THE LUBELSKI WĘGIEL BOGDANKA GROUP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the period of six months ended 30 June 2017

BOGDANKA, SEPTEMBER 2017

(IN PLN '000)

TABLE OF CONTENTS OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)....BŁĄD! NIE ZDEFINIOWANO ZAKŁADKI.
INTERIM CONSOLIDATED INCOME STATEMENT ....BŁĄD! NIE ZDEFINIOWANO ZAKŁADKI.
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 5
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY....................................... 5
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS............**BŁĄD! NIE ZDEFINIOWANO ZAKŁADKI.**
INTERIM CONSOLIDATED CASH INFLOW FROM OPERATING ACTIVITIES .... BŁĄD! NIE ZDEFINIOWANO ZAKŁADKI.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS.. BŁĄD! NIE ZDEFINIOWANO ZAKŁADKI.
1. GENERAL INFORMATION...Błąd! Nie zdefiniowano zakładki.
1.1. Composition of the Group and the Object of the Group's business 9
1.2 Assumption of the Company going concern .... **Błąd! Nie zdefiniowano zakładki.**
2. DESCRIPTION OF KEY ACCOUNTING PRINCIPLES (POLICIES) APPLIED.......... Błąd! Nie zdefiniowano zakładki.
2.1 Basis of preparation 11
2.1.1 Material values based on professional assessment and estimates 12
2.1.2. New standards and interpretations .... ***Błąd! Nie zdefiniowano zakładki.***
3. INFORMATION ON SEGMENTS OF OPERATION...................Błąd! Nie zdefiniowano zakładki.
4. INFORMATION CONCERNING SEASONALITY......................Błąd! Nie zdefiniowano zakładki.
5. NON-CURRENT ASSETS ....Błąd! Nie zdefiniowano zakładki.
5.1 Property, plant and equipment - excavations .... **Błąd! Nie zdefiniowano zakładki.**
5.2 Impairment losses of property, plant and equipment .... **Błąd! Nie zdefiniowano zakładki.**
6. NON-CURRENT ASSETS HELD FOR SALE ....Błąd! Nie zdefiniowano zakładki.
7. INTANGIBLE ASSETS ....Błąd! Nie zdefiniowano zakładki.
8. INVESTMENT PROPERTIES..Błąd! Nie zdefiniowano zakładki.
9. SHARE CAPITAL ....Błąd! Nie zdefiniowano zakładki.
10. OTHER CAPITALS...Błąd! Nie zdefiniowano zakładki.
11. CREDITS AND LOANS..Błąd! Nie zdefiniowano zakładki.
12. FINANCING LIABILITIES ON ACCOUNT OF BOND ISSUE ....Błąd! Nie zdefiniowano zakładki.
13. PROVISIONS FOR EMPLOYEE BENEFITS.............................Błąd! Nie zdefiniowano zakładki.
14. PROVISIONS FOR OTHER LIABILITIES AND CHARGES ....Błąd! Nie zdefiniowano zakładki.
15. OTHER INCOME ....Błąd! Nie zdefiniowano zakładki.**1**
16. OTHER COSTS ....Błąd! Nie zdefiniowano zakładki.
17. OTHER NET LOSSES ....Błąd! Nie zdefiniowano zakładki.
18. FINANCE INCOME AND COSTS 31
19. INCOME TAX ....Błąd! Nie zdefiniowano zakładki.
19.1 Tax burden... **Błąd! Nie zdefiniowano zakładki.**
19.2 ....RECONCILIATION OF AN EFFECTIVE TAX RATE ....34BŁĄD! NIE ZDEFINIOWANO ZAKŁADKI.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	Note	30 Jun. 2017	31 Dec. 2016
Assets			
Non-current assets			
Property, plant and equipment	5	2,720,458	2,760,196
Intangible assets	7	46,823	47,511

(IN PLN '000)

Investment properties	8	3,448	3,532
Deferred tax assets		2,295	2,117
Trade and other receivables		1,391	5,214
Cash and cash equivalents		112,197	111,218
Total non-current assets		2,886,612	2,929,788
Current assets			
Inventories		64,049	71,571
Trade and other receivables		353,588	244,070
Overpaid income tax	19.3	1,122	9,424
Non-current assets held for sale	6	930	4,330
Cash and cash equivalents		275,269	541,106
Total current assets		694,958	870,501
TOTAL ASSETS		**3,581,570**	**3,800,289**
Equity			
Equity attributable to owners of the Parent			
Ordinary shares	9	301,158	301,158
Other capital	10	1,615,010	1,473,128
Retained profits	10	416,722	507,972
		2,332,890	2,282,258
Non-controlling interests	10	**10,055**	**10,149**
Total equity		2,342,945	2,292,407
Liabilities			
Non-current liabilities			
Loans and borrowings	11	18,484	20,002
Deferred income tax liability		59,383	56,059
Provisions for employee benefits	13	256,587	209,682
Provisions for other liabilities and charges	14	117,420	117,423
Grants		13,405	13,705
Financing liabilities on account of bond issue	12	150,000	300,000
Trade and other liabilities		38,540	43,201
		653,819	760,072
Current liabilities			
Loans and borrowings	11	3,255	3,273
Provisions for employee benefits	13	47,655	57,299
Provisions for other liabilities and charges	14	75,222	70,852
Grants		600	600
Financing liabilities on account of bond issue	12	150,021	300,080
Current income tax liabilities		147	18
Dividend payable		34,474	4
Trade and other liabilities		273,432	315,684
		584,806	747,810
Total liabilities		1,238,625	1,507,882
TOTAL EQUITY AND LIABILITIES		**3,581,570**	**3,800,289**

Notes presented on pages 9 – 40 constitute an integral part of these condensed interim consolidated financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT

	Note	For the period of six months ended 30 June	
		2017	2016
Revenue		902,086	848,945
Costs of products, goods and materials sold		(689,586)	(707,754)
Gross profit		212,500	141,191

(IN PLN '000)

Selling costs		(20,649)	(17,128)
Administrative expenses		(44,764)	(37,725)
Other income	15	1,759	12,738
Other costs	16	(209)	(1,408)
Other net loss	17	(1,163)	(1,103)
Profit on operating activities		147,474	96,565
Finance income	18	4,073	10,270
Finance costs	18	(12,254)	(14,710)
Profit before taxation		139,293	92,125
Income tax	19.1	(27,169)	(17,171)
Net profit for the period		**112,124**	**74,954**
including:			
- attributable to Company shareholders		*111,762*	*74,445*
- attributable to non-controlling interests		*362*	*509*

Earnings per share attributable to owners of the Parent during the year (in PLN per share)			
- basic	20	3,29	2.19
- diluted	20	3,29	2.19

Notes presented on pages 9 – 40 constitute an integral part of these condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the period of six months ended 30 June	
		2017	2016
Net profit for the financial year		**112,124**	**74,954**
Other comprehensive income/(loss) for the financial period Items which never will be subject to reclassification to profit or loss for the current period:			

Actuarial gains/(losses) of defined benefit schemes	13	(33,476)	(9,637)
Income tax relating to non-transferrable items	19.1	6,360	1,831
Items which never will be subject to reclassification to profit or loss for the current period - total		(27,116)	(7,806)
Items which are or may be subject to reclassification to profit or loss for the current period:			
Cash flow hedges		-	-
- Profit/(loss) for period		-	-
- Adjustments resulting from transferring amounts to initial values of hedged items		-	-
Income tax relating to transferrable items		-	-
Items which are or may be subject to reclassification to profit or loss for the current period - total		-	-
Other comprehensive net income/(loss) for the financial period		(27,116)	(7,806)
Other net comprehensive income for the reporting period - total		**85,008**	**67,148**
including:			
- attributable to owners of the Parent		*84,646*	*66,639*
- attributable to non-controlling interests		*362*	*509*

Notes presented on pages 9 – 40 constitute an integral part of these condensed interim consolidated financial statements.

(IN PLN '000)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

			Attributable to owners of the Parent					
			Other capitals					
	Note	Ordinary shares	Other capitals – transfer of profit/(loss)	Other capital – issue of Management Options	Retained profits	Total equity	Non-controlling interests	Total equity
As at 1 January 2017		**301,158**	**1,469,289**	**3,839**	**507,972**	**2,282,258**	**10,149**	**2,292,407**
Total net comprehensive income for the reporting period:		-	-	-	84,646	84,646	362	85,008
- net profit		-	-	-	*111,762*	*111,762*	*362*	*112,124*
- other comprehensive income		-	-	-	*(27,116)*	*(27,116)*	-	*(27,116)*
Dividends concerning 2016	21	-	-	-	(34,014)	(34,014)	(456)	(34,470)
Transfer of the result of 2016		-	141,882	-	(141,882)	-	-	-
As at 30 June 2017		**301,158**	**1,611,171**	**3,839**	**416,722**	**2,332,891**	**10,055**	**2,342,946**
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:		-	-	-	66,639	66,639	509	67,148
- net loss		-	-	-	*74,445*	*74,445*	*509*	*74,954*
- other comprehensive income		-	-	-	*(7,806)*	*(7,806)*	-	*(7,806)*
Coverage of loss for 2015		-	(278,029)	-	278,029	-	-	-
Management Options Issue	10	-	-	(5,913)	-	(5,913)	-	(5,913)
As at 30 June 2016		**301,158**	**1,469,289**	**3,839**	**399,359**	**2,173,645**	**10,212**	**2,183,587**

Notes presented on pages 9 – 40 constitute an integral part of these condensed interim consolidated financial statements.

(IN PLN '000)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(indirect method)

	Note	For the period of six months ended 30 June	
		2017	**2016**
Cash flow from (used in) operating activities			
Cash inflow from operating activities*		218,204	324,972
Interest received		(272)	3,556
Income tax paid		(19,466)	(10,643)
Net cash flow from (used in) operating activities		**198,466**	**317,885**
Cash flow from (used in) investing activities			
Acquisition of property, plant and equipment		(162,505)	(131,055)
Interest paid regarding investing activities		(2,027)	(1,775)
Acquisition of intangible assets		(454)	(1,302)
Inflow from the sale of property, plant and equipment		2,982	17
Interest received		4,110	3,248
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund		(979)	(10,488)
Net cash flow from (used in) investing activities		**(158,873)**	**(141,355)**
Cash flow from (used in) financing activities			
Proceeds from loans and borrowings	11	-	4,984
Bond redemption	12	(300,000)	(100,000)
Repayments of loans and borrowings	11	(1,518)	(1,518)
Interest and commissions paid regarding financing activities		(3,912)	(7,204)
Net cash flow from (used in) financing activities		**(305,430)**	**(103,738)**
Net increase / (decrease) in cash and cash equivalents		(265,837)	72,792
Cash and cash equivalents at beginning of period		541,106	262,037
Cash and cash equivalents at end of period		**275,269**	**334,829**

**Cash inflows from operating activities are detailed in table on page 8.*

Notes presented on pages 9 – 40 constitute an integral part of these condensed interim consolidated financial statements.

(IN PLN '000)

INTERIM CONSOLIDATED CASH INFLOW FROM OPERATING ACTIVITIES

	Note	For the period of six months ended 30 June	
		2017	2016
Profit before taxation		139,293	92,125
- Depreciation of non-current assets	5	170,322	179,279
- Amortisation of intangible assets	7	755	1,535
- Depreciation of investments in real property	8	84	-
- (Profit)/Loss on sale of property, plant and equipment		470	(14)
- Profit/(loss) on liquidation of plant, property and equipment		6,153	8,049
- Use and making impairment charges for non-current assets		-	(1,248)
- Actuarial gains (losses) as recognised in the interim consolidated statement of comprehensive income	13	(33,476)	(9,637)
- Change in provisions for employee benefits	13	37,261	9,230
- Changes in provisions		6,995	(10,348)
- Other flows		462	199
- Management Options		-	(5,913)
- Change in inventories		7,522	18,441
- Change in trade and other receivables		(105,695)	11,078
- Change in trade and other liabilities		(11,942)	32,196
Cash inflow from (used in) operating activities		**218,204**	**324,972**
Balance-sheet change in liabilities and grants		(12,743)	51,143
Set-off of income tax overpaid with other taxes payable	19.3	10,187	-
Change in investment liabilities		25,083	(18,947)
Liabilities on account of dividend concerning the previous year		(34,469)	-
Change in liabilities for the purposes of the interim consolidated statement of cash flows		**(11,942)**	**32,196**
Increase in non-current assets	5	139,559	125,749
Disclosure of non-current assets		-	(1,405)
Other non-cash adjustments		(109)	(169)
Interest paid regarding investing activities		(2,027)	(1,775)
Change in investment liabilities		25,082	8,655
Acquisition of property, plant and equipment		**162,505**	**131,055**
Increase in intangible assets	7	454	28,904
Change in investment liabilities		-	(27,602)
Acquisition of intangible assets		**454**	**1,302**

Notes presented on pages 9 – 40 constitute an integral part of these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Notes

1. GENERAL INFORMATION

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

The Lubelski Węgiel Bogdanka Group:

[% liczba głosów na WZ w Spółkach Zależnych - % of votes at the Subsidiaries' Shareholders Meetings]

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

The Company's core business activity, pursuant to the Polish Classification of Activity (PKD 0510Z), is hard coal mining.

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

As at 30 June 2017, 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 June 2017, 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 June 2017, 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 June 2017, 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.

A breakdown characterising the Group's subsidiaries is presented below:

Name of the subsidiary	Balance-sheet total [PLN '000]	Equity [PLN '000]	% of shares held	Non-controlling interests	Restrictions in control; restrictions in consolidated assets and equity & liabilities	Consolidation method
Companies subject to consolidation in the current and previous periods:						
Łęczyńska Energetyka sp. z o.o.	119,806	88,958	88.70	Non-controlling interests amount to 11.30% and are held by: Łęczna Municipality 11.29% Puchaczów Commune 0.01%	none	full
RG Bogdanka Sp. z o.o.	9,597	4,934	100.00	none	none	full
EkoTRANS Bogdanka Sp. z o.o. Sp. z o.o.	3,601	247	100.00	none	none	full
MR Bogdanka Sp. z o.o.	6,023	2,143	100.00	none	none	full

Lubelski Węgiel Bogdanka S.A. is the Parent in the Lubelski Węgiel Bogdanka Group. The Group prepares consolidated financial statements compliant with the IFRS as approved by the European Union.

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.

1.2. Assumption of the Company going concern

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

If, after the preparation of the condensed interim consolidated financial statements, the Group'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 Group, the Management Board of the Parent is authorised to make amendments to the condensed interim consolidated financial statements until the date of their approval for publication. This does not preclude a possibility to make amendments to the condensed interim consolidated 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 (POLICIES) APPLIED

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

2.1. Basis of preparation

These condensed interim consolidated financial statements of LW Bogdanka S.A. for the first half of 2017 were prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting", as endorsed by the EU.

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 condensed interim financial statements of the Parent of Lubelski Węgiel Bogdanka for the financial period ended on 30 June 2017, as well as with the audited consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the financial period ended on 31 December 2016. Those financial statements are available on the Parent's website at www.ri.lw.com.pl.

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

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

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

2.2. Material values based on professional assessment and estimates

Accounting estimates as well as the professional judgement of the Management Board regarding current and future events in individual fields are required for the preparation the condensed interim consolidated financial statements on the basis of the International Financial Reporting Standards and in accordance with the accounting policies.

The main 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 most significant changes in relation to assumptions made for the consolidated financial statements for 2016 are presented below. Other key estimates and judgements have not changed since the publication of the annual consolidated financial statements for 2016.

As far as the assumptions for the actuarial valuation of provisions for employee benefits as at 30 June 2017 are concerned, the assumption regarding retail price of coal, which, in accordance with the provisions of the Collective Bargaining Agreement applicable at the Parent, serves as a basis for the calculation of an equivalent for coal allowance, has changed significantly. As price increases and insufficient coal supply can be observed on the market, the price of commercial coal, included in the Parent's offer, increased significantly, which entailed a high rise of provisions for coal allowance benefits. During six months of 2017 (compared to 31 December 2016) this provision increased by PLN 33,692,000, which was attributable primarily to actuarial losses of PLN 30,508,000, resulting from a change in assumptions described above.

Moreover, in the first half of 2017, after the final submission date for the interested employees at the Parent has lapsed, the provision for the Voluntary Redundancy Programme was subject to an update. Actual number and structure of the Parent's employees who enrolled to the Programme was largely different than the number and structure of the estimated figures. As a result of the created differences, a portion of the provision for the Voluntary Redundancy Programme in the amount of PLN 8,021,000, was released.

2.3. New standards and interpretations

Amendments to the existing standards applied for the first time in the condensed interim consolidated financial statements of the Group for 2017

When approving these condensed interim consolidated financial statements, no amendments were introduced to the existing standards issued by the IASB and endorsed by the European Union for use within the European Union and which would be applied for the first time in the Group's consolidated financial statements for 2017.

New standards and amendments to the existing standards which have been already issued by the IASB and endorsed by the European Union, but not effective yet

When approving these condensed interim consolidated financial statements, the following new standards were issued by the IASB and endorsed by the European Union for use within the European Union but which were not effective yet:

- Amendments to IFRS 9 "Financial Instruments" – endorsed by the European Union on 22 November 2016 (applicable to annual periods beginning on or after 1 January 2018).
- IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective Date of IFRS 15" – endorsed by the European Union on 22 September 2016 (applicable to annual periods beginning on or after 1 January 2018).

New standards and amendments to the existing standards issued by the IASB, but not yet endorsed for use in the European Union:

At present, the IFRS endorsed by the European Union do not differ substantially from the regulations issued by the International Accounting Standards Board (IASB), save for the following new standards, standard amendments or interpretations which as at 6 September 2017 were not endorsed for use in the European Union (the effective dates below refer to standards in full versions):

- IFRS 14 "Regulatory Deferral Accounts" (applicable to annual periods beginning on or after 1 January 2016) – the European Commission has decided to withhold the process of endorsing this temporary standard for use in the European Union until the final version of IFRS 14 is issued,
- IFRS 16 "Leases" (applicable to annual periods beginning on or after 1 January 2019),
- IFRS 17 "Insurance Contracts" (applicable to annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 2 "Share-Based Payments" – classification and measurement of the share-based payments (applicable to annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4 "Insurance Contracts" – application of IFRS 9 "Financial Instruments" along with IFRS 4 "Insurance Instruments" (applicable to annual periods beginning on or after 1 January 2018 or in the moment of the application of IFRS 9 "Financial Instruments" for the first time,
- 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, as well as later amendments (effective date of the amendments was deferred until research on the equity method is finished),
- Amendments to IFRS 15 "Revenue from Contracts with Customers" – explanations to IFRS 15 "Revenue from Contracts with Customers", (applicable to annual periods beginning on or after 1 January 2018),
- Amendments to IAS 7 "Statement of Cash Flows" – initiative in relation to disclosures (applicable to annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 "Income Taxes" – disclosure of deferred tax assets on unrealised losses (applicable to annual periods beginning on or after 1 January 2017),
- Amendments to IAS 40 "Investment Properties" – transfers of investment properties (applicable to annual periods beginning on or after 1 January 2018),
- Amendments to various standards "Improvements to IFRS (2014–2016 Cycle)" – amendments made under the annual procedure of amending IFRS (IFRS 1, IFRS 12, and IAS 28), primarily oriented at eliminating inconsistencies and specifying terminology; amendments to IFRS 12 are applicable to annual periods beginning on or after 1 January 2017; amendments to IFRS 1 and IAS 28 are applicable to annual periods beginning on or after 1 January 2018,
- IFRIC 22 Interpretation "Foreign Currency Transactions and Advance Consideration" (applicable to annual periods beginning on or after 1 January 2018),
- IFRIC 23 Interpretation "Uncertainty over Income Tax Treatments" (applicable to annual periods beginning on or after 1 January 2019),

The Group is analysing the impact of new standards on the consolidated financial statements, however it estimates that the application of IFRS 14, IFRS 17, amendments to IAS 12, IFRS 4, IFRS 10, IFRS 15, and to IFRS 2 shall have no impact on the accounting policies applied so far. IFRS 16 will only result in recognition of additional assets and liabilities in the consolidated balance-sheet, however given a relatively small scope and amount of agreements currently treated as operational lease, the final impact of this standard will be small. Amendments to IAS 7, IFRIC 22 and 23 Interpretation as well as amendments to IAS 40 will affect the consolidated financial statements, however the Group believes it should be relatively small.

At the same time, hedge accounting for the portfolio of financial assets and liabilities whose principles have not been adopted for use by the European Union yet still remain outside the regulations endorsed by the European Union. According to the Company'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.

3. INFORMATION ON SEGMENTS OF OPERATION

a) Key reporting structure - industry segments

The Group's core business is production and sale of coal. In six months of 2017, revenue on sales of other products and services amounted to PLN 27,093,000 (in the analogous period of 2016: PLN 29,293,000), representing, 3.00% of total revenue and 3.45% in the analogous period of 2016.

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

b) Supplementary reporting structure - geographical segments

The Group operates primarily in Poland. In the period of six months of 2017, revenue on foreign sales amounted to PLN 24,981,000 (PLN 989,000 in the analogous period of 2017), representing 2.77% of total revenue in the current year and 0.12% in the analogous period of the previous year. The Group does not hold related assets or liabilities outside Poland.

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

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

(IN PLN '000)

c) Division into mining fields

The Parent carries out its activities within the area of three mining fields: Bogdanka, Nadrybie and Stefanów. The production assets are concentrated in the registered office of the Parent, in the centre of the Bogdanka Field, and are related to the remaining locations. For this reason, the Nadrybie and the Stefanów Fields cannot function separately. Due to the above-mentioned relations between the fields and departments, as well as the organisational system in place at the mine, all the assets of the Parent are treated as a single cash generating unit (CGU).

d) Key coal customers

In the period of the first 6 months of 2017 and 2016 the key customers for the Group's coal, whose share in sales exceeded 10% of the total revenue on sales, were:

	6 months of 2017	6 months of 2016
Enea Wytwarzanie Sp. z o.o.	59%	48%
ENEA Elektrownia Połaniec S.A. (formerly ENGIE Energia Polska S.A.)	22%	23%

4. INFORMATION CONCERNING SEASONALITY

The production is not seasonal, whereas seasonal character of sales can be noticed in the case of retail sales at a point of coal sale. Sales to retail customers account for 0.16% of total sales. This has no significant effect on operating and financing activities of the Group.

(IN PLN '000)

5. NON-CURRENT ASSETS

	Land	Buildings and structures		Plant and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
		total	including excavations					
As at 1 January 2017								
Cost or assessed value	9,048	2,808,779	1,959,506	2,073,693	95,815	24,046	157,739	5,169,120
Depreciation	-	(1,311,199)	(988,667)	(1,026,332)	(55,449)	(15,944)	-	(2,408,924)
Net book value	**9,048**	**1,497,580**	**970,839**	**1,047,361**	**40,366**	**8,102**	**157,739**	**2,760,196**
As at 30 June 2017								
Net book value at beginning of year	9,048	1,497,580	970,839	1,047,361	40,366	8,102	157,739	2,760,196
Increases	-	-	-	97	-	315	139,147	139,559
Transfer from construction in progress	72	49,793	49,126	18,872	521	234	(69,492)	-
Decreases	-	(16,106)	(13,380)	(15)	(60)	(3)	(2,492)	(18,676)
Depreciation	-	(94,701)	(80,665)	(71,286)	(3,226)	(1,109)	-	(170,322)
Impairment loss	-	7,222	7,222	-	-	-	2,479	9,701
Net book value	9,120	1,443,788	933,142	995,029	37,601	7,539	227,381	2,720,458
As at 30 June 2017								
Cost or assessed value	9,120	2,774,143	1,926,222	2,092,743	95,761	24,445	227,381	5,223,593
Depreciation	-	(1,330,355)	(993,080)	(1,097,714)	(58,160)	(16,906)	-	(2,503,135)
Net book value	**9,120**	**1,443,788**	**933,142**	**995,029**	**37,601**	**7,539**	**227,381**	**2,720,458**

As at 1 January 2016								
Cost or assessed value	5,870	2,740,599	1,899,097	2,009,819	94,737	22,898	143,215	5,017,138
Depreciation	-	(1,165,142)	(868,947)	(893,917)	(54,067)	(14,528)	-	(2,127,654)
Net book value	**5,870**	**1,575,457**	**1,030,150**	**1,115,902**	**40,670**	**8,370**	**143,215**	**2,889,484**
As at 30 June 2016								
Net book value at beginning of year	5,870	1,575,457	1,030,150	1,115,902	40,670	8,370	143,215	2,889,484
Increases	-	13	-	1,371	21	-	124,205	125,610
Transfer from construction in progress	3,133	68,033	62,028	16,357	4,348	444	(92,315)	-
Reclassification to assets held for sale	-	(13)	-	(896)	(21)	-	-	(930)
Reclassification to investment properties	(40)	(3,330)	-	(103)	-	(143)	-	(3,616)
Decreases	(121)	(21,117)	(10,408)	(34)	(12)	(4)	(22)	(21,310)
Depreciation	-	(106,517)	(92,961)	(69,038)	(2,923)	(801)	-	(179,279)
Impairment loss	139	3,201	2,092	-	-	-	-	3,340
Net book value	8,981	1,515,727	990,901	1,063,559	42,083	7,866	175,083	2,813,299
As at 30 June 2016								
Cost or assessed value	8,981	2,760,213	1,925,634	2,025,811	94,979	23,131	175,083	5,088,198
Depreciation	-	(1,244,486)	(934,733)	(962,252)	(52,896)	(15,265)	-	(2,274,899)
Net book value	**8,981**	**1,515,727**	**990,901**	**1,063,559**	**42,083**	**7,866**	**175,083**	**2,813,299**

(IN PLN '000)

Borrowing costs (interest and commission on liabilities incurred), activated in the first six months of 2017 in the value of the property, plant and equipment amounted in total PLN 2,023,000 (PLN 1,775,000 in analogous period of 2016).

No collateral was established on property, plant and equipment.

5.1. Property, plant and equipment - excavations

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

As at 30 June 2017:

Item	Quantity [items]	Length [m]	Initial value	Depreciation	Impairment losses	Net value as at the balance-sheet date	Depreciation level in the given group
Walls disclosed in non-current assets, depreciated with the cost-of-production method, including:	30	22,262	551,071	419,842	33,418	97,811	82%
- depreciated until June 2017	*24*	*8,732*	*485,857*	*419,842*	*25,850*	*40,165*	*92%*
Walls disclosed in non-current assets, depreciated with the use periods	231	89,062	1,263,111	448,540	123,884	690,687	45%
Other items depreciated with the use periods (shafts, shaft towers, barrages, tanks etc.)	32	-	298,681	124,698	29,339	144,644	52%
Total as at 30 June 2017	**293**	**111,324**	**2,112,863**	**993,080**	**186,641**	**933,142**	**56%**

As at 30 June 2016:

Item	Quantity [items]	Length [m]	Initial value	Depreciation	Impairment losses	Net value as at the balance-sheet date	Depreciation level in the given group
Galleries disclosed under non-current assets, depreciated by using a natural method, including:	31	30,462	577,774	366,823	44,299	166,652	71%
- depreciated until June 2016	*21*	*15,722*	*487,429*	*366,823*	*29,606*	*91,000*	*81%*
Galleries disclosed under non-current assets, depreciated according to useful life	239	96,772	1,251,122	449,898	124,660	676,564	46%
Other items depreciated with the use periods (shafts, shaft towers, barrages, tanks etc.)	32	-	295,036	118,012	29,339	147,685	50%
Total as at 30 June 2016	**302**	**127,234**	**2,123,932**	**934,733**	**198,298**	**990,901**	**53%**

(IN PLN '000)

5.2. Impairment losses on the property, plant and equipment

The status of impairment losses on property, plant and equipment is presented in the table below:

	Land	Buildings and structures – total	Buildings and structures – including excavations	Plant and equipment	Vehicles	Construction in progress	Total
As at 1 January 2017	4,394	369,891	193,828	246,280	1,124	9,462	631,151
Using the impairment loss created	-	(7,222)	(7,222)	-	-	(2,479)	(9,701)
As at 30 June 2017	**4,394**	**362,669**	**186,606**	**246,280**	**1,124**	**6,983**	**621,450**
As at 1 January 2016	4,533	385,447	200,391	246,280	1,124	2,110	639,494
Reclassification to investment properties	-	(7,885)	-	-	-	-	(7,885)
Using the impairment loss created	(139)	(3,201)	(2,093)	-	-	-	(3,340)
As at 30 June 2016	**4,394**	**374,361**	**198,298**	**246,280**	**1,124**	**2,110**	**628,269**

6. NON-CURRENT ASSETS HELD FOR SALE

	Buildings and structures	Plant and equipment	Vehicles	Total
As at 1 January 2017	13	896	3,421	4,330
Sale of assets held for sale	-	-	(3,400)	(3,400)
As at 30 June 2017	**13**	**896**	**21**	**930**
As at 1 January 2016	-	-	3,694	3,694
Reclassification to assets held for sale	13	896	21	930
Sale of assets held for sale	-	-	-	-
As at 30 June 2016	**13**	**896**	**3,715**	**4,624**

In June 2016, the Parent classified for sale non-current assets related to the Building Ceramics Plant, worth PLN 930,000 net. Sale agreement was signed on 13 June 2016, and was finalised at the end of July 2017.

In 2017 the Parent sold 100 coal wagon carts with a net book value of PLN 3,400,000 classified to non-current assets held for sale in 2015.

(IN PLN '000)

7. INTANGIBLE ASSETS

	Computer software	Fees, licences	Geological information	Other	Total
As at 1 January 2017					
Cost or assessed value	7,332	7,231	51,636	1,193	67,392
Amortisation	(4,441)	(2,927)	(11,466)	(1,047)	(19,881)
Net book value	**2,891**	**4,304**	**40,170**	**146**	**47,511**
As at 30 June 2017					
Net book value at beginning of year	2,891	4,304	40,170	146	47,511
Increases	20	38	-	396	454
Decreases	-	-	-	(387)	(387)
Amortisation	(363)	(347)	(45)	-	(755)
Net book value	2,548	3,995	40,125	155	46,823
As at 30 June 2017					
Cost or assessed value	7,352	7,269	51,636	541	66,798
Amortisation	(4,804)	(3,274)	(11,511)	(386)	(19,975)
Net book value	**2,548**	**3,995**	**40,125**	**155**	**46,823**

As at 1 January 2016					
Cost or assessed value	5,479	6,328	24,032	866	36,705
Amortisation	(4,029)	(2,284)	(10,939)	(447)	(17,699)
Net book value	**1,450**	**4,044**	**13,093**	**419**	**19,006**
As at 30 June 2016					
Net book value at beginning of year	1,450	4,044	13,093	419	19,006
Increases	225	435	27,604	640	28,904
Decreases	-	(4)	-	-	(4)
Amortisation	(206)	(298)	(481)	(550)	(1,535)
Net book value	1,469	4,177	40,216	509	46,371
As at 30 June 2016					
Cost or assessed value	5,698	6,763	51,636	1,062	65,159
Amortisation	(4,229)	(2,586)	(11,420)	(553)	(18,788)
Net book value	**1,469**	**4,177**	**40,216**	**509**	**46,371**

8. INVESTMENT PROPERTIES

	Total
As at 1 January 2017	3,532
Reclassification to investment properties	-
Depreciation	(84)
As at 30 June 2017	**3,448**

	Total
As at 1 January 2016	-
Reclassification to investment properties	3,616
As at 30 June 2016	**3,616**

Investment properties relate to a holiday resort Kalnica, located in the Bieszczady mountains, owned by Łęczyńska Energetyka Sp. z o.o., the Parent's subsidiary. The reclassification from property, plant and equipment to investment properties was made (according to net value) as at 30 June 2016, for the manner of deriving profits from the given real property in future (in the form of lease rent), as expected by the subsidiary's Management Board, has changed.

9. SHARE CAPITAL

	Number of shares ('000)	Ordinary shares - par value	Hyperinflation adjustment	Total
As at 1 January 2017	34,014	170,068	131,090	301,158
As at 30 June 2017	34,014	170,068	131,090	301,158
As at 1 January 2016	34,014	170,068	131,090	301,158
As at 30 June 2016	34,014	170,068	131,090	301,158

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

10. OTHER CAPITAL

Pursuant to the Articles of Association, the Parent 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 (partially deemed an efficient hedge).

Other capital – issue of Management Options

On 30 September 2013 the Supervisory Board of the Parent adopted, by way of a resolution, the Rules of Management Options Scheme in 2013–2017. The resolution was adopted based on Resolution no. 26 of the Annual General Shareholders Meeting of the Company of 4 July 2013 regarding issue of up to 1,360,540 registered series A subscription warrants with the exclusion of a pre-emptive right, conditional increase in the Parent'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. The valuation model employed the following assumptions:

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

As at 30 June 2017, the number of allocated options under the whole Scheme was 1,143,863, and the total value of the Management Option Scheme amounted to PLN 3,839,000 (30 June 2016: PLN 3,839,000). Within this pool, the number of allocated rights (for 2013–2014) to be exercised under the above options is 335,199. In the first half of 2016, on the basis of analyses performed, it was determined that there is no possibility of achieving non-market parameters required under the Scheme. Therefore, options valued at PLN 5,913,000 were found to be forfeit, and consequently, derecognised. As a result, the total cost of the Scheme disclosed as at 30 June 2017 under "Other capitals" amounted to PLN 3,839,000 (30 June 2016: PLN 3,839,000). The amount PLN 5,913,000 was disclosed in the interim consolidated income statement in the first half of 2016 under "Administrative costs" – as a reduction of costs (in the analogous period of 2017 no costs were recognised in the interim consolidated income statement).

(IN PLN '000)

Equity on valuation of cash flow hedges

Other capitals include also derivatives used as cash flow hedges (in the part deemed the efficient hedge) after tax effect. During the first six months of 2017 and the first six months of 2016 the Group held no financial instruments hedging cash flows.

Non-controlling interests

Non-controlling interests relate exclusively to the subsidiary Łęczyńska Energetyka Sp. z o.o., and are owned by the Łęczna Municipality (11.29%) and by the Puchaczów Commune (0.01%) - 11.30% in total. In the first half of 2017 total income attributable to non-controlling interests amounted to PLN 362,000.

Retained profits

Apart from net earnings for the current year attributable to shareholders of the Parent, the amount of retained profits consists of retained earnings, non-transferrable actuarial gain/(loss) on defined benefit schemes attributable to shareholders of the Parent, and capital arising from fair value measurement of property, plant and equipment as at the date on which the IAS/IFRS were first applied. The decrease, as compared to 31 December 2016, of PLN 91,250,000 results from the recognition of the distribution of profit for 2016 in the form of a dividend of PLN 34,014,000 and a transfer of PLN 141,882,000 to reserve capital, net profit attributable to the shareholders of the Parent for the current year in the amount of PLN 111,762,000, as well as actuarial losses on defined benefit schemes attributable to the shareholders of the Parent in the amount of PLN 27,116,000.

Components of equity not subject to distribution

Under Article 396.1 of the Commercial Companies Code applicable to the Parent and its subsidiaries, a supplementary fund must be created to cover possible losses; at least 8% of profit for the given financial year must be transferred to the supplementary fund until it amounts to at least a third of the share capital. This portion of the supplementary fund is not available for distribution for the benefit of shareholders. As at 30 June 2017 and 31 December 2016, this value was PLN 100,386,000.

Also actuarial gains/(losses) relating to provisions for post-employment benefits recognised through comprehensive income, are not included in the distribution.

11. CREDITS AND LOANS

	30 Jun. 2017	31 Dec. 2016
Long-term:	18,484	20,002
Special purpose loans	18,484	20,002
- Regional Environmental Protection Fund in Lublin	18,484	20,002
Short-term:	3,255	3,273
Special purpose loans	3,255	3,273
- Regional Environmental Protection Fund in Lublin	3,255	3,273
	21,739	**23,275**

(IN PLN '000)

In 2014 the subsidiary Łęczyńska Energetyka received from the Regional Environmental Protection Fund in Lublin a special purpose loan intended for financing an investment "Construction of a water treatment facility in Bogdanka along with technological connections". The loan will be repaid in equal monthly instalments starting as of November 2015. The due date for payment of the last instalment is 31 March 2024. The loan bears interest of 0.7 of the rediscount rate of bills of exchange set by the Monetary Policy Council (however not less than 4% annually). The loan is secured with a blank promissory note to the amount of PLN 34,554,000 as well as assignment of receivables under a heat sale agreement concluded with the Parent. During the first half of 2017 Łęczyńska Energetyka repaid a principal amount of PLN 1,518,000, and did not take out any additional principal amounts as part of the above loan.

On 16 December 2016 the Parent concluded with mBank S.A. an agreement for an overdraft facility with a limit of up to PLN 100,000,000. The company may use the overdraft until 29 November 2018. The final date on which the overdraft must be repaid is 30 November 2018. Interest on the loan amounted to 1M WIBOR + bank margin. As at the balance-sheet date the limit was not used.

The facility is secured with:

- Parent's declaration on submission to execution under Article 777.1.4 and 777.1.5 of the Polish Code of Civil Procedure in the form of a notary deed;
- Power of attorney, granted by the Parent to the Bank, to accounts kept by the Bank for the Parent.

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

12. FINANCIAL LIABILITIES ON ACCOUNT OF BOND ISSUE

	30 Jun. 2017	31 Dec. 2016
Long-term:	150,000	300,000
Issuance of bonds	150,000	300,000
- PEKAO S.A.	*150,000*	*300,000*
Short-term:	150,021	300,080
Issuance of bonds	150,000	300,000
- PEKAO S.A.	*150,000*	*150,000*
- BGK	*-*	*150,000*
Interest accrued on bonds:	21	80
- PEKAO S.A.	*21*	*61*
- BGK	*-*	*19*
	300,021	**600,080**

Financial liabilities on account of bond issue currently refer to one programme agreement. Under the Programme Agreement concluded by the Parent 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, 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.

(IN PLN '000)

Until 30 March 2017 the Group held bonds under the second Programme Agreement concluded by the Parent on 30 June 2014 with Bank Polska Kasa Opieki S.A. and Bank Gospodarstwa Krajowego. On 10 March 2017 the Parent signed an annex to the abovementioned Programme Agreement. In accordance with that annex, the effective term of the Programme for Tranche I ended on 30 March 2017 and on that day the Parent redeemed Series LWB01C300617 bonds of a total value PLN 300,000,000. Therefore, on 30 March 2017, the Parent's liabilities under the Programme Agreement of 30 June 2014 were fully repaid and the Agreement expired. Interest on the bonds was based on WIBOR 3M plus a fixed margin.

The Parent established collateral in favour of the Banks in the following forms: agreements for assignment of receivables under a contract with one of the Parent'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.

The fair value of financial liabilities resulting from bond issue does not differ significantly from the carrying value.

13. PROVISIONS FOR EMPLOYEE BENEFITS

	30 Jun. 2017	31 Dec. 2016
Provisions disclosed in the Interim Consolidated Statement of Financial Position, for:		
- Retirement and disability benefits	36,486	33,992
- Long service awards	92,859	82,512
- Coal allowances	148,568	114,876
- Voluntary Redundancy Programme	9,721	21,688
- Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	16,608	13,913
	304,242	**266,981**

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-30 Jun. 2016
Costs disclosed in the Interim Consolidated Income Statement, of:		
- Retirement and disability benefits	1,560	1,197
- Long service awards	14,796	10,365
- Coal allowances	3,287	2,991
- Voluntary Redundancy Programme	(8,021)	-
- Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	12,489	15,959
	24,111	**30,512**

In the first half of 2017, after the final submission date for the interested employees has lapsed, the provision for the Voluntary Redundancy Programme was subject to an update. As a result of changes in the actual number and structure of the Parent's employees who enrolled to the Voluntary Redundancy Programme, the unused portion of the provision for the Voluntary Redundancy Programme in the amount of PLN 8,021,000, was released.

(IN PLN '000)

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-30 Jun. 2016
Costs recognised in the Interim Consolidated Statement of Comprehensive Income regarding the distribution of actuarial gains and losses resulting from demographic assumptions, financial assumption and other changes:		
- Retirement and disability benefits	2,756	7,014
- Coal allowances	30,508	2,645
- Other benefits for employees (death benefits)	212	(22)
	33,476	**9,637**

In the valuation of provisions for employee benefits as at 30 June 2017, the assumption regarding the price of commercial coal which is included in the Parent's offer (and which serves as a basis for the calculation of an equivalent for coal allowance benefits) changed significantly thus resulting in a high rise in the provision for coal allowance benefits. During six months of 2017 (compared to 31 December 2016) this provision increased by PLN 33,692,000, which was attributable primarily to actuarial losses of PLN 30,508,000, resulting from a change in assumptions described above.

Change in provisions for employee benefits liabilities:

	2017	2016
As at 1 January	266,981	251,537
Costs of current employment (unused holidays, salaries and wages, Voluntary Redundancy Programme, death benefits and other)	11,437	22,153
Interest expense	3,481	2,911
Actuarial gains/(losses) as disclosed in the Interim Consolidated Income Statement	9,193	5,448
Actuarial gains/(losses) as disclosed in the Interim Consolidated Statement of Comprehensive Income	33,476	9,637
Recognised in the comprehensive income, total	57,587	40,149
Benefits paid	(20,326)	(30,919)
As at 30 June	**304,242**	**260,767**
Including:		
- non-current	*256,587*	*220,232*
- current	*47,655*	*40,535*

(IN PLN '000)

Employee benefits costs are recognised in the Interim Consolidated Income Statement and the Interim Consolidated Statement of Comprehensive income as follows:

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-30 Jun. 2016
Costs of products, goods and materials sold	18,476	25,164
Selling costs	116	157
Administrative expenses	2,038	2,280
Finance costs	3,481	2,911
Total as disclosed in the Interim Consolidated Income Statement	**24,111**	**30,512**
Actuarial gains/(losses) as disclosed in the Interim Consolidated Statement of Comprehensive Income	33,476	9,637
Total as disclosed in the Interim Consolidated Statement of Comprehensive Income	**57,587**	**40,149**

(IN PLN '000)

14. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Provision for a mine closure and land reclamation	Mining damage	Legal claims	Real property tax	ZUS claims – contribution for accident insurance	Other	Total
As at 1 January 2017	117,423	4,440	10,870	32,456	20,042	3,044	188,275
Including:							
Non-current	*117,423*	*-*	*-*	*-*	*-*	*-*	*117,423*
Current	*-*	*4,440*	*10,870*	*32,456*	*20,042*	*3,044*	*70,852*
Disclosure in the Interim Consolidated Statement of Financial Position							
- Update of the provision created	(1,766)	-	-	-	-	-	(1,766)
Disclosure in the Interim Consolidated Income Statement							
- Creation of additional provisions	-	-	303	3,447	-	1,135	4,885
- Use of the created provision	-	(199)	-	-	-	(2,113)	(2,312)
- Release of an unused provision	-	-	-	-	-	(652)	(652)
- Interest	-	-	149	1,657	643	-	2,449
- Discount settlement	1,763	-	-	-	-	-	1,763
As at 30 June 2017	**117,420**	**4,241**	**11,322**	**37,560**	**20,685**	**1,414**	**192,642**
Including:							
Non-current	*117,420*	*-*	*-*	*-*	*-*	*-*	*117,420*
Current	*-*	*4,241*	*11,322*	*37,560*	*20,685*	*1,414*	*75,222*

As at 1 January 2016	130,179	8,497	26,866	23,881	18,727	3,041	211,191
Including:							
Non-current	*130,179*	*-*	*-*	*-*	*-*	*-*	*130,179*
Current	*-*	*8,497*	*26,866*	*23,881*	*18,727*	*3,041*	*81,012*
Disclosure in the Interim Consolidated Statement of Financial Position							
- Update of the provision created	(8,536)	-	-	-	-	-	(8,536)
Disclosure in the Interim Consolidated Income Statement							
- Creation of additional provisions	-	-	48	3,290	-	1,490	4,828
- Use of the created provision	-	(352)	-	-	-	(2,998)	(3,350)
- Release of an unused provision	-	-	(16,590)	-	-	-	(16,590)
- Interests	-	-	373	929	656	-	1,958
- Discount settlement	1,742	-	-	-	-	-	1,742
As at 30 June 2016	**123,385**	**8,145**	**10,697**	**28,100**	**19,383**	**1,533**	**191,243**
Including:							
Non-current	*123,385*	*-*	*-*	*-*	*-*	*-*	*123,385*
Current	*-*	*8,145*	*10,697*	*28,100*	*19,383*	*1,533*	*67,858*

Mine closure and land reclamation

The Parent creates a provision for costs of mine closure and land reclamation, which it is obliged to incur under current laws. The value of mine closure and land reclamation calculated as at 30 June 2017 amounts to PLN 117,420,000 including a provision for a mine closure of PLN 110,185,000 and a provision for land reclamation of PLN 7,235,000. The change in provision compared to 31 December 2016 is PLN (3,000); an increase resulting from the discount write-off of PLN 1,763,000 were recognised in the Interim Consolidated Income Statement under "Costs of products, goods and materials sold" and "Finance cost", respectively, while a decrease caused by update of assumptions, amounting in total to PLN 1,766,000, was recognised in the Interim Consolidated Statement of Financial Position as an decrease in "Property, plant and equipment".

Removing mining damage

Given the need to remove mining damage, the Parent Undertaking creates a provision for mining damage. The estimated value of works necessary to remove damage as at 30 June 2017 amounts to PLN 4,241,000, and covers predominantly planned costs which will have to be incurred in connection with removal of damage in buildings, buy-out of developed properties (where damage appeared) and compensations for damage to agricultural land. For the first 6 months of 2017 the amount of the unused provision totalled PLN 199,000, compared to PLN 352,000 for the same period of 2016.

Legal claims

The amount disclosed constitutes a provision for certain legal claims filed against the Group by customers and suppliers. The value of made/released provisions in the current period is disclosed in the Interim Consolidated Income Statement under other income/expenses. 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 30 June 2017. During the first six months of 2017 this provision did not change significantly compared to the previous year (31 December 2016). The first six months of 2016 saw a significant fall in the value of a provision compared to the end of the previous financial year (31 December 2015), which was primarily a result of releasing the unused provision for possible claims of the Consortium of BUDIMEX S.A., Ferrovial Agroman S.A. and Mostostal Kraków, totalling PLN 16,590,000 in relation to a ruling issued on 12 April 2016 by the Court of Appeals in Lublin, which was advantageous for the Parent (the total value of the released provision was composed of the claim principal of PLN 10,125,000 recognised in the interim consolidated income statement under "Other income" and interest accrued from 2 November 2010 of PLN 6,465,000 recognised in the interim consolidated income statement under "Other income").

Real property tax

The amount disclosed constitutes a provision for real property tax. While preparing statements for real property tax, the Parent (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.

Although the above ruling by the Constitutional Tribunal 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 uniform position to that extent in a 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. It must be noted that in cases regarding real property tax due for 2008 under cassation appeals filed by the Parent, the Supreme Administrative Court failed to provide in its verbal justifications for the rulings any substantive reasoning to support the position that the infrastructure located in underground mining excavations is subject to real property tax, and limited itself to the issue of the Provincial Administrative Court in Lublin breaching procedural provisions, mainly in respect of the factual circumstances of the case, which resulted in overturning the rulings issued by the Provincial Administrative Court in Lublin.

In connection with decisions issued by the Commune Heads and the Local Government Appellate Court in Lublin, determining real property tax of the Parent for 2008–2012 with respect to all communes, the amounts of real property tax calculated for 2013–2017 were adjusted. The adjustment of the tax provision calculated for the above years was supported by a risk that in tax proceedings relating to these years, the tax authorities will decide in the same way as in relation to 2008–2012. Having taken the above into account, the provision disclosed in the Parent's books as at 30 June 2017 (disclosed in the Interim Consolidated Statement of Financial Position under "Provisions for other liabilities and charges") in the amount of PLN 37,560,000 (31 December 2016: PLN 32,456,000) represents a provision for real property tax liabilities, if any, and interest thereon for 2013–2017 with respect to all communes, should the tax authorities determine that underground mining excavations of the Parent contain objects constituting structures on which real property tax is chargeable. The values connected with real property tax are disclosed in the Interim Consolidated Income Statement under "Costs of products, goods and materials sold".

At the end of 2014 decisions issued by the Commune Heads and determining real property tax for the Parent 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 in a set-off with overpayments made by the Parent between 2005 and 2007). In 2016 and in first six months of 2017 such settlements were not effected. Real property tax liabilities arising from settled decisions were in exactly the same amount as the provision created by the Parent.

It should be stressed that the Parent takes all legal steps in order to challenge effectively the grounds for the fact of assessing by tax authorities the real property tax in relation to the infrastructure situated in underground mining excavations. The Parent is going to filing appeals against the decisions of tax authorities to the Regional Administrative Court and next, if necessary, to the Supreme Administrative Court.

Concurrently with the created provision, based on the above, in connection with the payments of the real property tax made in 2014 and 2015 (overpayments charged to liabilities) on account of mining excavations for 2010–2012 with respect to the Puchaczów Commune and Ludwin Commune, as at 30 June 2017 the Parent calculated income due for those years for an excess payment of the real property tax, in the amount of PLN 7,423,000 (as at 31 December 2016: PLN 7,423,000). Receivables on account the revenue accrued were disclosed in the Interim Consolidated Statement of Financial Position under "Trade and other receivables".

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

The percentage rate of a contribution for accident insurance, determined by the Social Security Institution based on ZUS IWA documents (Information on data required for calculation of contribution for accident insurance) and an adjustment of ZUS IWA document for 2012 submitted by the Parent, was 3.09% for the settlement period from 1 April 2013 to 31 March 2014 and 2.70% for the settlement period from 1 April 2014 to 31 March 2015. In its Decision No. 7/2014 of 18 June 2014, the Social Security Institution, Branch in Lublin, determined the percentage rate of a contribution for accident insurance for the Parent. Having taken into account ZUS IWA adjustments for the years of 2011 and 2012 (made *ex officio*), the authority determined the percentage rate of a contribution for accident insurance at 3.47% for the settlement period from 1 April 2013 to 31 March 2014 and at 3.09% for the settlement period from 1 April 2014 to 31 March 2015. In addition, pursuant to Article 34 of the Act on Social Insurance against Accidents at Work and Occupational Diseases and Article 83.1.3 of the Act on Social Insurance System, the Social Security Institution determined for the Parent the percentage rate of a contribution for accident insurance increased by 50% for the above contributory years, i.e. at 5.21% for the contributory year from 1 April 2013 to 31 March 2014 and at 4.64% for the contributory year from 1 April 2014 to 31 March 2015. On 25 July 2014 the Parent filed an appeal to the Regional Court in Lublin, against the above decision, requesting that it be cancelled and proceeding be discontinued, or in the alternative that the Court change the decision appealed against and decide that the Parent is not required to pay the contribution for accident insurance at the rate increased by 50%, as well as decide that the percentage rate of the contribution for the above contributory years should be 3.09% and 2.7% respectively. On 20 January 2015, the first trial in the case was held, during which the Court admitted all evidence from documents as requested by the Parent, adjourned the case without stating any date of the adjourned hearing, and informed that the Parent'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.

On 7 February 2017 the Regional Court in Lublin issued a ruling in the case against the Social Insurance Institution Lublin Branch for cancelling or changing the decision issued by the Social Insurance Institution Lublin Branch with respect to determining the percentage rate of the contribution for accident insurance for the settlement period from 1 April 2013 to 31 March 2014, and from 1 April 2014 to 31 March 2015, and imposing sanctions on the Parent in the form of punitive increase of the above-mentioned rate by 50%. By virtue of the above ruling, the Regional Court amended the challenged decision in such a way that the Parent is not obliged to pay the percentage rate of the contribution for accident insurance in the amount increased by 50%, and the rate of the contribution for accident insurance corresponds to the amount initially determined by the Parent. The ruling is not final and valid. The Social Insurance Institution Lublin Branch appealed against the aforesaid judgement. The Management Board of the Parent believes that given a complex nature of the case, the risk of outflow of economic benefits is high, before the above dispute is finally resolved, which however will not occur earlier than at the beginning of 2018.

Having taken the above into account, the provision disclosed in the Parent's books as at 30 June 2017 and amounting to PLN 20,685,000 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 4,287,000).

Other

Other provisions refer primarily to a provision, created by the Parent, for the cost of purchase of green certificates in the amount of PLN 1,017,000 (as at 31 December 2016: PLN 2,013,000), which were necessary for filing for redemption in relation to the purchase and using electrical energy in 2017. In 2017 the Company used the provision for the purchase of green certificates for 2016, in the amount of PLN 2,013,000.

(IN PLN '000)

15. OTHER INCOME

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-30 Jun. 2016
Compensations and damages received	781	941
Release of unused provision for the claims of the consortium of BUDIMEX S.A., Ferrovial Agroman S.A., and Mostostal Kraków	-	10,125
Other,	978	1,672
including:		
- Release of used provisions for liabilities	*725*	*72*
- Release of impairment losses	*73*	*48*
- Other income	*180*	*1,552*
Total other income	**1,759**	**12,738**

16. OTHER COSTS

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-30 Jun. 2016
Grants	(153)	(327)
Compensation	-	(992)
Other	(56)	(89)
Total other costs	**(209)**	**(1,408)**

17. OTHER NET LOSSES

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-30 Jun. 2016
Loss on sale of non-current assets	(470)	(125)
Currency exchange differences	(103)	(430)
Other,	(590)	(548)
including:		
- Creating other provisions	*(303)*	*(49)*
- Other	*(287)*	*(499)*
Total other net loss	**(1,163)**	**(1,103)**

(IN PLN '000)

18. FINANCE INCOME AND COSTS

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-30 Jun. 2016
Interest income on short-term bank deposits	3,158	2,372
Release of unused provision for interest on claims of the consortium of BUDIMEX S.A., Ferrovial Agroman S.A., and Mostostal Kraków	-	6,465
Other income, including:	915	1,433
- Interest regarding the Mine Closure Fund	*853*	*960*
- Other,	*62*	*473*
Total finance income	4,073	10,270
Interest on bank loans, commissions on loans and bonds	(3,840)	(7,274)
Interest expense on valuation of employee benefits	(3,481)	(2,911)
Settlement of discount on regarding provision for the Mine Closure Fund and land reclamation	(1,763)	(1,742)
Creation of a provision and impairment losses of interest	(2,199)	(1,677)
Provision for interest on claims of the Social Security Institution (ZUS) for contribution for accident insurance	(642)	(656)
Other finance cost	(329)	(450)
Total finance costs	(12,254)	(14,710)

19. INCOME TAX

19.1. Tax burden

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-30 Jun. 2016
Current tax	17,663	12,991
Deferred tax charged into finance income	9,506	4,180
Deferred tax charged into other comprehensive income:		
- as actuarial gains/losses as recognised in the Consolidated Statement of Comprehensive Income	*(6,360)*	*(1,831)*
	20,809	**15,340**

(IN PLN '000)

19.2. Reconciliation of an effective tax rate

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-30 Jun. 2016
Profit before taxation	139,293	92,125
Tax calculated at the rate of 19%	26,466	17,504
Tax effect of income permanently excluded from the taxable base, including:	(652)	(1,657)
- revenue due in respect of the real property tax	-	(136)
- reversal of the provision for legal claims	-	(1,229)
- other	(652)	(292)
Tax effect of costs permanently excluded from the taxable base	1,355	1,324
- payment to the National Fund for the Disabled	588	419
- provision for interest on real property tax	319	177
- impairment loss for interest receivable from the central budget and interest payable to the central budget	122	124
- other interest	298	542
- donations	28	62
Decrease in financial result by the income tax	**27,169**	**17,171**

Income tax in the condensed interim consolidated financial statements was determined according to the expected interest rate for 2017 amounting to 19.0% (2016: 19.0%).

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

Such interpretational doubts concern, for example, tax classification of outlays on creating certain mining excavations. The practice currently applied by the Parent 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 Parent for the purpose of corporate income tax in a way that differs from the classification presented by the Parent, 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 consolidated financial statements can therefore be changed after their amount has been finally determined by the tax authorities.

19.3. Current income tax - receivables and liabilities

Receivables related to the overpayment of current income tax in the amount of PLN 1,122,000 which are disclosed in the interim consolidated statement of financial position are mainly a result of a current overpayment of the Parent's corporate income tax due for 2017.

In 2017 the Parent set off the overpayment of income tax due for 2016 with the liabilities on account of other taxes (VAT, PIT) in the amount of PLN 10,187,000.

20. EARNINGS PER SHARE

Basic

Basic earnings per share are calculated as the quotient of the profit attributable to the shareholders of the Parent and the weighted average number of ordinary shares during the year.

	1 Jan. 2017- 30 Jun. 2017	1 Jan. 2016- 30 Jun. 2016
Earnings attributable to owners of the Parent	111,762	74,445
Weighted average number of ordinary shares ('000)	34,014	34,014
Basic earnings per share (in PLN)	**3.29**	**2.19**

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares as if an exchange was made for potential ordinary shares causing dilution. As at 30 June 2017, 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 June 2017 dilution did not occur (the same situation was recorded as at 30 June 2016).

21. DIVIDEND PER SHARE

During the Annual General Shareholders Meeting held on 26 June 2017, the Shareholders of the Parent, Lubelski Węgiel Bogdanka S.A., adopted a resolution on payment of dividend for 2016. In compliance with Resolution No. 26 of the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A., the net profit of the Parent in the amount of PLN 175,896,000 distributed as follows:

- the amount of PLN 34,014 – to a dividend, i.e. PLN 1.00 per share
- the remaining amount, i.e. PLN 141,882 – for the Company's reserve capital.

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

	1 Jan. 2017- 30 Jun. 2017	1 Jan. 2016- 30 Jun. 2016
Dividend due	34,014	-
Number of ordinary shares as at the dividend date ('000)	34,014	34,014
Dividend per share (in PLN)	**1.00**	**-**

As at 30 June 2017 the dividend was not paid. Pursuant to the above resolution of the Parent's Annual General Shareholders Meeting, the dividend payment date was set to 2 August 2017.

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.

22. FINANCIAL INSTRUMENTS

Hierarchy of financial instruments measured at fair value.

Financial instruments measured at fair value may be categorised to the following valuation models:

- Level 1: quoted prices (unadjusted) for identical assets and liabilities in an active market,
- Level 2: data inputs, other than quoted prices used in Level 1, which are observable for given assets and liabilities, both directly (e.g. as prices) or indirectly (e.g. derived from provisions),
- Level 3: data inputs which are not based on observable market prices (unobservable data inputs).

As at 30 June 2017 (as well as at 31 December 2016) the Company had no financial instruments measured at fair value.

23. CONTINGENT ITEMS

The Group has contingent liabilities on account of real property tax arrears as well as contingent liabilities and assets on account of legal claims arising in the normal course of its business activities.

Real property tax

The contingent liability concerning the value of mining excavations from which the Parent does not create a provision (provision for real property tax, in its parts deemed as probable by the Parent, amounts to PLN 37,560,000 and is presented in Note 14), may primarily result from the existing discrepancies between the position of the Parent 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 2016).

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 Parent from which the Parent does not create provision may primarily result from impossibility to assess whether the claim in question is justified and different positions taken by the Parent and the co-inventors of inventions covered with the abovementioned patents. The value of the possible liability as at the day of publishing these condensed interim consolidated financial statements amounts to PLN 48 million. The Parent estimated a provision for remuneration for co-inventors to the best of its knowledge and in line with principles so far applied at the Parent when calculating remunerations for inventors. The item provisions for legal claims shows a provision for legal claims regarding remuneration for co-inventors of inventions covered by patents No. 206048 and 209043, used at the Parent. The amount of remuneration will be subject to analysis of court experts or experts accepted by both parties, to be made upon drafting a technical opinion regarding the patented inventions. On 24 March 2016 a court expert issued an opinion. Subsequently, during the course of 2016, both parties submitted a number of reservations to the opinion. Further, a court expert was heard as regards the prepared opinion; the hearing, which took place on 4 July 2017, was preceded by drawing an additional opinion by the expert. The date of another trial has been set to 5 September 2017. The extent of such liability has not changed significantly compared to the end of the prior financial year (31 December 2016).

Liabilities and contingent assets regarding a dispute with a Consortium

By 30 June 2017 the Parent issued to the Consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. ("Consortium") debit notes in 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 Parent. 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 Parent, totalling PLN 27,232,000. In the Parent'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 Parent'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 Parent. The Management Board finds that likelihood of resolving the dispute to the disadvantage of the Parent 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 Parent.

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 (the Arbitration Court has only decided to have jurisdiction for the recognition of the claim for the return of PLN 15 million being a bank guarantee paid to the Parent and issued on order of Mostostal Warszawa S.A.), 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. On 10 June 2016, to Arbitration Court at the National Chamber of Commerce in Warsaw received an action filed by the Consortium an action to which the Parent filed a response, and requested a dismissal of the Consortium's claims and presented an opinion drafted by experts appointed by the Parent. At the turn of 2016 and 2017 the parties exchanged further pleadings. The trials before the Arbitration Court were held between 19 and 21 June 2017. The Group expects the ruling on that matter should be issued by the end of October 2017. In the meantime, on 20 September 2016 the Parent filed a statement of claim against the Consortium with the Regional Court in Lublin. The Parent requested the court to determine that the alleged claims of the Consortium on account of the agreement did not exist. The claim aims to prove that the Consortium failed to duly perform the agreement, and therefore, the Parent was right to charge the Consortium the liquidated damages and withdraw from the agreement. The Regional Court in Lublin has not set a deadline for the Consortium to prepare a response to LWB's statement of claim (the date of the first trial set to 24 May 2017 was cancelled as the translation of the statement of claim into Spanish had not been completed, and a new date has not been set yet).

(IN PLN '000)

24. FUTURE CONTRACTUAL LIABILITIES

Investment liabilities

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

	30 Jun. 2017	31 Dec. 2016	30 Jun. 2016
Property, plant and equipment	152,435	7,063	26,782
Investment liabilities	**152,435**	**7,063**	**26,782**

25. RELATED PARTY TRANSACTIONS

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

Transactions with ENEA Group companies

Purchase transactions cover primarily the purchases of electrical energy from ENEA S.A. and materials from ENEA Logistyka Sp. z o.o. as well as services from Enea Centrum Sp. z o.o. and Enea Serwis Sp. z o.o.

In the reporting periods ending on 30 June 2017 and 30 June 2016, the value of tradeover on account of purchase with the ENEA Group companies and the total liabilities towards those entities were as follows:

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-31 Dec. 2016	1 Jan. 2016-30 Jun. 2016
Purchases in period	33,808	66,585	32,258
Total liabilities at end of period including VAT	12,187	13,459	13,510

Sale transactions cover the sales of thermal coal to ENEA Wytwarzanie Sp. z o.o. and ENEA Elektrownia Połaniec Sp. z o.o. (formerly ENGIE ENERGIA POLSKA Sp. z o.o.) and Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. with registered office in Białystok.

In the reporting periods ending on 30 June 2017 and 30 June 2016, the value of tradeover on account of sale with the ENEA Group companies and the total receivables of the Parent from those entities as at individual balance-sheet dates were as follows:

	1 Jan. 2017-30 Jun. 2017*	1 Jan. 2016-31 Dec. 2016	1 Jan. 2016-30 Jun. 2016

Sales in period	642,564	819,991	408,097
Total receivables at end of period including VAT	281,447	105,579	89,093

ENEA Elektrownia Połaniec S.A. became a related entity once it was purchased by ENEA S.A. (the parent in the ENEA Group), on 15 March 2017; therefore revenue disclosed in the above table includes transactions with ENEA Elektrownia Połaniec S.A. conducted after 15 March 2017.

In the reporting periods ending on 30 June 2017 and 30 June 2016, the value of liability on account of dividend as well as the value of dividend paid to the Enea Group companies, i.e. Enea S.A. and Enea Wytwarzanie Sp. z o.o. as at subsequent balance-sheet dates were as follows:

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-31 Dec. 2016	1 Jan. 2016-30 Jun. 2016
Dividend payable to the ENEA Group companies	22,449	-	-
Total dividend	**22,449**	**-**	**-**

Pursuant to the resolution of the Annual General Shareholders Meeting of LWB Bogdanka S.A. of 26 June 2017, the 2016 dividend payment date was set to 2 August 2017.

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. (Azoty Group), PGNiG Termika S.A., Energa Elektrownie Ostrołęka S.A. and Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Chełm.

In the reporting periods ending on 30 June 2017 and 30 June 2016, the value of tradeover on account of sales with the above entities and the total receivables of the Group from those entities were as follows:

	1 Jan. 2017-30 Jun. 2016	1 Jan. 2016-31 Dec. 2016	1 Jan. 2016-30 Jun. 2016
Sales in period	86,181	370,020	176,509
Total receivables at end of period including VAT	20,961	33,364	41,139

Key purchase transactions include: 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 periods ending on 30 June 2017 and 30 June 2016, the value of purchases from the above entities and the total liabilities of the Group to those entities were as follows:

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-31 Dec. 2016	1 Jan. 2016-30 Jun. 2016
Purchases in period	58,231	109,790	39,953
Total liabilities at end of period including VAT	12,433	14,963	9,904

(IN PLN '000)

26. INFORMATION ON REMUNERATION OF THE MANAGEMENT BOARD, THE SUPERVISORY BOARD AND THE COMMERCIAL PROXIES OF THE PARENT

	1 Jan. 2017-30 Jun. 2017	1 Jan. 2016-30 Jun. 2016
Remuneration of Management Board members and commercial proxies	3,363	4,168
Remuneration of the Supervisory Board members of the Parent	114	50

27. UNUSUAL EVENTS AFFECTING THE FINANCIAL RESULT

In the period of six months of 2017, no unusual events occurred that would significantly affect the interim consolidated financial statements of the Group.

The change of assumptions regarding the price of commercial coal which is included in the Parent's offer (and which was used in the valuation of provisions for employee benefits as at 30 June 2017) resulted in a high rise in the provision for coal allowance benefits. During six months of 2017 (compared to 31 December 2016) this provision increased by PLN 33,692,000, which was attributable primarily to actuarial losses of PLN 30,508,000, which in turn significantly affected the comprehensive income.

28. EVENTS AFTER THE BALANCE-SHEET DATE

After the balance-sheet date, to the best of the Group's knowledge, no material event occurred, which could affect the financial result as at 30 June 2017, and were not disclosed in the Group's condensed interim consolidated financial statements.

By the publication date of these condensed interim consolidated financial statements, no material events affecting the Group's operations in 2017 have occurred.

29. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Lubelski Węgiel BOGDANKA S.A. declares that as of 6 September 2017, it approves for publication these condensed interim consolidated financial statements of the Group for the period from 1 January to 30 June 2017.

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