



The Lubelski Węgiel BOGDANKA Group

Quarterly Consolidated Report for the First Quarter of 2016

as at and for the period ended on 31 March 2016

Financial Statements prepared in accordance with IAS 34 –

Interim Financial Reporting

Notes to the Consolidated Quarterly Report of the Lubelski Węgiel Bogdanka Group for the first quarter 2016

1. General information.

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

The Lubelski Węgiel Bogdanka Group

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

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

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

On 26 March 2001, Lubelski Węgiel Bogdanka Spółka Akcyjna was registered in the Register of Entrepreneurs of the National Court Register, under KRS No. 0000004549. At present the register is maintained by the District Court Lublin-Wschód in Lublin, with the seat in Świdnik, VI Commercial Division of the National Court Register.

The shares of Lubelski Węgiel Bogdanka S.A. are listed on the Warsaw Stock Exchange.

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

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

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

As at 31 March 2016, the Parent held 88.70% of shares in the capital of the subsidiary, Łęczyńska Energetyka Sp. z o.o.

Łęczyńska Energetyka Sp. z o.o. provides services to mines involving supplying heat energy, finishing the central air conditioning system, and conducts water/wastewater management. In addition, the Company supplies heat energy to third parties like housing estates and other facilities in Łęczna. The company also conducts activities involving the construction and refurbishment of heat-generating, water supply and sewage disposal installations. The company prepares its balance sheet as at 31 December.

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

As at 31 March 2016, the Parent held 100.00% of shares in the capital of the subsidiary, EkoTRANS Bogdanka Sp. z o.o.

EkoTRANS Bogdanka Sp. z o.o. provides services to the mine with respect to recovery of spoil arising during coal-associated shale cleaning and washing. The company prepares its balance sheet as at 31 December.

The subsidiary - RG Bogdanka Sp. z o.o., with registered office in Bogdanka, 21-013, Puchaczów. As at 31 March 2016, the Parent held 100.00% of share in capital of its subsidiary RG Bogdanka Sp. z o.o.

RG Bogdanka Sp. z o.o. provides services to the mine mainly with respect to the works in the mine and reconstruction works. The company prepares its balance sheet as at 31 December.

The subsidiary - MR Bogdanka Sp. z o.o., with registered office in Bogdanka, 21-013, Puchaczów. As at 31 March 2016, the Parent held 100.00% of share in capital of its subsidiary MR Bogdanka Sp. z o.o.

MR Bogdanka Sp. z o.o. provides services to the mine with respect to renovation, repair and construction services, works in underground machinery departments, regeneration and production of steel constructions. The company prepares its balance sheet as at 31 December.

In order to understand fully the Group's financial standing and the results of its operation, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Lubelski Węgiel Bogdanka Group, as well as with the audited financial statements of the Parent, Lubelski Węgiel Bogdanka, for the financial period ended on 31 December 2015. Those financial statements will be available on the Parent's website at www.lw.com.pl.

Entering the structure of the ENEA Group

On 14 September 2015, ENEA S.A. announced a tender offer for the shares of the Parent, Lubelski Węgiel Bogdanka S.A., and it declared its intention to acquire up to 64.57% of the total vote at the General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A. 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 Parent, as a result of which the Parent with its subsidiaries became a part of the ENEA Group of which ENEA S.A. with registered office in Poznań is the parent.

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

These interim condensed consolidated financial statements of the Group and the interim condensed consolidated financial statements of the Parent, Lubelski Węgiel Bogdanka S.A., for the first quarter of 2016 were prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting".

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

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

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

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

3. Brief description of achievements and failures of the Group during the reporting period, along with the list of the related key events.

As regards the business activities pursued by the Parent, the following material events (having influence on the Group's operations in 2016) occurred in the period of the first quarter of 2016 and until the publication date of this Consolidated Quarterly Report:

- On 3 March 2016, the Management Board of the Parent concluded with ENEA Wytwarzanie Sp. z o.o. an arrangement to Long-Term Agreement No. UW/LW/01/2010 in the form of an Annual Agreement for the supply of thermal coal in 2016. The Agreement sets out terms for supplies (volumes and prices) in 2016 binding on the parties as from 1 January 2016 until 31 December 2016 and refers to supplies to the power plant in Koźienice. As a result of concluding the Annual Agreement, the value of supplies in 2016, will amount to PLN 760.1 million net, and the value of the entire Long-Term Agreement effective in 2011-2017, will be PLN 5,055 million net.

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

In the first quarter of 2016 no untypical events occurred that would have a significant bearing on the financial results achieved by both the Lubelski Węgiel Bogdanka Group and its Parent.

5. Data with regard to the Condensed Interim Consolidated Financial Statements for the Lubelski Węgiel Bogdanka Group in the first quarter of 2016.

Interim Consolidated Income Statement

Consolidated net revenue on sales of products, goods and materials in the first quarter of 2016 amounted to PLN 420,569,000. By way of comparison, consolidated revenue on sales of products, goods and materials in the same period of 2015 equalled PLN 428,279,000.

Consolidated operating profit in the first quarter of 2016 amounted to PLN 78,885,000.

In the first quarter of 2016 net profit attributable to the shareholders of the Parent was recorded in the amount of PLN 54,088,000. Net profit attributable to the shareholders of the Parent generated by the Group in the same period of 2015 amounted to PLN 32,522,000. It represents an increase by 66.31% as compared to the same period of the previous year.

Interim Consolidated Statement of Financial Position

Total provisions for other liabilities and charges, as well as provisions for employee benefits in the companies of the Lubelski Węgiel Bogdanka Group as at 31 March 2016 amounted to PLN 461,016,000, which shows a decrease by PLN 1,712,000 as compared to the amount achieved as at 31 December 2015.

Deferred income tax liability disclosed as at 31 March 2016 amounted to PLN 39,985,000, which represents an increase of PLN 2,146,000 as compared to the balance of this item as at 31 December 2015.

6. Data with regard to the interim condensed financial statements for the Parent in the third quarter of 2016

Interim Income Statement

In the first quarter of 2016 the net revenue on sales of products, goods and materials achieved the level of PLN 419,363,000, while in the comparable period of 2015 the item amounted to PLN 427,136,000, which represents a decrease in the net revenue in 2016 by 1.82%.

Operating profit in the first quarter of 2016 amounted to PLN 75,033,000.

Net profit for the first quarter of 2016 amounted to PLN 51,397,000, while in the same period of the previous year the Parent generated net profit of PLN 30,628,000. It represents an increase by 67.81% as compared to the same period of the previous year.

Interim Statement of Financial Position

In the Parent, Lubelski Węgiel Bogdanka S.A., the balance of provisions for other liabilities and charges, as well as provisions for employee benefits as at 31 March 2016 amounted to PLN 456,184,000, which represents a decrease by PLN 3,004,000 as compared to the balance of this item as at 31 December 2015.

Deferred income tax liability disclosed as at 31 March 2016 amounted to PLN 39,836,000, which represents an increase of PLN 2,153,000 as compared to the balance of this item as at 31 December 2015.

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

Seasonality of production does not occur. However, seasonality of sales is visible in connection with retail sales at a point of coal sale. Sales to individual customers in the first quarter 2016 accounted for only 0.30% of total consolidated sales. This has no significant effect on operating and financing activity of the Group.

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

No transactions involving issue, redemption or repayment of debt and equity securities were completed in the first quarter of 2016 by either the Group or the Parent.

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

In the first quarter of 2016 and in the same period of 2015, the Parent did not pay any dividend to the Shareholders.

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

The presented results for the first quarter of 2016 refer to the events that occurred in this period and were identified by the Group.

No events that would influence the financial results and were not disclosed in the Quarterly Consolidated Report occurred after the balance-sheet date.

11. Information concerning changes in contingent liabilities or contingent assets, occurring following the end of the previous financial year.

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

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

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

Transactions of the Parent with the subsidiary companies of Lubelski Węgiel Bogdanka Group.

The Company's revenue resulting from the co-operation Łęczyńska Energetyka, the Company's subsidiary, is in the most part generated through sale of coal, 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 Parent's revenue resulting from the co-operation with its subsidiary, EkoTRANS Bogdanka 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 Parent'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 Parent'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 March 2016 and 31 March 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 Parent's liabilities towards these associated entities as at subsequent balance-sheet dates were as follows:

	1 Jan. 2016 - 31 Mar. 2016	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2015 - 31 Mar. 2015
Purchases in period, including:	28,612	93,686	22,668
- Purchases of services activated on the value of "property, plant and equipment"	3,077	6,562	177
Liabilities at end of period including VAT	13,715	11,001	11,034

In the reporting periods ended on 31 March 2016 and 31 March 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 Parent's receivables towards these associated entities as at subsequent balance-sheet dates were as follows:

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

	1 Jan. 2016 - 31 Mar. 2016	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2015 - 31 Mar. 2015
Sales in period	4,125	11,538	4,145
Total receivables at end of period including VAT	1,347	1,669	1,433

In the reporting periods ended on 31 March 2016 and 31 March 2015 the value of dividend received from the following subsidiaries: EkoTRANS Bogdanka Sp. z o.o., and RG Bogdanka Sp. z o.o. as at subsequent balance-sheet dates were as follows:

	1 Jan. 2016 - 31 Mar. 2016	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2015 - 31 Mar. 2015
Dividend	-	3,267	-

Transactions with ENEA Group companies

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

Purchase transactions cover solely the purchases of electrical energy from ENEA S.A.

	1 Jan. 2016 - 31 Mar. 2016	29 Oct. 2015 - 31 Dec. 2015
Purchases in period*	16,560	-
Liabilities at end of period including VAT	12,139	-

Sale transactions cover solely the sales of thermal coal to ENEA Wytwarzanie Sp. z o.o.

	1 Jan. 2016 - 31 Mar. 2016	29 Oct. 2015 - 31 Dec. 2015
Sales in period*	186,506	135,904
Total receivables at end of period including VAT	66,584	75,796

*ENEA Wytwarzanie Sp. z o.o. and ENEA S.A. became related companies upon the purchase by ENEA S.A. (the Parent in the ENEA Group) of the majority block of shares, which was accounted for on 29 October 2015, therefore the tables above, with respect to comparable data, show purchases and sales solely for the last two months of 2015.

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

The Group 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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Key sale transactions include revenue on sales of thermal coal to the following companies: 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 March 2016, the value of sales with the above entities and the total receivables of the Group from those entities were as follows:

	1 Jan. 2016 - 31 Mar. 2016	29 Oct. 2015 - 31 Dec. 2015
Sales in period**	78,271	94,178
Total receivables at end of period including VAT	28,561	53,642

Key purchase transactions include: 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 March 2016, the value of purchases from the above entities and the total liabilities of the Group to those entities were as follows:

	1 Jan. 2016 - 31 Mar. 2016	29 Oct. 2015 - 31 Dec. 2015
Purchases in period**	17,583	29,527
Liabilities at end of period including VAT	7,749	36,979

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

13. Reporting by segments: industry and location

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

Interim Consolidated Statement of Financial Position (Balance Sheet)

	31 Mar. 2016	31 Dec. 2015
Assets		
Non-Current Assets		
Property, plant and equipment	2,856,072	2,889,484
Intangible assets	18,997	19,006
Deferred tax assets	2,230	2,405
Trade debtors and other receivables	1,321	1,306
Cash and cash equivalents	100,370	90,872
	<u>2,978,990</u>	<u>3,003,073</u>
Current assets		
Inventories	123,041	103,063
Trade debtors and other receivables	195,085	240,179
Overpaid income tax	27,608	31,978
Property, plant and equipment intended for sale	3,694	3,694
Cash and cash equivalents	352,117	262,037
	<u>701,545</u>	<u>640,951</u>
TOTAL ASSETS	3,680,535	3,644,024
Equity		
Equity attributable to owners of the Parent		
Ordinary shares	301,158	301,158
Other capital	1,757,739	1,757,070
Retained profits	95,326	54,691
	<u>2,154,223</u>	<u>2,112,919</u>
Non-controlling interests	10,061	9,703
Total equity	2,164,284	2,122,622
Liabilities		
Non-current liabilities		
Loans and borrowings	22,279	18,267
Deferred income tax liabilities	39,985	37,839
Provisions for employee benefits	205,375	201,837
Provisions for other liabilities and charges	131,012	130,179
Grants	13,814	14,058
Financing liabilities on account of bond issue	700,000	700,000
Trade creditors and other liabilities	15,420	15,104
	<u>1,127,885</u>	<u>1,117,284</u>
Current liabilities		
Loans and borrowings	3,255	3,036
Provisions for employee benefits	39,898	49,700
Provisions for other liabilities and charges	84,731	81,012
Grants	978	978
Financing liabilities on account of bond issue	90	92
Current income tax liabilities	88	8
Trade creditors and other liabilities	259,326	269,292
	<u>388,366</u>	<u>404,118</u>
Total liabilities	1,516,251	1,521,402
TOTAL EQUITY AND LIABILITIES	3,680,535	3,644,024

Interim Consolidated Income Statement

	1 quarter ending 31 March	
	2016	2015
Revenue	420,569	428,279
Costs of products, goods and materials sold	(312,837)	(349,711)
Gross profit	107,732	78,568
Selling cost	(9,073)	(8,816)
Administrative costs	(20,043)	(23,298)
Other income	1,059	1,818
Other costs	(583)	(268)
Other profits/(losses) - net	(207)	148
Operating profit	78,885	48,152
Finance income	1,615	1,506
Finance cost	(7,671)	(7,048)
Finance cost – net	(6,056)	(5,542)
Profit before taxation	72,829	42,610
Income tax	(18,383)	(9,920)
Net profit for the reporting period	54,446	32,690
including:		
- attributable to owners of the Parent	54,088	32,522
- attributable to non-controlling interest	358	168
Earnings per share attributable to owners of the Parent during the year (in PLN per share)		
- basic	1.59	0.96
- diluted*	1.59	0.96

As at 31 March 2016, in connection with the introduction of the Management Options Scheme in 2013, the Parent held instruments causing possible dilution of ordinary shares. As at 31 March 2016 dilution did not occur (the same situation was recorded as at 31 March 2015).

Interim Consolidated Statement of Comprehensive Income

	1 quarter ending 31 March	
	2016	2015
Net profit for the reporting period	54,446	32,690
Other comprehensive income/(loss) for the financial period		
Items which will never be reclassified to profit or loss of the current period		
Actuarial gains/losses of defined benefit schemes	(16,608)	(11,616)
Income tax relating to non-transferrable items	3,155	2,207
Items which will never be reclassified to profit or loss of the current period - total	(13,453)	(9,409)
Items which are or may be reclassified to profit or loss of the current period		
Cash flow hedges		
- Profit/(loss) for period	-	(5,236)
Income tax relating to transferrable items	-	995
Items which are or may be reclassified to profit or loss of the current period - total	-	(4,241)
Other comprehensive net income/(loss) for the financial period	(13,453)	(13,650)
Net comprehensive income for the reporting period - total	40,993	19,040
including:		
- Attributable to owners of the Parent	40,635	18,872
- Attributable to non-controlling interest	358	168

Interim Consolidated Statement of Changes in Equity

	Attributable to owners of the Parent								
	Other capital				Equity on valuation of cash flow hedges	Retained profits	Total equity	Non-controlling interests	Total equity
	Ordinary shares	Other capital - transfer of profit / loss	Other capital - issue of Management Options						
As at 1 January 2015	301,158	1,585,859	8,241	(237)	619,317	2,514,338	9,489	2,523,827	
Total net comprehensive income for the reporting period:	-	-	-	(4,241)	23,113	18,872	168	19,040	
- net profit	-	-	-	-	32,522	32,522	168	32,690	
- other comprehensive income	-	-	-	(4,241)	(9,409)	(13,650)	-	(13,650)	
- Management Options Issue	-	-	876	-	-	876	-	876	
As of 31 March 2015	301,158	1,585,859	9,117	(4,478)	642,430	2,534,086	9,657	2,543,743	
As at 1 January 2016	301,158	1,747,318	9,752	-	54,691	2,112,919	9,703	2,122,622	
Total net comprehensive income for the reporting period:	-	-	-	-	40,635	40,635	358	40,993	
- net profit	-	-	-	-	54,088	54,088	358	54,446	
- other comprehensive income	-	-	-	-	(13,453)	(13,453)	-	(13,453)	
- Management Options Issue	-	-	669	-	-	669	-	669	
As of 31 March 2016	301,158	1,747,318	10,421	-	95,326	2,154,223	10,061	2,164,284	

Interim Consolidated Statement of Cash Flows

	1 quarter ending 31 March	
	2016	2015
Operating cash flow		
Operating cash inflow*	164,931	178,363
Interest received	2,314	1,909
Income tax paid	(8,460)	(8,191)
Net cash flows from operating activities	158,785	172,081
Investing cash flow		
Acquisition of property, plant and equipment	(58,951)	(127,146)
Interest paid regarding investing activity	(877)	(2,775)
Acquisition of intangible assets	(1,087)	(91)
Inflow from the sale of property, plant and equipment	6	10
Interest received	1,033	876
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(9,498)	(79)
Net cash flows from investing activities	(69,374)	(129,205)
Financing cash flow		
Proceeds from loans and borrowings	4,984	40,106
Repayments of loans and borrowings	(759)	-
Interest and commissions paid regarding financial activity	(3,556)	(2,749)
Net financing cash flow	669	37,357
Net increase in cash and cash equivalents	90,080	80,233
Cash and cash equivalents at beginning of period	262,037	195,481
Cash and cash equivalents at end of period	352.117	275,714

*Operating cash inflows are detailed in table on page 14.

Interim Consolidated cash inflow from operating activities

	1 quarter ending 31 March	
	2016	2015
Profit before taxation	72,829	42,610
- Depreciation of non-current assets	93,370	95,645
- Amortisation of intangible assets	1,090	598
- (Profit)/Loss on sale of tangible fixed assets	(6)	1
- Income and costs related to changes in the property, plant and equipment	1,777	1,793
- Use and making impairment charges for non-current assets	(1,162)	33
- Result from performing forwards recognised in the Interim Consolidated Statement of Comprehensive Income	-	(5,529)
- Actuarial losses as disclosed in the interim consolidated statement of comprehensive income:	(16,608)	(11,616)
- Change in provisions for employee benefits liabilities	(6,264)	25,384
- Change in provisions	5,193	4,566
- Other flows	213	(43)
- Cost of Management Options	669	876
- Change in inventories	(19,978)	(5,658)
- Change in trade and other receivables	45,079	64,805
- Change in trade and other liabilities	(11,271)	(35,102)
Operating cash inflow	164,931	178,363
Balance-sheet change in liabilities	(9,894)	(81,295)
Change in investment liabilities	(1,377)	46,193
Change in liabilities for the purposes of the interim consolidated statement of cash flows	(11,271)	(35,102)
Increase in non-current assets	61,205	83,728
Interest paid regarding investing activity	(877)	(2,775)
Change in investment liabilities	(1,377)	46,193
Acquisition of property, plant and equipment	58,951	127,146

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

	31 Mar. 2016	31 Dec. 2015
Assets		
Non-Current Assets		
Property, plant and equipment	2,761,915	2,793,554
Intangible assets	18,294	18,406
Non-current investments	75,601	75,601
Trade debtors and other receivables	155	140
Cash and cash equivalents	100,370	90,872
	<u>2,956,335</u>	<u>2,978,573</u>
Current assets		
Inventories	121,475	101,452
Trade debtors and other receivables	190,348	239,274
Overpaid income tax	27,464	31,725
Property, plant and equipment intended for sale	3,694	3,694
Cash and cash equivalents	330,313	240,011
	<u>673,294</u>	<u>616,156</u>
TOTAL ASSETS	3,629,629	3,594,729
Equity		
Ordinary shares	301,158	301,158
Other capital	1,757,739	1,757,070
Retained profits	85,606	47,662
Total equity	2,144,503	2,105,890
Liabilities		
Non-current liabilities		
Deferred income tax liabilities	39,836	37,683
Provisions for employee benefits	203,084	199,519
Provisions for other liabilities and charges	131,012	130,179
Grants	13,814	14,058
Financing liabilities on account of bond issue	700,000	700,000
Trade creditors and other liabilities	15,291	14,935
	<u>1,103,037</u>	<u>1,096,374</u>
Current liabilities		
Provisions for employee benefits	37,357	48,478
Financing liabilities on account of bond issue	90	92
Provisions for other liabilities and charges	84,731	81,012
Grants	978	978
Trade creditors and other liabilities	258,933	261,905
	<u>382,089</u>	<u>392,465</u>
Total liabilities	1,485,126	1,488,839
TOTAL EQUITY AND LIABILITIES	3,629,629	3,594,729

Interim Income Statement of Lubelski Węgiel Bogdanka S.A.

	1 quarter ending 31 March	
	2016	2015
Revenue	419,363	427,136
Costs of products, goods and materials sold	(313,539)	(350,511)
Gross profit	105,824	76,625
Selling cost	(9,851)	(9,405)
Administrative costs	(20,323)	(23,128)
Other income	170	1,784
Other costs	(576)	(265)
Other profits/(losses) - net	(211)	110
Operating profit	75,033	45,721
Finance income	1,567	1,442
Finance costs	(7,452)	(7,046)
Finance cost – net	(5,885)	(5,604)
Profit before taxation	69,148	40,117
Income tax	(17,751)	(9,489)
Net profit for the reporting period	51,397	30,628
Earnings per share attributable to owners of the Company during the year (in PLN per share)		
- basic	1.51	0.90
- diluted*	1.51	0.90

*As at 31 March 2016, in connection with the introduction of the Management Options Scheme in 2013, the Company held instruments causing possible dilution of ordinary shares. As at 31 March 2016 dilution did not occur (the same situation was recorded as at 31 March 2015).

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

	1 quarter ending 31 March	
	2016	2015
Net profit for the reporting period	51,397	30,628
Other comprehensive income/(loss) for the financial period		
Items which will never be reclassified to profit or loss of the current period		
Actuarial gains/losses of defined benefit schemes	(16,608)	(11,616)
Income tax relating to non-transferrable items	3,155	2,207
Items which will never be reclassified to profit or loss of the current period - total	(13,453)	(9,409)
Items which are or may be reclassified to profit or loss of the current period		
Cash flow hedges		
- Profit/(loss) for period	-	(5,236)
Income tax relating to transferrable items	-	995
Items which are or may be reclassified to profit or loss of the current period - total	-	(4,241)
Other comprehensive net income/(loss) for the financial period	(13,453)	(13,650)
Net comprehensive income for the reporting period - total	37,944	16,978

Interim Statement of Changes in Equity of Lubelski Węgiel BOGDANKA S.A.

	Ordinary shares	Other capital			Retained profits	Total equity
		Other capital - transfer of profit / loss	Other capital - issue of Management Options	Equity on valuation of cash flow hedges		
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:	-	-	-	(4,241)	21,219	16,978
- net profit	-	-	-	-	30,628	30,628
- other comprehensive income	-	-	-	(4,241)	(9,409)	(13,650)
- Management Options Issue	-	-	876	-	-	876
As of 31 March 2015	301,158	1,593,424	9,117	(4,478)	624,101	2,523,322
As at 1 January 2016	301,158	1,747,318	9,752	-	47,662	2,105,890
Total net comprehensive income for the reporting period:	-	-	-	-	37,944	37,944
- net profit	-	-	-	-	51,397	51,397
- other comprehensive income	-	-	-	-	(13,453)	(13,453)
- Management Options Issue	-	-	669	-	-	669
As of 31 March 2016	301,158	1,747,318	10,421	-	85,606	2,144,503

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

	1 quarter ending 31 March	
	2016	2015
Operating cash flow		
Operating cash inflow*	163,047	173,010
Interest received	2,310	1,909
Income tax paid	(8,181)	(8,000)
Net cash flows from operating activities	157,176	166,919
Investing cash flow		
Acquisition of property, plant and equipment	(53,745)	(116,707)
Interest paid regarding investing activity	(877)	(2,775)
Acquisition of intangible assets	(445)	(84)
Inflow from the sale of property, plant and equipment	2	45
Interest received	1,033	876
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(9,498)	(79)
Net cash flows from investing activities	(63,530)	(118,724)
Financing cash flow		
Proceeds from loans and borrowings	-	37,734
Interest and commissions paid regarding financial activity	(3,344)	(2,679)
Net financing cash flow	(3,344)	35,055
Net increase in cash and cash equivalents	90,302	83,250
Cash and cash equivalents at beginning of period	240,011	172,263
Cash and cash equivalents at end of period	330,313	255,513

*Operating cash inflows are detailed in the table on page 20.

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

	For Q1 ended on 31 March	
	2016	2015
Profit before taxation	69,148	40,117
- Depreciation of non-current assets	91,358	94,374
- Amortisation of intangible assets	552	589
- (Profit)/Loss on sale of tangible fixed assets	(1)	26
- Income and costs related to changes in the property, plant and equipment	1,777	1,793
- Use and making impairment charges for non-current assets	(1,162)	33
- Result from performing forwards recognised in the Interim Statement of Comprehensive Income	-	(5,529)
- Actuarial losses as recognised in the interim statement of comprehensive income	(16,608)	(11,616)
- Change in provisions for employee benefits liabilities	(7,556)	25,355
- Change in provisions	5,193	4,566
- Other flows	(7)	(53)
- Cost of Management Options	669	876
- Change in inventories	(20,023)	(5,860)
- Change in trade and other receivables	48,911	63,986
- Change in trade and other liabilities	(9,204)	(35,647)
Operating cash inflow	163,047	173,010
Balance-sheet change in liabilities	(2,860)	(76,567)
Change in investment liabilities	(6,344)	40,920
Change in liabilities for the purposes of the interim statement of cash flows	(9,204)	(35,647)
Increase in non-current assets	60,966	78,562
Interest paid regarding investing activity	(877)	(2,775)
Change in investment liabilities	(6,344)	40,920
Acquisition of property, plant and equipment	53,745	116,707

14. Approval of the financial statements

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby declares that as at 13 May 2016 it approves for publication this Consolidated Quarterly Report for the first quarter for the financial year 2016, between 1 January 2016 and 31 March 2016.

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

Krzysztof Szlaga	President of the Management Board
Stanisław Misterek	Vice-President of the Management Board, Economic and Financial Affairs
Adam Partyka	Vice-President of the Management Board, Employee and Social Affairs
Urszula Piątek	Chief Accountant