



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA



THE LUBELSKI WĘGIEL BOGDANKA GROUP

Consolidated Quarterly Report for the Third Quarter of 2017
for 9 months ended 30 September 2017

BOGDANKA, NOVEMBER 2017



NOTES TO THE CONSOLIDATED QUARTERLY REPORT OF THE LUBELSKI WĘGIEL BOGDANKA GROUP FOR THE THIRD QUARTER OF 2017

1. GENERAL INFORMATION

Composition of the Group and the object of the Group's business.



[THE LUBELSKI WĘGIEL BOGDANKA GROUP]

[% of votes at the Shareholders Meetings in Subsidiaries]

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 September 2017, the Parent Company held 88.70% of share in capital of its subsidiary Łęczyńska Energetyka Sp. z o.o.

Łęczyńska Energetyka Sp. z o.o. provides services to mines involving supplying heat energy and conducts water/wastewater management. In the previous period Łęczyńska Energetyka Sp. z o.o. conducted works with a view to completing the construction of the central air conditioning station in the Bogdanka Field. 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 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 September 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 September 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 |
|--|--------------------------------|-------------------|------------------|--|---|----------------------|
| <u>Companies subject to consolidation in the current and previous periods:</u> | | | | | | |
| Łęczyńska Energetyka sp. z o.o. | 114,209 | 88,399 | 88.70 | Non-controlling interests amount to 11.30% and are held by: Łączna Municipality 11.29% Puchaczów Commune 0.01% | none | full |
| RG Bogdanka Sp. z o.o. | 9,551 | 4,664 | 100.00 | none | none | full |
| EkoTRANS Bogdanka Sp. z o.o. | 3,405 | 376 | 100.00 | none | none | full |
| Sp. z o.o. | | | | | | |
| MR Bogdanka Sp. z o.o. | 6,472 | 2,841 | 100.00 | none | none | full |

In order to understand fully the Group's financial standing and the results of its operation, these condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Lubelski Węgiel Bogdanka Group, as well as with the audited financial statements of the Parent, Lubelski Węgiel Bogdanka, for the financial period ended on 31 December 2016. Those financial statements are available on the Parent's website at www.lw.com.pl.

Share in the structure of the ENEA Group



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

2. PRINCIPLES APPLIED IN PREPARING THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND THE CONDENSED INTERIM FINANCIAL STATEMENTS OF THE PARENT, LUBELSKI WĘGIEL BOGDANKA S.A.

These condensed interim consolidated financial statements of the LW Bogdanka Group and condensed interim financial statements of the Parent, LW Bogdanka, for the first three quarters of 2017 were prepared in accordance with International Accounting Standard 34 – “Interim Financial Reporting”, as approved by the European Union.

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 in a sale of 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.

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

As far as the assumptions for the actuarial valuation of provisions for employee benefits as at 30 September 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 allowances. During nine months of 2017 (compared to 31 December 2016)



this provision increased by PLN 32,067,000, which was attributable primarily to actuarial losses of PLN 30,508,000, resulting from a change in assumptions described above.

Moreover, in the first nine months 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.

In addition, in consequence of obtaining the hard coal mining licence for the Ostrów deposit (described in greater detail in point 3), the life span of the mine will change from the previously estimated 2043. The Group is currently analysing the impact of obtaining the licence on lengthening the above period. Detailed information will be provided in the annual financial statements and the annual consolidated financial statements, prepared as at 31 December 2017.

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 and separate 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, the following material events (having influence on the Group's operations in 2017) occurred in the period of the first three quarters of 2017 and until the publication date of this Consolidated Quarterly Report:

- On 10 March 2017 the Management Board of the Parent signed an annex to an agreement on the Bond Issue Programme of 30 June 2014, concluded with Bank Polska Kasa Opieki S.A. and Bank Gospodarstwa Krajowego. In accordance with the Annex, the end date of the Programme for Tranche 1 was changed to 30 March 2017 (previously 31 December 2019). Due to above, on 30 March 2017, the Parent redeemed series LWB01C300617 registered bonds. Redeemed Tranche 1 covered 300 bonds with a nominal value of PLN 1 million (one million zlotys) each and a total nominal value of PLN 300 million (three hundred million zlotys). Therefore, the Programme Agreement has been terminated.
- On 10 October 2017, the Management Board of the Parent concluded, with Grupa Azoty Zakłady Azotowe Puławy S.A. (Azoty Group), with registered office in Puławy, an Annex to the Long-Term Agreement on sale of thermal coal. The Annex defines new terms for the supplies of thermal coal supplies (prices and volumes) for supplies in 2018–2021. As a result of concluding the Annex, the value of the entire Agreement currently amounts to PLN 1,095 million.
- On 17 October 2017, the Management Board of the Parent signed with the trade unions active at the Parent an agreement to amend the existing Company Collective Bargaining Agreement to the extent it is related to payments of coal allowances to the retirees and pensioners of the Parent. For more information please refer to note 10.
- On 20 November 2017 the Parent was notified of being granted, by the Minister of Environment, a hard coal mining licence for the Ostrów deposit in the Ludwin Mining Area, with the exploitable resources of approximately 186 million tonnes. Obtaining this licence is key for the plan to double the exploitable resources of the Parent and means that the mine's life span will be extended to approx. 50 years (from the currently estimated 25 years).



4. DESCRIPTION OF FACTORS AND EVENTS, IN PARTICULAR OF UNTYPICAL NATURE, WITH A SIGNIFICANT BEARING ON THE FINANCIAL RESULTS.

In the period of nine months of 2017, no unusual events occurred that would seriously affect the interim separate and consolidated financial statements.

It must be however pointed that on 7 February 2017 the Regional Court in Lublin issued a judgment 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% (for this purpose the Parent made a provision in its books amounting to PLN 21,015,000 as at 30 September 2017 – a detailed description is contained in Note 19 of the Consolidated financial statements for 2016, next to the description of the provision for the claim of the Social Insurance Institution regarding the accident contribution). By virtue of the above judgment, 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 Social Insurance Institution Lublin Branch appealed against the aforesaid judgement.

On 21 November 2017 an appeal trial was held during which the Court of Appeals in Lublin recognised the appeal filed by the Social Insurance Institution from the judgment of 7 February 2017. The Court of Appeal issued a judgment in which it dismissed the appeal filed by the Social Insurance Institution. At present, the judgment is not final and legally binding. The Social Insurance Institution is entitled to file cassation appeal from the above judgment to the Supreme Court.

5. DATA WITH REGARD TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE LUBELSKI WĘGIEL BOGDANKA GROUP IN THREE QUARTERS OF 2017.

The third quarter of 2017

Interim Consolidated Income Statement

In the third quarter of 2017, the consolidated net revenue on sales of products, goods and materials achieved the level of PLN 405,046,000, while in the comparable period of 2016 the same item amounted to PLN 465,442,000, which represents a decrease in the net revenue in 2017 by 12.98%.

Consolidated operating profit in the third quarter of 2017 amounted to PLN 44,412,000.

In the third quarter of 2017, net profit attributable to owners of the Parent was recorded in the amount of PLN 31,594,000, while in the comparable period of 2016 the Group recorded net profit attributable to owners of the Parent of PLN 45,330,000. It represents a decrease by 30.30% compared to the same period of the previous year.

Three quarters of 2017

Interim Consolidated Income Statement



In cumulative terms, revenue on sales of products, goods and materials for three quarters of 2017 amounted to PLN 1,307,132,000, which represents a decrease by 0.55% compared to the same period of the previous year.

The consolidated operating profit for three quarters of 2017 amounted to PLN 191,886,000.

In cumulative terms, the net profit attributable to owners of the Parent for three quarters of 2017 was recorded in the amount of PLN 143,356,000, while in the comparable period of 2016 the Group recorded net profit attributable to owners of the Parent of PLN 119,775,000. It represents an increase by 19.69% as compared to the same period of the previous year.

Interim Consolidated Statement of Financial Position

As at 30 September 2017, the balance of total provisions for other liabilities and charges, as well as provisions for employee benefits payable in the member companies of the of the Lubelski Węgiel Bogdanka Group amounted to PLN 493,376,000, which represents an increase by PLN 38,120,000 in comparison to the balance as at 31 December 2016.

As at 30 September 2017, deferred income tax liability occurred in the amount of PLN 68,987,000, which represents an increase by PLN 12,928,000 in comparison to the balance of this item as at 31 December 2016.

6. DATA WITH REGARD TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PARENT IN THREE QUARTERS OF 2017

The third quarter of 2017

Interim Income Statement

In the third quarter of 2017, the net revenue on sales of products, goods and materials achieved the level of PLN 404,729,000, while in the comparable period of 2016 the item amounted to PLN 464,911,000, which represents a decrease in the net revenue in 2017 by 12.95%.

Operating profit in the third quarter of 2017 amounted to PLN 44,193,000.

Net profit for the third quarter of 2017 amounted to PLN 31,563,000, while in the same period of the previous year the Parent generated net profit of PLN 44,702,000. It represents a decrease by 29.39% compared to the same period of the previous year.



Three quarters of 2017

Interim Income Statement

In cumulative terms, revenue on sales of products, goods and materials for three quarters of 2017 amounted to PLN 1,304,716,000, which represents a decrease by 0.49% compared to the same period of the previous year.

The operating profit for three quarters of 2017 amounted to PLN 184,318,000.

In cumulative terms, the net profit for three quarters of 2017 amounted to PLN 146,535,000, while in the same period of 2016 the Parent recorded net profit of PLN 114,504,000. It represents an increase by 27.97% as compared to the same period of the previous year.

Interim Statement of Financial Position

As at 30 September 2017, the balance of the Parent's provisions for other liabilities and charges, as well as provisions for employee benefits amounted to PLN 488,620,000, which represents an increase by PLN 37,120,000 in comparison to the balance as at 31 December 2016.

As at 30 September 2017, deferred income tax liability occurred in the amount of PLN 68,878,000, which represents an increase by PLN 12,952,000 in comparison to the balance of this item as at 31 December 2016.

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 2017 accounted for 0.76%, and in the first three quarters 2017 – 0.34% of total consolidated sales. 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.

On 10 March 2017 an annex to the Programme Agreement of 30 June 2014 was signed (for more information see Note 3) amending the Term of the Scheme with respect to Tranche 1 - from 31 December 2019 to 30 March 2017. As a consequence, all the bonds issued under the Programme and Tranche 1, in the total amount of PLN 300,000,000, were redeemed on 30 March 2017 and on that day the Scheme Agreement was terminated.

Interest on the bonds was based on WIBOR 3M plus a fixed margin.



9. INFORMATION CONCERNING THE DIVIDEND PAID (OR DECLARED), IN AGGREGATE AND CALCULATED PER SHARE, DIVIDED INTO ORDINARY AND PREFERRED SHARES.

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 34,014,000 – to a dividend, i.e. PLN 1.00 per share,
- the remaining amount, i.e. PLN 141,882,000 – 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 Sep. 2017 | 1 Jan. 2016- 30 Sep. 2016 |
|--|------------------------------|------------------------------|
| Dividend paid | 34,014 | - |
| Number of ordinary shares as at the dividend date ('000) | 34,014 | 34,014 |
| Dividend per share (in PLN) | 1.00 | - |

Pursuant to the above resolution of the Parent's Annual General Shareholders Meeting, dividend was paid on 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.

10. EVENTS AFTER THE BALANCE-SHEET DATE NOT DISCLOSED IN THE CONSOLIDATED QUARTERLY REPORT.

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

On 17 October 2017, the Management Board of the Parent signed with the trade unions active at the Parent an agreement to amend the existing Company Collective Bargaining Agreement to the extent it is related to payments of coal allowances to the retirees and pensioners of the Parent. As a result of signing the agreement, the existing retirees and pensioners, for whom the Parent was the last place of employment, have lost their right to free coal. Further, in consequence of the Act on the benefit to compensate for the loss of the right to free coal becoming effective on 12 October 2017, these persons may benefit from a one-off compensation in the amount of PLN 10,000. As a result of signing the agreement, the right to free coal after retirement was also lost by the current employees of the Parent, in exchange for a right to receive a one-off additional severance pay for retirees and pensioners.

Given the above, the value of Parent's provisions for employee benefits will change with respect to coal allowances and severance pays for retirees and pensioners, which will affect significantly the Group's operating result for Q4 2017. The Group also estimates that the impact of the above changes will result in an increase in the operating profit/loss by approx. PLN 110 million.



11. INFORMATION CONCERNING CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS THAT OCCURRED AFTER THE END OF THE PREVIOUS FINANCIAL YEAR.

On 29 September 2017, the Arbitration Court at the National Chamber of Commerce in Warsaw issued a judgment dismissing in full the action brought against the Parent by a Consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. ("Consortium"). With the judgement the procedure before the Arbitration Court was closed. At present, the judgment is not final and legally binding. The Consortium is entitled to appeal against the above judgement to the Court of Appeal.

Since the previous annual 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 and the maintenance services for sewage installations, central heating, tailwater and water grid. Furthermore, in the previous period Łęczyńska Energetyka Sp. z o.o. conducted works for the benefit of the Parent, with a view to completing the construction of the central air conditioning station 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 2017 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. 2017- 30 Sep. 2017 | 1 Jan. 2016- 31 Dec. 2016 | 1 Jan. 2016- 30 Sep. 2016 |
|---|------------------------------|------------------------------|------------------------------|
| Purchases in period, including: | 75,392 | 104,333 | 78,920 |
| - Purchases of services activated on the value of "property, plant and equipment" | 5,597 | 6,920 | 6,842 |
| Total liabilities at end of period including VAT | 12,373 | 9,979 | 7,743 |

In the reporting periods ended on 30 September 2017 and 30 September 2016 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. 2017- 30 Sep. 2017 | 1 Jan. 2016- 31 Dec. 2016 | 1 Jan. 2016- 30 Sep. 2016 |
|--|------------------------------|------------------------------|------------------------------|
| Sales in period | 7,759 | 10,922 | 7,482 |
| Total receivables at end of period including VAT | 754 | 1,704 | 1,035 |

In the reporting periods ending on 30 September 2017 and 30 September 2016 the value of dividends payable by and received from subsidiaries - Łęczyńska Energetyka Sp. z o.o., MR Bogdanka sp. z o.o., EkoTRANS Bogdanka Sp. z o.o., RG Bogdanka Sp. z o.o. and MR Bogdanka Sp. z o.o. were as follows:

| | 1 Jan. 2017- 30 Sep. 2017 | 1 Jan. 2016- 31 Dec. 2016 | 1 Jan. 2016- 30 Sep. 2016 |
|--|------------------------------|------------------------------|------------------------------|
| Dividend received from the LW BOGDANKA Group companies | 8,490 | 2,032 | 2,032 |
| Total dividend | 8,490 | 2,032 | 2,032 |

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 September 2017 and 30 September 2016, the value of tradeover on account of purchase with the ENEA Group companies and the total liabilities of the Parent towards those entities were as follows:

| | 1 Jan. 2017- 30 Sep. 2017 | 1 Jan. 2016- 31 Dec. 2016 | 1 Jan. 2016- 30 Sep. 2016 |
|--|--------------------------------------|--------------------------------------|--------------------------------------|
| Purchases in period | 50,277 | 66,585 | 49,907 |
| Total liabilities at end of period including VAT | 13,861 | 13,459 | 14,141 |

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 Ciepłej Sp. z o.o. with registered office in Białystok.

In the reporting periods ending on 30 September 2017 and 30 September 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 Sep. 2017* | 1 Jan. 2016- 31 Dec. 2016 | 1 Jan. 2016- 30 Sep. 2016 |
|--|---------------------------------------|--------------------------------------|--------------------------------------|
| Sales in period | 964,941 | 819,991 | 634,816 |
| Total receivables at end of period including VAT | 275,410 | 105,579 | 83,474 |

**ENEA Elektrownia Połaniec Sp. z o.o. 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 include transactions with ENEA Elektrownia Połaniec Sp. z o.o. conducted after 15 March 2017.*

In the reporting periods ending on 30 September 2017 and 30 September 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 Sep. 2017 | 1 Jan. 2016- 31 Dec. 2016 | 1 Jan. 2016- 30 Sep. 2016 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| Dividend paid to the ENEA Group companies | 22,449 | - | - |
| Total dividend | 22,449 | - | - |

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 Ciepłej Sp. z o.o. in Chełm.



In the reporting periods ended on 30 September 2017 and 30 September 2016, the value of sales to the above entities and the total receivables of the Group from those entities were as follows:

| | 1 Jan. 2017- 30 Sep. 2017 | 1 Jan. 2016- 31 Dec. 2016 | 1 Jan. 2016- 30 Sep. 2016 |
|--|------------------------------|------------------------------|------------------------------|
| Sales in period | 115,237 | 370,020 | 265,219 |
| Total receivables at end of period including VAT | 17,117 | 33,364 | 51,174 |

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 period ending on 30 September 2017 and 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. 2017- 30 Sep. 2017 | 1 Jan. 2016- 31 Dec. 2016 | 1 Jan. 2016- 30 Sep. 2016 |
|--|------------------------------|------------------------------|------------------------------|
| Purchases in period | 93,125 | 109,790 | 63,218 |
| Total liabilities at end of period including VAT | 14,835 | 14,963 | 8,035 |

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. 2017 | 31 Dec. 2016 |
|--|------------------|------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 2,743,084 | 2,760,196 |
| Intangible assets | 46,398 | 47,511 |
| Investment properties | 3,406 | 3,532 |
| Deferred tax assets | 2,293 | 2,117 |
| Trade and other receivables | 1,390 | 5,214 |
| Cash and cash equivalents | 112,639 | 111,218 |
| Total non-current assets | 2,909,210 | 2,929,788 |
| Current assets | | |
| Inventories | 81,413 | 71,571 |
| Trade and other receivables | 351,013 | 244,070 |
| Overpaid income tax | 1,691 | 9,424 |
| Property, plant and equipment intended for sale | - | 4,330 |
| Cash and cash equivalents | 287,116 | 541,106 |
| Total current assets | 721,233 | 870,501 |
| TOTAL ASSETS | 3,630,443 | 3,800,289 |
| Equity | | |
| Equity attributable to owners of the Parent | | |
| Ordinary shares | 301,158 | 301,158 |
| Other capital | 1,615,010 | 1,473,128 |
| Retained profits | 448,316 | 507,972 |
| | 2,364,484 | 2,282,258 |
| Non-controlling interests | 9,992 | 10,149 |
| Total equity | 2,374,476 | 2,292,407 |
| Liabilities | | |
| Non-current liabilities | | |
| Loans and borrowings | 17,725 | 20,002 |
| Deferred income tax liability | 68,987 | 56,059 |
| Provisions for employee benefits | 262,846 | 209,682 |
| Provisions for other liabilities and charges | 117,036 | 117,423 |
| Grants | 13,255 | 13,705 |
| Financing liabilities on account of bond issue | 75,000 | 300,000 |
| Trade and other liabilities | 38,644 | 43,201 |
| | 593,493 | 760,072 |
| Current liabilities | | |
| Loans and borrowings | 3,250 | 3,273 |
| Provisions for employee benefits | 35,714 | 57,299 |
| Provisions for other liabilities and charges | 77,780 | 70,852 |
| Grants | 600 | 600 |
| Financing liabilities on account of bond issue | 226,911 | 300,080 |
| Current income tax liabilities | 73 | 18 |
| Trade and other liabilities | 318,146 | 315,688 |
| | 662,474 | 747,810 |
| Total liabilities | 1,255,967 | 1,507,882 |
| TOTAL EQUITY AND LIABILITIES | 3,630,443 | 3,800,289 |



INTERIM CONSOLIDATED INCOME STATEMENT

| | Q3 2017 period from 1 Jul. 2017 to 30 Sep. 2017 | 3Qs 2017 period from 1 Jan. 2017 to 30 Sep. 2017 | Q3 2016 period from 1 Jul. 2016 to 30 Sep. 2016 | 3Qs 2016 period from 1 Jan. 2016 to 30 Sep. 2016 |
|---|---|--|---|--|
| Revenue | 405,046 | 1,307,132 | 465,442 | 1,314,387 |
| Costs of products, goods and materials sold | (330,323) | (1,019,909) | (364,019) | (1,071,773) |
| Gross profit | 74,723 | 287,223 | 101,423 | 242,614 |
| Selling costs | (8,117) | (28,766) | (10,321) | (27,449) |
| Administrative expenses | (22,271) | (67,035) | (25,160) | (62,885) |
| Other income | 384 | 2,143 | 274 | 13,012 |
| Other costs | (351) | (560) | (398) | (1,806) |
| Other net loss | 44 | (1,119) | (7,746) | (8,849) |
| Profit on operating activities | 44,412 | 191,886 | 58,072 | 154,637 |
| Finance income | 1,574 | 5,647 | 1,873 | 12,143 |
| Finance costs | (5,462) | (17,716) | (6,178) | (20,888) |
| Profit before taxation | 40,524 | 179,817 | 53,767 | 145,892 |
| Income tax | (8,993) | (36,162) | (8,562) | (25,733) |
| Net profit for the financial year | 31,531 | 143,655 | 45,205 | 120,159 |
| including: | | | | |
| - attributable to the owners of the Parent | 31,594 | 143,356 | 45,330 | 119,775 |
| - attributable to non-controlling interests | (63) | 299 | (125) | 384 |

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

| | | |
|------------|------|------|
| - basic | 4.21 | 3.52 |
| - diluted* | 4.21 | 3.52 |

*As at 30 September 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 September 2017 dilution did not occur (the same situation was recorded as at 30 September 2016).



INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Q3 2017 period from 1 Jul. 2017 to 30 Sep. 2017 | 3Qs 2017 period from 1 Jan. 2017 to 30 Sep. 2017 | Q3 2016 period from 1 Jul. 2016 to 30 Sep. 2016 | 3Qs 2016 period from 1 Jan. 2016 to 30 Sep. 2016 |
|--|--|--|---|--|
| Net profit for the reporting period | 31,531 | 143,655 | 45,205 | 120,159 |
| 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 | - | (33,476) | - | (9,637) |
| Income tax relating to non-transferrable items | - | 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 | - | - | - | - |
| Total comprehensive loss for the financial period | - | (27,116) | - | (7,806) |
| Other net comprehensive income for the reporting period - total | 31,531 | 116,539 | 45,205 | 112,353 |
| including: | | | | |
| - attributable to owners of the Parent | 31,594 | 116,240 | 45,330 | 111,969 |
| - attributable to non-controlling interests | (63) | 299 | (125) | 384 |



INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the Parent | | | | | | Non-controlling interests | Total equity |
|--|--------------------------------------|---|--|------------------|------------------|---------------|---------------------------|--------------|
| | Ordinary shares | Other capital | | Retained profits | Total equity | Total equity | | |
| | | Other capital – transfer of profit / loss | Other capitals – issue of Management Options | | | | | |
| 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: | - | - | - | 116,240 | 116,240 | 299 | 116,539 | |
| - net profit | - | - | - | 143,356 | 143,356 | 299 | 143,655 | |
| - other comprehensive income | - | - | - | (27,116) | (27,116) | - | (27,116) | |
| Dividends concerning 2016 | - | - | - | (34,014) | (34,014) | (456) | (34,470) | |
| Transfer of the result of 2016 | - | 141,882 | - | (141,882) | - | - | - | |
| As at 30 September 2017 | 301,158 | 1,611,171 | 3,839 | 448,316 | 2,364,484 | 9,992 | 2,374,476 | |
| 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: | - | - | - | 111,969 | 111,969 | 384 | 112,353 | |
| - net profit | - | - | - | 119,775 | 119,775 | 384 | 120,159 | |
| - 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) | |
| As at 30 September 2016 | 301,158 | 1,469,289 | 3,839 | 444,689 | 2,218,975 | 10,087 | 2,229,062 | |



INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(indirect method)

| | For 3 quarters ended on 30 September | |
|--|--------------------------------------|------------------|
| | 2017 | 2016 |
| Cash flow from (used in) operating activities | | |
| Cash inflow from operating activities* | 369,787 | 523,155 |
| Interest received and paid | (814) | 5,164 |
| Income tax paid | (19,622) | (15,784) |
| Net cash flow from (used in) operating activities | 349,351 | 512,535 |
| Cash flow from (used in) investing activities | | |
| Acquisition of property, plant and equipment | (268,082) | (206,028) |
| Interest paid regarding investing activities | (2,027) | (2,622) |
| Acquisition of intangible assets | (506) | (4,637) |
| Inflow from the sale of property, plant and equipment | 3,912 | 54 |
| Interest received | 5,661 | 4,430 |
| Outflow on account of funds being deposited in the bank account of the Mine Closure Fund | (1,421) | (10,488) |
| Net cash flow from (used in) investing activities | (262,463) | (219,291) |
| Cash flow from (used in) financing activities | | |
| Proceeds from loans and borrowings | - | 4,984 |
| Bond redemption | (300,000) | (100,000) |
| Repayments of loans and borrowings | (2,277) | (2,277) |
| Interest and commissions paid regarding financing activities | (4,131) | (10,245) |
| Dividend paid | (34,470) | - |
| Net cash flow from (used in) financing activities | (340,878) | (107,538) |
| Net increase / (decrease) in cash and cash equivalents | (253,990) | 185,706 |
| Cash and cash equivalents at beginning of period | 541,106 | 262,037 |
| Cash and cash equivalents at end of period | 287,116 | 447,743 |

*detailed list of consolidated cash inflow from (used in) operating activities is presented on page 19.



INTERIM CONSOLIDATED CASH INFLOW FROM OPERATING ACTIVITIES

| | For 3 quarters ended on 30 September | |
|--|--------------------------------------|----------------|
| | 2017 | 2016 |
| Profit before taxation | 179,817 | 145,892 |
| - Depreciation of non-current assets | 259,391 | 268,428 |
| - Amortisation of intangible assets | 1,136 | 1,862 |
| - Depreciation of investments in real property | 126 | - |
| - Profit / (loss) on sale of property, plant and equipment | 470 | (51) |
| - Profit/(loss) on liquidation of plant, property and equipment | 8,296 | 14,304 |
| - Creating and using impairment losses of property, plant and equipment | - | 6,105 |
| - Actuarial gains (losses) as recognised in the interim consolidated statement of comprehensive income | (33,476) | (9,637) |
| - Change in provisions for employee benefits | 31,579 | 7,130 |
| - Changes in provisions | 10,843 | (6,633) |
| - Other flows | 690 | 769 |
| - Management Options | - | (5,913) |
| - Change in inventories | (9,842) | 19,145 |
| - Change in trade and other receivables | (103,119) | 9,480 |
| - Change in trade and other liabilities | 23,876 | 72,274 |
| Cash inflow from (used in) operating activities | 369,787 | 523,155 |
| Balance-sheet change in liabilities and grants | (2,549) | 48,255 |
| Settlement of income tax overpaid | 10,187 | 26,226 |
| Change in investment liabilities | 16,238 | (2,207) |
| Change in liabilities for the purposes of the interim consolidated statement of cash flows | 23,876 | 72,274 |
| Increase in non-current assets | 255,115 | 187,616 |
| Disclosure of non-current assets | - | (1,405) |
| Other non-cash adjustments | (1,244) | (197) |
| Interest paid regarding investing activities | (2,027) | (2,622) |
| Change in investment liabilities | 16,238 | 22,636 |
| Acquisition of property, plant and equipment | 268,082 | 206,028 |
| Increase in intangible assets | 506 | 29,480 |
| Change in investment liabilities | - | (24,843) |
| Acquisition of intangible assets | 506 | 4,637 |



INTERIM STATEMENT OF FINANCIAL POSITION (Balance Sheet) LUBELSKI WĘGIEL BOGDANKA S.A.

| | 30 Sep. 2017 | 31 Dec. 2016 |
|---|------------------|------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 2,657,689 | 2,670,355 |
| Intangible assets | 46,216 | 47,202 |
| Non-current investments | 75,601 | 75,601 |
| Trade and other receivables | 248 | 4,083 |
| Cash and cash equivalents | 112,639 | 111,218 |
| Total non-current assets | 2,892,393 | 2,908,459 |
| Current assets | | |
| Inventories | 79,804 | 70,037 |
| Trade and other receivables | 350,090 | 243,167 |
| Overpaid income tax | 1,517 | 9,004 |
| Property, plant and equipment intended for sale | - | 4,330 |
| Cash and cash equivalents | 262,613 | 513,432 |
| Total current assets | 694,024 | 839,970 |
| TOTAL ASSETS | 3,586,417 | 3,748,429 |
| Equity | | |
| Ordinary shares | 301,158 | 301,158 |
| Other capital | 1,615,010 | 1,473,128 |
| Retained profits | 438,903 | 495,380 |
| Total equity | 2,355,071 | 2,269,666 |
| Liabilities | | |
| Non-current liabilities | | |
| Deferred income tax liability | 68,878 | 55,926 |
| Provisions for employee benefits | 260,691 | 207,445 |
| Provisions for other liabilities and charges | 117,036 | 117,423 |
| Grants | 13,255 | 13,705 |
| Financing liabilities on account of bond issue | 75,000 | 300,000 |
| Trade and other liabilities | 38,387 | 43,030 |
| | 573,247 | 737,529 |
| Current liabilities | | |
| Provisions for employee benefits | 33,372 | 56,031 |
| Provisions for other liabilities and charges | 77,521 | 70,601 |
| Grants | 600 | 600 |
| Financing liabilities on account of bond issue | 226,911 | 300,080 |
| Trade and other liabilities | 319,695 | 313,922 |
| | 658,099 | 741,234 |
| Total liabilities | 1,231,346 | 1,478,763 |
| TOTAL EQUITY AND LIABILITIES | 3,586,417 | 3,748,429 |



INTERIM INCOME STATEMENT LUBELSKI WĘGIEL BOGDANKA SPÓŁKA AKCYJNA

| | Q3 2017 period from 1 Jul. 2017 to 30 Sep. 2017 | 3Qs 2017 period from 1 Jan. 2017 to 30 Sep. 2017 | Q3 2016 period from 1 Jul. 2016 to 30 Sep. 2016 | 3Qs 2016 period from 1 Jan. 2016 to 30 Sep. 2016 |
|---|---|--|---|--|
| Revenue | 404,729 | 1,304,716 | 464,911 | 1,311,161 |
| Costs of products, goods and materials sold | (329,443) | (1,022,208) | (363,466) | (1,076,028) |
| Gross profit | 75,286 | 282,508 | 101,445 | 235,133 |
| Selling costs | (8,633) | (30,750) | (10,951) | (29,310) |
| Administrative expenses | (22,309) | (67,000) | (25,350) | (62,822) |
| Other income | 148 | 1,233 | 249 | 12,024 |
| Other costs | (343) | (554) | (381) | (1,778) |
| Other net loss | 44 | (1,119) | (7,746) | (8,862) |
| Profit on operating activities | 44,193 | 184,318 | 57,266 | 144,385 |
| Finance income | 1,489 | 13,941 | 1,783 | 13,972 |
| Finance costs | (5,249) | (17,058) | (5,932) | (20,173) |
| Profit before taxation | 40,433 | 181,201 | 53,117 | 138,184 |
| Income tax | (8,870) | (34,666) | (8,415) | (23,680) |
| Net profit for the financial year | 31,563 | 146,535 | 44,702 | 114,504 |

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

| | | |
|------------|------|------|
| - basic | 4.31 | 3.37 |
| - diluted* | 4.31 | 3.37 |

*As at 30 September 2017, 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 2017 dilution did not occur (the same situation was recorded as at 30 June 2016).



INTERIM STATEMENT OF COMPREHENSIVE INCOME LUBELSKI WĘGIEL BOGDANKA SPÓŁKA AKCYJNA

| | Q3 2017 period from 1 Jul. 2017 to 30 Sep. 2017 | 3Qs 2017 period from 1 Jan. 2017 to 30 Sep. 2017 | Q3 2016 period from 1 Jul. 2016 to 30 Sep. 2016 | 3Qs 2016 period from 1 Jan. 2016 to 30 Sep. 2016 |
|--|--|--|---|--|
| Net profit for the reporting period | 31,563 | 146,535 | 44,702 | 114,504 |
| 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 | - | (33,476) | - | (9,637) |
| Income tax relating to non-transferrable items | - | 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 | - | - | - | - |
| Total comprehensive loss for the financial period | - | (27,116) | - | (7,806) |
| Other net comprehensive income for the reporting period - total | 31,563 | 119,419 | 44,702 | 106,698 |



INTERIM STATEMENT OF CHANGES IN EQUITY LUBELSKI WĘGIEL BOGDANKA SPÓŁKA AKCYJNA

| | Other capitals | | | | Total equity |
|--|-----------------|---|--|------------------|------------------|
| | Ordinary shares | Other capital - transfer of profit / loss | Other capital - issue of Management Options | Retained profits | |
| As at 1 January 2017 | 301,158 | 1,469,289 | 3,839 | 495,380 | 2,269,666 |
| Total net comprehensive income for the reporting period: | - | - | - | 119,419 | 119,419 |
| - net profit | - | - | - | 146,535 | 146,535 |
| - other comprehensive income | - | - | - | (27,116) | (27,116) |
| Dividend for 2016 | - | - | - | (34,014) | (34,014) |
| Transfer of the result for 2016 | - | 141,882 | - | (141,882) | - |
| As at 30 September 2017 | 301,158 | 1,611,171 | 3,839 | 438,903 | 2,355,071 |
| As at 1 January 2016 | 301,158 | 1,747,318 | 9,752 | 47,662 | 2,105,890 |
| Total net comprehensive income for the reporting period: | - | - | - | 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) |
| As at 30 September 2016 | 301,158 | 1,469,289 | 3,839 | 432,389 | 2,206,675 |



INTERIM STATEMENT OF CASH FLOWS LUBELSKI WĘGIEL BOGDANKA SPÓŁKA AKCYJNA

(indirect method)

| | For 3 quarters ended on 30 September | |
|--|--------------------------------------|------------------|
| | 2017 | 2016 |
| Cash flow from (used in) operating activities | | |
| Cash inflow from operating activities* | 356,570 | 504,839 |
| Interest received and paid | (1,298) | 5,164 |
| Income tax paid | (18,053) | (13,981) |
| Net cash flow from (used in) operating activities | 337,219 | 496,022 |
| Cash flow from (used in) investing activities | | |
| Acquisition of property, plant and equipment | (264,904) | (195,660) |
| Interest paid regarding investing activities | (2,027) | (2,622) |
| Acquisition of intangible assets | (110) | (3,996) |
| Inflow from the sale of property, plant and equipment | 3,912 | 41 |
| Interest received | 5,487 | 4,430 |
| Dividend received | 8,490 | 2,032 |
| Outflow on account of funds being deposited in the bank account of the Mine Closure Fund | (1,421) | (10,488) |
| Net cash flow from (used in) investing activities | (250,573) | (206,263) |
| Cash flow from (used in) financing activities | | |
| Dividend paid to Company shareholders | (34,014) | - |
| Bond redemption | (300,000) | (100,000) |
| Interest and commissions paid regarding financing activities | (3,451) | (9,564) |
| Net cash flow from (used in) financing activities | (337,465) | (109,564) |
| Net increase / (decrease) in cash and cash equivalents | (250,819) | 180,195 |
| Cash and cash equivalents at beginning of period | 513,432 | 240,011 |
| Cash and cash equivalents at end of period | 262,613 | 420,206 |

*detailed list of cash inflow from (used in) operating activities is presented in table on page 25.



INTERIM CASH INFLOWS FROM OPERATING ACTIVITIES LUBELSKI WĘGIEL BOGDANKA SPÓŁKA AKCYJNA

| | For 3 quarters ended on 30 September | |
|---|--------------------------------------|----------------|
| | 2017 | 2016 |
| Profit before taxation | 181,201 | 138,184 |
| - Depreciation of non-current assets | 253,223 | 262,384 |
| - Amortisation of intangible assets | 1,096 | 1,254 |
| - Profit / (loss) on sale of property, plant and equipment | 470 | (38) |
| - Profit/(loss) on liquidation of plant, property and equipment | 8,296 | 14,304 |
| - Creating and using impairment losses of property, plant and equipment | - | 6,105 |
| - Actuarial gains (losses) as recognised in the interim statement of comprehensive income | (33,476) | (9,637) |
| - Change in provisions for employee benefits | 30,587 | 7,048 |
| - Changes in provisions | 10,835 | (6,817) |
| - Other flows | 34 | 56 |
| - Dividend received | (8,490) | (2,032) |
| - Management Options | - | (5,913) |
| - Change in inventories | (9,767) | 18,975 |
| - Change in trade and other receivables | (103,088) | 10,281 |
| - Change in trade and other liabilities | 25,649 | 70,685 |
| Cash inflow from (used in) operating activities | 356,570 | 504,839 |
| Balance-sheet change in liabilities and grants | 680 | 52,224 |
| Settlement of income tax overpaid | 10,187 | 26,226 |
| Change in investment liabilities | 14,782 | (7,765) |
| Change in liabilities for the purposes of the interim statement of cash flows | 25,649 | 70,685 |
| Increase in non-current assets | 253,262 | 182,935 |
| Disclosure of non-current assets | - | (1,405) |
| Other non-cash adjustments | (1,113) | (326) |
| Interest paid regarding investing activities | (2,027) | (2,622) |
| Change in investment liabilities | 14,782 | 17,078 |
| Acquisition of property, plant and equipment | 264,904 | 195,660 |
| Increase in intangible assets | 110 | 28,839 |
| Change in investment liabilities | - | (24,843) |
| Acquisition of intangible assets | 110 | 3.996 |



14. APPROVAL OF THE FINANCIAL STATEMENTS

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby declares that as at 22 November 2017 it approves for publication this Consolidated Quarterly Report for the third quarter of financial year 2017, covering the period from 1 January 2017 to 30 September 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 |