



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

LUBELSKI WĘGIEL BOGDANKA S.A.

FINANCIAL STATEMENTS

for the financial year from 1 January 2015 to 31 December 2015

BOGDANKA, MARCH 2016

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Statement of Financial Position (Balance Sheet)

	Note	31 Dec. 2015	31 Dec. 2014
Assets			
Non-current assets			
Property, plant and equipment	6	2,793,554	3,529,546
Intangible assets	8	18,406	23,692
Non-current investments	9	75,601	75,601
Trade and other receivables	11	140	160
Cash and cash equivalents	13	90,872	88,832
		<u>2,978,573</u>	<u>3,717,831</u>
Current assets			
Inventories	12	101,452	130,848
Trade and other receivables	11	239,274	297,304
Overpaid income tax		31,725	4,737
Assets held for sale	7	3,694	-
Cash and cash equivalents	13	240,011	172,263
		<u>616,156</u>	<u>605,152</u>
TOTAL ASSETS		<u>3,594,729</u>	<u>4,322,983</u>
Equity			
Ordinary shares	14	301,158	301,158
Other capital	15	1,757,070	1,601,428
Retained profits		47,662	602,882
Total equity		<u>2,105,890</u>	<u>2,505,468</u>
Liabilities			
Non-current liabilities			
Deferred tax liabilities	21	37,683	114,050
Provisions for employee benefits	22	199,519	183,777
Provisions for other liabilities and charges	23	130,179	123,585
Grants	17	14,058	15,109
Financial liabilities due to bonds issue	19	700,000	700,000
Trade and other liabilities	16	14,935	18,833
		<u>1,096,374</u>	<u>1,155,354</u>
Current liabilities			
Loans and borrowings	18	-	99,008
Provisions for employee benefits	22	48,478	40,098
Financial liabilities	20	-	308
Financial liabilities due to bonds issue		92	106
Provisions for other liabilities and charges	23	81,012	73,609
Grants	17	978	988
Trade and other liabilities	16	261,905	448,044
		<u>392,465</u>	<u>662,161</u>
Total liabilities		<u>1,488,839</u>	<u>1,817,515</u>
TOTAL EQUITY AND LIABILITIES		<u>3,594,729</u>	<u>4,322,983</u>

Income Statement

	Note	For the period	
		1 Jan. 2015 – 31 Dec. 2015	1 Jan. 2014 – 31 Dec. 2014
Revenue	24	1,883,118	2,010,499
Costs of products, goods and materials sold	25	<u>(2,054,607)</u>	<u>(1,502,244)</u>
Gross profit/(loss)		(171,489)	508,255
Selling cost	25	(38,002)	(41,789)
Administrative costs	25	(114,611)	(96,475)
Other income	26	2,597	869
Other costs	27	(1,958)	(3,477)
Other losses - net	28	<u>(5,039)</u>	<u>(8,744)</u>
Operating profit/(loss)		(328,502)	358,639
Finance income	29	9,079	9,968
Finance cost	29	<u>(22,850)</u>	<u>(23,443)</u>
Finance cost - net	29	<u>(13,771)</u>	<u>(13,475)</u>
Profit/(loss) before taxation		(342,273)	345,164
Income tax	30	<u>64,244</u>	<u>(72,222)</u>
Net profit/(loss) for the reporting period		(278,029)	272,942
Earnings/(loss) per share attributable to owners of the Company during the year (in PLN per share)			
- basic	31	(8.17)	8.02
- diluted	31	(8.17)	8.02

Statement of Comprehensive Income

	For the period	
	1 Jan. 2015 – 31 Dec. 2015	1 Jan. 2014 – 31 Dec. 2014
Net profit/(loss) for the reporting period	(278,029)	272,942
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	(5,246)	(19,450)
Income tax relating to non-transferrable items	997	3,696
Items never intended to be reclassified as profit or loss of the current period - total	(4,249)	(15,754)
Items which are or may be reclassified as profit or loss of the current period		
Cash flow hedges		
- Profit/(loss) for period	(2,993)	(1,484)
- Adjustments resulting from transferring amounts to original values of hedged items	3,286	6,423
Income tax relating to transferrable items	(56)	(938)
Items which are or may be reclassified as profit or loss of the current period - total	237	4,001
Other net comprehensive income/(loss) for the reporting period - total	(4,012)	(11,753)
Net comprehensive income/(loss) for the reporting period - total	(282,041)	261,189

Statement of Changes in Equity

	<u>Other capital</u>					Total equity
	Ordinary shares	Other capital – transfer of profit / loss	Other capital – issue of Management Options	Equity on valuation of cash flow hedges	Retained profits	
As at 1 January 2014	301,158	1,464,173	2,853	(4,238)	672,224	2,436,170
Total net comprehensive income for the reporting period:	-	-	-	4,001	257,188	261,189
- net profit	-	-	-	-	272,942	272,942
- other comprehensive income	-	-	-	4,001	(15,754)	(11,753)
Dividends concerning 2013	-	-	-	-	(197,279)	(197,279)
Transfer of the result for 2013	-	129,251	-	-	(129,251)	-
Management Options Issue	-	-	5,388	-	-	5,388
As at 31 December 2014	301,158	1,593,424	8,241	(237)	602,882	2,505,468
As at 1 January 2015	301,158	1,593,424	8,241	(237)	602,882	2,505,468
Total net comprehensive income for the reporting period:	-	-	-	237	(282,278)	(282,041)
- net loss	-	-	-	-	(278,029)	(278,029)
- other comprehensive income	-	-	-	237	(4,249)	(4,012)
Dividends concerning 2014	-	-	-	-	(119,048)	(119,048)
Transfer of profit/loss for 2014	-	153,894	-	-	(153,894)	-
Management Options Issue	-	-	1,511	-	-	1,511
As at 31 December 2015	301,158	1,747,318	9,752	-	47,662	2,105,890

Statement of Cash Flows

	Note	For the period	
		1 Jan. 2015 – 31 Dec. 2015	1 Jan. 2014 – 31 Dec. 2014
Cash flow from (used in) operating activities			
Cash inflow from operating activities*		746,921	756,566
Interest received		7,682	3,802
Income tax paid		(38,170)	(58,383)
Net cash flow from (used in) operating activities		716,433	701,985
Cash flows from (used in) investing activities			
Acquisition of property, plant and equipment		(418,221)	(671,036)
Interest paid regarding investing activity		(8,090)	(13,769)
Acquisition of intangible assets		(1,130)	(2,571)
Inflow from the sale of property, plant and equipment		3,072	11,299
Interest received	29	3,359	3,891
Purchase of shares in subsidiaries	9	-	(1,067)
Dividend received	29	3,267	3,411
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund		(2,040)	(10,920)
Net cash flows from (used in) investing activities		(419,783)	(680,762)
Cash flow from (used in) financing activities			
Proceeds from loans and borrowings	18	-	99,008
Inflow from issue of bonds	19	-	500,000
Repayments of loans and borrowings		(99,008)	(421,000)
Interest and commissions paid due to financing activities		(10,846)	(7,587)
Dividend paid to Company's shareholders	32	(119,048)	(197,279)
Net cash flows from (used in) financing activities		(228,902)	(26,858)
Net increase /(decrease) in cash and cash equivalents		67,748	(5,635)
Cash and cash equivalents at beginning of period		172,263	177,898
Cash and cash equivalents at end of period		240,011	172,263

* Detailed list of cash inflow from operating activities is presented on page 9.

Cash inflow from operating activities

	31 Dec. 2015	31 Dec. 2014
Profit before taxation	(342,273)	345,164
- Depreciation of non-current assets (Note 6)	379,590	381,004
- Amortisation of intangible assets (Note 8)	2,310	1,951
- Profit on sale of property, plant and equipment	(277)	(1,298)
- Income and costs related to changes in the property, plant and equipment	13,139	14,761
- Actuarial gains/(losses) as recognised in the statement of comprehensive income	(5,246)	(19,450)
- Change in provisions for employee benefits liabilities (Note 22)	24,122	25,941
- Change in provisions	20,265	16,467
- Other flows	(111)	(372)
- Dividend received	(3,267)	(3,411)
- Cost of Management Options	1,511	5,388
- Use and creation of assets impairment losses	624,821	(74)
- Change in inventories	29,396	(20,487)
- Change in trade and other receivables	58,050	(55,759)
- Change in trade and other liabilities	(55,109)	66,741
Cash inflow from operating activities	746,921	756,566
Balance-sheet change in liabilities	(191,100)	177,827
Change in investment liabilities	135,991	(111,086)
Change in liabilities for the purposes of the statement of cash flows	(55,109)	66,741
Increase in non-current assets	290,320	795,891
Change in investment liabilities	135,991	(111,086)
Interest paid regarding investing activity	(8,090)	(13,769)
Acquisition of property, plant and equipment	418,221	671,036

In the statement of cash flows, the amount of inflows from the sale of property, plant and equipment is comprised of:

	31 Dec. 2015	31 Dec. 2014
Net book value	2,795	10,001
Profit on sale of property, plant and equipment	277	1,298
Inflow from the sale of property, plant and equipment	3,072	11,299

Notes to the Financial Statements

Notes

1. General information

1.1. Information on the Company

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 under KRS No. 0000004549. Currently the National Court Register is maintained by the District Court in Lublin-Wschód seated in Świdnik, VI Commercial Division of the National Court Register.

The shares of Lubelski Węgiel Bogdanka Spółka Akcyjna are listed at the Warsaw Stock Exchange (WSE).

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

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

The Group prepares consolidated financial statements compliant with the IFRS for the period from 1 January 2015 to 31 December 2015. For the purpose of full understanding of the financial standing and results of the Company's operations, these financial statements should be read in conjunction with the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the financial period ended on 31 December 2015. The financial statements are available at the Company's website at www.lw.com.pl on the date as announced in a current report stating the date of publication of the Company's financial statements as well as the Group's consolidated financial statements for the financial period ended on 31 December 2015.

On 14 September 2015, ENEA S.A. announced a tender offer for the shares of the Company, and it declared its intention to acquire up to 64.57% of the total vote at the General Shareholders Meeting of the Company. The transaction settlement took place on 29 October 2015. As a result of the transaction, ENEA S.A. along with its subsidiary acquired the total of 66% of shares in the Company, as a result of which the Company became a member company of the ENEA Group of which ENEA S.A. with registered office in Poznań is the Parent.

1.2. Assumption of the Company going concern

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

If, after the preparation of the financial statements, the Company's becomes aware of events which have a significant bearing on these financial statements or which result in the going concern assumption being no longer appropriate for the Company, the Management Board of the Company is authorised to make amendments to the financial statements until the date of their approval. This does not preclude a possibility to make amendments to the financial statements retrospectively in subsequent periods in connection with rectification of errors or as a result of changes in the accounting policies following from IAS 8.

2. Description of key accounting principles applied

The most important accounting principles applied in preparation of these financial statements are presented below.

2.1. Basis of preparation

These financial statements of the LW Bogdanka S.A. have been prepared in compliance with the International Financial Reporting Standards as well as the related interpretations published in the form of a regulation of the European Commission.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a customary transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless whether such price is directly observable or estimated using other valuation technique. In the fair value measurement of an asset or liability, the Company takes into account the characteristics of the given asset or liability if the market participants take them into account when pricing assets or liabilities at the measurement date. Fair value for the purpose of measurement and / or disclosure in the Company's 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.

The financial statements were prepared using the same accounting principles for the current and comparative periods.

The financial statements follow the same accounting principles (policies) and calculating methods as the latest approved annual financial statements.

(a) *Standards and interpretations used by the Company 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 2015:

- **Amendments to various standards “Improvements to IFRS (2011-2013)”** – 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 European Union on 18 December 2014 (applicable to annual periods beginning on or after 1 January 2015), published on 12 December 2013. Amendments to various standards and interpretations as part of procedure of introducing annual amendments to Standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40), 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) meaning of effective IFRS in IFRS 1; (ii) scope of exemptions for joint ventures; (iii) scope of paragraph 52 (portfolio exception), and (iv) clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The introduction of amendments to to abovementioned standards will have no material impact on these financial statements.

- **IFRIC 21 “Levies”** – endorsed by the European Union 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 an interpretation to IAS 37 “Provisions, 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 IFRIC 21 has no material impact on these financial statements.

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

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

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

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

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

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

- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** – Agriculture: bearer plants - endorsed by the European Union on 23 November 2015 (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.

The Company will apply the amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” as of 1 January 2016. The Company has analysed the impact of the above standards on the accounting policies applied by the Company. The application of these amendments will not have a significant impact on the financial statements.

- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for the acquisition of interests in joint operations - endorsed by the European Union on 24 November 2015 (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.

The Company will apply the amendments to IFRS 11 “Joint Arrangements” as of 1 January 2016. The Company has analysed the impact of the above standards on the accounting policies applied by the Company. The application of these amendments will not have a significant impact on the financial statements.

- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** – Clarification of acceptable methods of depreciation and amortisation - endorsed by the European Union on 2 December 2015 (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.

The Company will apply the amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” as of 1 January 2016. The Company has analysed the impact of the above standards on the accounting policies applied by the Company. The application of these amendments will not have a significant impact on the 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 – endorsed by the European Union on 15 December 2015 (applicable to annual periods beginning on or after 1 January 2016); published on 25 September 2014. Amendments were made to various standards and interpretations under the annual procedure of amending the Standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily oriented at eliminating inconsistencies and specifying terminology. The amendments clarified the required accounting treatment in situations wherein previously freedom of interpretation was allowed. The improvements include new or amended requirements regarding: (i) changes in methods of disposal; (ii) servicing contracts; (iii) applicability of the amendments to IFRS 7 in condensed interim financial statements; (iv) discount rate: regional market issues; (v) disclosure of information “elsewhere in the interim financial report”.

The Company will apply the amendments to standards “Improvements to IFRS (2012-2014 Cycle)” as of 1 January 2016. The Company has analysed the impact of the above standards on the accounting policies applied by the Company. The application of these amendments will not have a significant impact on the financial statements.

- **Amendments to IAS 1 “Presentation”** – initiative in relation to disclosures – endorsed by the European Union on 18 December 2015 (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.

The Company will apply the amendments to IAS 1 “Presentation” as of 1 January 2016. The Company has analysed the impact of the above standards on the accounting policies applied by the Company. The application of these amendments will not have a significant impact on the financial statements.

- **Amendments to IAS 27 “Separate Financial Statements”** – Equity Method in separate financial statements – endorsed by the European Union on 18 December 2015 (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.

The Company has analysed the impact of the above standards on the accounting policies applied by the Company. The application of these amendments will not have a significant impact on the financial statements.

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

At present, the IFRS endorsed by the European Union do not differ substantially from the regulations adopted by the International Accounting Standards Board (IASB), save for the following standards, standard amendments or interpretations which as at 17 March 2016 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 IAS 12 “Income taxes”** – disclosure of deferred tax assets for unrealised losses were issued by IASB on 19 January 2016. The amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- **IFRS 16 “Leases”** was issued by IASB on 13 January 2016. In accordance with IFRS 16 a lessee discloses the right to use an asset as well as the liability for the lease. The right to use an asset is treated similarly as other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. A lessor recognises finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.
- **Amendments to IFRS 7 “Statement of Cash Flows”** – the initiative on disclosures was issued by the IASB on 29 January 2016. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity’s financing activities. The amendments require that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes resulting both from cash and non-cash flows.

The Company is analysing the impact of new standards to the financial statements.

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 consolidated financial statements if it was adopted for application at the balance-sheet date.

2.2. Measurement of items expressed in foreign currencies

a) Functional currency and presentation currency

The financial statements are prepared in Polish zlotys (“PLN”), being the functional and presentation currency of the Company. Data in the financial statements is presented in PLN ‘000, unless specified as an exact figure in specific situations.

b) Transactions and balances

Transactions expressed in foreign currencies are translated into the functional currency in the moment of initial recognition at the exchange rate prevailing on the transaction date. As at the balance-sheet date:

- cash items are translated at the closing rate (closing rate is the average exchange rate determined for a given currency by the National Bank of Poland as at that date),
- non-cash items valued at historical cost in a foreign currency are translated at the exchange rate as at the date of the initial transaction (exchange rate quoted by the bank employed by the entity), and
- non-cash items valued at fair value in a foreign currency are translated at the exchange rate as at the date of determining the fair value.

Foreign exchange differences resulting from translation are disclosed accordingly in the income statement; foreign exchange differences regarding operating activity are recognised under “Other net profit/(loss)”, and those regarding financial activity under “Finance income / cost” or, in cases defined in the accounting policies, under the equity, when they qualify for recognition as a cash flow hedge and hedge of share in net assets.

2.3. Property, plant and equipment

Property, plant and equipment are the non-current assets:

- which are held by the Company with a view to being used in the production process, in supply of goods or provision of services, and for administrative purposes,
- which are expected to be used for a period longer than one year,
- in respect of which it is probable that the future economic benefits associated with the asset will flow to the entity, and
- whose value can be measured reliably.

Property, plant and equipment are initially recognised at acquisition or production cost.

As at initial recognition, the acquisition or production cost of property, plant and equipment includes costs of construction of underground tunnels (the so-called main tunnels and operational tunnels) and longwall headings driven in the extraction fields net of revenue from sales of coal mined during construction of such tunnels and headings.

As at initial recognition, the acquisition or production cost of property, plant and equipment includes estimated cost of dismantling and removing the asset and restoring the site, which the Group is obliged to incur at the installation of the asset or its placement in service. In particular, the initial value of non-current assets includes discounted cost of decommissioning the non-current assets related to underground mining as well as other structures which, under the applicable mining laws, are subject to decommissioning when operations are discontinued.

The cost of mine closure recognised in the initial value of non-current assets is depreciated using the same method as that used for the non-current assets to which the cost relates. Depreciation starts as soon as a given non-current asset is placed in service, and continues over a period determined in the closure plan for groups of structures under the estimated mine closure schedule.

As at the balance-sheet date, items of property, plant and equipment are carried at acquisition or production cost less accumulated depreciation and impairment charges.

Subsequent outlays are recognised in the carrying amount of a given item of non-current assets or recognised as a separate item of non-current assets (where appropriate) only when it is probable that future economic benefits associated with that item will flow to the Company in future and the value of that item can be measured reliably. Any other outlays on repair and maintenance are recognised in the income statement in the accounting period in which they are incurred.

Land is not depreciated. Depreciation of an item of non-current assets starts when that item is available to be placed in service. Other items of non-current assets are depreciated using the straight-line method beginning from a month following the placing in service, or the unit-of-production method in order to distribute their initial values or re-measured values, less residual values, over their useful economic lives, which for particular groups of non-current assets are as follows:

Buildings and structures	25-40 years, but not longer than until the estimated date of mine closure
Structures (excavation pits)	Depreciation with the cost-of-production method based on the length of exploited walls
Plant and equipment	5-20 years, but not longer than until the estimated date of mine closure
Vehicles	3-30 years, but not longer than until the estimated date of mine closure
Other property, plant and equipment	3-20 years, but not longer than until the estimated date of mine closure

The asset then ceases to be depreciated at the earlier of: the day when a given asset is classified as available for sale (or included in a group of assets that are to be disposed of, classified as available for sale) in accordance with IFRS 5 “*Non-Current Assets Available for Sale and Discontinued Operations*”, or the day when the asset is derecognised due to decommissioning, sale or placement out of service.

Individual material components of non-current assets, whose useful lives are different from the useful life of the entire non-current asset and whose acquisition or production cost is material relative to the acquisition or production cost of the entire non-current asset are depreciated separately, using the depreciation rates which reflect such their estimated useful lives.

The residual value and useful lives of non-current assets are reviewed and, if necessary, changed as at each balance-sheet date.

If the carrying amount of an item of non-current assets exceeds its estimated recoverable value, then the carrying amount of that asset is reduced to its recoverable value (Note 2.6).

The value of a non-current asset includes costs of regular, major inspections (including certification inspections) which are considered necessary.

Borrowing costs, including interest, fees and commissions on account of liabilities, as well as currency exchange differences arising in relation to borrowings and loans incurred in foreign currencies, to the extent they are recognised as an adjustment of interest expense, which may be directly attributed to acquisition, construction or production of an adapted asset, are activated as a portion of the purchase price or cost of production of that asset. The amount of borrowing costs, which is subject to activation, is calculated in accordance with IAS 23.

Specialist spare parts with a significant initial value, which are expected to be used for a period longer than one year are recorded as property, plant and equipment. Spare parts and equipment connected with maintenance which may only be used only for certain items of property, plant and equipment are recorded

similarly. Other low-value spare parts and equipment connected with maintenance are carried as inventories and recognised in the income statement at the time of their use.

Gain or loss on sale of items of non-current assets is calculated by comparing the revenue with their carrying amount, and is recognised in the income statement under “Other profit/(loss) - net.”

2.4. Intangible assets

Geological information

Purchased geological information is recognised in accordance with IFRS 6 “Exploration for and Evaluation of Mineral Resources” at the value arising from the agreement concluded with the Ministry of Environment. The concession is not amortised until its receipt. Next, capitalised costs are written off during the concession lifetime.

Computer software

Purchased software licenses are capitalised at cost incurred on acquisition and preparation of given software for use. The capitalised cost is amortised over the estimated period of use of the software (2-5 years).

Fees, licences

The fee for mining usufruct for the purpose of extraction of coal from the Bogdanka deposit is capitalised in the amount of the fee paid. The capitalised cost is amortised over the estimated period for which the agreement for mining use has been concluded.

Intangible assets are amortised using the straight-line method beginning from a month following the placing in service. As at the balance-sheet date, intangible assets are carried at acquisition or production cost less accumulated amortisation and accumulated impairment losses.

2.5. Non-current investments

Shares and equity interests in subsidiary and associated entities are measured at acquisition cost less impairment charges.

Gain or loss on sale of investments is calculated by comparing the revenue with their carrying amount, and is recognised in the income statement under “Finance income/costs.”

2.6. Impairment of non-financial assets

Assets with indefinite useful lives are not amortised, but tested for possible impairment each year. Amortised assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of a given asset exceeds its recoverable amount. Recoverable amount represents the asset's net selling price or the value in use, whichever is higher. For the purpose of assessing impairment, assets are grouped at the lowest level for which separate cash flows can be identified (cash generating units, CGU). Impaired non-financial assets are tested as at each balance-sheet date to determine whether there are circumstances indicating the possibility of reversing previous impairment charges.

The creation, releasing and using the impairment losses of non-financial assets are disclosed in the income statement under costs by function (i.e. under the following items: “Costs of products, goods and materials sold”, “Selling cost”, “Administrative costs”).

2.7. Financial assets

The Management Board classifies its financial assets at the time of their initial recognition. The category under which financial assets will fall is established depending on the purpose for which they were acquired.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments, not classified as derivatives and not traded on any active market. Loans and receivables are included in current assets providing their maturity does not exceed 12 months as of the balance-sheet date, and they are included in the non-current assets if their maturity exceeds 12 months as of the balance-sheet date. Trade receivables as well as cash and cash equivalents are presented as loans and receivables.

No other categories of financial assets are carried by the Company.

As at the date of the transaction, loans and receivables are recognised at fair value. Subsequently, they are carried at adjusted acquisition or production cost using the effective interest rate method. Loans and receivables are derecognised when the rights to receive cash flows related to them expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each balance-sheet date whether there is objective evidence that an item or a group of financial assets may be impaired. A test for impairment of trade debtors is described in Note 2.9.

2.8. Inventories

Inventories are recognised at acquisition or production cost, which however cannot exceed their net selling price. The amount of outflows is determined using the weighted average method. Cost of finished goods and work in progress includes direct labour cost, auxiliary materials and other direct cost and relevant general production costs (based on normal production capacities), and excludes the borrowing cost. The net selling price is the estimated selling price in the normal course of business, net of relevant variable selling costs.

2.9. Trade debtors

Trade debtors are initially recognised at fair value, and subsequently at adjusted acquisition or amortised production cost using the effective interest rate method, less impairment charges. Impairment charges are recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and late payments are considered indicators that the trade receivable is impaired. The amount of the provision is equal to the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of an asset is determined through the use of a provision account, and the amount of the loss is presented in the income statement under selling costs. When a trade receivable becomes uncollectible, it is written off against the provision for trade receivables. Subsequent collection of amounts previously written off is credited against "Selling cost" as a decrease in costs in the income statement.

2.10. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits payable on demand and other highly liquid current investments with original maturities of up to three months. Overdraft facilities are presented in the statement of financial position as an item of current loans and borrowings under current liabilities. Restricted cash and cash equivalents where the restriction persists for at least 12 months as from the balance-sheet date are classified as non-current assets.

2.11. Non-current assets held for sale

Non-current assets held for sale are classified if their carrying amount is recovered through a sale transaction rather than the continued use. This condition is deemed satisfied only if a sale transaction is highly probable and the asset is available for immediate sale in its present condition (as per generally accepted commercial terms). Classification of the asset as held for sale assumes that the Company's Management Board intends to make the sale transaction within one year from the date of changing classification. The Company measures the non-current asset (or a group for disposal) classified as held for sale in the lower of the two amounts: its carrying amount and fair value net of the costs of effecting the sale.

2.12. Share capital

Ordinary shares are classified as equity.

Expenditure directly connected with issuance of new shares or options are presented under equity as a decrease, after taxation, of issue proceeds.

2.13. Trade creditors

Trade creditors are initially measured at fair value and subsequently at adjusted acquisition cost (amortised cost) using the effective interest rate method.

2.14 Financial liabilities measured at amortised cost

The category of financial liabilities measured at amortised cost includes liabilities under loans and borrowings and liabilities under issued bonds.

At initial recognition, liabilities in this group are measured at fair value less transaction expenses which are directly attributable to the acquisition or issue of a financial liability.

At the balance sheet date, liabilities in this group are measured at amortised cost using the effective interest rate method. In determination of the adjusted purchase price the costs connected with obtaining a loan or borrowing and discounts or bonuses received at settlement of the liability are to be taken into account. The difference between net inflows and the value of repurchase is disclosed in revenue or finance costs during the period when the loan or the borrowing are used.

Loans and borrowings are classified as current liabilities unless the Company has an unconditional right to defer repayment of the liability for at least 12 months as from the balance-sheet date. Bonds issued with an original redemption date of up to 12 months following the balance-sheet date, for which the Company has the right to issue further bond series (under the granted tranche) for refinancing of a previous issue (the roll-up), are charged to non-current liabilities, unless the final redemption date under the whole tranche falls within the period shorter than 12 months following the balance-sheet date.

Borrowing costs are expensed in the period in which they are incurred, except the costs which increase the value of construction in progress (Note 2.3).

2.15. Financial derivatives

The Company enters into derivative contracts in order to manage its currency exchange risk. They include forward contracts. Detailed information about derivatives is presented in Note 3.1.b and in Note 20. Derivatives are initially recognised at fair value as at the date of concluding the respective contract, and subsequently re-measured to fair value at the end of each reporting period. The resultant gains or losses are recognised in the statement of comprehensive income under item "Finance income / costs" or in the statement

of comprehensive income (in the portion constituting efficient cash flow hedge) as a cash flow hedge and in the statement of financial position (balance sheet) under – depending on measurement – “Financial instruments” or in equity and liabilities under “Financial liabilities.”

2.16. Current income tax and deferred tax

Current liabilities under income tax are calculated in accordance with the tax laws applicable or actually implemented as at the balance-sheet date in the country where the Company operates and generates taxable income. The Management Board periodically reviews the tax liability calculations where the applicable tax laws are subject to interpretation, and creates provisions, if necessary, for the amounts payable to the tax authorities.

Deferred tax liability resulting from the temporary differences between the tax value of assets and liabilities and their carrying amount shown in the financial statements is recognised in the full amount, calculated using the balance-sheet method. No deferred tax asset or liability is recognised when it relates to the initial recognition of an asset or liability arising from a transaction other than a business combination which affects neither financial result nor taxable income (loss). Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance-sheet date.

A deferred tax asset is recognised if it is probable that taxable income will be available in the future to allow the benefit of the temporary differences to be utilised.

2.17. Employee benefits

a) Retirement and other employee benefits

Pursuant to the Company's Collective Bargaining Agreements and applicable provisions of law, the Company disburses the following key benefits:

- pays upon retirement due to old age or disability,
- length-of-service awards,
- death benefits,
- coal allowance benefits.

As at the balance-sheet date, the Company recognises liabilities under the above stated benefits in the statement of financial position at the current value of the liability, taking into account actuarial gains or losses. The Group's liability under employment benefits is assessed by an independent actuary using the projected unit credit method.

Provisions are calculated on a case-by-case basis, separately for each employee. Provisions are calculated on the basis of the projected amount of a benefit which the Company is obliged to pay out to a given employee under internal rules, particularly under the Collective Bargaining Agreements, as well as applicable provisions of law.

The forecast amount of a benefit is calculated using, inter alia, the projected amount of the base used to calculate a given benefit, estimate of how much that base will increase until a given employee acquires the right to the benefit, and a percentage ratio which reflects the employee's length of service.

As at the balance-sheet date, the resulting amount is discounted using the actuarial method, then it is decreased by the amount of the Company's annual contributions towards a given employee's individual provision, also discounted using the actuarial method as at the same date. The actuarial discount rate is the product of the financial discount rate and the likelihood that a given employee will remain with the Company until that employee is entitled to receive the benefit. The financial discount rate corresponds to the market rate of return on long-term treasury bonds effective for the valuation date.

The above stated likelihood is calculated using the multiple decrement model and reflects the likelihood of a given employee leaving the Group as well as the risk of the employee full work disability and death.

The likelihood that a given employee will leave is calculated using a probability schedule and the Company's statistical data. The risk of full work disability and death are computed on the basis of statistical data.

Actuarial gains and losses are charged or credited to other comprehensive income (retirement benefits) or expenses (other non-current benefits) in the statement of comprehensive income in the period in which they arise.

The costs of past employment that have arisen as a result of a change of the programme are immediately disclosed in the statement of comprehensive income.

b) Profit-sharing programmes and bonus programmes

The Company recognises liabilities and expenses related to awards and bonuses as well as profit distribution programmes where it is contractually obliged to pay them, or where past practice has created a constructive obligation.

c) Share-based payments

The fair value of share options granted is recognised as payroll costs in correspondence with the increase in equity. The fair value is determined at the grant date of share options to the employees and spread over the period in which the employees will acquire the unconditional right to exercise the options (as the fair value of employee benefits cannot be assessed directly, it is determined based on the fair value of the equity instruments granted). The amount charged to costs is adjusted in order to reflect the current number of granted options for which service conditions and non-market vesting conditions are met.

2.18. Provisions

A provision for legal claims or removal of mining damage

A provision for legal claims, other claims and removal of mining damage is recognised when the Company has a legal or constructive obligation resulting from a past event and where it is probable that an outflow of resources will be required to settle the liability and this outflow has been reliably measured. No provisions for future operating losses are established.

Provision for mine closure and land reclamation

A provision for future cost of closure of a mining plant and land reclamation is established due to obligations arising under the Geological and Mining Law whereby a mining company is required to decommission mining plants on discontinuation of production. The provision corresponds to the estimated costs connected with:

- securing or closing of mines as well as structures and equipment of a mining plant;
- securing of the unexploited part of a mineral deposit;
- securing adjacent mineral deposits;
- securing excavations of adjacent mining plants;
- taking necessary measures to protect the environment, perform land reclamation and development on areas previously covered by mining activity.

The amount of closing of a mining plant is calculated by an independent consultancy company on the basis of historical data concerning costs related to mine closures in the Polish hard coal mining sector.

The amounts of provisions are recognised in the present value of expenditures which are expected to be needed to discharge a given obligation. An interest rate is applied before taxation which reflects the current

assessment of the market situation with respect to time value of money and risk related to a particular item of liabilities. Increase in provisions due to the passage of time is included in interest expenses. Change in provisions due to revaluation of relevant applicable estimates (inflation rate, expected nominal value of outlays on closure) with respect to the provision for mine closure is recognised as adjustment to the value of property, plant and equipment for which a closure obligation exists, and with respect to the provision for land reclamation as “Costs of products, goods and materials sold”.

2.19. Recognition of revenue

Revenue is measured at fair value of payment received or due from the sales of goods for resale and services in the normal course of the Company's operations. Revenue is presented net of value added tax, returns, sales rebates and discounts.

When recognising the revenue, the Company follows IAS 18 “*Revenue*”. The Company recognises revenue when the amount of revenue can be measured reliably and when it is probable that the economic benefits will flow to the Company and when certain criteria for each type of the Company's activities are met, as described below. It is deemed that the amount of revenue cannot be measured reliably before all conditional circumstances related to sales are clarified. The Company makes estimates on the basis of historical information, taking into account the customer and transaction type and details of agreements.

a) Revenue from sales of products, goods for resale and materials

Revenue from sales of products, goods for resale and materials are recognised as soon as the Company supplies products to a customer. The supply is deemed to occur when the Company's entity has transferred to the buyer the significant risks and rewards of ownership of the products, goods for resale and materials pursuant to terms of delivery defined in the sales agreements. Sales revenue is recognised based on the prices specified in sales agreements, net of estimated rebates and other sales reductions.

b) Interest income

Interest income is recognised proportionately to the lapse of time at the effective interest rate method. Whenever a receivable is impaired, the Company reduces its carrying amount to recoverable value which is equal to estimated future cash flows discounted at the instrument's original effective interest rate; subsequently, the discounted amount is gradually charged to the interest income. Interest income on impaired loans advanced is recognised at the original effective interest rate.

c) Dividend income

Dividend income is recognised when shareholders' dividend rights are determined and is disclosed under “Finance income.”

2.20. Recognition of government grants

IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” is applied in accounting for, and in the disclosure of, government grants.

According to IAS 20.3, grants related to assets are defined as government grants whose objective is to finance non-current assets. Under IAS 20, government grants must be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

The Company presents grants related to assets in its financial statements as follows:

- in its statement of financial position (balance sheet) under “*Liabilities*” and “*Grants*”;
- in its income statement proportionately to the depreciation of the non-current assets for which a particular grant was received.

Recognising a grant in the books of account requires the application of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” to related contingent liabilities or contingent assets.

The grant received should be settled in the full amount on the moment it is amortised in full, sold or if an asset financed with that grant is liquidated.

2.21. Leases

A lease is classified as an operating lease if the substantial amount of risk and benefits resulting from the ownership of the leased asset remains with the lessor (the financing party). Lease payments under operating lease agreements, net of special promotional offers (if any) granted by the lessor (the financing party), are expensed on a straight-line basis over the lease term.

Acquired usufruct right to land is classified as operating lease, and recognised under non-current prepayments and accrued income. Acquisition cost paid for the possibility to use that right is amortised over the lease term in accordance with the timing of benefits from that right.

2.22. Dividend payment

Payment of dividend to the Company’s shareholders is disclosed as a liability in the financial statements in the period in which the dividend payment is approved by the Company’s shareholders.

3. Managing financial risk

3.1. Financial risk factors

The Company is exposed to various types of financial risks connected with its activities, such as market risk (including cash flow risk resulting from change in interest rates), credit risk, currency risk, and liquidity risk. The Company's general programme for risk management focuses on ensuring sufficient liquidity to enable the Company to implement its investment projects and secure the its operating activity. The purpose of managing the interest rate risk is to limit the adverse influence of market changes on cash flow to a level acceptable by the Company and minimising financial costs.

a) Risk of a change in cash flows resulting from a change in interest rates

Given that the Company holds a significant amount of interest-bearing assets, the Company's revenue and cash flows are affected by changes in market interest rates.

The Company is also exposed to interest rate risk in connection with its current and non-current debt instruments. Loans and bonds bearing interest at variable rates result in the Company's exposure to a change in cash flows resulting from changes in interest rates. In 2015 the Company used external financing denominated in the zloty.

Currently the Company has no debt under loans (as at 31 December 2014 it was PLN 99 million, and was an overdraft debt), and the debt due to bond issue is PLN 700 million (as at 31 December 2014 – PLN 700 million). The total debt of the Company as at 31 December 2015 amounts to PLN 700 million (as at 31 December 2014 – PLN 799 million). Based on simulations carried out as at 31 December 2015, it was determined that a 1 p.p. change in interest rates would increase or decrease, as applicable, the Company's gross profit by an amount lower or equal to PLN 7.00 million (as at 31 December 2014 – PLN 7.99 million) and would increase or decrease, as applicable, the Company's net profit by an amount lower or equal to PLN 5.67 million (as at 31 December 2014 – PLN 6.47 million).

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Based on the 2015 and 2014 data concerning the Company's interest bearing assets, the sensitivity of the finance income changes to changes in interest rates has been assessed. The value of assets exposed to the interest rate risk as at 31 December 2015 with respect to bank deposits of free cash amounts to PLN 240,011,000 (as at 31 December 2014 – PLN 172,263,000), and with respect to mine closure fund assets – PLN 90,872,000 (as at 31 December 2014 – PLN 88,832,000). The change in finance income is presented in the tables below:

Impact of changes of interest rates on finance income from deposits as at 31 December 2015:

Change in interest rate	-1 p.p.	-0.5 p.p.	+0.5 p.p.	+1 p.p.
Estimated impact	(2,400)	(1,200)	1,200	2,400

Impact of changes of interest rates on finance income from deposits as at 31 December 2014:

Change in interest rate	-1 p.p.	-0.5 p.p.	+0.5 p.p.	+1 p.p.
Estimated impact	(1,722)	(861)	861	1,722

The analysis of data as at 31 December 2015 indicates that when interest rate of deposits goes up by 1 p.p., finance income under deposits is higher by PLN 2,400,000 (increase by PLN 1,722,000 as at 31 December 2014) and the net profit is higher by PLN 1,944,000 (up by PLN 1,395,000 as at 31 December 2014). Analogously, when interest rate of deposits goes down by 1 p.p., finance income under deposits is lower by PLN 2,400,000 (decrease by PLN 1,722,000 as at 31 December 2014), and the net profit is lower by PLN 1,944,000 (down by PLN 1,395,000 as at 31 December 2014).

The value of assets relating to Mine Closure Fund exposed to interest rate risk amounts to PLN 90,872,000 as at 31 December 2015 (decrease by PLN 88,832,000 as at 31 December 2014).

Impact of changes in interest rates on finance income under funds deposited to the Mine Closure Fund as at 31 December 2015:

Change in interest rate	-1 p.p.	-0.5 p.p.	+0.5 p.p.	+1 p.p.
Estimated impact	(909)	(454)	454	909

Impact of changes in interest rates on finance income under funds deposited to the Mine Closure Fund as at 31 December 2014:

Change in interest rate	-1 p.p.	-0.5 p.p.	+0.5 p.p.	+1 p.p.
Estimated impact	(888)	(444)	444	888

The analysis of data as at 31 December 2015 indicates that when interest rate of deposits related to the Mine Closure Fund goes up by 1 p.p., finance income under deposits is higher by PLN 909,000 (increase by PLN 888,000 as at 31 December 2014) and the net profit is higher by PLN 736,000 (up by PLN 719,000 as at 31 December 2014). Analogously, when interest rate of deposits related to the Mine Closure Fund goes down by 1 p.p., finance income under deposits is lower by PLN 909,000 (decrease by PLN 888,000 as at 31 December 2014), and the net profit is lower by PLN 736,000 (down by PLN 719,000 as at 31 December 2014).

b) *Currency risk*

The Company enters into specific transactions denominated in foreign currencies, which brings about a risk of exchange rate fluctuations. The Company is exposed mostly to a risk of changes in EUR/PLN and USD/PLN exchange rates. In 2015 no material currency exchange transactions were concluded. Such transactions were concluded in previous years in relation to the purchase of specialised equipment and machinery, however due to the completion of an intensified investment process such transactions are not considered for the nearest future.

The risk is managed within the approved procedures using forward currency contracts. The Company applies hedge accounting for future cash flows. The objective of measures hedging against changes in EUR/PLN and USD/PLN exchange rates is to ensure a specific level in PLN of future expenses in EUR which will be incurred in connection with investment works and to guarantee a specified level of future proceeds in USD to be obtained in relation to the sales.

The measurement of fair value of currency forwards is determined on the basis of discounted future cash flows from concluded transactions, calculated based on difference between the forward price and the transaction price. The forward price is determined with reference to prices fixed by the National Bank of Poland and the interest rate curve implied from fx swap transactions.

As at 31 December 2015 the Company held no instruments hedging the currency exchange risk, as all currency forwards being the instruments hedging future cash flows have been accounted for. In connection with the applied hedging policy, in 2015 the realised foreign exchange differences totalling PLN 3,287,000 (2014: PLN 6,423,000) were included in the initial value of property, plant and equipment.

As at 31 December 2015 the value of financial instruments exposed to the currency risk amounted to approx. PLN 7,991,000 and related to liabilities on account of a purchase of equipment and intangible assets (as at 31 December 2014 there were no financial instruments exposed to currency risk).

c) *Credit risk*

The Company is exposed to credit risk in connection with cash and cash equivalents, deposits at banks and financial institutions, as well as credit exposures of the Company's customers. When selecting banks and financial institutions, the Company only accepts highly credible entities. In addition, the Company pursues a policy limiting credit exposure connected with particular financial institutions. As regards customers, the Company sells its products to a group of regular customers whose credibility has been proven in the years of cooperation.

The table below shows exposure to credit risk and credit risk concentration:

	31 Dec. 2015	31 Dec. 2014
Cash in hand and bank deposits	330,883	261,095
Current trade debtors	201,161	254,221
Total exposure to credit risk	532,044	515,316
Receivables from 7 key customers	189,958	246,119
Concentration of credit risk under receivables from 7 key customers	94%	97%
Cash deposited at BZ WBK S.A. (expressed as % of total cash and bank deposits)	0%	51%
Cash deposited at Bank Millennium S.A. (expressed as % of total cash and bank deposits)	67%	34%
Cash deposited at mBank S.A. (expressed as % of total cash and bank deposits)	4%	0%

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deposits)		
Cash deposited at Bank Gospodarstwa Krajowego (expressed as % of total cash and bank deposits)	22%	0%
Cash deposited at PKO Bank Polski S.A. (expressed as % of total cash and bank deposits)	3%	9%
Cash deposited at PEKAO S.A. (expressed as % of total cash and bank deposits)	4%	6%

The ability of the Company's main customers to make payments for goods is good, therefore the credit risk is assessed as low. The Company has worked with these customers for quite a long time and to date no problems with payments have occurred. The share of receivables from other customers in total trade debtors is not significant.

The banks at which the Company places its cash and deposits have been awarded the following ratings (data as at the date of these financial statements):

- Bank BZ WBK S.A. - long-term Fitch rating: BBB+ (stable)
- Bank Millennium S.A. - long-term Fitch rating: BBB - (stable)
- Bank PEKAO S.A. – long-term Fitch rating (IDR): A- (stable)
- PKO Bank Polski S.A. – No Fitch support rating: (also no long-term Fitch rating), long-term Moody's deposit rating: 2 (stable)
- Bank Gospodarstwa Krajowego – long-term Fitch rating (IDR): A- (stable)
- mBank S.A. - long-term Fitch rating: BBB- (positive)

d) liquidity risk

Conservative management of liquidity risk consists in, inter alia, maintaining appropriate amounts of cash and ensuring availability of financing through securing credit facilities of appropriate size. The Management Board monitors the current forecasts concerning the Company's liquid assets (comprising available credit facilities as well as cash and cash equivalents) based on estimated cash flows. By making this forecast, deviations between actual cash flow and the demand for cash are eliminated. In order to assure current financing of the Company and to optimise cash management, on 21 May 2014 the Management Board of the Company entered into a revolving overdraft facility up to PLN 150 million with mBank S.A. As at 31 December 2015, the available limit was not used.

In addition, on 30 June 2014 the Management Board of the Company entered with Bank Polska Kasa Opieki S.A. and Bank Gospodarstwa Krajowego into an agreement regarding a new bond issue scheme, providing for the issue of bonds by the Company in the aggregate amount of up to PLN 600 million. By the balance-sheet date, 400 bonds in the aggregate amount of PLN 400 million were issued under the above agreement. As at 31 December 2015, the Company had the ability to issue further series of bonds within the unused limit of PLN 200 million.

The table below presents an analysis of the Company's financial liabilities by remaining contractual maturity as from the balance-sheet date. The amounts presented in the table are contractual, non-discounted cash flows. The balance to be repaid within 12 months is presented in carrying amounts increased by interest (if any).

	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years
Balance as at 31 December 2015				
Financial liabilities on account of bond issue	16,926	16,880	722,339	-
Trade and other liabilities	261,905	2,608	6,680	10,328

	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years
Balance as at 31 December 2014				
Loans and borrowings	101,403	-	-	-
Financial liabilities on account of bond issue	19,260	19,313	643,074	101,711
Financial liabilities	308	-	-	-
Trade and other liabilities	444,014	7,430	9,070	6,363

Liabilities maturing in less than 1 year are chiefly represented by liabilities whose maturity falls within up to 3 months as from the balance-sheet date.

e) sensitivity analysis of the financial result

Based on the 2015 data concerning the Company's core business, the sensitivity of the financial result to changes in market risk factors (prices of coal) has been assessed.

The assessment indicates that a 1% increase in the unit price of coal (translating into a 1% increase in revenues from the sale of coal) results in a rise of the result on sales by 5.60%. Similarly, a 1% decrease in the coal price reduces the result on sales (gross profit – administrative costs – selling cost) by 5.60%. The table below shows changes in the result in other analysed ranges (assuming that other factors remain unchanged).

Change in price	-15%	-10%	-5%	-2%	-1%	0%	1%	2%	5%	10%	15%
Change in sales	84.02%	56.01%	28.01%	11.20%	5.60%	0.00%	-5.60%	-11.20%	-28.01%	-56.01%	-84.02%

With a view to mitigating, to a certain extent, the risk related to changes in prices of energy sources, the Company enters into long-term commercial contracts with key customers' purchasing thermal coal.

3.2. Managing capital risk

The Company's objective in the area of managing capital/financial risk is to protect the Company's ability to continue as going concern, in particular ensuring financing for investments being made as well as ensuring relevant funding for on-going activities to allow the liabilities to be paid on due dates. As far as the financial risk management is concerned, the Company's goal is also to maintain the optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may change the amount of dividend declared to be paid to shareholders, refund capital to shareholders, issue new shares or dispose of assets with a view to reducing indebtedness.

In the area of capital management, the Company focuses on managing cash and cash equivalents, and debts under contracted loans and borrowings, and the bond issue.

The Company has financial liabilities due to the bond issue for the financing of current operations and investment activities. The table below shows the relation between the net debt and the capital employed:

31 Dec. 2015

31 Dec. 2014

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Total loans	-	99,008
Financial liabilities on account of bond issue	700,092	700,106
Less: cash and cash equivalents	(330,883)	(261,095)
Net debt	369,209	538,019
Total equity	2,105,890	2,505,468
Employed capital	2,475,099	3,043,487

4. Material accounting estimates and judgments

The accounting estimates and judgments are based on past experience as well as other factors, including assessments of future events which seem justified in a given situation. Accounting estimates and judgments are reviewed on a regular basis.

The Company makes estimates and assumptions relating to the future. By definition, such accounting estimates are rarely identical with the actual results. In this note, the estimates and assumptions which bear a significant risk that a material adjustment will have to be made to the carrying amount of assets and liabilities in the following financial year are discussed.

Further, as at 31 December 2015, for the purpose of impairment analysis, the Company estimated the recoverable value of cash flow generating centres. Detailed information regarding estimates and assumptions adopted for the analysis is presented in Note 6.3.

Estimate concerning the mine's life and the size of coal reserves

Mine's life is estimated on the basis of current resources of coal held, covered with the licence, and the estimated production capacities for 2034. Actual date of mine closure may however differ from that estimated by the Company. This follows from the fact that the length of the mine's life has been estimated using the current coal reserves only. Further, the drop in demand for the Company's coal will cause a decrease in mining below its production capacity, which will also translate into extending the mine's life. In 2014 the Company obtained a mining licence for the K-3 area. The Company has undertaken efforts to expand its mining area, over the next few years, by adding the "Ostrów" and "Orzechów" deposits. Currently the Company already holds licence for prospecting the "Ostrów" and "Orzechów" deposits and has already commenced work on acquiring mining licence, necessary for adding these reserves to the mining area. The Company continues its efforts aiming at obtaining mining licences for the K-6 and K-7 deposits.

Currently the mine's life has been defined on the basis of the Company's strategy applied in 2015. Considering the complex market situation, the Company is working on adjusting the strategy.

Estimate concerning provision for mining plant closure and land reclamation

The Company establishes a provision for expenses related to closure of a mining plant and to land reclamation, as required under applicable provisions. The main assumptions used to determine the amount of expenses related to the closure of a mining plant include assumptions regarding the mine's life, expected inflation rate and long-term discount rates. Any changes to these assumptions affect the carrying amount of the provision.

Assumptions regarding the life of the mine have been described above.

Adopted inflation ratios for 2016-2034 range from 1.0% to 2.5%.

The calculation of the provision was significantly affected by the discount rate which reflects the change in money value over time. For the purpose of assumptions, a discount rate based on the treasury bills yield was adopted and as at 31 December 2015 it amounted to 2.80% (as at 31 December 2014: 2.75%).

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If the adopted inflation rates departed from the Management Board's estimates by 10%, the carrying amount of provisions would be PLN 5,619,000 higher (in the event of inflation rates higher by 10%) or PLN 5,389,000 lower (in the event of inflation rates lower by 10%).

The impact of changing the financial discount on the carrying amount of the provision for the mine closure fund as at 31 December 2015 and 31 December 2014 is presented in the table below:

As at 31 December 2015

Change in the financial discount	-0.25 p.p.	0 p.p.	+0.25 p.p.	+1 p.p.
Value of the provision for mine closure fund	130,333	124,441	118,829	103,534

As at 31 December 2014

Change in the financial discount	-0.25 p.p.	0 p.p.	+0.25 p.p.	+1 p.p.
Value of the provision for mine closure fund	129,755	123,585	117,722	101,822

The analysis indicates that when the financial discount rate as at 31 December 2015 went up by 0.25 p.p., the provision for the Mine Closure Fund lowered by PLN 5,612,000, and when the financial discount rate was higher by 1 p.p., the provision for the Mine Closure Fund went down by PLN 20,907,000. When the financial discount rate went down as at 31 December 2015 by 0.25 p.p., the provision for the Mine Closure Fund was higher by PLN 5,892,000. At the same time, no impact of the financial rate going down by 1 p.p. is presented, because it would mean that the discount rate falls beneath the assumed inflation level, which is groundless in the Company's opinion.

Assumptions regarding the actuarial valuation of provisions for employee benefits

The current value of employee benefits depends on a number of factors which are determined with the use of actuarial methods on the basis of certain assumptions. The assumptions used to determine the provision and expenses related to employee benefits include assumptions concerning discount rates and the growth rate of the basis for a given benefit. Major assumptions regarding the provisions for employee benefits are disclosed in Note 22. Any changes to these assumptions affect the carrying amount of the provisions for employee benefits.

As at 31 December 2015 and as at 31 December 2015, an analysis was carried out with respect to sensitivity of the results of valuation to a change in the financial discount rate and to changes in the planned increases in bases in the range from -1 p.p. to +1 p.p.

Carrying amount of individual provisions and values of the provisions calculated on the basis of other assumptions is presented in the tables below:

As at 31 December 2015:

Provision	Carrying amount	Financial discount rate		Planned increases in bases	
		-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.
Pays upon retirement due to old age	26,449	28,457	24,700	24,670	28,737
Pays upon retirement due to	286	308	266	266	311

Notes presented on pages 10 – 61 constitute an integral part of these financial statements.

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disability					
Long-service award	80,431	86,289	75,211	75,100	87,163
Death benefits	2,625	2,853	2,423	2,420	2,881
Coal allowance benefits	111,927	132,792	95,711	96,262	132,985
	221,718	250,699	198,311	198,718	252,077

As at 31 December 2014:

Provision	Carrying amount	Financial discount rate		Planned increases in bases	
		-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.
Pays upon retirement due to old age	36,260	38,912	34,004	33,740	39,151
Pays upon retirement due to disability	1,513	1,701	1,355	1,353	1,699
Long-service award	75,087	81,061	69,864	69,449	81,416
Death benefits	2,770	3,120	2,476	2,472	3,118
Coal allowance benefits	97,501	109,278	87,545	87,321	109,334
	213,131	234,072	195,244	194,335	234,718

Carrying amount of individual provisions and possible changes in the carrying amount with other assumptions are presented in the tables below:

As at 31 December 2015:

Provision	Carrying amount	Deviations			
		Financial discount rate		Planned increases in bases	
		-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.
Pays upon retirement due to old age	26,449	2,008	(1,749)	(1,779)	2,288
Pays upon retirement due to disability	286	22	(20)	(20)	25
Long-service award	80,431	5,858	(5,220)	(5,331)	6,732
Death benefits	2,625	228	(202)	(205)	256
Coal allowance benefits	111,927	20,865	(16,216)	(15,665)	21,058
	221,718	28,981	(23,407)	(23,000)	30,359

As at 31 December 2014:

Provision	Carrying amount	Deviations			
		Financial discount rate		Planned increases in bases	
		-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.
Pays upon retirement due to old age	36,260	2,652	(2,256)	(2,520)	2,891
Pays upon retirement due to disability	1,513	188	(158)	(160)	186
Long-service award	75,087	5,974	(5,223)	(5,638)	6,329
Death benefits	2,770	350	(294)	(298)	348
Coal allowance benefits	97,501	11,777	(9,956)	(10,180)	11,833
	213,131	20,941	(17,887)	(18,796)	21,587

Notes presented on pages 10 – 61 constitute an integral part of these financial statements.

The results of balance-sheet valuation as at 31 December 2015, broken down by maturity periods, are presented in the table below:

Payment period	Pays upon retirement due to old age	Pays upon retirement due to disability	Long-service award	Death benefits	Coal allowance benefits	Total
2016*	7,968	31	9,986	195	4,019	22,199
2017	1,528	27	7,485	185	3,895	13,120
2018	1,299	24	5,740	179	3,904	11,146
2019	840	22	5,561	177	3,894	10,494
	774	20	4,800	173	3,859	9,626
Remainder	14,040	162	46,859	1,716	92,356	155,133
	26,449	286	80,431	2,625	111,927	221,718

* Value of benefits for payment in 2016 results from the acquired retirement rights and long-service awards for persons who achieved retirement age, but remain in the employment relationship.

5. Information on business segments

a) Key reporting structure - industry segments

The Company's core business is production and sale of coal. In 2015, revenue from sales of other products and services amounted to PLN 67,677,000 (in 2014: PLN 83,704,000), representing, 3.59% in 2015 and 4.16% in 2014, respectively, of total revenue.

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

b) Supplementary reporting structure - geographical segments

The Company operates primarily in Poland. In 2015, revenue from foreign sales amounted to PLN 2,743,000 (in 2014: PLN 448,000), representing, respectively, 0.15% and 0.02% of total revenue in each of the years. The Company does not hold the related assets or liabilities outside Poland.

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

Within the scope of its duties, the Management Board of the Company analyses financial data which is in agreement with the financial statements prepared in accordance with the IFRS.

c) Key coal customers

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

	2015	2014
Elektrownia Kozienice S.A. – ENEA Group	42%	40%
GDF Suez Energia S.A.	20%	17%
ENERGA Elektrownie Ostrołęka S.A.	11%	15%
PGNiG Termika S.A.	9%	13%

6. Property, plant and equipment

	Land	Buildings and structures total	including excavations	Plant and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
As at 1 January 2014								
Cost or assessed value	4,394	2,564,586	1,818,083	1,642,358	113,704	16,225	315,332	4,656,599
Depreciation	-	(851,318)	(667,120)	(634,080)	(62,259)	(10,592)	-	(1,558,249)
Net book value	4,394	1,713,268	1,150,963	1,008,278	51,445	5,633	315,332	3,098,350
As at 31 December 2014								
Net book value at beginning of year	4,394	1,713,268	1,150,963	1,008,278	51,445	5,633	315,332	3,098,350
Increases*	-	31,891	679	23,216	573	7	799,169	854,856
Transfer from construction in progress	804	332,194	208,246	364,109	6,382	3,558	(707,047)	-
Decreases*	(142)	(14,033)	(13,399)	(24,904)	(576)	(15)	(2,986)	(42,656)
Depreciation	-	(245,114)	(210,745)	(128,120)	(6,579)	(1,191)	-	(381,004)
Net book value	5,056	1,818,206	1,135,744	1,242,579	51,245	7,992	404,468	3,529,546
As at 31 December 2014								
Cost or assessed value	5,056	2,851,163	1,950,646	1,980,216	115,020	19,588	404,468	5,375,511
Depreciation	-	(1,032,957)	(814,902)	(737,637)	(63,775)	(11,596)	-	(1,845,965)
Net book value	5,056	1,818,206	1,135,744	1,242,579	51,245	7,992	404,468	3,529,546
As at 31 December 2015								
Net book value at beginning of year	5,056	1,818,206	1,135,744	1,242,579	51,245	7,992	404,468	3,529,546
Increases	-	-	-	-	-	-	293,502	293,502
Transfer from construction in progress	516	315,911	288,231	230,017	3,728	1,058	(551,230)	-
Reclassification to assets held for sale	-	-	-	-	(4,908)	-	-	(4,908)
Decreases	-	(18,742)	(12,472)	(222)	(2,153)	(3)	(3,156)	(24,276)
Depreciation	-	(220,744)	(180,658)	(151,174)	(6,263)	(1,409)	-	(379,590)
Impairment loss	(49)	(376,454)	(200,391)	(243,093)	(1,124)	-	-	(620,720)
Net book value	5,523	1,518,177	1,030,454	1,078,107	40,525	7,638	143,584	2,793,554
As at 31 December 2015								
Cost or assessed value	5,523	2,645,244	1,899,401	1,958,119	94,199	20,596	143,584	4,867,265
Depreciation	-	(1,127,067)	(868,947)	(880,012)	(53,674)	(12,958)	-	(2,073,711)
Net book value	5,523	1,518,177	1,030,454	1,078,107	40,525	7,638	143,584	2,793,554

The cost of third-party financing (interest and commissions on liabilities) activated in 2015 in the value of the property, plant and equipment totalled at PLN 8,090,000 (2014: PLN 13,769,000).

No collateral was established on property, plant and equipment.

Depreciation of non-current assets is disclosed in the income statement as follows:

	31 Dec. 2015	31 Dec. 2014
Costs of products, goods and materials sold	(370,783)	(372,165)
Selling cost	(380)	(381)
Administrative costs	(8,427)	(8,458)
	(379,590)	(381,004)

6.1 Property, plant and equipment - excavations

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

As at 31 December 2015:

Item	Number [pcs]	Length [m]	Initial value	Depreciation	Impairment loss	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:	31	38,891	591,007	308,828	46,179	236,000	60%
- <i>depreciated until December 2015</i>	18	16,815	443,876	308,828	22,018	113,030	75%
Galleries disclosed under non-current assets, depreciated according to useful life	238	97,813	1,213,749	445,397	124,873	643,479	46%
Other items, depreciated according to useful life (shafts, shaft towers, dams, reservoirs and other)	32	-	295,036	114,722	29,339	150,975	49%
Total as at 31 December 2015	301	136,704	2,099,792	868,947	200,391	1,030,454	51%

As at 31 December 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	32,811	522,486	305,732	216,754	59%
- <i>depreciated until December 2014</i>	16	10,594	371,465	305,732	65,733	82%
Galleries disclosed under non-current assets, depreciated according to useful life	233	97,724	1,133,124	404,940	728,184	36%
Other items, depreciated according to useful life (shafts, shaft towers, dams, reservoirs and other)	32	-	295,036	104,230	190,806	35%
Total as at 31 December 2014	292	130,535	1,950,646	814,902	1,135,744	42%

6.2 Property, plant and equipment – construction in progress

The most important investment tasks disclosed under “Construction in progress” are presented below:

	31 Dec. 2015	31 Dec. 2014
Excavations (galleries)	72,437	187,118
Purchase of the ploughing systems	-	166,975
Development of the central air-conditioning system in the Bogdanka Field	39,940	9,175
Expansion of the waste storage yard in Bogdanka	7,281	-
Purchase and assembly of coal-cutting machinery	1,799	1,366
Development of the Mechanical Coal Processing Plant	1,216	1,154
Other	20,911	38,680
	143,584	404,468

6.3 Impairment losses of property, plant and equipment

Recent months have seen the occurrence of external circumstances indicating likelihood for a change in the recoverable value of the non-current assets held by the Company. Such circumstances included in particular:

- dramatic drop in prices observed on the hard coal market;
- oversupply on the hard coal market as well as strong price competition on the part of some domestic coal suppliers;
- balance-sheet value of the Company’s net assets being higher than their market capitalisation.

Having analysed the above premises, the Company’s Management Board deemed necessary to carry out a test for impairment for cash-flow generating centres. The test was performed as at 31 December 2015.

Considering that it was not possible to determine the fair value for a very large group of assets for which no active market exist, neither are comparable transactions available, the recoverable value of the tested assets was determined in the process of estimating their usable value by employing the discounted cash flow method on the basis of financial projections for 2016-2043 prepared by the Company.

Key assumptions used for estimating the usable value of the assets subject to the test were as follows:

- given that individual departments and the internal mine organisation are interrelated, all Company’s assets were deemed as one CGU;
- average annual level of the sales volume was determined for the forecast period, at a level of 8.5 million tonnes;
- the forecast period from 2016 to 2043 – was estimated on the basis of current coal resources available for use, held by the Company as at the balance-sheet date, with the account taken of the average annual extraction level of 8.5 million tonnes;
- the assumption regarding the price of coal in 2016-2021 was made on the basis of available price paths prepared by RolandBerger; as from 2022 the assumption regarding the price of coal takes account of inflation;
- starting from 2021, the model takes account of average annual inflation of 2.5% (the assumption compliant with a long-term inflation target set by the National Bank of Poland);
- WACC of 8,05% during the whole period of the forecast, estimated on the basis of the latest economic data (with the risk-free rate of 3.1% and beta 1.1) was taken as a discount rate;
- the average annual level of CAPEX during the forecast period of PLN 265,156,000.

The total value of the assets subject to testing as at the balance-sheet date amounted to PLN 2,905,429,000, while the value of discounted cash flow estimated on the basis of the forecast made (usable value) was PLN

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2,280,657,000. As a result of the test carried out as at 31 December 2015, a PLN 624,772,000 impairment of value was found, and out of this amount the impairment loss of PLN 620,671,000 was allocated to property, plant and equipment, and the impairment loss of PLN 4,101,000 was allocated to intangible assets.

Analysis of model sensitivity to a change in the coal price and the discount

If the assumptions regarding the coal price during the forecast period increase by 1%, the value of the discounted cash flow, based on the model, would amount to PLN 2,443,792,000, while in the event of a 1% drop of the coal price assumptions during the forecast period, the value of the discounted cash flow would amount to PLN 2,117,328,000. This means that in the event of an increase or a decrease of the coal price by 1 p.p., the impairment loss would be lower by approx. PLN 163,135,000 or higher by PLN 163,329,000, respectively.

If the discount rate higher by 1 p.p. is applied, the value of the discounted cash flow, based on the model, would amount to PLN 2,029,459,000, while in the event of the discount rate lower by 1 p.p. being applied, the value of the discounted cash flow would amount to PLN 2,578,086,000. This means that in the event of an increase or a decrease of the discount rate by 1 p.p., the impairment loss would be higher by approx. PLN 251,198,000 or lower by PLN 297,429,000, respectively.

Additionally, during 2015 the Company disclosed impairment loss for land on which mining damage was found, in the amount of PLN 49,000.

The impairment losses on property, plant and equipment are presented in the table below:

	Land	Buildings and structures total	including excavations	Plant and equipment	Vehicles	Other property, plant and equipment	Constructi on in progress	Total
As at 1 January 2014 – before adjustment	4,342	1,708	-	26,403	573	8	216	33,250
Creating impairment losses	142	-	-	-	-	-	-	142
Using impairment losses created	-	(600)	-	(23,216)	(573)	(8)	(216)	(24,613)
As at 31 December 2014	4,484	1,108	-	3,187	-	-	-	8,779
Creating impairment losses	49	376,454	200,391	243,093	1,124	-	-	620,720
As at 31 December 2015	4,533	385,447	200,391	246,280	1,124	-	-	629,499

The creation and using the impairment losses as at 31 December 2015 was disclosed in the income statement under the following items: “Cost of products, goods and materials sold” of PLN 599,885,000, “Selling costs” of PLN 754,000 and “Administrative costs” of PLN 20,081,000.

7. Non-current assets held for sale

	Buildings and structures	Plant and equipment	Vehicles	Total
As at 1 January 2014	9,284	690	-	9,974
Sale of assets held for sale	(9,284)	(690)	-	(9,974)

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As at 31 December 2014	-	-	-	
As at 1 January 2015	-	-	-	
Reclassification to assets held for sale	-	-	4,908	4,908
Sale of assets held for sale	-	-	(1,214)	(1,214)
As at 31 December 2015	-	-	3,694	3,694

On 10 August 2015 the Company's Management Board has made a decision on the sale of 100 Eaos series, four-axis coal wagon carts type CFR/E and type 464W, of a net value of PLN 3,911,000. On 3 November 2015 a decision was made on the sale of further 30 Eaos series, four-axis coal wagon carts type CFR/E and type 464W, of a net value of PLN 997,000. The total value of assets reclassified to the item "Assets held for sale" amounted to PLN 4,908,000. The attempts of selling of the abovementioned assets were made in September 2015 by publishing press announcements (including in the trade press). On 18 November 2015, under Agreement No. 1136/O/2015 the transaction was partially concluded by selling 30 coal wagon carts for a gross price of PLN 1,937,000. The sale of the remaining 100 pieces is planned to take place in mid-2016.

8. Intangible assets

	Computer software	Fees, licences	Geological information	Other	Total
As at 1 January 2014					
Cost or assessed value	4,989	4,423	26,709	6	36,127
Amortisation	(3,232)	(1,397)	(8,404)	-	(13,033)
Net book value	1,757	3,026	18,305	6	23,094
As at 31 December 2014					
Net book value at beginning of year	1,757	3,026	18,305	6	23,094
Increases	219	2,347	-	5	2,571
Decreases	-	(11)	-	(11)	(22)
Amortisation	(354)	(349)	(1,248)	-	(1,951)
Net book value	1,622	5,013	17,057	-	23,692
As at 31 December 2014					
Cost or assessed value	5,163	6,738	26,709	-	38,610
Amortisation	(3,541)	(1,725)	(9,652)	-	(14,918)
Net book value	1,622	5,013	17,057	-	23,692
As at 31 December 2015					
Net book value at beginning of year	1,622	5,013	17,057	-	23,692
Increases	413	718	-	-	1,131
Decreases	(2)	(4)	-	-	(6)
Amortisation	(417)	(606)	(1,287)	-	(2,310)
Impairment losses	(342)	(1,082)	(2,677)	-	(4,101)
Net book value	1,274	4,039	13,093	-	18,406

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As at 31 December 2015

Cost or assessed value	5,230	6,320	24,032	-	35,582
Amortisation	(3,956)	(2,281)	(10,939)	-	(17,176)
Net book value	1,274	4,039	13,093	-	18,406

Amortisation of intangible assets is disclosed in the income statement as follows:

	31 Dec. 2015	31 Dec. 2014
Costs of products, goods and materials sold	(2,257)	(1,906)
Selling cost	(2)	(2)
Administrative costs	(51)	(43)
	<u>(2,310)</u>	<u>(1,951)</u>

Impairment losses for intangible assets are made when occurring circumstances indicate that the Company will not obtain economic benefits from the intangible assets held. Making impairment losses in 2015 of PLN 4,101,000 is a result of allocating the entire impairment loss for non-current assets to intangible assets. Key assumptions regarding the test for impairment as well as the findings thereof are described in greater detail in Note 6.3.

The impairment losses for intangible assets are presented in the table below:

	Computer software	Fees, licences	Geological information	Other	Total
As at 1 January 2015	-	-	1,780	-	1,780
Creating impairment losses	342	1,082	2,677	-	4,101
As at 31 December 2015	342	1,082	4,457	-	5,881

The creation of the impairment losses as at 31 December 2015 was disclosed in the income statement under the following items: “Cost of products, goods and materials sold” of PLN 3,551,000 and in “Administrative costs” of PLN 550,000.

9. Non-current investments

	Shares	Total
As at 31 December 2014		
Net book value at beginning of year	74,534	74,534
Acquisition of shares in subsidiaries	1,067	1,067
Net book value	75,601	75,601
As at 31 December 2015		
Net book value at beginning of year	75,601	75,601
Net book value	75,601	75,601

In 2015, the Company does not make any non-current investments.

10. Financial instruments by category

	Loans and receivables	Total
31 December 2015		
Assets as disclosed in the statement of financial position		
Trade debtors	201,161	201,161
Cash and cash equivalents	330,883	330,883
Total	532,044	532,044

	Other financial liabilities	Hedging instruments	Total
Liabilities as disclosed in the statement of financial position			
Liabilities due to bond issue	700,092	-	700,092
Trade and other financial liabilities	219,080	-	219,080
Total	919,172	-	919,172

Interest and commissions paid

Interest	18,596
Fees and commissions	340
Total	18,936

	Loans and receivables	Total
31 December 2014		
Assets as disclosed in the statement of financial position		
Trade debtors	254,221	254,221
Cash and cash equivalents	261,095	261,095
Total	515,316	515,316

	Other financial liabilities	Hedging instruments	Total
Liabilities as disclosed in the statement of financial position			
Loans and borrowings	99,008	-	99,008
Liabilities due to bond issue	700,106	-	700,106
Financial liabilities	-	308	308
Trade and other financial liabilities	392,702	-	392,702
Total	1,191,816	308	1,192,124

Interest and commissions paid

Interest	21,093
Fees and commissions	263
Total	21,356

11. Trade and other receivables

	31 Dec. 2015	31 Dec. 2014
Trade debtors	203,320	255,077
Less: impairment losses of accounts receivable	(2,159)	(856)
Net trade debtors	201,161	254,221
Deferred expenses and rebates	23,909	15,065
Other accounts receivable	14,204	28,018
current	239,274	297,304
Deferred expenses and rebates	140	160
non-current	140	160
Total trade and other receivables	239,414	297,464

Fair value of trade and other receivables does not differ significantly from their carrying amount. All receivables of the Company are expressed in PLN.

Changes in the impairment losses of trade debtors are presented below:

	2015	2014
As at 1 January	856	1,009
Creating impairment losses	1,428	27
Receivables written down during the year as uncollectible	(78)	(61)
Reversal of unused amounts	(47)	(119)
As at 31 December	2,159	856

Creation and release of impairment losses was disclosed in the income statement under "Selling cost". Other categories of trade and other receivables do not included items of reduced value.

Maturity structure of accounts receivable with impairment of value is presented in the table below:

	31 Dec. 2015	31 Dec. 2014
Up to 1 month inclusive	55	70
3 to 6 months	-	21
6 to 12 months	1	-
over 12 months	2,103	765
	2,159	856

Maturity structure of accounts receivable with respect to which the payment deadline has elapsed, which are however unlikely to lose value, is presented in the table below:

	31 Dec. 2015	31 Dec. 2014
Up to 1 month inclusive	211	1,570
1 to 3 months	167	178
3 to 6 months	362	72
6 to 12 months	-	89
over 12 months	-	15
	740	1,924

Maximum exposure to credit risk as at the reporting date is the fair value of each category of accounts receivable described above. Accounts receivable on coal sales totalling PLN 126,119,000 as at 31 December 2015, constitute collateral of bank loans and liabilities under the bond issue, as well as bank guarantees issued.

12. Inventories

	31 Dec. 20145	31 Dec. 2014
Materials	66,551	76,776
Finished goods	35,408	54,243
Impairment losses of the sale price, likely to achieve, of the finished goods	(507)	(171)
	101,452	130,848

Cost of inventories in the income statement was disclosed under “Cost of products, goods and materials sold” totalling PLN 2,054,607,000 in 2015 (2014: PLN 1,502,244,000).

Changes in the impairment losses of the sale price, likely to achieve, and for impairment of inventories are presented below:

	2015	2014
As at 1 January	171	3.319
Creating impairment losses of the sale price, likely to achieve, of finished goods	507	171
Use of impairment losses of the sale price, likely to achieve, of the finished goods	(171)	(3.319)
As at 31 December	507	171

Creating and use of impairment losses of inventories was presented in the income statement in “Cost of products, goods and materials sold.”

No collaterals were established on inventories.

13. Cash and cash equivalents

	31 Dec. 2015	31 Dec. 2014
Cash in banks and at hand	15,700	133,430
Bank deposits	315,183	127,665
	330,883	261,095
including:		
Non-current*	90,872	88,832
Current	240,011	172,263
	330,883	261,095

* cash with restricted liquidity

Value of cash with restricted liquidity amounted to PLN 94,972,000 as at 31 December 2015, including PLN 90,872,000 (as at 31 December 2014: PLN 88,832,000) of the funds deposited in the Mine Closure Fund for the coverage of the costs of closing a mine. Cash and bank deposits are expressed in PLN.

Effective interest rates of short-term bank deposits are close to nominal interest rates, and the fair value of the short-term bank deposits does not differ materially from their carrying amount. Interest rates are based on WIBOR rates which stood at the following levels (1M WIBOR):

2015 – 0.8% - 2.1%

2014 – 2.0% - 2.7%

14. 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 31 December 2014	34,014	170,068	131,090	301,158
As at 1 January 2015	34,014	170,068	131,090	301,158
As at 31 December 2015	34,014	170,068	131,090	301,158

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

15. Other capital

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

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

- option allocation date (valuation date) was set to fall on 30 September 2013 for each of the tranches.
- current price for calculation purposes was the forecast share price of Lubelski Węgiel Bogdanka S.A. as at 30 September 2013,
- the option life was calculated with the assumption of its maturity falling in the middle of the range between the first and the last possible day of option exercise,
- risk-free rate was defined as the semi-annual average of weekly prices of 5-year Treasury bonds,
- share price variability was calculated on the basis of annual rates of return on shares of Lubelski Węgiel Bogdanka S.A. using continuous capitalisation for the 4-year period of Company listings,
- zero dividend rate is assumed in connection with the MOS provisions that set out that dividends to be paid by Lubelski Węgiel Bogdanka S.A. will be deducted from the Option strike price.

As at 31 December 2015 the value of the Management Options Scheme amounted to PLN 13,642,000 (2014: PLN 16,744,000).

As at 31 December 2015 the number of allocated options under the whole scheme was 1,143,863. Out of this pool the number of rights granted (for 2013-2014) to exercise the above options is 335,199. The aggregate

costs of the scheme disclosed as at 31 December 2015 “Other capitals” amounted to PLN 9,752,000 (as at 31 December 2014: PLN 8,241,000). The amount of PLN 1,511,00 was recognised in 2015 in the income statement under “Administrative expenses” (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 2015 amounted in total to PLN 2,993,000 (PLN 2,424,000 after tax effect), while in 2014 the loss amounted to PLN 1,484,000. The aggregate losses suffered were recognised under the following items in the statement of financial position and in the statement of comprehensive income:

- the loss for 12 months of 2015 of PLN 2,993,000 (PLN 2,424,000 after tax effect) together with the loss disclosed at the end of 2014 in the amount of PLN 293,000 (PLN 237,000 after tax effect) in relation to forward contracts concluded in 2013 and settled in 2015 – in aggregate PLN 3,286,000 (PLN 2,661,000 after tax effect) – was disclosed in the statement of comprehensive income in section cash flow hedges under “Adjustments from transferring amounts to original values of hedged items” and was taken to the initial value of non-current assets disclosed in the statement of financial position (balance sheet) under “Property, plant and equipment”.

In total, the statement of comprehensive income shows an increase in comprehensive income related to cash flow hedges in the amount of PLN 237,000.

16. Trade and other liabilities

	31 Dec. 2015	31 Dec. 2014
Trade creditors	84,028	124,028
Other liabilities, including:	135,052	268,674
Company Employee Benefit Fund	10,667	11,085
Liabilities due security deposit	4,443	4,855
Investment liabilities	29,760	187,062
Salaries payable	36,293	41,115
Other liabilities	53,889	24,557
Total financial liabilities	<u>219,080</u>	<u>392,702</u>
Liabilities - social security and other tax payable	57,760	74,175
Trade and other liabilities	<u>276,840</u>	<u>466,877</u>
including:		
Non-current	14,935	18,833
Current	261,905	448,044
	<u>276,840</u>	<u>466,877</u>

Fair value of trade and other receivables does not differ significantly from their carrying value.

17. Grants

	31 Dec. 2015	31 Dec. 2014
Non-current liabilities		
Grants	14,058	15,109
Current liabilities		
Grants	978	988
	<u>15,036</u>	<u>16,097</u>

The grant received should be settled in the full amount on the moment it is amortised in full, sold or if an asset financed with that grant is liquidated. The manner of disclosure of the grant is described in Note 2.20.

18. Loans and borrowings

	31 Dec. 2015	31 Dec. 2014
Short-term:		
Bank loans:	-	99,008
- mBank S.A.	-	99,008
	-	99,008

On 21 May 2014, the Company entered with mBank S.A. into a revolving overdraft facility agreement with the limit of PLN 150,000,000. As at the balance sheet date, available credit line was not used. The credit line was granted for a period of 2 years, i.e. by 22 May 2016, and interest is WIBOR 1M + bank's margin.

The facility is secured with:

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

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

19. Financial liabilities on account of bond issue

	31 Dec. 2015	31 Dec. 2014
Non-current:		
Bond issue	700,000	700,000
- PEKAO S.A.	500,000	500,000
- BGK	200,000	200,000
Current:		
Interest accrued on bonds:	92	106
- PEKAO S.A.	66	76
- BGK	26	30
	700,092	700,106

Financial liabilities under bonds relate to two program agreements covering bond issue scheme. Under the first Program Agreement concluded by the Company on 23 September 2013 with Bank Polska Kasa Opieki S.A., 3,000 bonds in the aggregate amount of PLN 300,000,000 were issued and are to be redeemed by 31 December 2018. The redemption date of bonds in the amount of PLN 75 million in each case is 30 March 2018, 30 June 2018, 30 September 2018 and 30 December 2018. Interest on the bonds is based on WIBOR 3M plus a fixed margin.

Under the second Program Agreement concluded by the Company on 30 June 2014 with Bank Polska Kasa Opieki S.A. (200 pcs.) and Bank Gospodarstwa Krajowego (200 pcs.), 400 bonds in the aggregate amount of PLN 400,000,000 were issued with the redemption date on 30 June 2016. Further, according to the issue Scheme, the Company has the right to issue further bond series under a given tranche to refinance previous issue in a given tranche (roll up), which justifies the long-term nature of the scheme. Such a situation took place on 30 June 2015 when the repurchase of formerly issued (under a given tranche) bonds with redemption date falling on

30 June 2015 was re-financed by the issue of further two bond series with redemption date falling on 30 June 2016.

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

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

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

20. 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 31 December 2015 the Company held no financial instruments valued at fair value.

As at 31 December 2014 derivatives were the only financial instruments measured at fair value. 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 measurement of fair value of currency forwards is determined on the basis of discounted future cash flows from concluded transactions, calculated based on difference between the forward price and the transaction price. The forward price is determined with reference to prices fixed by the National Bank of Poland and the interest rate curve implied from fx swap transactions.

21. Deferred income tax

Assets and liabilities regarding the deferred income tax mutually set-off if the Company has an enforceable legal title for offsetting current tax assets and liabilities and if the deferred income tax is subject to reporting to the same tax office. Following the set off, the following amounts are presented in the financial statements:

	31 Dec. 2015	31 Dec. 2014
Deferred tax assets		
- to be realised after 12 months	49,497	39,950
- to be realised within 12 months	14,723	19,790
	64,220	59,740
Deferred tax liabilities		
- to be realised after 12 months	97,778	169,698
- to be realised within 12 months	4,125	4,092
	101,903	173,790
Deferred tax liabilities (net)	37,683	114,050

Changes in the assets and liabilities regarding the deferred income tax during the year (before their set off is taken into account under one legal jurisdiction) are the following:

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Deferred tax assets	Provisions for employee benefits and similar	Unpaid remuneration and other benefits	Provision for real property tax	Other	Total
As at 1 January 2014	37,607	3,221	4,249	7,697	52,774
(Decrease)/increase of the financial result, including:	4,929	1,331	(341)	1,047	6,966
- recognised in the income statement	1,233	1,331	(341)	1,985	4,208
- recognised in the statement of comprehensive income	3,696	-	-	(938)	2,758
As at 31 December 2014	42,536	4,552	3,908	8,744	59,740
(Decrease)/increase of the financial result, including:	4,583	(1,259)	195	961	4,480
- recognised in the income statement	3,586	(1,259)	195	1,017	3,539
- recognised in the statement of comprehensive income	997	-	-	(56)	941
As at 31 December 2015	47,119	3,293	4,103	9,705	64,220

Deferred tax liabilities	Valuation of non-current assets	Costs of panel strengthening	Provision for mine closure – net*	Real property tax receivable	Other	Total
As at 1 January 2014	140,038	2,765	6,213	3,197	430	152,643
(Decrease)/increase of the financial result, including:	19,988	(598)	702	(439)	1,494	21,147
- recognised in the income statement	19,988	(598)	702	(439)	1,494	21,147
As at 31 December 2014	160,026	2,167	6,915	2,758	1,924	173,790
(Decrease)/increase of the financial result, including:	(69,050)	1,916	(915)	(1,956)	(1,882)	(71,887)
- recognised in the income statement	(69,050)	1,916	(915)	(1,956)	(1,882)	(71,887)
As at 31 December 2015	90,976	4,083	6,000	802	42	101,903

* The item includes the on balance value of non-current assets and provisions related to mine closure.

22. Provisions for employee benefits

	31 Dec. 2015	31 Dec. 2014
Provisions as disclosed in the statement of financial position		
- Retirement and disability benefits	26,735	37,773
- Long service awards	80,431	75,087
- Coal allowances in kind	111,927	97,501
- Other benefits for employees (unused holidays, death benefits, other)	28,904	13,514
	247,997	223,875

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Costs recognised in the income statement:

- Retirement and disability benefits	2,229	3,282
- Long service awards	14,751	14,021
- Coal allowances in kind	5,179	4,236
- Other benefits for employees (unused holidays, death benefits, other)	41,382	18,435
	63,541	39,974

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Costs recognised in the statement of comprehensive income regarding the distribution of actuarial gains and losses resulting from demographic assumptions, financial assumption and other changes:

- Retirement and disability benefits	(7,294)	4,379
- Coal allowances in kind	12,849	15,169
- Other benefits for employees (death benefits)	(309)	(98)
	5,246	19,450

Change in provisions for employee benefits

	31 Dec. 2015	31 Dec. 2014
As at 1 January	223,875	197,934
Costs of current employment (unused holidays, death benefits, other)	53,846	29,561
Interest expense	5,719	7,720
Actuarial gains/losses as recognised in the income statement	3,976	2,693
Actuarial gains/losses as recognised in the statement of comprehensive income	5,246	19,450
Recognised in the comprehensive income, total	68,787	59,424

Benefits paid	(44,665)	(33,483)
As at 31 December	247,997	223,875

Including:

- non-current	199,519	183,777
- current	48,478	40,098

Amounts disclosed in the income statement and in the statement of comprehensive income in 2015 are as follows:

	Benefits during employment	Post-employment benefits	Total
Liabilities as at 1 January	85,831	138,044	223,875
Costs of current employment (unused holidays, death benefits, other)	50,059	3,787	53,846
Interest expense	2,098	3,621	5,719
Actuarial gains/losses as recognised in the income statement:	3,976	-	3,976
Actuarial gains/losses as recognised in the statement of comprehensive income:	-	5,246	5,246
Recognised in the statement of comprehensive income, total	56,133	12,654	68,787

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Amounts disclosed in the income statement and in the statement of comprehensive income in 2014 are as follows:

	Benefits during employment	Post- employment benefits	Total
Liabilities as at 1 January	78,666	119,268	197,934
Costs of current employment (unused holidays, death benefits, other)	26,699	2,862	29,561
Interest expense	2,835	4,885	7,720
Actuarial gains/losses as recognised in the income statement:	2,693	-	2,693
Actuarial gains/losses as recognised in the statement of comprehensive income:	-	19,450	19,450
Recognised in the statement of comprehensive income, total	32,227	27,197	59,424

Employee benefits costs are recognised in the income statement and the statement of comprehensive income as follows:

	31 Dec. 2015	31 Dec. 2014
Costs of products, goods and materials sold	52,508	29,290
Selling cost	312	174
Administrative costs	5,002	2,790
Finance cost	5,719	7,720
Recognised in the income statement, total:	63,541	39,974
Actuarial gains/losses as recognised in the statement of comprehensive income:	5,246	19,450
Recognised in the statement of comprehensive income, total	68,787	59,424

Main actuarial assumptions made:

	31 Dec. 2015	31 Dec. 2014
Discount rate	2.80%	2.75%
Employee mobility rate	1.40%	1.26%
Increase in remunerations in the subsequent year	1.00%	2.40%
Increase in remunerations in 2017-2025 (2014: 2016-2024)	2.00%	2.81%
Increase in remunerations after 2025 (2014: after 2024)	2.00%	2.50%

The assumptions for future mortality are based on opinions, published statistics and experience in a given area. Average expected length of life (in years) of persons retiring as at the balance-sheet date:

	31 Dec. 2015	31 Dec. 2014
Men	14.64	15.50
Women	18.61	23.86

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23. Provisions for other liabilities and charges

	Provision for mine closure and land reclamation	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 statement of financial position							
- Revaluation of provision created	34,470	-	-	-	-	-	34,470
Recognition in the income statement							
- Creation of additional provisions	-	5,955	127	5,648	2,807	-	14,537
- Additional fine	-	-	-	-	12,053	-	12,053
- Use of the created provision	-	(4,225)	(816)	(11,640)	-	-	(16,681)
- Release of an unused provision	-	(5,508)	-	-	-	-	(5,508)
- Interest	-	-	1,926	1,404	1,041	-	4,371
- Discount settlement	3,837	-	-	-	-	-	3,837
As at 31 December 2014	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 statement of financial position							
- Revaluation of provision created	(2,543)	-	-	-	-	-	(2,543)
Recognition in the income statement							
- Creation of additional provisions	5,738	4,377	700	7,577	239	3,041	21,672
- Additional fine	-	-	-	-	1,299	-	1,299
- Use of the provision	-	(5,035)	(282)	(7,926)	-	-	(13,243)
- Use of the created provision	-	-	-	(127)	-	-	(127)
- Release of an unused provision	-	-	1,153	1,099	1,288	-	3,540
- Interest	3,399	-	-	-	-	-	3,399
- Discount settlement	5,738	4,377	700	7,577	239	3,041	21,672
As at 31 December 2015	130,179	8,497	26,866	23,881	18,727	3,041	211,191

Notes presented on pages 10 – 61 constitute an integral part of these financial statements.

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Including:								
Non-current	130,179	-	-	-	-	-	-	130,179
Current	-	8,497	26,866	23,881	18,727	3,041	-	81,012

(a) Mine closure and land reclamation

The Company establishes a provision for expenses related to closure of a mining plant as well as land reclamation, as required under applicable provisions. The value of expenses related to closure of a mining plant and land reclamation calculated as at 31 December 2015 amounts to PLN 130,179,000, including the provision for mine closure of PLN 124,441,000 and land reclamation of PLN 5,738,000. The change in provision compared to 31 December 2014 is PLN 6,594,000; an increase caused by creating the additional provision of PLN 5,738,000 and an increase resulting from the discount write-off of PLN 3,399,000 were recognised in the income statement under “Cost of products, goods and materials sold” and “Finance cost”, respectively, while a decrease caused by update of assumptions, amounting in total to PLN 2,543,000, was recognised in the statement of financial position as an decrease in “Property, plant and equipment”.

(b) Removing mining damage

Given the need of removing mining damage, the Company creates a provision for mining damage. The estimated value of works necessary to remove damage as at 31 December 2015 amounts to PLN 8,497,000, 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 2015, the provision used amounted in total to PLN 5,035,000 (PLN 4,225,000 in the whole 2014).

(c) Legal claims

The amount disclosed constitutes a provision for certain legal claims filed against the Company by customers and suppliers. The value of created / released provisions in the period is disclosed in the income statement as “Other profit/(loss) – net.” In the Management Board's opinion, supported by an appropriate legal opinion, those claims being filed will not result in significant losses in an amount that would exceed the value of provisions created as at 31 December 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 reporting period (31 December 2014), and the change primarily referred to the revaluation of interest as at the balance-sheet date.

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

The percentage rate of a contribution for accident insurance, determined by the Social Security Institution based on ZUS IWA documents (Information on data required for calculation of contribution for accident insurance) and an adjustment of ZUS IWA document for 2012 submitted by the Company, was 3.09% for the settlement period from 1 April 2013 to 31 March 2014 and 2.70% for the settlement period from 1 April 2014 to 31 March 2015. In its Decision No. 7/2014 of 18 June 2014, the Social Security Institution, Branch in Lublin, determined the percentage rate of a contribution for accident insurance for the Company. Having taken into account ZUS IWA adjustments for the years of 2011 and 2012 (made *ex officio*), the authority determined the percentage rate of a contribution for accident insurance at 3.47% for the settlement period from 1 April 2013 to 31 March 2014 and at 3.09% for the settlement period from 1 April 2014 to 31 March 2015. In addition, pursuant to Article 34 of the Act on Social Insurance against Accidents at Work and Occupational Diseases and Article 83.1.3 of the Act on Social Insurance System, the Social Security Institution determined for the Company the percentage rate of a contribution for accident insurance increased by 50% for the above contributory years, i.e. at 5.21% for the contributory year from 1 April 2013 to 31 March 2014 and at 4.64% for the contributory year from 1 April 2014 to 31 March 2015. On 25 July 2014 the Company filed an appeal to the Regional Court in Lublin, against the above decision, requesting that it be cancelled and proceeding be discontinued, or in the alternative that the Court change the decision appealed against and decide that the Company is not required to pay the contribution for accident insurance at the rate increased by 50%, as well as decide that the percentage rate of the contribution for the above contributory years should be 3.09% and 2.7% respectively. On 20 January 2015, the first hearing in the case was held,

during which the Court admitted all evidence from documents as requested by the Company, adjourned the case without stating any date of the adjourned hearing, and informed that the Company's request for admitting evidence from opinions of expert doctors would be analysed at a hearing in camera. The hearing took place on 6 February 2015, when the Court decided to admit evidence in the form of a joint opinion of court expert physicians.

By the date of drawing these financial statements such an opinion has not been prepared.

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.

After taking the above into account, the provision disclosed in the Company's books as at 31 December 2015 and amounting to PLN 18,727,000 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 2,329,000).

(e) Real property tax

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

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

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

In 2015 the Supreme Administrative Court issued a ruling where it dismissed a cassation appeal of a mining enterprise and shared the position of tax authorities and the Provincial Administrative Court to the effect that linings of underground mining excavations constitute structures in the form retaining walls. Nevertheless, it is not possible to state unequivocally based on this ruling that a uniform position has been already formulated by administrative courts in this respect.

In connection with decisions issued by the Commune Heads and the Local Government Appellate Court in Lublin, determining real property tax of the Company for 2008-2012 – with respect to all communes, the amounts of real property tax calculated for 2013-2015 were adjusted – with respect to all communes. 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 Company's books as at 31 December 2015 (disclosed in the statement of financial position under "Provisions for other liabilities and charges") in the amount of PLN 23,881,000 (31 December 2014: PLN 23,258,000) represents a provision for real property tax liabilities, if any, and interest thereon for 2013-2015 with respect to all communes, should the tax authorities determine that mining excavations of the Company contain objects constituting structures on which real property tax is chargeable. The values connected with real property tax are disclosed in the income statement under "Cost of products, goods and materials sold."

At the end of 2014 decisions issued by the Commune Heads and determining real property tax for the Company for 2009 (Ludwin and Puchaczów Communes) and for 2009-2012 (Cyców Commune) were upheld

by the Local Government Appellate Court, and so it was decided to make the settlement of real property tax receivables and liabilities. As a result of the settlement, a provision created previously in the amount of PLN 11,640,000 was used (mainly by offsetting it against tax overpaid by the Company). In 2015 a similar settlement was made for the period 2010-2012 for the Puchaczów Commune and 2010-2012 for the Ludwin Commune. As a result of the settlement, a provision, created earlier, was used in the amount of PLN 7,926,000 (using the whole amount was effected by a set-off with overpayments made by the Company between 2005 and 2007). Real property tax liabilities arising from settled decisions were in exactly the same amount as the provision created by the Company. However, in spite of having made the above settlement, the Company takes all legal steps in order to challenge effectively the fact of assessment of real property tax in relation to the equipment and support. The Company is going to appeal against the decisions to the Regional 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 2010-2012 (Puchaczów and Ludwin Commune), the Company calculated at 31 December 2015 the amounts due on account of overpaid tax of PLN 6,708,000 (31 December 2014: PLN 24,461,000). They are disclosed in the statement of financial position as current assets under "Trade debtors and other receivables".

(f) Other

Other provisions refer primarily to a provision, created by the Company, for the cost of purchase of green certificates in the amount of PLN 2,925,000, which were necessary for filing for redemption in relation to the purchase and using electrical energy in 2015 (which is related to the fact that as of 4 April 2015 the Company received the status of industrial customer).

24. Revenue

	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2014 - 31 Dec. 2014
Sales of coal	1,815,441	1,926,795
Sales of ceramics	1,185	3,753
Other activities	53,765	67,874
Sales of goods and materials	12,727	12,077
Total revenue	1,883,118	2,010,499

25. Costs by type

	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2014 - 31 Dec. 2014
Amortisation / Depreciation	381,900	382,955
Materials and energy consumption	393,104	451,808
Outsourced services	376,400	467,529
Employee benefits	542,646	577,337
Entertainment and advertising expenses	6,355	7,737
Taxes, fees and charges	34,560	35,934
Other costs by type	21,492	20,532
Total costs by type	1,756,457	1,943,832
Activities for the Company's own needs	(184,275)	(235,601)
Deferrals and accruals	(8,824)	(2,821)

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Value of coal obtained from excavations	(58,802)	(92,487)
Provisions and other presentation adjustments between costs by type and by function	46,406	15,712
Impairment loss of property, plant and equipment as well as intangible assets as a result of carrying out a test (Note 6.3)	624,772	-
Total production cost	2,175,734	1,628,635
Change in products	18,835	(62)
Value of goods and materials sold	12,651	11,935
Cost of products sold, including:	2,207,220	1,640,508
Costs of products, goods and materials sold	2,054,607	1,502,244
Selling cost	38,002	41,789
Administrative costs	114,611	96,475
26. Other income		
	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2014 - 31 Dec. 2014
Compensations and damages received	2,099	381
Other	498	488
Total other income	2,597	869
27. Other costs		
	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2014 - 31 Dec. 2014
Donations	(268)	(674)
Enforcement fees and penalties	(182)	(196)
Compensation	(1,420)	(2,513)
Other	(88)	(94)
Total other costs	(1,958)	(3,477)
28. Other loss – net		
	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2014 - 31 Dec. 2014
Profit on sale of non-current assets	277	1,298
Currency exchange differences	(441)	(582)
Liquidation of investment without effect	(1,549)	-
Provision for mining damage	658	3,778
Creation of other provisions	(418)	(123)
Creation of provision for ZUS claims related to contribution for accident insurance, including:	(1,538)	(14,860)
- <i>Creation of the provision for the contribution</i>	(239)	(2,807)

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- Creation of the provision for additional fine	(1,299)	(12,053)
Other profits/(losses)	(2,028)	1,745
Total other net losses	(5,039)	(8,744)

29. Finance income and costs

	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2014 - 31 Dec. 2014
Interest income on short-term bank deposits	3,359	3,891
Dividend received	3,267	3,411
Other finance income	508	281
Interest regarding the Mine Closure Fund	1,945	2,385
Total finance income	9,079	9,968
Interest cost:		
- bank loans and commissions on loans and bonds	(11,041)	(7,693)
- interest expense on valuation of employee benefits	(5,719)	(7,720)
- regarding a provision for ZUS claims related to contribution for accident insurance	(1,288)	(1,041)
- settlement of discount on other non-current provisions and liabilities	(3,399)	(4,846)
- creation of a provision and impairment losses of interest	(1,403)	(2,143)
Total finance cost	(22,850)	(23,443)
Finance cost - net	(13,771)	(13,475)

30. Income tax

	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2014 - 31 Dec. 2014
Current tax	11,182	55,282
Deferred tax charged into profit or loss (Note 21)	(75,426)	16,939
Deferred tax charged into other comprehensive income:		
- as cash flow hedge (Note 21)	56	938
- as actuarial gains/losses as recognised in the statement of comprehensive income (Note 21)	(997)	(3,696)
	(65,185)	69,463
	11,182	55,282
Profit/(loss) before taxation	(342,273)	345,164

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	(65,032)	65,581
Tax calculated at the rate of 19%		
Tax effect of income permanently excluded from the taxable base, including:	(1,609)	(1,270)
- revenue due in respect of the real property tax	(245)	(42)
- dividend received from subsidiaries	(621)	(648)
- other	(743)	(580)
Tax effect of income permanently excluded from the taxable base:	2,397	7 911
- difference between value of non-current assets and intangible assets for balance sheet purposes and for tax purposes	(881)	510
- payment to the National Fund for the Disabled	803	826
- provision for interest on real property tax	574	1,528
- impairment loss for interest receivable from the central budget and interest payable to the central budget	440	1,080
- provision for ZUS claims related to contribution for accident insurance	247	1,798
- other	1,214	2,169
Decrease in financial result by the income tax	(64,244)	72,222

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

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

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

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

31. Earnings per share

Basic

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

	31 Dec. 2015	31 Dec. 2014
Earnings/(Loss) attributable to owners of the Company	(278,029)	272,942

Notes presented on pages 10 – 61 constitute an integral part of these financial statements.

Weighted average number of ordinary shares ('000)	34,014	34,014
Basic earnings/(loss) per share (in PLN)	(8, 17)	8,02

Diluted

Diluted earnings/(loss) 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 31 December 2015, the Company held instruments resulting in potential dilution of ordinary shares due to the introduction of the Management Options Scheme in 2013. As at 31 December 2015, the dilution does not occur (analogous situation occurred as at 31 December 2014).

32. Dividend per share

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 amount of PLN 119,048,000 has been allocated for distribution among the shareholders of the Company. Dividend for 2014 was paid on 8 October 2015. The due dividend rate to shareholders of the Company is presented in the table below.

	31 Dec. 2015	31 Dec. 2014
Dividend paid	119,048	197,279
Number of ordinary shares as at the dividend date ('000)	34,014	34,014
Dividend per share (in PLN)	3,50	5,80

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

The Management Board did not decide upon the proposal regarding the coverage of loss for 2015.

33. Contingent items

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

a) Real property tax

The contingent liability concerning the value of mining excavations from which the Company does not create a provision (provision for real property tax, in its parts deemed as probable by the Company, amounts to PLN 23,881,000 and is presented in Note 23), may primarily result from the existing discrepancies between the position of the Company and the position of tax authorities with respect to the subject of that tax. The issue revolves around the question of whether there are in the mining excavations any structures within the meaning of the Act on Local Taxes and Charges which would be subject to the property tax. The discrepancies may also occur with regard to the value of particular facilities — in the event that it is agreed that the facilities are subject to the real property tax. The extent of such liability has not changed significantly compared to the end of the prior financial year (31 December 2014).

b) Patent claims

The contingent liability for legal claims related to the fee for co-inventors of inventions covered with patents no. 206048 and 209043 functioning at the Company from which the Company does not create provision may primarily result from impossibility to assess whether the claim in question is justified and different positions taken by the Company and the co-inventors of inventions covered with the abovementioned patents. The value of the possible liability as at the day of publishing these financial statements amounts to PLN 48 million. The Company estimated a provision for remuneration for co-inventors to the best of its knowledge

and in line with principles so far applied at the Company when calculating remunerations for inventors. The item provisions for legal claims shows a provision for legal claims regarding remuneration for co-inventors of inventions covered by patents No. 206048 and 209043, used at the Company. The amount of remuneration will be subject to analysis of court experts or experts accepted by both parties. The extent of such liability has not changed significantly compared to the end of the prior financial year (31 December 2014).

c) Liabilities and contingent assets regarding a dispute with a Consortium

By 31 December 2015 the Company issued to the Consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. (“Consortium”) debit notes covering the total amount of PLN 34,592,000, on account of contractual damages, liquidated damages for delay in contract performance and lost profit damages. Further, on 7 April 2015, to Arbitration Court at the National Chamber of Commerce in Warsaw received an action filed by the Consortium against the Company. The action mainly referred to claims for reimbursement of costs in relation to the extension of the contract term and liquidated damages for withdrawal from the contract by fault of the Company, totalling PLN 27,232,000. In the Company’s Management Board’s opinion both the imposed liquidated damages and the claim for additional costs incurred by the Consortium are groundless, all the more that the Consortium is the party responsible for the delay in contract performance.

The Company’s Management Board believes that the Consortium moved to the Arbitration Court as a response to being charged with liquidated damages, contractual damages and lost profit damages by the Company. The Management Board finds that likelihood of resolving the dispute to the disadvantage of the Company is small, so is the resulting necessity (if any) to pay the claims, and the final financial result of mutual claims should not be adverse to the Company. On 18 January 2016, Arbitration Court’s Adjudication Panel issued a statement to the effect that it had no jurisdiction over a majority of claims pursued by the Consortium, at the same time issuing a decision, on 21 January 2016, obliging the parties to the arbitration proceedings to file a joint position regarding further course of the proceedings. As a result of the above decision each party may pursue its claims before a common court.

34. Future contractual liabilities

Investment liabilities

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

	31 Dec. 2015	31 Dec. 2014
Property, plant and equipment	43,977	207,601
	44,977	207,601

35. Operating lease

Minimum future payments on operating lease agreements which cannot be revoked are as follows:

	31 Dec. 2015	31 Dec. 2014
Less than 1 year	4,419	3,650
From 1 year to 2 years	1,436	3,598
From 2 to 5 years	883	2,096
More than 5 years	20,977	20,976
	27,715	30,320

The Company is a party to lease agreements of specialist plant and machinery and vehicles. They were classified as operating leases. The agreements are concluded for various terms. In part, they are short-term agreements with the objective to check the quality of manufacture and fitness for use of plant and machinery in the technological process. Agreements concluded for more than 2 years include a provision about possible indexation of the rate using a goods and services price index.

The lease agreement of "System of monitoring and control of printouts along with copying and printing equipment" includes, apart from a fixed fee for each piece of equipment, an additional fee calculated as the number of printouts made multiplied by the unit price of given printout type. In the calculation of minimum payments under irrevocable lease agreements, the variable value of rent depending on the number of printouts made has been neglected.

36. Transactions with related entities

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

Transactions with the companies of Lubelski Węgiel Bogdanka Group.

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

Purchases primarily include the purchase of heat power, potable water, services and use supervision, maintenance services for sewage installations, central heating, tailwater and water grid as well as completion of construction of central air conditioning in the Bogdanka Field.

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

Purchases include primarily services of removing of spoil arising during coal-related shale cleaning and washing.

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

Purchases include primarily services with respect to the mining works and auxiliary works at the mine as well as run-of-mine services.

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

Purchases primarily include the purchase of services connected with renovation of mining equipment and devices as well as transport units, performing regeneration services, traffic maintenance services and supply of machineries and components.

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

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	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2014 - 31 Dec. 2014
Purchases in period, including:	93,686	90,484
- Purchases of services activated on the value of "property, plant and equipment"	6,562	1,442
Liabilities at end of period including VAT	11,001	10,867

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

	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2014 - 31 Dec. 2014
Sales in period	11,538	21,485
Total receivables at end of period including VAT	1,669	2,077

In the reporting periods ended on 31 December 2014 and 31 December 2015 the value of dividend received from the following 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:

	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2014 - 31 Dec. 2014
Dividend received	3,267	3,411

Transactions with ENEA Group companies

As a result of purchasing the majority block of shares in the Company by ENEA S.A. (the Parent in the ENEA Group) which was accounted for on 29 October 2015, the Company became a part of the ENEA Group.

	29 Oct. 2015 - 31 Dec. 2015
Sales in period*	135,904
Total receivables at end of period including VAT	75,796

*ENEA Wytwarzanie Sp. z o.o. became a related company upon the purchase by ENEA S.A. (the Company in the ENEA Group) of the majority block of shares, which was accounted for on 29 October 2015, therefore the table above shows the value of sales solely for the last two months of 2015.

Transactions with subsidiaries of the State Treasury of the Republic of Poland

The Company concludes commercial transactions with state administration and local self-government bodies as well as entities owned by the State Treasury of the Republic of Poland. Transactions are carried out on an arm-length basis, and their terms and conditions do not depart from those applied in transactions with other entities.

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The most important sales transactions include the sale of thermal coal to Zakłady Azotowe w Puławach S.A. (Azoty Group), PGNiG Termika S.A., Energa Elektrownie Ostrołęka S.A. and Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Chełm.

In the reporting period ending on 31 December 2015, the value of tradeover on account of sales with the above entities and the total receivables of the Company from those entities were as follows:

	29 Oct. 2015 - 31 Dec. 2015**
Sales in period	94,178
Total receivables at end of period including VAT	53,642

The key purchase transactions include the purchase of electrical energy from PGE Polska Grupa Energetyczna S.A., purchase of materials (mine lining) from Huta Łabędy S.A., purchase of transport services from PKP Cargo S.A. as well as payments for mining and prospecting licences.

In the reporting period ending on 31 December 2015, the value of tradeover on account of purchases with the above entities and the total liabilities of the Company from those entities were as follows:

	29 Oct. 2015 - 31 Dec. 2015**
Purchases in period	29,527
Liabilities at end of period including VAT	36,979

**the disclosed transactions refer to the period from purchasing by ENEA S.A. of the majority block of the Company's shares accounted for on 29 October 2015.

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

	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2014 - 31 Dec. 2014
Remuneration of Management Board members and commercial proxies	6,194	5,085
Including:		
Annual award	1,415	764
Severance pay for termination of employment relationship	-	165
Pays upon retirement due to old age	125	-
Other benefits	494	121
Remuneration of the Supervisory Board members	812	930

By virtue of the Resolution of 30 September 2013 and as part of the Management Options Scheme, the Supervisory Board allocated a total of 1,102,032 Options for 2013-2017. Members of the Management Board were allocated the Options as follows: Zbigniew Stopa, President of the Management Board, received 183,672 Options, each of the remaining Members of the Management Board, i.e. Waldemar Bernaciak, Roger de Bazelaire and Krzysztof Szłaga received 122,448 Options. The remaining 551,016 Options were allocated to senior management members of key importance for the Company's development. Options carry the right for eligible persons to acquire series A warrants free of charge. The warrants, in turn, carry the right to acquire series D shares.

The total cost of valuation of the Management Options Scheme included in the Company's costs as at 31 December 2015 amounted to PLN 9,752,000 (as at 31 December 2014: PLN 8,241,000). Disclosure of the Scheme is described in greater detail in Note 15.

38. Information on the auditor responsible for auditing the report and the auditor's fee

On 26 June 2015, the Supervisory Board adopted a resolution on appointing Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with registered office in Warsaw, al. Jana Pawła II 19, as an entity authorised to:

- review the financial statements and the Group's consolidated financial statements for the first halves of 2015, 2016 and 2017,
- audit the Company's financial statements and the Group's consolidated financial statements for 2015, 2016 and 2017.

The agreement with the auditor was concluded on 13 August 2015.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa has been entered since 7 February 1995 into the list of entities authorised to audit financial statements, maintained by the National Chamber of Chartered Auditors under entry number 73.

The remuneration of the auditor auditing the financial statements in 2015 and 2014 is as follows:

	31 Dec. 2015	31 Dec. 2014
Auditor's fee	149	145
Including:		
Audit of the annual financial statements	66	60
Review of the financial statements	44	40
Other certification services (verification of ratios)	39	45

39. Events after the balance-sheet date

After the balance-sheet date, to the best of the Company's knowledge, no material event occurred, which could affect the result as at 31 December 2015 and were not disclosed in the financial statements. By the date of publishing these financial statements, the no material events affecting the Company's operations in 2015 occurred.

40. Approval of the financial statements

The Management Board of Lubelski Węgiel BOGDANKA S.A. declares that as of 17 March 2016, it approves for publication these financial statements of the Company for the period from 1 January to 31 December 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

Piotr Janicki Vice-President of the Management
Board, Economic and Financial Affairs

Jakub Stęchły Vice-President of the Management
Board, Procurement and Investments

Urszula Piątek Chief Accountant