LUBELSKI WĘGIEL „BOGDANKA" SPÓŁKA AKCYJNA

CONSOLIDATED QUARTERLY REPORT

THE LUBELSKI WĘGIEL BOGDANKA GROUP

2018

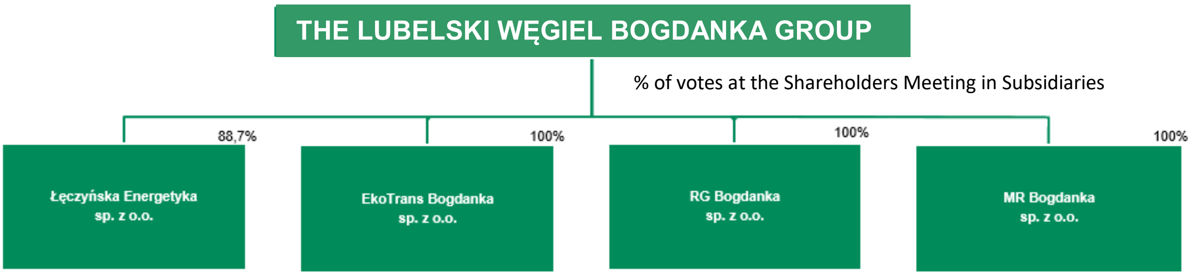
THE CONSOLIDATED QUARTERLY REPORT FOR THE FIRST QUARTER OF 2018
FOR 3 MONTHS ENDED 31 MARCH 2018

BOGDANKA, MAY 2018

NOTES TO THE CONSOLIDATED QUARTERLY REPORT OF THE LUBELSKI WĘGIEL BOGDANKA GROUP FOR THE FIRST QUARTER 2018

1. GENERAL INFORMATION

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



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 31 March 2018, 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 and conducts water/wastewater management. In addition, the Company supplies heat energy to third parties like housing estates and other facilities in Łęczna. The company also conducts activities involving the construction and refurbishment of heat-generating, water supply and sewage disposal installations.

The company prepares its balance sheet as at 31 December.

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

As at 31 March 2018, 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 31 March 2018, the Parent held 100.00% of share in capital of its subsidiary RG Bogdanka Sp. z o.o.

RG Bogdanka Sp. z o.o. provides services to the mine mainly with respect to the mining works, auxiliary works and run-of-mine services.

The company prepares its balance sheet as at 31 December.

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

As at 31 March 2018, the Parent held 100.00% of share in capital of its subsidiary MR Bogdanka Sp. z o.o.

MR Bogdanka Sp. z o.o. provides services to the mine with respect to renovation, repair and construction services, works in underground machinery departments, regeneration and production of steel constructions.

The company prepares its balance sheet as at 31 December.

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.	117,357	90,335	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.	7,055	2,972	100.00	none	none	full
EkoTRANS Bogdanka Sp. z o.o.	4,524	727	100.00	none	none	full
MR Bogdanka Sp. z o.o.	5,506	2,077	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 2017. 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 quarter of 2018 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.

Other key estimates and judgements have not changed since the publication of the annual consolidated and annual separate financial statements for 2017.

New accounting principles

On 1 January 2018, the Group adopted new standards for the first time: IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments". The impact of any of the standards on the interim financial statements is described below.

IFRS 15 "Revenue from Contracts with Customers" was applied using the retrospective method with the total effect of the first-time application of IFRS 15. The first-time application of the standard did not result in an adjustment of the balance of retained profits (no adjustments that would result in the adjustment of retained profits in the opening balance). Taking into account the type of transactions effected by the Group, the application of the above standard does not have a material impact on the accounting principles applied to date. The change pertains to the existing presentation, in the consolidated and separate income statement, of revenue and costs in connection with the Group providing coal transport service – the so called "przewoźne". As a consequence of applying the standard, as far as transactions in which the Group acts as an agent are concerned, as a result of netting revenue and costs, the revenue on other operations disclosed in the interim consolidated income statement of the Group and the interim separate income statement of the Parent in the amount of PLN 1,282,000 was reduced by the coal transport costs of PLN 1,194,000, therefore the margin of PLN 88,000 was disclosed solely in the revenue.

In principle, as a result of the application of the IFRS 15 standard in the consolidated statement of financial position of the Group as well as in the interim statement of financial position of the Company, new items may appear, namely "Contract assets" and "Contract liabilities", however, because sale transactions are nearly in all cases accounted for on a monthly basis, the Group expects that significant balances in those items will be rare. As at 31 March 2018 in the interim consolidated financial statements of the Group and the interim separate financial statements of the Parent, only in the item "Contract liabilities" was disclosed, in amount of PLN 1,089,000.

IFRS 9 "Financial Instruments" was applied by the Group using the retrospective method in accordance with interim provisions – the Group and the Parent do not restate comparative data in their financial statements for prior periods (1 January 2017 and 31 December 2017) in order to reflect the requirements of IFRS 9 in terms of measurement.

Following the entry into force of the IFRS 9, the classification of financial assets changed. For that reason, in 2018 new categories of financial assets replacing the previous ones and a new category of financial liabilities may appear in the consolidated financial statements of the Group and in the financial statements of the Company. Given that as at 31 December 2017 the Group and the Parent did not hold financial instruments the classification of which would change, restatement of comparative data was not necessary.

IFRS 9 has implemented new principles of classification of financial assets and of related measurement of such items. New groups of financial assets may be distinguished:

- equity instruments measured through other comprehensive income,

- financial assets measured at amortised cost,

- financial assets measured at fair value through other comprehensive income,

- financial assets measured at fair value through profit or loss.

Derivatives used for the purpose of hedge accounting are analysed as a separate group.

The new classification did not affect significantly the principles of measurement of financial assets. In terms of measurement, significant changes are connected with determination of impairment losses. IFRS 9 implemented a new model for determination of impairment losses on debt financial assets, the so called model of expected credit losses. Application of the model of expected credit losses means that in the course of estimation of a loss (allowance), the assumptions and expectations of the Group as to the occurrence of credit risk related future losses (debtor's default) have to be taken into account. Following an analysis carried out by the Group and the Parent for the purpose of application of IFRS 9, it was found that as at 1 January 2018 there was no need to recognise additional losses with respect to debt financial assets disclosed in the consolidated statement of financial position of the Group and in the statement of financial position of the Company as at 31 December 2017. The first-time application of the standard did not result in an adjustment of the balance of retained profits (no adjustments that would result in the adjustment of retained profits in the opening balance).

IFRS 9 implements a new model of hedge accounting, the objective of which is to reflect the actual management of risk in the entity. The new model will not have an impact on the recognition and settlement of hedging relationships because of high matching between hedged items and hedging instruments.

Except for the changes described above, the condensed interim consolidated financial statements and the separate financial statements were prepared using the same accounting principles for the current and comparative periods; the financial statements follow the same accounting principles (policies) and calculating methods as the latest approved annual 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 Group, the following material events (having influence on the Group's operations in 2018) occurred in the period of the first quarter of 2018 and until the publication date of this Consolidated Quarterly Report:

- On 3 January 2018, the Management Board of the Parent concluded, with ENERGA Elektrownie Ostrołęka S.A. with registered office in Ostrołęka, an Annex to the Long-Term Agreement on sale of thermal coal. The Annex regarded the extension of the term of the Agreement until 31 December 2022, and the terms of supplies in 2018. As a result of concluding the Annex, the net value of the entire Agreement currently amounts to PLN 1,649 million.
- On 26 February 2018, 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 regarded the extension of the term of the Agreement until 31 December 2022, and an increase in the volume of supplies in 2019–2021. As a result of concluding the Annex, the net value of the entire Agreement currently amounts to PLN 1,340 million.
- On 28 February 2018, the Management Board of the Parent signed with the trade unions active at the Parent an agreement regarding the level of salaries in 2018. The parties have agreed that beginning from 1 March 2018 the rates of personal classification of employees will grow by 5%. Furthermore, on 29 March 2018 a one-off incentive bonus was paid in the gross amount of PLN 2,700 for each eligible employee.
- On 30 March 2018 the Parent redeemed the 750 series BOGD02 300318 bonds with the total value amounting to PLN 75,000,000. For more information please refer to note 8.

4. Description of factors and events, especially of untypical nature, which have a material impact on the financial results achieved

In the period of three months of 2018, a material and unusual event occurred and had an impact on the interim separate and consolidated income statements, namely a settlement was concluded between the Parent and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras. The disclosure of the settlement in the Parent's books had a positive impact on the net financial result of the first quarter of 2018, in the amount of PLN 25,449,000.

Furthermore, the Group's financial results for Q1 2018 were materially affected by difficulties of geological and hydrogeological nature observed by the Parent in January and February, which resulted in a lower production of the commercial coal. These difficulties were removed at the end of February and the production was pursued in March as per the plan. Nevertheless, a significantly lower production in the first two months resulted in lowering the average yield of the whole quarter, which had a material impact on the level of production and sales, and therefore – financial results of the whole quarter.

5. Data with regard to the Condensed Interim Consolidated Financial Statements for the Lubelski Węgiel Bogdanka Group in the first quarter of 2018.

Interim Consolidated Income Statement

In the first quarter of 2018, the consolidated net revenue on sales of products, goods and materials achieved the level of PLN 398,697,000, while in the comparable period of 2017 the consolidated revenue on sales of products, goods and materials amounted to PLN 465,166,000, which represents a decrease in the net revenue in 2018 by 14.29%.

Consolidated operating profit in the first quarter of 2018 amounted to PLN 28,509,000.

In the first quarter of 2018, net profit attributable to owners of the Parent was recorded in the amount of PLN 22,960,000, while in the comparable period of 2017 the Group recorded net profit attributable to owners of the Parent of PLN 67,852,000. It represents a decrease by 66.16% compared to the same period of the previous year.

Interim Consolidated Statement of Financial Position

Total provisions for other liabilities and charges, as well as provisions for employee benefits in the companies of the Lubelski Węgiel Bogdanka Group as at 31 March 2018 amounted to PLN 362,795,000, which shows an increase by PLN 5,556,000 as compared to the amount achieved as at 31 December 2017.

Deferred income tax liability disclosed as at 31 March 2018 amounted to PLN 207,802,000, which represents an increase of PLN 2,468,000 as compared to the balance of this item as at 31 December 2017.

6. DATA WITH REGARD TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PARENT IN THE FIRST QUARTER OF 2018

Interim Income Statement

In the first quarter of 2018, the net revenue on sales of products, goods and materials achieved the level of PLN 397,897,000, while in the comparable period of 2017 the item amounted to PLN 464,360,000, which represents a decrease in the net revenue in 2018 by 14.15%.

Operating profit in the first quarter of 2018 amounted to PLN 25,591,000.

Net profit for the first quarter of 2018 amounted to PLN 20,903,000, while in the same period of the previous year the Parent generated net profit of PLN 64,100,000. It represents a decrease by 60.08% compared to the same period of the previous year.

Interim Statement of Financial Position

In the Parent, Lubelski Węgiel Bogdanka S.A., the balance of provisions for other liabilities and charges, as well as provisions for employee benefits as at 31 March 2018 amounted to PLN 358,782,000, which represents an increase by PLN 5,229,000 as compared to the balance of this item as at 31 December 2017.

Deferred income tax liability disclosed as at 31 March 2018 amounted to PLN 207,709,000, which represents an increase of PLN 2,476,000 as compared to the balance of this item as at 31 December 2017.

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 first quarter 2018 accounted for only 0.26% of total consolidated sales. This has no significant effect on operating and financing activities of the Group.

8. INFORMATION ABOUT THE ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES.

On 30 March 2018 the Parent redeemed the 750 series BOGD02 300318 bonds with the total value amounting to PLN 75,000,000; the bonds were issued under the Programme agreement dated 23 September 2013 concluded with Bank Polska Kasa Opieki S.A. As of 31 March 2018 the outstanding principal amount was PLN 225,000,000.

The redemption was effected as per the schedule set forth in the Programme Agreement. The bond redemption date of other tranches of PLN 75,000,000 each fall on 30 June 2018, 30 September 2018 and 30 December 2018.

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

In the first quarter of 2018 and in the same period of 2017, the Parent did not pay any dividend to the Shareholders.

On 16 May 2018, the Parent's Management Board adopted a resolution on a motion to the Parent's General Shareholders Meeting regarding distribution of net profit for 2017. Pursuant to the resolution, the Management Board has proposed to allocate the net profit for 2017 amounting to PLN 673,281,000 to the reserve capital in full amount. On 18 May 2018, the Parent's Supervisory Board adopted a resolution whereby it assessed positively the abovementioned motion of the Management Board regarding distribution of net profit for 2017.

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.

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

Comparing the most recent annual consolidated financial statements, the balance of other contingent liabilities and contingent assets changed significantly in connection with resolving the dispute between the Parent and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. ("Consortium"), described in greater detail in Note 29 of the Consolidated Financial Statements of the Bogdanka Group for 2017. The impact of the above dispute on the net financial result finally proved advantageous for the Group and amounted to PLN 25,449.000.

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 the 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.

(IN PLN '000)

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 31 March 2018 and 31 March 2017 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:

	For the period		
	1 Jan. 2018-31 Mar. 2018	1 Jan. 2017-31 Dec. 2017	1 Jan. 2017-31 Mar. 2017
Purchases in period, including:	28,836	101,370	25,938
- Purchases of services activated on the value of "property, plant and equipment"	*508*	*3,526*	*961*
Total liabilities at end of period including VAT	14,398	12,859	10,645

In the reporting periods ended on 31 March 2018 and 31 March 2017 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:

	For the period		
	1 Jan. 2018-31 Mar. 2018	1 Jan. 2017-31 Dec. 2017	1 Jan. 2017-31 Mar. 2017
Sales in period	5,069	11,440	4,052
Total receivables at end of period including VAT	2,051	1,887	1,323

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 31 March 2018 and 31 March 2017, 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:

(IN PLN '000)

	For the period		
	1 Jan. 2018-31 Mar. 2018	1 Jan. 2017-31 Dec. 2017	1 Jan. 2017-31 Mar. 2017
Purchases in period	19,539	67,659	16,818
Total liabilities at end of period including VAT	14,819	13,784	14,025

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 31 March 2018 and 31 March 2017, the value of tradeover on account of sale with the ENEA Group companies and the total receivables of the Group from those entities as at subsequent balance-sheet dates were as follows:

	For the period		
	1 Jan. 2018-31 Mar. 2018	1 Jan. 2017-31 Dec. 2017*	1 Jan. 2017-31 Mar. 2017*
Sales in period	362,360	1,318,126	290,400
Total receivables at end of period including VAT	156,839	134,873	156,017

**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 include transactions with ENEA Elektrownia Połaniec Sp. z o.o. conducted after 15 March 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. (Grupa Azoty), PGE Paliwa Sp. z o.o., 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 31 March 2018 and 31 March 2017, 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:

	For the period		
	1 Jan. 2018-31 Mar. 2018	1 Jan. 2017-31 Dec. 2017	1 Jan. 2017-31 Mar. 2017
Sales in period	24,541	223,458	29,232
Total receivables at end of period including VAT	15,258	29,780	10,632

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, purchase of fuel from Orlen Paliwa Sp. z o.o. as well as payments for mining and prospecting licences.

In the reporting periods ending on 31 March 2018 and 31 March 2017, the value of purchases from the above entities and the total liabilities of the Group to those entities were as follows:

	For the period		
	1 Jan. 2018-31 Mar. 2018	1 Jan. 2017-31 Dec. 2017	1 Jan. 2017-31 Mar. 2017
Purchases in period	49,750	136,700	31,937

Total liabilities at end of period including VAT	23,324	19,150	18,182

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.

(IN PLN '000)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	As of 31 March 2018	As at 31 December 2017
Assets		
Non-current assets		
Property, plant and equipment	3,223,021	3,240,307
Intangible assets	59,260	59,961
Investment properties	3,324	3,365
Deferred tax assets	2,208	2,024
Trade and other receivables	1,323	1,342
Cash and cash equivalents	121,833	121,806
Total non-current assets	3,410,969	3,428,805
Current assets		
Inventories	101,062	62,557
Trade and other receivables	242,930	209,078
Overpaid income tax	20,808	23,504
Non-current assets held for sale	186	-
Cash and cash equivalents	301,296	434,928
Total current assets	666,282	730,067
TOTAL ASSETS	**4,077,251**	**4,158,872**
Equity		
Equity attributable to owners of the Parent		
Ordinary shares	301,158	301,158
Other capital	1,615,010	1,615,010
Retained profit	998,317	975,357
	2,914,485	2,891,525
Non-controlling interests	**10,211**	**10,002**
Total equity	2,924,696	2,901,527
Liabilities		
Non-current liabilities		
Loans and borrowings	16,207	16,966
Deferred income tax liability	207,802	205,334
Provisions for employee benefits	123,762	119,532
Provisions for other liabilities and charges	116,085	114,448
Grants	13,008	13,148
Trade and other liabilities	40,450	43,007
	517,314	512,435
Current liabilities		
Loans and borrowings	3,230	3,242
Provisions for employee benefits	34,091	37,489
Provisions for other liabilities and charges	88,857	85,770
Grants	560	560
Financing liabilities on account of bond issue	225,030	301,911
Liabilities on account of agreements with customers	1,089	-
Trade and other liabilities	282,384	315,938
	635,241	744,910
Total liabilities	1,152,555	1,257,345
TOTAL EQUITY AND LIABILITIES	**4,077,251**	**4,158,872**

(IN PLN '000)

INTERIM CONSOLIDATED INCOME STATEMENT

	For Q1 ended on 31 March	
	2018	2017
Revenue	398,697	465,166
Costs of products, goods and materials sold	(363,167)	(339,651)
Gross profit	35,530	125,515
Selling costs	(10,266)	(12,589)
Administrative expenses	(26,727)	(23,596)
Other income	31,172	1,228
Other costs	(429)	(55)
Other net loss	(771)	(760)
Profit on operating activities	28,509	89,743
Finance income	4,780	2,519
Finance costs	(4,760)	(7,400)
Profit before taxation	28,529	84,862
Income tax	(5,360)	(16,683)
Net profit for the financial year	**23,169**	**68,179**
including:		
- attributable to the owners of the Parent	*22,960*	*67,852*
- attributable to non-controlling interests	*209*	*327*

Earnings per share attributable to owners of the Parent during the year (in PLN per share)		
- basic	0.68	1.99
- diluted*	0.68	1.99

** As at 31 March 2018, in connection with the introduction of the Management Options Scheme in 2013, the Parent held instruments causing possible dilution of ordinary shares. As at 31 March 2018 dilution did not occur (the same situation was recorded as at 31 March 2017).*

(IN PLN '000)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For Q1 ended on 31 March	
	2018	**2017**
Net profit for the reporting period	23,169	68,179
Items which never will be subject to reclassification to profit or loss for the current period – total	-	-
Items which are or may be subject to reclassification to profit or loss for the current period - total	-	-
Other comprehensive income for the reporting period	-	-
Other net comprehensive income for the reporting period - total	**23,169**	**68,179**
including:		
- attributable to owners of the Parent	*22,960*	*67,852*
- attributable to non-controlling interests	*209*	*327*

(IN PLN '000)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Parent						
		Other capital					
	Ordinary shares	Other capital – transfer of profit / loss	Other capitals – issue of Management Options	Retained profits	Total equity	Non-controlling interests	Total equity
As at 1 January 2018	**301,158**	**1,611,171**	**3,839**	**975,357**	**2,891,525**	**10,002**	**2,901,527**
Total net comprehensive income for the reporting period:	-	-	-	22,960	22,960	209	23,169
- net profit	*-*	*-*	*-*	*22,960*	*22,960*	*209*	*23,169*
As of 31 March 2018	**301,158**	**1,611,171**	**3,839**	**998,317**	**2,914,485**	**10,211**	**2,924,696**
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:	-	-	-	67,852	67,852	327	68,179
- net profit	*-*	*-*	*-*	*67,852*	*67,852*	*327*	*68,179*
As of 31 March 2017	**301,158**	**1,469,289**	**3,839**	**575,824**	**2,350,110**	**10,476**	**2,360,586**

(IN PLN '000)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(indirect method)

	For Q1 ended on 31 March	
	2018	**2017**
Cash flow from (used in) operating activities		
Cash inflow from operating activities*	42,182	186,277
Interest received and paid	(297)	948
Income tax paid	(326)	(11,740)
Net cash flow from (used in) operating activities	**41,559**	**175,485**
Cash flow from (used in) investing activities		
Acquisition of property, plant and equipment	(98,234)	(94,942)
Interest paid regarding investing activities	(2,744)	(781)
Acquisition of intangible assets	(13)	(237)
Inflow from the sale of property, plant and equipment	1,789	2,226
Interest received	971	2,054
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(27)	(26)
Net cash flow from (used in) investing activities	**(98,258)**	**(91,706)**
Cash flow from (used in) financing activities		
Bond redemption	(75,000)	(300,000)
Repayments of loans and borrowings	(759)	(759)
Interest and commissions paid regarding financing activities	(1,174)	(3,044)
Net cash flow from (used in) financing activities	**(76,933)**	**(303,803)**
Net decrease in cash and cash equivalents	(133,632)	(220,024)
Cash and cash equivalents at beginning of period	434,928	541,106
Cash and cash equivalents at end of period	**301,296**	**321,082**

**detailed list of consolidated cash inflow from (used in) operating activities is presented on page 18.*

(IN PLN '000)

INTERIM CONSOLIDATED CASH INFLOW FROM OPERATING ACTIVITIES

	For Q1 ended on 31 March	
	2018	2017
Profit before taxation	28,529	84,862
- Depreciation of non-current assets	98,253	89,655
- Amortisation of intangible assets	673	380
- Depreciation of investments in real property	41	42
- Profit/(loss) on sale of property, plant and equipment	(1,014)	335
- Profit/(loss) on liquidation of plant, property and equipment	3,813	2,282
- Change in provisions for employee benefits	832	9,108
- Changes in provisions	4,236	4,429
- Other flows	15	119
- Change in inventories	(38,505)	(9,354)
- Change in trade and other receivables	(33,833)	10,806
- Change in trade and other liabilities	(20,858)	(6,387)
Cash inflow from (used in) operating activities	**42,182**	**186,277**
Balance-sheet change in liabilities and grants	(35,162)	(36,692)
Change in investment liabilities	14,304	30,305
Change in liabilities for the purposes of the interim consolidated statement of cash flows	**(20,858)**	**(6,387)**
Increase in non-current assets	85,774	65,509
Other non-cash adjustments	900	(91)
Interest paid regarding investing activities	(2,744)	(781)
Change in investment liabilities	14,304	30,305
Acquisition of property, plant and equipment	**98,234**	**94,942**

(IN PLN '000)

INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) LUBELSKI WĘGIEL BOGDANKA S.A.

	As of 31 March 2018	As at 31 December 2017
Assets		
Non-current assets		
Property, plant and equipment	3,135,174	3,150,847
Intangible assets	59,041	59,691
Non-current investments	75,601	75,601
Trade and other receivables	229	239
Cash and cash equivalents	121,833	121,806
Total non-current assets	3,391,878	3,408,184
Current assets		
Inventories	98,942	60,707
Trade and other receivables	241,575	207,523
Overpaid income tax	20,441	22,803
Non-current assets held for sale	186	-
Cash and cash equivalents	283,087	416,827
Total current assets	644,231	707,860
TOTAL ASSETS	**4,036,109**	**4,116,044**
Equity		
Ordinary shares	301,158	301,158
Other capital	1,615,010	1,615,010
Retained profit	989,362	968,459
Total equity	2,905,530	2,884,627
Liabilities		
Non-current liabilities		
Deferred income tax liability	207,709	205,233
Provisions for employee benefits	121,691	117,344
Provisions for other liabilities and charges	116,085	114,448
Grants	13,008	13,148
Trade and other liabilities	39,984	42,675
	498,477	492,848
Current liabilities		
Provisions for employee benefits	32,393	36,218
Provisions for other liabilities and charges	88,613	85,544
Grants	560	560
Financing liabilities on account of bond issue	225,031	301,911
Liabilities on account of agreements with customers	1,089	-
Trade and other liabilities	284,416	314,336
	632,102	738,569
Total liabilities	1,130,579	1,231,417
TOTAL EQUITY AND LIABILITIES	**4,036,109**	**4,116,044**

(IN PLN '000)

INTERIM INCOME STATEMENT OF THE LUBELSKI WĘGIEL BOGDANKA S.A.

	For Q1 ended on 31 March	
	2018	2017
Revenue	397,897	463,360
Costs of products, goods and materials sold	(364,329)	(341,381)
Gross profit	33,568	121,979
Selling costs	(10,578)	(13,558)
Administrative expenses	(27,091)	(23,915)
Other income	30,858	786
Other costs	(426)	(59)
Other net loss	(740)	(761)
Profit on operating activities	25,591	84,472
Finance income	4,719	2,480
Finance costs	(4,565)	(7,175)
Profit before taxation	25,745	79,777
Income tax	(4,842)	(15,677)
Net profit for the financial year	**20,903**	**64,100**

Earnings per share attributable to owners of the Company during the year (in PLN per share)		
- basic	0.61	1.88
- diluted*	0.61	1.88

** As at 31 March 2018, in connection with the introduction of the Management Options Scheme in 2013, the Company held instruments causing possible dilution of ordinary shares. As at 31 March 2018 dilution did not occur (the same situation was recorded as at 31 March 2017).*

INTERIM STATEMENT OF COMPREHENSIVE INCOME
LUBELSKI WĘGIEL BOGDANKA SPÓŁKA AKCYJNA

	For Q1 ended on 31 March	
	2018	**2017**
Net profit for the reporting period	20,903	64,100
Items which never will be subject to reclassification to profit or loss for the current period – total	-	-
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	-	-
Other net comprehensive income for the reporting period - total	**20,903**	**64,100**

(IN PLN '000)

INTERIM STATEMENT OF CHANGES IN EQUITY
LUBELSKI WĘGIEL BOGDANKA SPÓŁKA AKCYJNA

	Ordinary shares	Other capitals		Retained profits	Total equity
		Other capital - transfer of profit / loss	Other capital - issue of Management Options		
As at 1 January 2018	**301,158**	**1,611,171**	**3,839**	**968,459**	**2,884,627**
Total net comprehensive income for the reporting period:	-	-	-	20,903	20,903
- net profit	*-*	*-*	*-*	*20,903*	*20,903*
As of 31 March 2018	**301,158**	**1,611,171**	**3,839**	**989,362**	**2,905,530**
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:	-	-	-	64,100	64,100
- net profit	*-*	*-*	*-*	*64,100*	*64,100*
As of 31 March 2017	**301,158**	**1,469,289**	**3,839**	**559,480**	**2,333,766**

(IN PLN '000)

INTERIM STATEMENT OF CASH FLOWS
LUBELSKI WĘGIEL BOGDANKA SPÓŁKA AKCYJNA

(indirect method)

	For Q1 ended on 31 March	
	2018	**2017**
Cash flow from (used in) operating activities		
Cash inflow from operating activities*	38,555	179,244
Interest received and paid	(449)	750
Income tax paid	-	(11,223)
Net cash flow from (used in) operating activities	**38,106**	**168,771**
Cash flow from (used in) investing activities		
Acquisition of property, plant and equipment	(95,814)	(93,391)
Interest paid regarding investing activities	(2,744)	(781)
Acquisition of intangible assets	(11)	(29)
Inflow from the sale of property, plant and equipment	1,789	2,226
Interest received	929	2,028
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(27)	(26)
Net cash flow from (used in) investing activities	**(95,878)**	**(89,973)**
Cash flow from (used in) financing activities		
Bond redemption	(75,000)	(300,000)
Interest and commissions paid regarding financing activities	(968)	(2,807)
Net cash flow from (used in) financing activities	**(75,968)**	**(302,807)**
Net decrease in cash and cash equivalents	(133,740)	(224,009)
Cash and cash equivalents at beginning of period	416,827	513,432
Cash and cash equivalents at end of period	**283,087**	**289,423**

**detailed list of cash inflow from (used in) operating activities is presented in table on page 24.*

(IN PLN '000)

INTERIM CASH INFLOWS FROM OPERATING ACTIVITIES LUBELSKI WĘGIEL BOGDANKA SPÓŁKA AKCYJNA

	For Q1 ended on 31 March	
	2018	2017
Profit before taxation	25,745	79,777
- Depreciation of non-current assets	96,087	87,593
- Amortisation of intangible assets	661	366
- Profit/(loss) on sale of property, plant and equipment	(1,014)	335
- Profit/(loss) on liquidation of plant, property and equipment	3,813	2,282
- Change in provisions for employee benefits	522	8,644
- Changes in provisions	4,217	4,419
- Other flows	(1)	8
- Change in inventories	(38,235)	(9,142)
- Change in trade and other receivables	(34,042)	11,774
- Change in trade and other liabilities	(19,197)	(6,812)
Cash inflow from (used in) operating activities	**38,556**	**179,244**
Balance-sheet change in liabilities and grants	(31,662)	(35,645)
Change in investment liabilities	12,465	28,833
Change in liabilities for the purposes of the interim statement of cash flows	**(19,197)**	**(6,812)**
Increase in non-current assets	85,194	65,430
Other non-cash adjustments	899	(91)
Interest paid regarding investing activities	(2,744)	(781)
Change in investment liabilities	12,465	28,833
Acquisition of property, plant and equipment	**95,814**	**93,391**

14. Approval of the financial statements

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby declares that as at 23 May 2018 it approves for publication this Consolidated Quarterly Report for the first quarter for the financial year 2017, between 1 January and 31 March 2018.

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

Artur Wasil	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 and Development
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