



**LUBELSKI WĘGIEL**  
**„BOGDANKA”**  
**SPÓŁKA AKCYJNA**



## THE LUBELSKI WĘGIEL BOGDANKA GROUP

**CONSOLIDATED QUARTERLY REPORT FOR THE THIRD QUARTER OF 2016**  
**FOR 9 MONTHS ENDED 30 SEPTEMBER 2016**

**BOGDANKA, NOVEMBER 2016**



## Notes to the Consolidated Quarterly Report of the Lubelski Węgiel Bogdanka Group for the Third Quarter of 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 maintained by the District Court in Lublin, XI Division of the National Court Register, under KRS No. 0000004549.

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

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

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

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

As at 30 September 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 30 September 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 output cleaning and washing. The company prepares its balance sheet as at 31 December.

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

As at 30 September 2016, the Parent held 100.00% of shares in the capital of the subsidiary, RG Bogdanka Sp. z o.o.

RG Bogdanka Sp. z o.o. provides services to the mine 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 30 September 2016, the Parent held 100.00% of shares in the capital of the subsidiary, MR Bogdanka Sp. z o.o.

MR Bogdanka Sp. z o.o. provides services to the mine with respect to 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.

Lubelski Węgiel Bogdanka S.A., as the parent in the Lubelski Węgiel Bogdanka Group, prepares condensed interim consolidated financial statements for the period of 9 months ended on 30 September 2016.

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 are available on the Parent's website at [ri.lw.com.pl](http://ri.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 Lubelski Węgiel BOGDANKA S.A.**

These condensed interim consolidated financial statements of the LW Bogdanka Group and condensed interim financial statements of the Parent, LW Bogdanka, for the third quarter of 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 Group's Consolidated Quarterly Report is determined in accordance with the above principle, except for share-based payments which are covered by the scope of IFRS 2, lease transactions which are covered by the scope of IAS 17, and measurements which are in a certain way similar to fair value but are not defined as fair value, such as net realisable value according to IAS 2 or value in use according to IAS 36.



### Estimated figures

Drawing up the condensed interim consolidated financial statements in accordance with IAS 34 requires the use of certain significant accounting estimates. It also requires that the Management Board exercise its own judgement when applying the accounting principles adopted by the Group.

As compared to information provided in the most recent annual separate and consolidated financial statements for 2015, the estimated life of the mine has changed. The period was extended from 2034 to 2043 and was estimated on the basis of available coal resources with an account taken of an average level of extraction (in line with an assumption regarding the average annual level of extraction used in estimating usable value of assets for the purpose of impairment test performed at the end of 2015 – as described in Note 7.3 of the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for 2015).

The change materially affected actuarial valuation of provisions for employee benefits, amortisation/depreciation and, to a smaller extent, the provision for the costs of mine closure and land reclamation.

#### *Actuarial valuation of provisions for employee benefits*

It is estimated that extending the mine's life to 2043 resulted in an increase in the provisions for retirement and post-employment benefits, death benefits, long-service awards and coal allowances in total by approx. PLN 8.7 million, of which PLN 2.4 million was included in the Interim Income Statement (separate and consolidated), and PLN 6.3 million - in the Interim Statement of Comprehensive Income (separate and consolidated). The total impact on equity (after deferred tax) was approx. PLN 7 million.

#### *Amortisation/depreciation*

It is estimated that extending the mine's life to 2043 resulted in a reduction of amortisation/depreciation cost during the first 9 months of 2016 by approx. PLN 15.6 million. The impact on net profit disclosed in the Interim Income Statement (separate and consolidated) was approx. PLN 12.6 million.

#### *Provision for mining plant decommissioning*

It is estimated that extending the mine's life to 2043 resulted in a drop in the provision for the cost of mine closure and reclamation by approx. PLN 3.5 million, of which PLN 0.7 million was included in the Interim Income Statement (separate and consolidated), and PLN 2.8 million - in the Interim Statement of Comprehensive Income (separate and consolidated) as a decrease in the "Property, plant and equipment".

Other key estimates and judgements have not changed since the publication of the annual separate and consolidated financial statements for 2015.

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

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

As regards the business activities pursued by the Parent in the analysed period of the third quarter of 2016 and until the publication date of these Consolidated Quarterly Report, the following events with influence on the Group's operations in 2016 occurred:

- On 8 August 2016, the Management Board of the Parent concluded with EDF Paliwa sp. z o.o with registered office in Kraków, a Memorandum of Understanding to the Agreement on Sale of Thermal Coal. By virtue of the Memorandum of Understanding, the Parties have agreed to extend the term of the Agreement until 31 December 2017, as well as the volume of coal supplies for 2016-2017 and prices of coal supplies up until 2017. As a result of concluding the Memorandum of Understanding, the value of the entire Agreement currently amounts to PLN 453 million.



- On 29 September 2016, the Management Board of the Parent concluded an Annex to Long-Term Agreement I and an Annex to Long-Term Agreement II with ENEA Wytwarzanie Sp. z o.o. with registered office in Świerże Górne. As a result of concluding the Annex, Long-Term Agreement I is in effect until 31 December 2017. Further, as a result of concluding the Annex to Long-Term Agreement II, effective from 2017 to 2036, the Parties decided to extend the scope of cooperation by changing supply volumes set out therein. Moreover, the Annex to Long-Term Agreement II specifies coal supply prices in 2017. As a result of concluding the annexes, the total value of Long-Term Agreement I and Long-Term Agreement II in 2011-2036, according to current prices, amounts to approximately PLN 18,611 million net.
- On 30 September 2016, the Management Board of the Parent concluded, with ENGIE Energia Polska S.A., with registered office in Zawada, an Annex to the Agreement on Sale of Thermal Coal. The Agreement provides for supplies of power coal for the purposes of Elektrownia Połaniec. As a result of concluding the Annex, the effective period of the Agreement has been extended to 31 December 2021. The Annex sets out the terms and conditions of thermal coal supplies for the purposes of the Buyer, the volumes of supplies for each year during the term, the coal price applicable to supplies in 2017, the price formula applicable between 2018 and 2020, and the manner in which price will be calculated in 2021. Moreover, the Annex provides for the following condition subsequent: should the Parties fail to conclude an annex specifying the coal price or price formula to calculate the coal price applicable to supplies in 2021 by 30 June 2019, the Agreement will be terminated with effect as at 31 December 2020. The value of the entire Agreement after the Annex has been concluded amounts to about PLN 3.399 billion net.
- On 27 October 2016, the Management Board of the Parent became aware that the District Court Lublin-Wschód in Lublin, with the seat in Świdnik, VI Commercial Division of the National Court Register issued a decision on the registration of a new version of the Articles of Association of the Parent, which was adopted by virtue of Resolution No. 3 of the Extraordinary General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A. dated 17 August 2016.

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

During 9 months of 2016, the most important unusual event which affected the Interim Income Statement (separate and consolidated) was a release of the unused provision for the Consortium of BUDIMEX S.A., Ferrovia Agroman S.A. and Mostostal Kraków in the total amount of PLN 16,590,000 – the event was described in a greater detail in Note 14 of the Condensed Interim Consolidated Financial Statements of the Lubelski Węgiel Bogdanka Group prepared as at 30 June 2016.

Moreover, financial results presented in this Consolidated Quarterly Report for the third quarter 2016 were affected by impairment loss of outlays for construction on progress in the Parent, in the total amount of PLN 7,352,000 (PLN 5,955,000 after the deferred tax effect). This amount was disclosed in the Interim Income Statement (separate and consolidated), in the "Other losses - net" item.



## 5. Data with regard to the Condensed Interim Consolidated Financial Statements for the Lubelski Węgiel Bogdanka Group in the third quarter and for three quarters of 2016.

### ***The third quarter of 2016***

#### Interim Consolidated Income Statement

In the third quarter of 2016, the consolidated net revenue on sales of products, goods and materials achieved the level of PLN 465,442,000, while in the comparable period of 2015 the item amounted to PLN 483,424,000, which represents a decrease in the net revenue in 2016 by 3.72%.

Consolidated operating profit in the third quarter of 2016 amounted to PLN 58,072,000.

In the third quarter of 2016, net profit attributable to owners of the Parent was recorded in the amount of PLN 45,330,000, while in the comparable period of 2015 the Group recorded net profit attributable to owners of the Parent of PLN 56,696,000. It represents a decrease by 20.05% compared to the same period of the previous year.

### ***Three quarters of 2016***

#### Interim Consolidated Income Statement

In cumulative terms, revenue on sales of products, goods and materials for three quarters of 2016 amounted to PLN 1,314,387,000, which represents a decrease by 0.95% compared to the same period of the previous year.

The operating profit for three quarters of 2016 amounted to PLN 154,637,000.

In cumulative terms, the net profit attributable to owners of the Parent for three quarters of 2016 was recorded in the amount of PLN 119,775,000, while in the comparable period of 2015 the Group recorded net profit attributable to owners of the Parent of PLN 132,040,000. It represents a decrease by 9.29% 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 Group companies as at 30 September 2016 amounted to PLN 453,044,000, which shows a decrease by PLN 9,684,000 as compared to the amount achieved as at 31 December 2015.

As at 30 September 2016, deferred income tax liability amounted to PLN 37,750,000, which represents a slight decrease by PLN 89,000 in comparison to the balance of this item as at 31 December 2015.

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

### ***The third quarter of 2016***

#### Interim Income Statement

In the third quarter of 2016, the net revenue on sales of products, goods and materials achieved the level of PLN 464,911,000, while in the comparable period of 2015 the item amounted to PLN 483,094,000, which represents a decrease in the net revenue in 2016 by 3.76%.

Operating profit in the third quarter of 2016 amounted to PLN 57,266,000.

Net profit for the third quarter of 2016 amounted to PLN 44,702,000, while in the same period of the previous year the Company generated net profit of PLN 57,514,000. It represents a decrease by 22.28% compared to the same period of the previous year.



### **Three quarters of 2016**

#### **Interim Income Statement**

In cumulative terms, revenue on sales of products, goods and materials for three quarters of 2016 amounted to PLN 1,311,161,000, which represents a decrease by 1.02% compared to the same period of the previous year.

The operating profit for three quarters of 2016 amounted to PLN 144,385,000.

In cumulative terms, the net profit for three quarters of 2016 amounted to PLN 114,504,000, while in the same period of 2015 the Company recorded net profit of PLN 134,268,000. It represents a decrease by 14.72% 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 30 September 2016 amounted to PLN 449,238,000, which represents a decrease by PLN 9,950,000 as compared to the balance of this item as at 31 December 2015.

As at 30 September 2016, deferred income tax liability amounted to PLN 37,612,000, which represents a decrease by PLN 71,000 in comparison to the balance of this item as at 31 December 2015.

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

The production is not seasonal, whereas seasonal character of sales can be noticed in the case of retail sales at a point of coal sale. Sales to individual customers in the third quarter of 2016 accounted for 0.85% of total consolidated revenue, whereas cumulatively for three quarters of 2016, the sale accounted for 0.54% of total consolidated revenue. This has no significant effect on operating and financing activities of the Group.

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

Under the Program Agreement concluded by the Parent on 30 June 2014 with Bank Polska Kasa Opieki S.A. (200 bonds) and Bank Gospodarstwa Krajowego (200 bonds), 400 bonds in the aggregate amount of PLN 400,000,000 were initially issued with the redemption date on 30 June 2016. The issue scheme provides for the Parent's right to issue further series of bonds within a given tranche in order to roll over the previous issue of this tranche, which justifies the long-term nature of this bond issue Scheme. 30 June 2016 was the maturity date of two bond series covering bonds issued within Tranche 1 and Tranche 2 for the total amount of PLN 400,000,000 on 30 June 2015. In order to refinance the issue of bonds subject to redemption on 30 June 2016, the Parent issued the total of 300 new series registered bonds under Tranche 1, with the total value amounting to PLN 300,000,000. The maturity date for the new series of bonds is 30 June 2017. Additionally, on 30 June 2016 the Parent redeemed the remaining 100 bonds with the total value amounting to PLN 100,000.



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

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

During the Annual General Shareholders Meeting held on 22 June 2016, the Shareholders of the Parent, Lubelski Węgiel Bogdanka S.A., has not adopted a resolution on payment of dividend. In compliance with Resolution No. 27 of the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A., the net loss of the Parent in the amount of PLN 278,029,000 has been fully covered from the Company's reserve capital.

The dividend rate due to the owners of the Parent is presented in the table below.

	1 Jan. 2016- 30 Sep. 2016	1 Jan. 2015- 30 Sep. 2015
Dividend due	-	119,048
Number of ordinary shares as at the dividend date ('000)	34,014	34,014
<b>Dividend per share (in PLN)</b>	<b>-</b>	<b>3.50</b>

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

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

The presented results for the third quarter and three quarters of 2016 refer to the events, identified by the Group, that occurred in this period.

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

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

Since the previous consolidated 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, 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 and telecommunication services.





Purchases include primarily services of transportation, utilisation and recovery of spoil arising during coal-associated shale cleaning and washing.

The Parent's revenue resulting from the cooperation with the subsidiary, RG Bogdanka Sp. z o.o., is in the most part generated through lease of premises, fees for using the machinery, and telecommunications services.

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 30 September 2015 and 30 September 2016 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 - 30 Sep. 2016	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2015 - 30 Sep. 2015
Purchases in period, including:	78,920	93,686	65,499
- Purchases of services activated on the value of "property, plant and equipment"	6,842	6,562	559
Total liabilities at end of period including VAT	7,743	11,001	11,845

In the reporting periods ended on 30 September 2016 and 30 September 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:

	1 Jan. 2016 - 30 Sep. 2016	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2015 - 30 Sep. 2015
Sales in period	7,482	11,538	7,813
Total receivables at end of period including VAT	1,035	1,669	683



In the reporting periods ending on 30 September 2015 and 30 September 2016 the value of dividends due and received from subsidiaries - MR Bogdanka 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. 2016 - 30 Sep. 2016	1 Jan. 2015 - 31 Dec. 2015	1 Jan. 2015 - 30 Sep. 2015
Dividend	2,032	3,267	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 primarily the purchases of electrical energy from ENEA S.A. and materials from ENEA Logistyka Sp. z o.o.

	1 Jan. 2016 - 30 Sep. 2016	29 Oct. 2015 - 31 Dec. 2015*
Purchases in period	49,907	-
Total liabilities at end of period including VAT	14,141	-

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

	1 Jan. 2016 - 30 Sep. 2016	29 Oct. 2015 - 31 Dec. 2015*
Sales in period	634,816	135,904
Total receivables at end of period including VAT	83,474	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.

Key sale transactions include revenue on sales of thermal coal to the following companies: Zakłady Azotowe w Puławach S.A., 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 30 September 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 - 30 Sep. 2016	29 Oct. 2015 - 31 Dec. 2015**
Sales in period	265,219	94,178
Total receivables at end of period including VAT	51,174	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., purchases of electrical energy from PGE Polska Grupa Energetyczna S.A. as well as payments for mining and prospecting licences.

In the reporting period ending on 30 September 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 - 30 Sep. 2016	29 Oct. 2015 - 31 Dec. 2015**
Purchases in period	63,218	29,527
Total liabilities at end of period including VAT	8,035	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)

	30 Sep. 2016	31 Dec. 2015
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,771,787	2,889,484
Intangible assets	46,748	19,006
Investment properties	3,574	-
Deferred tax assets	2,172	2,405
Trade and other receivables	1,514	1,306
Cash and cash equivalents	101,360	90,872
<b>Total non-current assets</b>	<b>2,927,155</b>	<b>3,003,073</b>
<b>Current assets</b>		
Inventories	83,918	103,063
Trade and other receivables	230,491	240,179
Overpaid income tax	354	31,978
Property, plant and equipment intended for sale	4,549	3,694
Cash and cash equivalents	447,743	262,037
<b>Total current assets</b>	<b>767,055</b>	<b>640,951</b>
<b>TOTAL ASSETS</b>	<b>3,694,210</b>	<b>3,644,024</b>
<b>Equity</b>		
<b>Equity attributable to owners of the Parent</b>		
Ordinary shares	301,158	301,158
Other capital	1,473,128	1,757,070
Retained profits	444,689	54,691
	<b>2,218,975</b>	<b>2,112,919</b>
Non-controlling interests	10,087	9,703
<b>Total equity</b>	<b>2,229,062</b>	<b>2,122,622</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans and borrowings	20,761	18,267
Deferred income tax liabilities	37,750	37,839
Provisions for employee benefits	225,627	201,837
Provisions for other liabilities and charges	124,221	130,179
Grants	13,735	14,058
Financing liabilities on account of bond issue	600,000	700,000
Trade and other liabilities	40,982	15,104
	<b>1,063,076</b>	<b>1,117,284</b>
<b>Current liabilities</b>		
Loans and borrowings	3,281	3,036
Provisions for employee benefits	33,040	49,700
Provisions for other liabilities and charges	70,156	81,012
Grants	743	978
Financing liabilities on account of bond issue	40	92
Current income tax liabilities	2,585	8
Trade and other liabilities	292,227	269,292
	<b>402,072</b>	<b>404,118</b>
<b>Total liabilities</b>	<b>1,465,148</b>	<b>1,521,402</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,694,210</b>	<b>3,644,024</b>



## Interim Consolidated Income Statement

	Q3 2016 period from 1 Jul. 2016 to 30 Sep. 2016	3Qs 2016 period from 1 Jan. 2016 to 30 Sep. 2016	Q3 2015 period from 1 Jul. 2015 to 30 Sep. 2015	3Qs 2015 period from 1 Jan. 2015 to 30 Sep. 2015
Revenue	465,442	1,314,387	483,424	1,326,984
Costs of products, goods and materials sold	(364,019)	(1,071,773)	(372,447)	(1,052,452)
<b>Gross profit</b>	<b>101,423</b>	<b>242,614</b>	<b>110,977</b>	<b>274,532</b>
Selling costs	(10,321)	(27,449)	(10,130)	(27,791)
Administrative costs	(25,160)	(62,885)	(25,916)	(72,063)
Other income	274	13,012	414	2,430
Other costs	(398)	(1,806)	(216)	(599)
Other net loss	(7,746)	(8,849)	(1,904)	(1,964)
<b>Profit on operating activities</b>	<b>58,072</b>	<b>154,637</b>	<b>73,225</b>	<b>174,545</b>
Finance income	1,873	12,143	1,373	4,635
Finance costs	(6,178)	(20,888)	(3,623)	(14,993)
Finance cost - net	(4,305)	(8,745)	(2,250)	(10,358)
<b>Profit before taxation</b>	<b>53,767</b>	<b>145,892</b>	<b>70,975</b>	<b>164,187</b>
Income tax	(8,562)	(25,733)	(14,336)	(32,050)
<b>Net profit for the financial year</b>	<b>45,205</b>	<b>120,159</b>	<b>56,639</b>	<b>132,137</b>
<b>including:</b>				
- attributable to owners of the Parent	45,330	119,775	56,696	132,040
- attributable to non-controlling interests	(125)	384	(57)	97

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

- basic	3.52	3.88
- diluted*	3.52	3.88

\*As at 30 September 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 30 September 2016 dilution did not occur (the same situation was recorded as at 30 June 2015).



## Interim Consolidated Statement of Comprehensive Income

	Q3 2016 period from 1 Jul. 2016 to 30 Sep. 2016	3Qs 2016 period from 1 Jan. 2016 to 30 Sep. 2016	Q3 2015 period from 1 Jul. 2015 to 30 Sep. 2015	3Qs 2015 period from 1 Jan. 2015 to 30 Sep. 2015
Net profit for the reporting period	45,205	120,159	56,639	132,137
Other comprehensive income for the reporting period:				
Items which never will be subject to reclassification to profit or loss for the current period:				
Actuarial gains (losses) of defined benefit schemes	-	(9,637)	(1,024)	(137)
Income tax relating to non-transferrable items	-	1,831	179	26
Items which never will be subject to reclassification to profit or loss for the current period - total	-	(7,806)	(845)	(111)
Items which are or may be subject to reclassification to profit or loss for the current period:				
Cash flow hedges				
Profit (loss) for period	-	-	176	(3,198)
Adjustments resulting from transferring amounts to initial values of hedged items	-	-	-	3,268
Income tax relating to transferrable items	-	-	(33)	(13)
Items which are or may be subject to reclassification to profit or loss for the current period - total	-	-	143	57
Total comprehensive loss for the financial period	-	(7,806)	(702)	(54)
<b>Comprehensive net income for the financial period</b>	<b>45,205</b>	<b>112,353</b>	<b>55,937</b>	<b>132,083</b>
<b>including:</b>				
- attributable to owners of the Parent	45,330	111,969	55,994	131,986
- attributable to non-controlling interests	(125)	384	(57)	97



## Interim Consolidated Statement of Changes in Equity

	Attributable to owners of the Parent							
	Ordinary shares	Other capital – transfer of profit / loss	Other capital – issue of Management Options	Equity on valuation of cash flow hedges	Retained profits	Total equity	Non-controlling interests	Total equity
<b>As at 1 January 2015</b>	<b>301,158</b>	<b>1,585,859</b>	<b>8,241</b>	<b>(237)</b>	<b>619,317</b>	<b>2,514,338</b>	<b>9,489</b>	<b>2,523,827</b>
Total net comprehensive income for the reporting period:								
- net profit	-	-	-	57	131,929	131,986	97	132,083
- other comprehensive income	-	-	-	57	(111)	(54)	-	(54)
Dividends concerning 2014	-	-	-	-	(119,048)	(119,048)	-	(119,048)
Transfer of the retained profit	-	161,459	-	-	(161,459)	-	-	-
Management Options Issue	-	-	2,628	-	-	2,628	-	2,628
<b>As at 30 September 2015</b>	<b>301,158</b>	<b>1,747,318</b>	<b>10,869</b>	<b>(180)</b>	<b>470,739</b>	<b>2,529,904</b>	<b>9,586</b>	<b>2,539,490</b>
<b>As at 1 January 2016</b>	<b>301,158</b>	<b>1,747,318</b>	<b>9,752</b>	<b>-</b>	<b>54,691</b>	<b>2,112,919</b>	<b>9,703</b>	<b>2,122,622</b>
Total net comprehensive income for the reporting period:								
- net profit	-	-	-	-	111,969	111,969	384	112,353
- other comprehensive income	-	-	-	-	(7,806)	(7,806)	-	(7,806)
Coverage of loss for 2015	-	(278,029)	-	-	278,029	-	-	-
Management Options Issue	-	-	(5,913)	-	-	(5,913)	-	(5,913)
<b>As at 30 September 2016</b>	<b>301,158</b>	<b>1,469,289</b>	<b>3,839</b>	<b>-</b>	<b>444,689</b>	<b>2,218,975</b>	<b>10,087</b>	<b>2,229,062</b>



## Interim Consolidated Statement of Cash Flows

	For 3 quarters ended on 30 September	
	2016	2015
<b>Operating cash flow</b>		
Cash inflow from operating activities*	523,155	521,773
Interest received	5,164	3,084
Income tax paid	(15,784)	(20,291)
<b>Net cash flow from (used in) operating activities</b>	<b>512,535</b>	<b>504,566</b>
<b>Investing cash flow</b>		
Acquisition of property, plant and equipment	(206,028)	(358,464)
Interest paid regarding investing activities	(2,622)	(8,049)
Acquisition of intangible assets	(4,637)	(739)
Inflow from the sale of property, plant and equipment	54	1,469
Interest received	4,430	2,516
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(10,488)	(1,115)
<b>Net cash flow from (used in) investing activities</b>	<b>(219,291)</b>	<b>(364,382)</b>
<b>Financing cash flow</b>		
Proceeds from loans and borrowings	4,984	5,979
Bond redemption	(100,000)	-
Repayments of loans and borrowings	(2,277)	(99,008)
Interest and commissions paid regarding financing activities	(10,245)	(6,860)
<b>Net cash flow from (used in) financing activities</b>	<b>(107,538)</b>	<b>(99,889)</b>
Net increase in cash and cash equivalents	185,706	40,295
Cash and cash equivalents at beginning of period	262,037	195,481
<b>Cash and cash equivalents at end of period</b>	<b>447,743</b>	<b>235,776</b>

\*detailed list of consolidated cash inflow from (used in) operating activities is presented on page 17.





## Interim consolidated cash inflow from operating activities

	For 3 quarters ended on 30 September	
	2016	2015
Profit before taxation	145,892	164,187
- Depreciation of non-current assets	268,428	281,852
- Amortisation of intangible assets	1,862	1,724
- (Profit)/Loss on sale of property, plant and equipment	(51)	51
- Income and costs related to changes in the property, plant and equipment	14,304	9,920
- Creating and using impairment losses of property, plant and equipment	6,105	33
- Actuarial gains (losses) as recognised in the interim consolidated statement of comprehensive income	(9,637)	(137)
- Change in provisions for employee benefits	7,130	14,521
- Change in provisions	(6,633)	9,588
- Other flows	769	971
- Management Options	(5,913)	2,628
- Change in inventories	19,145	23,587
- Change in trade and other receivables	9,480	22,822
- Change in trade and other liabilities	72,274	(9,974)
<b>Cash inflow from (used in) operating activities</b>	<b>523,155</b>	<b>521,773</b>
Balance-sheet change in liabilities	48,255	(14,970)
Settlement of income tax overpaid	26,226	-
Change in investment liabilities	(2,207)	124,044
Liabilities on account of dividend concerning the previous year	-	(119,048)
<b>Change in liabilities for the purposes of the interim consolidated statement of cash flows</b>	<b>72,274</b>	<b>(9,974)</b>
Increase in non-current assets	186,014	242,469
Interest paid regarding investing activities	(2,622)	(8,049)
Change in investment liabilities	22,636	124,044
<b>Acquisition of property, plant and equipment</b>	<b>206,028</b>	<b>358,464</b>
Increase in intangible assets	29,480	739
Change in investment liabilities	(24,843)	-
<b>Acquisition of intangible assets</b>	<b>4,637</b>	<b>739</b>



## Interim Statement of Financial Position (balance sheet)

### Lubelski Węgiel Bogdanka S.A.

	30 Sep. 2016	31 Dec. 2015
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,680,795	2,793,554
Intangible assets	45,984	18,406
Non-current investments	75,601	75,601
Trade and other receivables	348	140
Cash and cash equivalents	101,360	90,872
<b>Total non-current assets</b>	<b>2,904,088</b>	<b>2,978,573</b>
<b>Current assets</b>		
Inventories	82,477	101,452
Trade and other receivables	228,785	239,274
Overpaid income tax	-	31,725
Property, plant and equipment intended for sale	4,549	3,694
Cash and cash equivalents	420,206	240,011
<b>Total current assets</b>	<b>736,017</b>	<b>616,156</b>
<b>TOTAL ASSETS</b>	<b>3,640,105</b>	<b>3,594,729</b>
<b>Equity</b>		
Ordinary shares	301,158	301,158
Other capital	1,473,128	1,757,070
Retained profits	432,389	47,662
<b>Total equity</b>	<b>2,206,675</b>	<b>2,105,890</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred income tax liabilities	37,612	37,683
Provisions for employee benefits	223,334	199,519
Provisions for other liabilities and charges	124,221	130,179
Grants	13,735	14,058
Financing liabilities on account of bond issue	600,000	700,000
Trade and other liabilities	40,769	14,935
	<b>1,039,671</b>	<b>1,096,374</b>
<b>Current liabilities</b>		
Provisions for employee benefits	31,711	48,478
Provisions for other liabilities and charges	69,972	81,012
Grants	743	978
Financing liabilities on account of bond issue	40	92
Current income tax liabilities	2,440	-
Trade and other liabilities	288,853	261,905
	<b>393,759</b>	<b>392,465</b>
<b>Total liabilities</b>	<b>1,433,430</b>	<b>1,488,839</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,640,105</b>	<b>3,594,729</b>



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

	Q3 2016 period from 1 Jul. 2016 to 30 Sep. 2016	3Qs 2016 period from 1 Jan. 2016 to 30 Sep. 2016	Q3 2015 period from 1 Jul. 2015 to 30 Sep. 2015	3Qs 2015 period from 1 Jan. 2015 to 30 Sep. 2015
Revenue	464,911	1,311,161	483,094	1,324,733
Costs of products, goods and materials sold	(363,466)	(1,076,028)	(372,371)	(1,052,136)
<b>Gross profit</b>	<b>101,445</b>	<b>235,133</b>	<b>110,723</b>	<b>272,597</b>
Selling costs	(10,951)	(29,310)	(9,245)	(28,045)
Administrative costs	(25,350)	(62,822)	(25,766)	(71,389)
Other income	249	12,024	391	2,352
Other costs	(381)	(1,778)	(216)	(576)
Other net loss	(7,746)	(8,862)	(1,873)	(1,971)
<b>Profit on operating activities</b>	<b>57,266</b>	<b>144,385</b>	<b>74,014</b>	<b>172,968</b>
Finance income	1,783	13,972	1,303	7,690
Finance costs	(5,932)	(20,173)	(3,621)	(14,989)
Finance cost - net	(4,149)	(6,201)	(2,318)	(7,299)
<b>Profit before taxation</b>	<b>53,117</b>	<b>138,184</b>	<b>71,696</b>	<b>165,669</b>
Income tax	(8,415)	(23,680)	(14,182)	(31,401)
<b>Net profit for the financial year</b>	<b>44,702</b>	<b>114,504</b>	<b>57,514</b>	<b>134,268</b>

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

- basic	3.37	3.95
- diluted*	3.37	3.95

\*As at 30 September 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 30 September 2016 dilution did not occur (the same situation was recorded as at 30 June 2015).



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

	Q3 2016 period from 1 Jul. 2016 to 30 Sep. 2016	3Qs 2016 period from 1 Jan. 2016 to 30 Sep. 2016	Q3 2015 period from 1 Jul. 2015 to 30 Sep. 2015	3Qs 2015 period from 1 Jan. 2015 to 30 Sep. 2015
Net profit for the reporting period	44,702	114,504	57,514	134,268
Other comprehensive income for the reporting period:				
Items which never will be subject to reclassification to profit or loss for the current period:				
- Actuarial gains (losses) of defined benefit schemes	-	(9,637)	(1,024)	(137)
- Income tax relating to non-transferrable items	-	1,831	179	26
<b>Items which never will be transferred to profit/loss for the current period - total</b>	<b>-</b>	<b>(7,806)</b>	<b>(845)</b>	<b>(111)</b>
Items which are or may be subject to reclassification to profit or loss for the current period:				
Cash flow hedges				
- Profit/(loss) for period	-	-	176	(3,198)
- Adjustments resulting from transferring amounts to initial values of hedged items	-	-	-	3,268
- Income tax relating to transferrable items	-	-	(33)	(13)
<b>Items which are or may be subject to reclassification to profit or loss for the current period - total</b>	<b>-</b>	<b>-</b>	<b>143</b>	<b>57</b>
Total comprehensive loss for the financial period	-	(7,806)	(702)	(54)
<b>Comprehensive net income for the financial period</b>	<b>44,702</b>	<b>106,698</b>	<b>56,812</b>	<b>134,214</b>



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

	Ordinary shares	Other capital - transfer of profit / loss	Other capital - issue of Management Options	Equity on valuation of cash flow hedges	Retained profits	Total equity
<b>As at 1 January 2015</b>	<b>301,158</b>	<b>1,593,424</b>	<b>8,241</b>	<b>(237)</b>	<b>602,882</b>	<b>2,505,468</b>
Total net comprehensive income for the reporting period:	-	-	-	57	134,157	134,214
- net profit	-	-	-	-	134,268	134,268
- other comprehensive income	-	-	-	57	(111)	(54)
Dividends concerning 2014	-	-	-	-	(119,048)	(119,048)
Transfer of the result for 2014	-	153,894	-	-	(153,894)	-
Management Options Issue	-	-	2,628	-	-	2,628
<b>As at 30 September 2015</b>	<b>301,158</b>	<b>1,747,318</b>	<b>10,869</b>	<b>(180)</b>	<b>464,097</b>	<b>2,523,262</b>
<b>As at 1 January 2016</b>	<b>301,158</b>	<b>1,747,318</b>	<b>9,752</b>	<b>-</b>	<b>47,662</b>	<b>2,105,890</b>
Total net comprehensive income for the reporting period:	-	-	-	-	106,698	106,698
- net profit	-	-	-	-	114,504	114,504
- other comprehensive income	-	-	-	-	(7,806)	(7,806)
Coverage of loss for 2015	-	(278,029)	-	-	278,029	-
Management Options Issue	-	-	(5,913)	-	-	(5,913)
<b>As at 30 September 2016</b>	<b>301,158</b>	<b>1,469,289</b>	<b>3,839</b>	<b>-</b>	<b>432,389</b>	<b>2,206,675</b>



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

	For 3 quarters ended on 30 September	
	2016	2015
<b>Operating cash flow</b>		
Cash inflow from operating activities*	504,839	511,557
Interest received	5,164	2,764
Income tax paid	(13,981)	(20,004)
<b>Net cash flow from (used in) operating activities</b>	<b>496,022</b>	<b>494,317</b>
<b>Investing cash flow</b>		
Acquisition of property, plant and equipment	(195,660)	(340,776)
Interest paid regarding investing activities	(2,622)	(8,049)
Acquisition of intangible assets	(3,996)	(732)
Inflow from the sale of property, plant and equipment	41	1,497
Interest received	4,430	2,516
Dividend received	2,032	3,267
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(10,488)	(1,115)
<b>Net cash flow from (used in) investing activities</b>	<b>(206,263)</b>	<b>(343,392)</b>
<b>Financing cash flow</b>		
Repayments of loans and borrowings	-	(99,008)
Bond redemption	(100,000)	-
Interest and commissions paid regarding financing activities	(9,564)	(6,455)
<b>Net cash flow from (used in) financing activities</b>	<b>(109,564)</b>	<b>(105,463)</b>
Net increase in cash and cash equivalents	180,195	45,462
Cash and cash equivalents at beginning of period	240,011	172,263
<b>Cash and cash equivalents at end of period</b>	<b>420,206</b>	<b>217,725</b>

\*detailed list of cash inflow from (used in) operating activities is presented in table on page 23.



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

	For 3 quarters ended on 30 September	
	2016	2015
Profit before taxation	138,184	165,669
- Depreciation of non-current assets	262,384	278,003
- Amortisation of intangible assets	1,254	1,704
- (Profit)/Loss on sale of property, plant and equipment	(38)	84
- Income and costs related to changes in the property, plant and equipment	14,304	9,920
- Creating and using impairment losses of property, plant and equipment	6,105	33
- Actuarial gains (losses) as recognised in the interim statement of comprehensive income	(9,637)	(137)
- Change in provisions for employee benefits	7,048	13,863
- Change in provisions	(6,817)	9,588
- Other flows	56	982
- Dividend received	(2,032)	(3,267)
- Management Options	(5,913)	2,628
- Change in inventories	18,975	23,312
- Change in trade and other receivables	10,281	20,776
- Change in trade and other liabilities	70,685	(11,601)
<b>Cash inflow from (used in) operating activities</b>	<b>504,839</b>	<b>511,557</b>
Balance-sheet change in liabilities	52,224	(11,233)
Settlement of income tax overpaid	26,226	-
Change in investment liabilities	(7,765)	118,680
Liabilities on account of dividend concerning the previous year	-	(119,048)
<b>Change in liabilities for the purposes of the interim statement of cash flows</b>	<b>70,685</b>	<b>(11,601)</b>
Increase in non-current assets	181,204	230,145
Interest paid regarding investing activities	(2,622)	(8,049)
Change in investment liabilities	17,078	118,680
<b>Acquisition of property, plant and equipment</b>	<b>195,660</b>	<b>340,776</b>
Increase in intangible assets	28,839	732
Change in investment liabilities	(24,843)	-
<b>Acquisition of intangible assets</b>	<b>3,996</b>	<b>732</b>



## 14. Approval of the Financial Statements

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby declares that as 9 November 2016 it approves for publication this Consolidated Quarterly Report for the third quarter of financial year 2016, covering the period from 1 January 2016 to 30 September 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
Sławomir Karlikowski	Vice-President of the Management Board Production – Head of Mining Supervision in Mining Facility
Adam Partyka	Vice-President of the Management Board Employee and Social Affairs
Marcin Kapkowski	Vice-President of the Management Board Procurement and Investments
Urszula Piątek	Chief Accountant