarily services of 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, tools and the baths, and telecommunication services.

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

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

Purchases primarily include the purchase of services connected with renovation of mining equipment and devices, regeneration services, service of maintaining operations, and supply of devices and subassemblies.

In the reporting periods ended on 30 September 2015 and 30 September 2014 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 associated entities as at subsequent balance-sheet dates were as follows:

	<b>1 Jan. 2015</b> <b>– 30 Sep. 2015</b>	<b>1 Jan. 2014</b> <b>– 30 Sep. 2014</b>
Purchases in period	65,499	69,007
Total liabilities at end of period including VAT	11,845	10,675

In the reporting periods ended on 30 September 2015 and 30 September 2014 the value of trade related to sales with the following subsidiaries: Łęczyńska Energetyka Sp. z o.o., EkoTRANS Sp. z o.o., RG Bogdanka Sp. z o.o. and MR Bogdanka Sp. z o.o., and the balance of the Company's receivables from these associated entities as at subsequent balance-sheet dates were as follows:

	<b>1 Jan. 2015</b> <b>– 30 Sep. 2015</b>	<b>1 Jan. 2014</b> <b>– 30 Sep. 2014</b>
Sales in period	7,813	20,600

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

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Total receivables at end of period including VAT	683	791
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In the reporting periods ending on 30 September 2014 and 30 September 2015 the value of dividends due and received from subsidiaries - Łęczyńska Energetyka Sp. z o.o., EkoTRANS Bogdanka Sp. z o.o. and RG Bogdanka Sp. z o.o. as at subsequent balance-sheet dates were as follows:

	<b>1 Jan. 2015 – 30 Sep. 2015</b>	<b>1 Jan. 2014 – 30 Sep. 2014</b>
Dividend	3,267	3,411

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

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

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

	30 Sep. 2015	31 Dec. 2014
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,545,465	3,613,168
Intangible assets	23,300	24,291
Deferred tax assets	2,305	2,379
Trade and other receivables	1,465	1,495
Cash and cash equivalents	89,947	88,832
	<u>3,662,482</u>	<u>3,730,165</u>
<b>Current assets</b>		
Inventories	108,901	132,488
Trade and other receivables	277,834	300,626
Overpaid income tax	426	5,655
Property, plant and equipment intended for sale	3,916	-
Cash and cash equivalents	235,776	195,481
	<u>626,853</u>	<u>634,250</u>
<b>TOTAL ASSETS</b>	<b><u>4,289,335</u></b>	<b><u>4,364,415</u></b>
<b>Equity</b>		
<b>Equity attributable to owners of the Parent</b>		
Ordinary shares	301,158	301,158
Other capital	1,758,007	1,593,863
Retained profits	470,739	619,317
	<u>2,529,904</u>	<u>2,514,338</u>
<b>Non-controlling interests</b>	<b><u>9,586</u></b>	<b><u>9,489</u></b>
<b>Total equity</b>	<b><u>2,539,490</u></b>	<b><u>2,523,827</u></b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans and borrowings	17,531	13,222
Deferred income tax liabilities	114,576	114,237
Provisions for employee benefits	191,465	186,195
Provisions for other liabilities and charges	115,744	123,585
Grants	14,336	15,109
Financing liabilities on account of bond issue	700,000	700,000
Trade and other liabilities	14,619	18,933
	<u>1,168,271</u>	<u>1,171,281</u>
<b>Current liabilities</b>		
Loans and borrowings	2,783	100,526
Provisions for employee benefits	49,780	40,529
Financing liabilities	-	308
Provisions for other liabilities and charges	78,196	73,609
Grants	1,017	988
Financing liabilities on account of bond issue	46	106
Current income tax liabilities	6,486	63
Dividend liabilities*	119,052	4
Trade and other liabilities	324,214	453,174
	<u>581,574</u>	<u>669,307</u>
<b>Total liabilities</b>	<b><u>1,749,845</u></b>	<b><u>1,840,588</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>4,289,335</u></b>	<b><u>4,364,415</u></b>

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

## Interim Consolidated Income Statement

	<b>Q3 2015</b> <b>1 Jul. 2015</b> <b>- 30 Sep. 2015</b>	<b>3Qs 2015</b> <b>1 Jan. 2015</b> <b>- 30 Sep. 2015</b>	<b>Q3 2014</b> <b>1 Jul. 2014</b> <b>- 30 Sep. 2014</b>	<b>3Qs 2014</b> <b>1 Jan. 2014</b> <b>- 30 Sep. 2014</b>
Revenue	483,424	1,326,984	544,973	1,490,344
Costs of products, goods and materials sold	(372,447)	(1,052,452)	(402,622)	(1,147,416)
<b>Gross profit</b>	<b>110,977</b>	<b>274,532</b>	<b>142,351</b>	<b>342,928</b>
Selling cost	(10,130)	(27,791)	(9,068)	(28,255)
Administrative costs	(25,916)	(72,063)	(26,426)	(73,081)
Other income	414	2,430	274	1,102
Other costs	(216)	(599)	(299)	(1,298)
Other losses - net	(1,904)	(1,964)	(6,882)	(14,788)
<b>Operating profit</b>	<b>73,225</b>	<b>174,545</b>	<b>99,950</b>	<b>226,608</b>
Finance income	1,373	4,635	2,328	6,929
Finance cost	(3,623)	(14,993)	(3,231)	(17,694)
Finance cost - net	(2,250)	(10,358)	(903)	(10,765)
<b>Profit before taxation</b>	<b>70,975</b>	<b>164,187</b>	<b>99,047</b>	<b>215,843</b>
Income tax	(14,336)	(32,050)	(19,677)	(45,049)
<b>Net profit for the period including:</b>	<b>56,639</b>	<b>132,137</b>	<b>79,370</b>	<b>170,794</b>
- attributable to owners of the Parent	56,696	132,040	80,218	171,435
- attributable to non-controlling interests	(57)	97	(848)	(641)
Earnings per share attributable to owners of the Parent during the year (in PLN per share)				
- basic		3.88		5.04
- diluted*		3.88		5.04

\*As at 30 September 2015, in connection with the introduction of the Management Options Scheme in 2013, the Parent held instruments causing possible dilution of ordinary shares. As at 30 September 2015, the impact of the dilution is immaterial. Diluted earnings per share are therefore equal to basic earnings per share of the Parent (the same situation took place as at 30 September 2014).

## Interim Consolidated Statement of Comprehensive Income

	Q3 2015 1 Jul. 2015 - 30 Sep. 2015	3Qs 2015 1 Jan. 2015 - 30 Sep. 2015	Q3 2014 1 Jul. 2014 - 30 Sep. 2014	3Qs 2014 1 Jan. 2014 - 30 Sep. 2014
<b>Net profit for the financial period</b>	<b>56,639</b>	<b>132,137</b>	<b>79,370</b>	<b>170,794</b>
<b>Other comprehensive income for the financial period</b>				
<b>Items which never will be transferred to profit/loss for the current period</b>				
Actuarial gains (losses) of defined benefit schemes	(1,024)	(137)	(15,028)	(13,478)
Income tax relating to non-transferrable items	179	26	2,855	2,561
<b>Items which never will be transferred to profit/loss for the current period - total</b>	<b>(845)</b>	<b>(111)</b>	<b>(12,173)</b>	<b>(10,917)</b>
<b>Items which will or may be transferred to profit/loss for the current period</b>				
Cash flow hedges				
Profit (loss) for period	176	(3,198)	5,063	1,682
Adjustments resulting from transferring amounts to initial values of hedged items	-	3,268	-	-
Income tax relating to transferrable items	(33)	(13)	(963)	(320)
<b>Items which will or may be transferred to profit/loss for the current period - total</b>	<b>143</b>	<b>57</b>	<b>4,100</b>	<b>1,362</b>
<b>Other comprehensive income (loss) for the financial period</b>	<b>(702)</b>	<b>(54)</b>	<b>(8,073)</b>	<b>(9,555)</b>
<b>Comprehensive net income for the financial period</b>	<b>55,937</b>	<b>132,083</b>	<b>71,297</b>	<b>161,239</b>
<b>including:</b>				
- attributable to owners of the Parent	55,994	131,986	72,145	161,880
- attributable to non-controlling interests	(57)	97	(848)	(641)

## Interim Consolidated Statement of Changes in Equity

	Attributable to owners of the Parent							Non-controlling interests	Total equity
	Ordinary shares	Other capital			Retained profits	Total equity	Non-controlling interests		
Other capital – transfer of profit / loss		Management Options	Equity on valuation of cash flow hedges	Equity on valuation of cash flow hedges					
<b>As at 1 January 2014</b>	<b>301,158</b>	<b>1,456,608</b>	<b>2,853</b>	<b>(4,238)</b>	<b>688,846</b>	<b>2,445,227</b>	<b>10,304</b>	<b>2,455,531</b>	
Comprehensive net income for the financial period:	-	-	-	1,362	160,518	161,880	(641)	161,239	
- net profit	-	-	-	-	171,435	171,435	(641)	170,794	
- other comprehensive income	-	-	-	1,362	(10,917)	(9,555)	-	(9,555)	
Dividends concerning 2013	-	-	-	-	(197,279)	(197,279)	(311)	(197,590)	
Result for 2013 carried forward	-	129,251	-	-	(129,251)	-	-	-	
Management Options Issue	-	-	5,905	-	-	5,905	-	5,905	
<b>As at 30 September 2014</b>	<b>301,158</b>	<b>1,585,859</b>	<b>8,758</b>	<b>(2,876)</b>	<b>522,834</b>	<b>2,415,733</b>	<b>9,352</b>	<b>2,425,085</b>	
<b>As at 1 January 2015</b>	<b>301,158</b>	<b>1,585,859</b>	<b>8,241</b>	<b>(237)</b>	<b>619,317</b>	<b>2,514,338</b>	<b>9,489</b>	<b>2,523,827</b>	
Comprehensive net income for the financial period:	-	-	-	57	131,929	131,986	97	132,083	
- net profit	-	-	-	-	132,040	132,040	97	132,137	
- other comprehensive income	-	-	-	57	(111)	(54)	-	(54)	
Dividends concerning 2014	-	-	-	-	(119,048)	(119,048)	-	(119,048)	
Transfer of retained profits	-	161,459	-	-	(161,459)	-	-	-	
Management Options Issue	-	-	2,628	-	-	2,628	-	2,628	
<b>As at 30 September 2015</b>	<b>301,158</b>	<b>1,747,318</b>	<b>10,869</b>	<b>(180)</b>	<b>470,739</b>	<b>2,529,904</b>	<b>9,586</b>	<b>2,539,490</b>	

## Interim Consolidated Statement of Cash Flows

	For 3Qs ended on 30	
	September	
	2015	2014
<b>Cash flow from (used in) operating activities</b>		
Cash inflow from operating activities*	521,773	597,526
Interest received	3,084	2,049
Income tax paid	(20,291)	(32,629)
Net cash flow from (used in) operating activities	<b>504,566</b>	<b>566,946</b>
<b>Cash flow from (used in) investing activities</b>		
Acquisition of property, plant and equipment	(358,464)	(418,209)
Interest paid regarding investing activities	(8,049)	(10,729)
Acquisition of intangible assets	(739)	(2,006)
Inflow from the sale of property, plant and equipment	1,469	61
Interest received	2,516	3,820
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(1,115)	(1,231)
Net cash flow from (used in) investing activities	<b>(364,382)</b>	<b>(428,294)</b>
<b>Cash flow from (used in) financing activities</b>		
Proceeds from loans and borrowings	5,979	2,995
Inflow from issue of bonds	-	500,000
Repayments of loans and borrowings	(99,008)	(421,000)
Interest and commissions paid regarding financing activities	(6,860)	(5,355)
Dividend paid	-	(311)
Other net cash flow from (used in) financing activities	-	11
Net cash flow from (used in) financing activities	<b>(99,889)</b>	<b>76,340</b>
Net increase in cash and cash equivalents	40,295	214,992
Cash and cash equivalents at beginning of period	195,481	212,004
<b>Cash and cash equivalents at end of period</b>	<b>235,776</b>	<b>426,996</b>

\*detailed list of consolidated cash inflow from (used in) operating activities is presented on page 14.

## Interim consolidated cash inflow from operating activities

	For 3Qs ended on 30 September	
	2015	2014
Profit before taxation	164,187	215,843
- Depreciation of non-current assets	281,852	274,480
- Amortisation of intangible assets	1,724	1,396
- (Profit)/Loss on sale of property, plant and equipment	51	(20)
- Income and costs related to changes in the property, plant and equipment	9,920	40,606
- Creating and using impairment losses of property, plant and equipment	33	(22,438)
- Net finance income	-	(364)
- Actuarial gains (losses) as recognised in the interim consolidated statement of comprehensive income	(137)	(13,478)
- Change in provisions for employee benefits	14,521	36,549
- Change in provisions	9,588	24,561
- Other flows	971	(888)
- Cost of Management Options	2,628	5,905
- Change in inventories	23,587	28,902
- Change in trade and other receivables	22,822	(49,559)
- Change in trade and other liabilities	(9,974)	56,031
<b>Cash inflow from operating activities</b>	<b>521,773</b>	<b>597,526</b>
Balance-sheet change in receivables	22,822	(99,131)
Receivables related to advances paid for property, plant and equipment	-	49,572
<b>Change in receivables for the purposes of the interim consolidated statement of cash flows</b>	<b>22,822</b>	<b>(49,559)</b>
Balance-sheet change in liabilities	(14,970)	225,063
Change in investment liabilities	124,044	28,247
Liabilities on account of dividend concerning the previous year	(119,048)	(197,279)
<b>Change in liabilities for the purposes of the interim consolidated statement of cash flows</b>	<b>(9,974)</b>	<b>56,031</b>
Increase in non-current assets	242,469	400,691
Interest paid regarding investing activities	(8,049)	(10,729)
Change in investment liabilities	124,044	28,247
<b>Acquisition of property, plant and equipment</b>	<b>358,464</b>	<b>418,209</b>

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

	30 Sep. 2015	31 Dec. 2014
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,453,296	3,529,546
Intangible assets	22,714	23,692
Non-current investments	75,601	75,601
Trade and other receivables	145	160
Cash and cash equivalents	89,947	88,832
	<u>3,641,703</u>	<u>3,717,831</u>
<b>Current assets</b>		
Inventories	107,536	130,848
Trade and other receivables	276,543	297,304
Overpaid income tax	-	4,737
Property, plant and equipment intended for sale	3,916	-
Cash and cash equivalents	217,725	172,263
	<u>605,720</u>	<u>605,152</u>
<b>TOTAL ASSETS</b>	<b><u>4,247,423</u></b>	<b><u>4,322,983</u></b>
<b>Equity</b>		
Ordinary shares	301,158	301,158
Other capital	1,758,007	1,601,428
Retained profits	464,097	602,882
<b>Total equity</b>	<b><u>2,523,262</u></b>	<b><u>2,505,468</u></b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred income tax liabilities	114,408	114,050
Provisions for employee benefits	189,122	183,777
Provisions for other liabilities and charges	115,744	123,585
Grants	14,336	15,109
Financing liabilities on account of bond issue	700,000	700,000
Trade and other liabilities	14,543	18,833
	<u>1,148,153</u>	<u>1,155,354</u>
<b>Current liabilities</b>		
Loans and borrowings	-	99,008
Provisions for employee benefits	48,616	40,098
Financing liabilities	-	308
Provisions for other liabilities and charges	78,196	73,609
Grants	1,017	988
Financing liabilities on account of bond issue	46	106
Current income tax liabilities	6,288	-
Dividend liabilities*	119,052	4
Trade and other liabilities	322,793	448,040
	<u>576,008</u>	<u>662,161</u>
<b>Total liabilities</b>	<b><u>1,724,161</u></b>	<b><u>1,817,515</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>4,247,423</u></b>	<b><u>4,322,983</u></b>

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

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

	<b>Q3 2015</b> <b>1 Jul. 2015</b> <b>- 30 Sep. 2015</b>	<b>3Qs 2015</b> <b>1 Jan. 2015</b> <b>- 30 Sep. 2015</b>	<b>Q3 2014</b> <b>1 Jul. 2014</b> <b>- 30 Sep. 2014</b>	<b>3Qs 2014</b> <b>1 Jan. 2014</b> <b>- 30 Sep. 2014</b>
Revenue	483,094	1,324,733	544,417	1,487,424
Costs of products, goods and materials sold	(372,371)	(1,052,136)	(403,521)	(1,152,419)
<b>Gross profit</b>	<b>110,723</b>	<b>272,597</b>	<b>140,896</b>	<b>335,005</b>
Selling cost	(9,245)	(28,045)	(9,454)	(29,777)
Administrative costs	(25,766)	(71,389)	(25,695)	(72,510)
Other income	391	2,352	22	715
Other costs	(216)	(576)	(306)	(1,303)
Other profit / (loss) - net	(1,873)	(1,971)	463	(8,336)
<b>Operating profit</b>	<b>74,014</b>	<b>172,968</b>	<b>105,926</b>	<b>223,794</b>
Finance income	1,303	7,690	2,223	9,967
Finance cost	(3,621)	(14,989)	(3,227)	(17,684)
Finance cost - net	(2,318)	(7,299)	(1,004)	(7,717)
<b>Profit before taxation</b>	<b>71,696</b>	<b>165,669</b>	<b>104,922</b>	<b>216,077</b>
Income tax	(14,182)	(31,401)	(20,020)	(43,776)
<b>Net profit for the financial period</b>	<b>57,514</b>	<b>134,268</b>	<b>84,902</b>	<b>172,301</b>

Earnings per share attributable to owners of the Company during the year (in PLN per share)

- basic	3.95	5.07
- diluted*	3.95	5.07

\*As at 30 September 2015, in connection with the introduction of the Management Options Scheme in 2013, the Company held instruments causing possible dilution of ordinary shares. As at 30 September 2015, the impact of the dilution is immaterial. Diluted earnings per share are therefore equal to basic earnings per share of the Company (the same situation took place as at 30 September 2014).

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

	<b>Q3 2015</b> <b>1 Jul. 2015</b> <b>- 30 Sep. 2015</b>	<b>3Qs 2015</b> <b>1 Jan. 2015</b> <b>- 30 Sep. 2015</b>	<b>Q3 2014</b> <b>1 Jul. 2014</b> <b>- 30 Sep. 2014</b>	<b>3Qs 2014</b> <b>1 Jan. 2014</b> <b>- 30 Sep. 2014</b>
<b>Net profit for the financial period</b>	<b>57,514</b>	<b>134,268</b>	<b>84,902</b>	<b>172,301</b>
<b>Other comprehensive income for the financial period</b>				
<b>Items which never will be transferred to profit/loss for the current period</b>				
- Actuarial gains (losses) of defined benefit schemes	(1,024)	(137)	(15,028)	(13,478)
- Income tax relating to non-transferrable items	179	26	2,855	2,561
<b>Items which never will be transferred to profit/loss for the current period - total</b>	<b>(845)</b>	<b>(111)</b>	<b>(12,173)</b>	<b>(10,917)</b>
<b>Items which will or may be transferred to profit/loss for the current period</b>				
Cash flow hedges				
- Profit (loss) for period	176	(3,198)	5,063	1,682
- Adjustments resulting from transferring amounts to initial values of hedged items	-	3,268	-	-
- Income tax relating to transferrable items	(33)	(13)	(963)	(320)
<b>Items which will or may be transferred to profit/loss for the current period - total</b>	<b>143</b>	<b>57</b>	<b>4,100</b>	<b>1,362</b>
<b>Other comprehensive income (loss) for the financial period</b>	<b>(702)</b>	<b>(54)</b>	<b>(8,073)</b>	<b>(9,555)</b>
<b>Comprehensive net income for the financial period</b>	<b>56,812</b>	<b>134,214</b>	<b>76,829</b>	<b>162,746</b>

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

	Other capital				Retained profits	Total equity
	Ordinary shares	Other capital – transfer of profit / loss	Other capital – issue of Management Options	Equity on valuation of cash flow hedges		
<b>As at 1 January 2014</b>	<b>301,158</b>	<b>1,464,173</b>	<b>2,853</b>	<b>(4,238)</b>	<b>672,224</b>	<b>2,436,170</b>
Comprehensive net income for the financial period:	-	-	-	1,362	161,384	162,746
- net profit	-	-	-	-	172,301	172,301
- other comprehensive income	-	-	-	1,362	(10,917)	(9,555)
Dividends concerning 2013	-	-	-	-	(197,279)	(197,279)
Result for 2013 carried forward	-	129,251	-	-	(129,251)	-
Management Options Issue	-	-	5,905	-	-	5,905
<b>As at 30 September 2014</b>	<b>301,158</b>	<b>1,593,424</b>	<b>8,758</b>	<b>(2,876)</b>	<b>507,078</b>	<b>2,407,542</b>
<b>As at 1 January 2015</b>	<b>301,158</b>	<b>1,593,424</b>	<b>8,241</b>	<b>(237)</b>	<b>602,882</b>	<b>2,505,468</b>
Comprehensive net income for the financial period:	-	-	-	57	134,157	134,214
- net profit	-	-	-	-	134,268	134,268
- other comprehensive income	-	-	-	57	(111)	(54)
Dividends concerning 2014	-	-	-	-	(119,048)	(119,048)
Results for 2014 carried forward	-	153,894	-	-	(153,894)	-
Management Options Issue	-	-	2,628	-	-	2,628
<b>As at 30 September 2015</b>	<b>301,158</b>	<b>1,747,318</b>	<b>10,869</b>	<b>(180)</b>	<b>464,097</b>	<b>2,523,262</b>

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

	<b>For 3Qs ended on 30 September</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flow from (used in) operating activities</b>		
Cash inflow from operating activities*	511,557	587,496
Interest received	2,764	2,059
Income tax paid	(20,004)	(30,821)
<b>Net cash flow from (used in) operating activities</b>	<b>494,317</b>	<b>558,734</b>
<b>Cash flow from (used in) investing activities</b>		
Acquisition of property, plant and equipment	(340,776)	(401,883)
Interest paid regarding investing activities	(8,049)	(10,729)
Acquisition of intangible assets	(732)	(1,983)
Inflow from the sale of property, plant and equipment	1,497	10,059
Interest received	2,516	3,303
Acquisition of shares in subsidiaries	-	(1,067)
Dividend received	3,267	3,411
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(1,115)	(1,231)
<b>Net cash flow from (used in) investing activities</b>	<b>(343,392)</b>	<b>(400,120)</b>
<b>Cash flow from (used in) financing activities</b>		
Repayments of loans and borrowings	(99,008)	(421,000)
Inflow from issue of bonds	-	500,000
Interest and commissions paid regarding financing activities	(6,455)	(5,355)
<b>Net cash flow from (used in) financing activities</b>	<b>(105,463)</b>	<b>73,645</b>
<b>Net increase in cash and cash equivalents</b>	<b>45,462</b>	<b>232,259</b>
Cash and cash equivalents at beginning of period	172,263	177,898
<b>Cash and cash equivalents at end of period</b>	<b>217,725</b>	<b>410,157</b>

\*detailed list of cash inflow from (used in) operating activities is presented on page 20.

## Interim cash inflow from operating activities of Lubelski Węgiel Bogdanka S.A.

	<b>For 3Qs ended on 30 September</b>	
	<b>2015</b>	<b>2014</b>
Profit before taxation	165,669	216,077
- Depreciation of non-current assets	278,003	271,055
- Amortisation of intangible assets	1,704	1,381
- (Profit)/Loss on sale of property, plant and equipment	84	(40)
- Income and costs related to changes in the property, plant and equipment	9,920	35,473
- Creating and using impairment losses of property, plant and equipment	33	(24,548)
- Actuarial gains (losses) as recognised in the interim statement of comprehensive income	(137)	(13,478)
- Change in provisions for employee benefits	13,863	36,601
- Change in provisions	9,588	24,561
- Other flows	982	(131)
- Dividend received	(3,267)	(3,411)
- Cost of Management Options	2,628	5,905
- Change in inventories	23,312	28,892
- Change in trade and other receivables	20,776	(48,632)
- Change in trade and other liabilities	(11,601)	57,791
<b>Cash inflow from (used in) operating activities</b>	<b>511,557</b>	<b>587,496</b>
Balance-sheet change in receivables	20,776	(98,204)
Receivables related to advances paid for property, plant and equipment	-	49,572
<b>Change in receivables for the purposes of the interim statement of cash flows</b>	<b>20,776</b>	<b>(48,632)</b>
Balance-sheet change in liabilities	(11,233)	230,692
Change in investment liabilities	118,680	24,378
Liabilities on account of dividend concerning the previous year	(119,048)	(197,279)
<b>Change in liabilities for the purposes of the interim statement of cash flows</b>	<b>(11,601)</b>	<b>57,791</b>
Increase in non-current assets	230,145	388,234
Interest paid regarding investing activities	(8,049)	(10,729)
Change in investment liabilities	118,680	24,378
<b>Acquisition of property, plant and equipment</b>	<b>340,776</b>	<b>401,883</b>

#### **14. Approval of the Financial Statements**

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby declares that as at 28 October 2015 it approves for publication this Consolidated Quarterly Report for the third quarter of financial year 2015, covering the period from 1 January 2015 to 30 September 2015.

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

Zbigniew Stopa	President of the Management Board
Waldemar Bernaciak	Vice-President of the Management Board, Trade and Logistics
Roger de Bazelaire	Vice-President of the Management Board, Economic and Financial Affairs
Krzysztof Szlaga	Vice-President of the Management Board, Procurement and Investments
Urszula Piątek	Chief Accountant