CONSOLIDATED QUARTERLY REPORT

THE LUBELSKI WĘGIEL BOGDANKA GROUP

2018

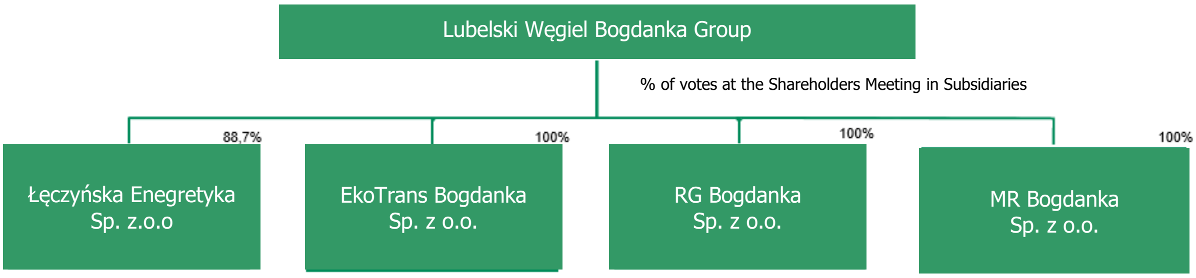
CONSOLIDATED QUARTERLY REPORT FOR THREE QUARTERS OF 2018
FOR THE PERIOD OF NINE MONTHS ENDED 30 SEPTEMBER 2018

BOGDANKA, SEPTEMBER 2018

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

1. GENERAL INFORMATION

The Lubelski Węgiel Bogdanka Group:



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

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

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

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

The shares of 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 2018, the Parent 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 addition, the Company supplies heat to third-party entities such as housing estates and other structures 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 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 transport, recovery and reuse 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 2018, 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 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 30 September 2018, the Parent held 100.00% of shares in the capital of the subsidiary, MR Bogdanka Sp. z o.o.

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

The company prepares its balance sheet as at 31 December.

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

Name of the subsidiary	Balance-sheet total [PLN '000]	Equity [PLN '000]	% of shares held	Non-controlling interests	Restrictions in control; restrictions in consolidated assets and equity & liabilities	Consolidation method
Companies subject to consolidation in the current and previous periods:						
Łęczyńska Energetyka Sp. z o.o.	113,657	89,693	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.	7,346	2,790	100.00	none	none	full
EkoTRANS Bogdanka Sp. z o.o.	4,388	1,097	100.00	none	none	full
MR Bogdanka Sp. z o.o.	5,631	2,421	100.00	none	none	full

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

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.

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 Lubelski Węgiel Bogdanka S.A., as a result of which Lubelski Węgiel Bogdanka S.A. with its subsidiaries became a part of the ENEA Group of which ENEA S.A. with registered office in Poznań is the parent.

The ultimate controlling entity is the State Treasury.

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 third quarter of 2018 were prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" as approved by the European Union.

The Consolidated Quarterly Report was prepared according to the historical cost principle except for derivative instruments measured at fair value as well as share-based payments.

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 will be covered by the scope of IFRS 16 as from 1 January 2019), 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

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

The main accounting estimates and judgments are based on past experience as well as other factors, including assessments of future events which seem justified in a given situation. Accounting estimates and judgments are reviewed on a regular basis.

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

New Accounting Policies

On 1 January 2018, the Group adopted the following new standards for the first time: IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments". Below is a description of the impact that the application of each of the new standards had on the interim financial statements.

IFRS 15 "Revenue from Contracts with Customers" has been applied with the use of the retrospective method with the total effect of the first-time application of IFRS 15. The fact that the standard was applied for the first time did not lead to 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. There has been a change to the manner in which revenue and costs of providing coal transport services by the Group are presented in the statements (the so-called "przewoźne"). In the case of that service, the Group acts as an intermediary. As far as the transactions where the Group acts as an intermediary/agent are concerned, as a result of applying the standard and netting revenue and costs, the revenue from other activities in the amount of PLN 12,023,000 disclosed in the Group's interim consolidated income statement and the Parent's interim income statement was reduced by the costs of the transport services of PLN 9,062,000, and the margin of PLN 2,961,000 was consequently disclosed under revenue only.

As a matter of principle, as a result of applying IFRS 15, the Group's interim consolidated statement of financial position and the Parent's interim statement of financial position may show new items of "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 30 September 2018, the Group's interim consolidated statement of financial position and the Parent's interim statement of financial position only showed "Contract liabilities with customers" in the amount of PLN 731,000.

IFRS 9 "Financial Instruments" has been applied with the use of the retrospective method in accordance with interim provisions – the Group does not restate comparative data for prior periods in its financial statements (1 January 2017 and 31 December 2017) in order to reflect the requirements of IFRS 9 in terms of measurement. Consequently, the provided comparative information continues to be based on the accounting principles applied previously by the Group and described in the annual (consolidated and separate) financial statements for the year ended 31 December 2017.

As a consequence of IFRS 9 becoming effective, changes have been made to the classification of financial assets. Since 1 January 2018 financial assets have been classified by the Group to the following measurement categories:

- measured at amortised cost,

- measured at fair value through other comprehensive income,

- measured at fair value through profit or loss.

Classification depends on the management model of financial assets adopted by the Group and contractual terms of cash flows. The Group reclassifies investments to debt instruments only when the management model of those assets is changed.

a) Debt instruments - Financial assets measured at amortised cost

Debt instruments held only in order to collect contractual cash flows covering only SPPI (solely payment of principal and interest) are measured at amortised cost. Interest income is calculated using the effective interest method and disclosed under item "interest income" in the profit or loss. Impairment losses are recognised in accordance with the accounting principles described in this note (letter e)) and presented under item "impairment losses on financial assets".

b) Debt instruments - Financial assets measured at fair value through other comprehensive income

Debt instruments with cash flows therefrom being only SPPI, which are held in order to collect contractual cash flows and for sale, are measured at fair value through other comprehensive income. Changes in carrying amount are recognised through other comprehensive income, except for gains and losses from impairment, interest income and foreign exchange gains and losses which are recognised in the profit or loss. In the event of derecognition of a financial asset, the accumulated gain or loss recognised previously under other comprehensive income is transferred from the equity to the profit or loss and recognised as other profit/(loss). Interest income on such financial assets is calculated using the effective interest method and recognised under item "interest income". Impairment losses are recognised in accordance with the accounting principles described in this note (letter e)) and presented under item "impairment losses on financial assets".

c) Debt instruments - Financial assets measured at fair value through profit or loss

Assets which do not meet the criteria of measurement at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. In particular, the Group includes the following instruments under this category:

- trade receivables subject to factoring used regularly for the purpose of liquidity management when the terms and conditions of the factoring agreement result in derecognition of the receivables; and
- loans that do not meet the SPPI test (i.e. cash flows from such loans are not solely payment of principal and interest), because the frequency of changes in interest does not correspond to the formula of interest calculation.

Gain or loss from measurement of debt investments to fair value is recognised in the profit or loss and presented under item "Gains/(losses) from fair value changes of financial instruments" as they arise, except for interest income, which is calculated using the effective interest method, recognised under item "interest income".

d) Equity instruments - Financial assets measured at fair value through other comprehensive income

Following initial recognition, the Group measures all investments in equity instruments at fair value. The Group has opted to present gains and losses from fair value changes of equity instruments in other comprehensive income. In the case of electing such option, gains and losses from fair value changes are not subsequently reclassified to profit or loss when the investment is derecognised. Dividends from such investments are recognised in the profit or loss when the Group's right to receive payment is established. Impairment losses (and their reversal) with respect to equity investments measured at fair value through other comprehensive income are not presented separately from other fair value changes.

e) Impairment of financial assets listed in a–d above

A credit loss is the difference between all contractual cash flows due to the entity under the contract and all cash flows that entity expects to receive, discounted at original effective interest rate. In order to determine cash shortfall, the entity estimates cash flows, taking into account all terms and conditions of the financial instrument agreement (e.g. options of early repayment, renewal, purchase or similar) during the entire expected lifetime of that financial instrument. Cash flows to be taken into account include cash flows from the sale of held collaterals or other elements resulting in more advantageous lending conditions, which are inseparably connected with terms and conditions of the agreement. It is assumed that the expected lifetime of a financial instrument may be reliably estimated. If reliable estimation of the expected lifetime of a financial instrument is not possible, the entity calculates credit losses based on the remaining contractual term of the financial instrument.

Expected credit losses are credit losses weighted with a risk of default.

12-month expected credit losses are that part of full lifetime expected credit losses which represent expected credit losses arising from events of default under a financial instrument possible within 12 months after the reporting date.

Full lifetime expected credit losses are the expected credit losses arising from all events of default, if any, during the entire expected lifetime of a financial instrument.

The Group makes an assessment of expected credit losses connected with debt instruments measured at amortised cost and at fair value through other comprehensive income, regardless whether any premises for impairment have occurred.

In the case of current trade receivables without significant financing component, the Group applies a simplified approach required under IFRS 9 and measures allowances for impairment at an amount of expected credit losses over the full lifetime of a receivable from its initial recognition.

For the purpose of determination of expected credit losses, trade receivables have been grouped based on similarity of credit risk characteristics (three basic groups have been separated: receivables from professional energy sector, receivables from professional and non-professional heat plants, receivables from other industrial customers; the above division is supplemented with receivables from other customers). In order to specify a general default rate for the above groups, the analysis of collection for the last years is made. Impairment allowance is calculated by taking into account a default rate adjusted with the impact of future factors and the balance of receivables unpaid on the balance sheet date for each group (and aging range).

The Group applies a three-level impairment model for financial assets, except for trade receivables:

- Level 1 – balances for which credit risk has not increased significantly since initial recognition. Expected credit losses are specified on the basis of probability of default within 12 months (i.e. the total expected credit loss is multiplied by the probability that a loss will occur within the next 12 months);
- Level 2 – balances for which credit risk has increased significantly since initial recognition but there are no objective premises of impairment; expected credit losses are specified on the basis of probability of default over the entire contractual lifetime of a given asset;
- Level 3 – balances with objective premises of impairment.

Trade receivables are included under Level 2 or Level 3:

- Level 2 – trade receivables to which a simplified approach of expected credit losses measurement over the full lifetime of a receivable has been applied, with the exception of certain receivables included under Level 3;
- Level 3 – trade receivables past due by more than 90 days or identified on a case by case basis as not serviced.

To the extent that in accordance with the above model an assessment is necessary whether there has been a significant credit risk increase, the Group considers the following premises in making such assessment:

- the loan is past due by at least 30 days;
- there have been legislative, technological or macroeconomic changes having a significant adverse impact on the debtor;
- information has appeared about a significant adverse event relating to the loan or another loan of the same debtor advanced by another creditor, e.g. termination of a loan agreement, violation of its terms or renegotiation of terms and conditions due to financial distress etc.
- the debtor has lost a major customer or supplier or has been affected by other adverse changes on its market.

Financial assets are written off, fully or in part, when the Group has practically exhausted all collection activities and has deemed that recovery of the receivable may be no longer reasonably expected. It happens usually when the asset is past due by more than 360 days.

f) Modification of financial liabilities

In the case of modification of contractual terms of a financial liability which does not result in derecognition of the existing liability, the gain or loss is promptly recognised in the profit or loss. Gain or loss is calculated as the difference between the present value of modified and original cash flows, discounted at original effective interest rate of the liability.

Based on the analysis carried out by the Group for the purposes of the application of IFRS 9, it was demonstrated that as at 1 January 2018 there was no need to recognise additional material losses with respect to debt financial assets disclosed in the Group’s consolidated statement of financial position and the Parent’s statement of financial position as at 31 December 2017. At the same time, on the date of this Consolidated Quarterly Report Group completed the implementation of IFRS 9 and does not expect any further changes in the assessment of impact of the standard as presented below.

The first time adoption of the standard has not led to any adjustment of the retained profits balance (no material adjustments from implementation of IFRS 9 that would affect the equity/cause the adjustment of retained profits in the opening balance).

Except for the changes described above, the condensed interim (consolidated and 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 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 three quarters 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 concerns the extension of the term of the Agreement until 31 December 2022 and the terms and conditions of supplies in 2018. As a result of concluding the Annex, the value of the entire Agreement currently amounts to PLN 1,649 million net.
- 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 concerns the extension of the term of the Agreement until 31 December 2022 and and an increase in volume of supplies in 2019-2021. As a result of concluding the Annex, the value of the entire Agreement currently amounts to PLN 1,340 million net.
- 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%. Further, on 29 March 2018 a one-off inventive bonus was paid in the amount of PLN 2,700 gross for each eligible employee.
- On 30 March 2018, the Parent redeemed 750 series BOGD02 300318 bonds, worth in total PLN 75 million. Following the above, on 2 July 2018, the Parent redeemed further 750 series BOGD01 300618 bonds, worth in total PLN 75 million. For more information please refer to note 8.
- On 11 September 2018, the Management Board of the Parent concluded with Enea Wytwarzanie Sp. z o.o. with registered office in Świerże Górne, an Annex to Long-Term Agreement on sale of thermal coal. The Annex concerns to terms and conditions of supplies (volumes and prices) to be performed in 2019. As a result of concluding the Annex, the value of the entire Agreement currently amounts to PLN 16,439 million net.
- On 1 October 2018, the Parent redeemed 750 series BOGD03 300918 and BOGD04 300918 bonds, worth in total PLN 75 million. Following the above redemption, the outstanding balance is PLN 75 million. 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 nine months of 2018, an important and unusual event that had an impact on the interim consolidated and separate income statement was the fact that a settlement was agreed on between the Parent and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras. The fact that the settlement was recognised in the accounting books of the Parent had a positive influence on the net financial result for the first quarter of 2018 – the amount of that influence was PLN 25,449,000.

Geological and hydrogeological difficulties the Parent observed in January and February, which translated into lower production of commercial coal also had a powerful influence on the financial results the Group achieved during nine months of 2018. The difficulties were removed at the end of February, and the production in March proceeded as scheduled. Nevertheless, significantly lower production in the first two months of the reporting period was a factor that contributed to reduced average yield produced over the entire reporting period, which had a major effect on the total level of production and sales, and consequently, on the financial results for the nine months of 2018.

5. DATA WITH REGARD TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE LUBELSKI WĘGIEL BOGDANKA GROUP IN THE THIRD QUARTER OF 2018

The third quarter of 2018

Interim Consolidated Income Statement

In the third quarter of 2018, the consolidated net revenue on sales of products, goods and materials achieved the level of PLN 479,685,000, while in the comparable period of 2017 the same item amounted to PLN 405,046,000, which represents an increase in the net revenue in 2018 by 18.43%.

Consolidated operating profit in the third quarter of 2018 amounted to PLN 14,575,000.

In the third quarter of 2018, net profit attributable to owners of the Parent was recorded in the amount of PLN 9,744,000, while in the comparable period of 2017 the Group recorded net profit attributable to owners of the Parent of PLN 31,594,000. It represents a decrease by 69.16% compared to the same period of the previous year.

Three quarters of 2018

Interim Consolidated Income Statement

In cumulative terms, the revenue on sales of products, goods and materials for three quarters of 2018 amounted to PLN 1,335,637,000, which represents an increase by 2.18% as compared to the same period of the previous year.

The consolidated operating profit for three quarters of 2018 amounted to PLN 92,613,000.

In cumulative terms, the net profit attributable to owners of the Parent for three quarters of 2018 was recorded in the amount of PLN 75,877,000, while in the comparable period of 2017 the Group recorded net profit attributable to owners of the Parent of PLN 143,356,000. It represents a decrease by 47.07% compared to the same period of the previous year.

Interim Consolidated Statement of Financial Position

As at 30 September 2018, 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 370,255,000, which represents an increase by PLN 13,016,000 in comparison to the balance as at 31 December 2017.

As at 30 September 2018, deferred income tax liability occurred in the amount of PLN 207,755,000, which represents an increase by PLN 2,421,000 in comparison 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 THIRD QUARTER OF 2018

The third quarter of 2018

Interim Income Statement

In the third quarter of 2018 the consolidated net revenue on sales of products, goods and materials achieved the level of PLN 479,809,000, while in the comparable period of 2017 the item amounted to PLN 404,729,000, which represents an increase in the net revenue in 2018 by 18.55%.

Operating profit in the third quarter of 2018 amounted to PLN 14,449,000.

Net profit for the third quarter of 2018 amounted to PLN 9,676,000, while in the same period of the previous year the Parent recorded net profit of PLN 31,563,000. It represents a decrease by 69.34% compared to the same period of the previous year.

Three quarters of 2018

Interim Income Statement

In cumulative terms, the revenue on sales of products, goods and materials for three quarters of 2018 amounted to PLN 1,334,261,000, which represents an increase by 2.26% as compared to the same period of the previous year.

The operating profit for three quarters of 2018 amounted to PLN 88,410,000.

In cumulative terms, the net profit for three quarters of 2018 amounted to PLN 74,129,000, while in the same period of 2017 the Parent recorded net profit of PLN 146,535,000. It represents a decrease by 49.41% compared to the same period of the previous year.

Interim Statement of Financial Position

As at 30 September 2018, the balance of the Parent's provisions for other liabilities and charges, as well as provisions for employee benefits amounted to PLN 365,660,000, which represents an increase by PLN 12,106,000 in comparison to the balance as at 31 December 2017.

As at 30 September 2018, deferred income tax liability occurred in the amount of PLN 208,264,000, which represents an increase by PLN 3,031,000 in comparison 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 third quarter 2018 accounted for 0.46%, and in the first three quarters 2018 – 0.33% 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 750 bonds worth PLN 100,000 each, for the total amount of PLN 75 million. Further, i.e. on 2 July 2018, another tranche comprising 750 bonds was repaid for the total amount of PLN 75 million. As at 30 September 2018 the outstanding balance was PLN 150 million.

After the balance-sheet date, i.e. on 1 October 2018, last but one tranche comprising 750 bonds was repaid for the total amount of PLN 75 million.

Due date for the redemption of the last tranche of PLN 75 million falls on 30 December 2018.

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

The Shareholders of the Parent of Lubelski Węgiel Bogdanka S.A., during an Annual General Shareholders Meeting which was held on 25 June 2018 and, after a break, resumed on 20 July 2018, adopted resolution No. 25 on distribution of profit for 2017. Under the resolution, the entire net profit of the Parent amounting to PLN 673,281,000 was allocated for reserve capital.

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

	For the period from 1 January to 30 September	
	2018	2017
Dividend paid	-	34,014
Number of ordinary shares as at the dividend date ('000)	-	34,014
Dividend per share (in PLN)	**-**	**1.00**

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.

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

Comparing to the most recent annual consolidated financial statements, the balance of other contingent liabilities and contingent assets has changed significantly in relation to a final resolution of the dispute between the Parent and the Consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. ("Consortium"), described in a greater detail in Note 29 of the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for 2017. The impact that the dispute had on the net financial result was eventually positive and amounted to PLN 25,449,000.

Moreover, a significant change in contingent liabilities resulted from an inspection carried out at the Parent by the Lublin Customs and Tax Office of Biała Podlaska, under an authorisation issued by the Head of the Lublin Customs and Tax Office of Biała Podlaska dated 29 August 2017. The inspection first covered the compliance with tax laws with respect to CIT solely for 2015, however in the meantime, the Tax Authority had broadened the customs and tax inspection to include the years 2012-2014. The dispute with the Customs and Tax Office mainly refers to the manner of setting a correct moment of recognition of tax deductible expenses with regard to costs incurred for movable excavations and wall reinforcement.

Detailed information on the above inspection has been provided in Note 27 of the condensed interim consolidated financial statements for the period of six months of 2018. The most important changes, compared to 30 June 2018, are presented below.

On 24 September 2018 the Parent received a Decision issued by the Head of the Customs and Tax Office of Lublin in which the Customs and Tax Office claimed that the Parent had understated its tax liability for 2012 by the amount of PLN 22,526,000. The Parent has not accepted the above Decision, therefore on 8 October 2018 it filed an appeal from the Decision and presented its objections to the above. As at the present moment the Decision is not final, and the Parent awaits the resolution by the body of second instance, which is expected to be issued in mid-December 2018.

Concurrently an inspection for tax years 2013-2014 along with tax proceedings for 2015 are being carried out. In accordance with the Decision of the Head of the Customs and Tax Office received on 2 October 2018, the tax inspection for 2013-2014 has been extended until 4 January 2019. As far as the tax proceedings for 2015 are concerned, on 26 October 2018 the Parent received the Decision of the Head of the Customs and Tax Office under which the tax proceedings for 2015 have been extended until 31 December 2018.

With reference to the tax arrears for 2012, stated in the Decision of the Head of the Customs and Tax Office dated 24 September 2018, established in the amount of PLN 22,526,000, potential interest on this liability (in case the position of the Tax Authority is ultimately upheld) would amount to approx. PLN 10,923,000 as at 30 September 2018.

Taking into account all the arguments presented during the inspection, in particular the consistent approach applied by the Parent in terms of charging the costs of drilling galleries and wall reinforcements as tax deductible expenses, the same approach used by other entities in the industry as confirmed by available tax rulings, as well as the opinions of tax advisors in its possession, the Management Board of the Parent disagrees with the position of the Tax Authority expressed in the Tax Decision for 2012 and in the Inspection Findings for 2015.

In the opinion of the Parent's Management Board, the probability that the final resolution of the dispute is unfavourable for the Parent is low, and it is more likely that the position presented by the Tax Authority will not stand at subsequent stages of the dispute. In view of the above, in the opinion of the Management Board of the Parent, at the moment there are no reasons to create a provision for potential negative effects in the form of interest on tax arrears, however this amount (i.e. PLN 10,923,000) is being disclosed as a contingent liability.

12. TRANSACTIONS OF THE LUBELSKI WĘGIEL BOGDANKA GROUP WITH RELATED ENTITIES

(PLN '000)

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

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 subsidiary entities of 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 ended on 30 September 2018 and 30 September 2017, the value of sales to the above entities and the total receivables of the Group from those entities were as follows:

	For the period from 1 January to		
	30 September 2018	31 December 2017	30 September 2017
Sales in period	138,342	223,458	115,237
Total receivables at end of period including VAT	28,067	29,780	17,117

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 30 September 2018 and 30 September 2017, the value of purchases from the above entities and the total liabilities of the Company to those entities were as follows:

	For the period from 1 January to		
	30 September 2018	31 December 2017	30 September 2017
Purchases in period	129,421	136,700	93,125
Total liabilities at end of period including VAT	19,376	19,150	14,835

Transactions with ENEA Group companies

Purchase transactions cover primarily the purchases of electricity from ENEA S.A. and services from Enea Centrum Sp. z o.o.

In the reporting periods ending on 30 September 2018 and 30 September 2017, the value of turnover on account of purchases from the ENEA Group companies and the Group's total liabilities towards those entities were as follows:

	For the period from 1 January to		
	30 September 2018	31 December 2017	30 September 2017
Purchases in period	56,087	67,659	50,277
Total liabilities at end of period including VAT	15,037	13,784	13,861

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 Enea Ciepło Sp. z o.o. (formerly Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. with registered office in Białystok).

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In the reporting periods ending on 30 September 2018 and 30 September 2017, the value of sales with the ENEA Group companies and the total receivables of the Group from those entities as at individual balance-sheet dates were as follows:

	For the period from 1 January to		
	30 September 2018	**31 December 2017***	**30 September 2017***
Sales in period	1,152,236	1,318,126	964,941
Total receivables at end of period including VAT	172,961	134,873	275,410

**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 S.A. conducted after 15 March 2017.*

In the reporting periods ending on 30 September 2018 and 30 September 2017, the value of dividend paid to the Enea Group companies, i.e. Enea S.A. and Enea Wytwarzanie Sp. z o.o. were as follows:

	For the period from 1 January to		
	30 September 2018	**31 December 2017**	**30 September 2017**
Dividend paid to the ENEA Group companies	-	22,449	22,449
Total dividend	**-**	**22,449**	**22,449**

<u>Transactions of the Parent with the subsidiary companies of Lubelski Węgiel Bogdanka Group.</u>

The Company's revenue resulting from the co-operation with 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.

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 2018 and 30 September 2017 the value of trade related to purchase with the following subsidiaries: Łęczyńska Energetyka Sp. z o.o., EkoTRANS

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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 were as follows:

	For the period from 1 January to		
	30 September 2018	31 December 2017	30 September 2017
Purchases in period, including:	80,123	101,370	75,392
- Purchases of services activated on the value of "property, plant and equipment"	*1,064*	*3,526*	*5,597*
Total liabilities at end of period including VAT	12,455	12,859	12,373

In the reporting periods ended on 30 September 2018 and 30 September 2017 the value of sales 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 were as follows:

	For the period from 1 January to		
	30 September 2018	31 December 2017	30 September 2017
Sales in period	8,650	11,440	7,759
Total receivables at end of period including VAT	784	1,887	754

In the reporting periods ending on 30 September 2018 and 30 September 2017 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:

	For the period from 1 January to		
	30 September 2018	31 December 2017	30 September 2017
Dividend due	400	-	-
Dividend received	625	9,778	8,490
Total dividend	**1,025**	**9,778**	**8,490**

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.

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	As at 30 September 2018	As at 31 December 2017
Assets		
Non-current assets		
Property, plant and equipment	3,221,399	3,240,307
Intangible assets	58,383	59,961
Investment properties	3,356	3,365
Deferred tax assets	1,540	2,024
Trade and other receivables	2,869	1,342
Cash and cash equivalents	120,126	121,806
Total non-current assets	3,407,673	3,428,805
Current assets		
Inventories	91,760	62,557
Trade and other receivables	255,983	209,078
Overpaid income tax	-	23,504
Other current investments	76,089	-
Cash and cash equivalents	263,856	434,928
Total current assets	687,688	730,067
TOTAL ASSETS	**4,095,361**	**4,158,872**
Equity		
Equity attributable to owners of the Parent		
Ordinary shares	301,158	301,158
Other capitals	2,288,291	1,615,010
Retained profits	373,213	975,357
	2,962,662	2,891,525
Non-controlling interests	**10,138**	**10,002**
Total equity	2,972,800	2,901,527
Liabilities		
Non-current liabilities		
Loans and borrowings	14,689	16,966
Deferred income tax liability	207,755	205,334
Provisions for employee benefits	131,066	119,532
Provisions for other liabilities and charges	124,905	114,448
Grants	12,727	13,148
Trade and other liabilities	39,814	43,007
	530,956	512,435
Current liabilities		
Loans and borrowings	3,219	3,242
Provisions for employee benefits	27,433	37,489
Provisions for other liabilities and charges	86,851	85,770
Grants	561	560
Financial liabilities on account of bond issue	150,939	301,911
Liabilities under contracts with customers	731	-
Current income tax liabilities	450	-
Trade and other liabilities	321,421	315,938
	591,605	744,910
Total liabilities	1,122,561	1,257,345
TOTAL EQUITY AND LIABILITIES	**4,095,361**	**4,158,872**

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INTERIM CONSOLIDATED INCOME STATEMENT

	Q3 2018, period from 1 Jul. 2018 until 30 Sep. 2018	3Qs 2018, period from 1 Jan. 2018 until 30 Sep. 2018	Q3 2017, period from 1 Jul. 2017 until 30 Sep. 2017	3Qs 2017, period from 1 Jan. 2017 until 30 Sep. 2017
Revenue	479,685	1,335,637	405,046	1,307,132
Costs of products, goods and materials sold	(429,432)	(1168212)	(330,323)	(1,019,909)
Gross profit	50,253	167,425	74,723	287,223
Selling costs	(11,686)	(31,951)	(8,117)	(28,766)
Administrative expenses	(24,073)	(74,031)	(22,271)	(67,035)
Other income	465	30,825	384	2,143
Other costs	(320)	(1,076)	(351)	(560)
Other profit / (loss) - net	(64)	1,421	44	(1,119)
Profit on operating activities	14,575	92,613	44,412	191,886
Finance income	1,710	11,851	1,574	5,647
Finance costs	(3,068)	(11,597)	(5,462)	(17,716)
Profit before taxation	13,217	92,867	40,524	179,817
Income tax	(3,557)	(16,854)	(8,993)	(36,162)
Net profit for the financial year	**9,660**	**76,013**	**31,531**	**143,655**
including:				
- attributable to the owners of the Parent	*9,744*	*75,877*	*31,594*	*143,356*
- attributable to non-controlling interests	*(84)*	*136*	*(63)*	*299*

Earnings per share attributable to owners of the Parent during the year (in PLN per share)		
- basic	2.23	4.21
- diluted*	2.23	4.21

**As at 30 September 2018, in connection with the introduction of the Management Options Scheme in 2013, the Parent held instruments causing possible dilution of ordinary shares. The existence of subscription warrants granted under the Management Options Scheme has no significant bearing on the calculation of the diluted earnings per share.*

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q3 2018, period from 1 Jul. 2018 until 30 Sep. 2018	3Qs 2018, period from 1 Jan. 2018 until 30 Sep. 2018	Q3 2017, period from 1 Jul. 2017 until 30 Sep. 2017	3Qs 2017, period from 1 Jan. 2017 until 30 Sep. 2017
Net profit for the reporting period	9,660	76,013	31,531	143,655
Other comprehensive income for the reporting period:				
Items which will never be subject to reclassification to profit or loss for the current period:				
Actuarial gains (losses) of defined benefit schemes	-	(5,852)	-	(33,476)
Income tax relating to non-transferrable items	-	1,112	-	6,360
Items which will never be subject to reclassification to profit or loss for the current period – total	-	(4,740)	-	(27,116)
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	-	(4,740)	-	(27,116)
Other net comprehensive income for the reporting period - total	**9,660**	**71,273**	**31,531**	**116,539**
including:				
- attributable to owners of the Parent	*9,744*	*71,137*	*31,594*	*116,240*
- attributable to non-controlling interests	*(84)*	*136*	*(63)*	*299*

(PLN '000)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Parent							
		Other capital						
	Ordinary shares	Supplementary fund	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**	**702,549**	**908,622**	**3,839**	**975,357**	**2,891,525**	**10,002**	**2,901,527**
Total net comprehensive income for the reporting period:	-	-	-	-	71,137	71,137	136	71,273
- net profit	-	-	-	-	*75,877*	*75,877*	*136*	*76,013*
- other comprehensive income	-	-	-	-	*(4,740)*	*(4,740)*	-	*(4,740)*
Transfer of the result of 2017	-	-	673,281	-	(673,281)	-	-	-
As at 30 September 2018	**301,158**	**702,549**	**1,581,903**	**3,839**	**373,213**	**2,962,662**	**10,138**	**2,972,800**
As at 1 January 2017	**301,158**	**702,549**	**766,740**	**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**	**702,549**	**908,622**	**3,839**	**448,316**	**2,364,484**	**9,992**	**2,374,476**

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(indirect method)

	For the period of nine months ended 30 September	
	2018	**2017**
Cash flow from (used in) operating activities		
Cash inflow from operating activities*	356,488	369,787
Interest received and paid	(4,962)	(814)
Income tax paid	8,713	(19,622)
Net cash flow from (used in) operating activities	**360,239**	**349,351**
Cash flow from (used in) investing activities		
Acquisition of property, plant and equipment	(307,096)	(268,082)
Interest paid regarding investing activities	(2,744)	(2,027)
Acquisition of intangible assets	(2,828)	(506)
Inflow from the sale of property, plant and equipment	3,600	3,912
Interest received	4,108	5,661
Expenditure on other current investments	(153,097)	-
Inflows from current investments:	78,901	-
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	1,680	(1,421)
Net cash flow from (used in) investing activities	**(377,476)**	**(262,463)**
Cash flow from (used in) financing activities		
Bond redemption	(150,000)	(300,000)
Repayments of loans and borrowings	(2,277)	(2,277)
Interest and commissions paid regarding financing activities	(1,558)	(4,131)
Dividend paid	-	(34,470)
Net cash flow from (used in) financing activities	**(153,835)**	**(340,878)**
Net decrease in cash and cash equivalents	(171,072)	(253,990)
Cash and cash equivalents at beginning of period	434,928	541,106
Cash and cash equivalents at end of period	**263,856**	**287,116**

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

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INTERIM CONSOLIDATED CASH INFLOW FROM OPERATING ACTIVITIES

	For the period of nine months ended 30 September	
	2018	2017
Profit before taxation	92,867	179,817
- Depreciation of non-current assets	304,651	259,391
- Amortisation of intangible assets	2,057	1,136
- Depreciation of investments in real property	124	126
- (Profit)/Loss on sale of property, plant and equipment	(2,650)	470
- Profit/(loss) on liquidation of plant, property and equipment	18,522	8,296
- Actuarial gains (losses) as recognised in the interim consolidated statement of comprehensive income	(5,852)	(33,476)
- Change in provisions for employee benefits	1,478	31,579
- Changes in provisions	4,703	10,843
- Other flows	589	690
- Change in inventories	(29,203)	(9,842)
- Change in trade and other receivables	(48,432)	(103,119)
- Change in trade and other liabilities	17,634	23,876
Cash inflow from (used in) operating activities	**356,488**	**369,787**
Balance-sheet change in liabilities, liabilities under contracts with customers and grants	2,601	(2,549)
Set-off of income tax overpaid with other taxes payable	2,465	10,187
Change in investment liabilities	12,568	16,238
Change in liabilities for the purposes of the interim consolidated statement of cash flows	**17,634**	**23,876**
Increase in non-current assets	305,289	255,115
Increase resulting from revaluation of capitalised costs of liquidating non-current assets relating to mining activities	(6,836)	-
Other non-cash adjustments	(1,181)	(1,244)
Interest paid regarding investing activities	(2,744)	(2,027)
Change in investment liabilities	12,568	16,238
Acquisition of property, plant and equipment	**307,096**	**268,082**
Increase in intangible assets	2,863	560
Other non-cash adjustments	(35)	-
Acquisition of intangible assets	**2,828**	**560**

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

	As at 30 September 2018	As at 31 December 2017
Assets		
Non-current assets		
Property, plant and equipment	3,133,773	3,150,847
Intangible assets	58,025	59,691
Non-current investments	75,601	75,601
Trade and other receivables	1,776	239
Cash and cash equivalents	120,126	121,806
Total non-current assets	3,389,301	3,408,184
Current assets		
Inventories	89,805	60,707
Trade and other receivables	255,156	207,523
Overpaid income tax	-	22,803
Other current investments	76,022	-
Cash and cash equivalents	245,419	416,827
Total current assets	666,402	707,860
TOTAL ASSETS	**4,055,703**	**4,116,044**
Equity		
Ordinary shares	301,158	301,158
Other capitals	2,288,291	1,615,010
Retained profits	364,567	968,459
Total equity	2,954,016	2,884,627
Liabilities		
Non-current liabilities		
Deferred income tax liability	208,264	205,233
Provisions for employee benefits	128,946	117,344
Provisions for other liabilities and charges	124,905	114,448
Grants	12,727	13,148
Trade and other liabilities	39,355	42,675
	514,197	492,848
Current liabilities		
Provisions for employee benefits	25,015	36,218
Financial liabilities on account of bond issue	150,939	301,911
Provisions for other liabilities and charges	86,794	85,544
Grants	561	560
Liabilities under contracts with customers	731	-
Current income tax liability	754	-
Trade and other liabilities	322,696	314,336
	587,490	738,569
Total liabilities	1,101,687	1,231,417
TOTAL EQUITY AND LIABILITIES	**4,055,703**	**4,116,044**

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INTERIM INCOME STATEMENT OF LUBELSKI WĘGIEL BOGDANKA S.A.

	Q3 2018, period from 1 Jul. 2018 until 30 Sep. 2018	3Qs 2018, period from 1 Jan. 2018 until 30 Sep. 2018	Q3 2017, period from 1 Jul. 2017 until 30 Sep. 2017	3Qs 2017, period from 1 Jan. 2017 until 30 Sep. 2017
Revenue	479,809	1,334,261	404,729	1,304,716
Costs of products, goods and materials sold	(429,683)	(1170038)	(329,443)	(1,022,208)
Gross profit	50,126	164,223	75,286	282,508
Selling costs	(11,931)	(32,735)	(8,633)	(30,750)
Administrative expenses	(23,687)	(73,847)	(22,309)	(67,000)
Other income	344	30,356	148	1,233
Other costs	(315)	(1,015)	(343)	(554)
Other profit / (loss) - net	(88)	1,428	44	(1,119)
Profit on operating activities	14,449	88,410	44,193	184,318
Finance income	1,660	12,700	1,489	13,941
Finance costs	(2,884)	(11,027)	(5,249)	(17,058)
Profit before taxation	13,225	90,083	40,433	181,201
Income tax	(3,549)	(15,954)	(8,870)	(34,666)
Net profit for the financial year	**9,676**	**74,129**	**31,563**	**146,535**

Earnings per share attributable to owners of the Company during the year (in PLN per share)		
- basic	2.18	4.31
- diluted*	2.18	4.31

**As at 30 September 2018, in connection with the introduction of the Management Options Scheme in 2013, the Company held instruments causing possible dilution of ordinary shares. The existence of subscription warrants granted under the Management Options Scheme has no significant bearing on the calculation of the diluted earnings per share.*

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

	Q3 2018, period from 1 Jul. 2018 until 30 Sep. 2018	3Qs 2018, period from 1 Jan. 2018 until 30 Sep. 2018	Q3 2017, period from 1 Jul. 2017 until 30 Sep. 2017	3Qs 2017, period from 1 Jan. 2017 until 30 Sep. 2017
Net profit for the reporting period	9,676	74,129	31,563	146,535
Other comprehensive income for the reporting period:				
Items which will never be subject to reclassification to profit or loss for the current period:				
Actuarial gains (losses) of defined benefit schemes	-	(5,852)	-	(33,476)
Income tax relating to non-transferrable items	-	1,112	-	6,360
Items which will never be subject to reclassification to profit or loss for the current period – total	-	(4,740)	-	(27,116)
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	-	(4,740)	-	(27,116)
Other net comprehensive income for the reporting period - total	**9,676**	**69,389**	**31,563**	**119,419**

(PLN '000)

INTERIM STATEMENT OF CHANGES IN EQUITY OF LUBELSKI WĘGIEL BOGDANKA S.A.

		Other capitals				
	Ordinary shares	Supplementary fund	Other capital - transfer of profit / loss	Other capital - issue of Management Options	Retained profits	Total equity
As at 1 January 2018	**301,158**	**702,549**	**908,622**	**3,839**	**968.459**	**2.884.627**
Total net comprehensive income for the reporting period:	-	-	-	-	69,389	69,389
- net profit	-	-	-	-	*74,129*	*74,129*
- other comprehensive income	-	-	-	-	*(4,740)*	*(4,740)*
Transfer of the result for 2017	-	-	673,281	-	(673,281)	-
As at 30 September 2018	**301,158**	**702,549**	**1,581,903**	**3,839**	**364,567**	**2,954,016**
As at 1 January 2017	**301,158**	**702,549**	**766,740**	**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**	**702,549**	**908,622**	**3,839**	**438,903**	**2,355,071**

(PLN '000)

INTERIM STATEMENT OF CASH FLOWS OF LUBELSKI WĘGIEL BOGDANKA S.A.

(indirect method)

	For the period of nine months ended 30 September	
	2018	**2017**
Cash flow from (used in) operating activities		
Cash inflow from operating activities*	343,988	356,570
Interest received and paid	(5,379)	(1,298)
Income tax paid	9,291	(18,053)
Net cash flow from (used in) operating activities	**347,900**	**337,219**
Cash flow from (used in) investing activities		
Acquisition of property, plant and equipment	(301,031)	(264,904)
Interest paid regarding investing activities	(2,744)	(2,027)
Acquisition of intangible assets	(271)	(110)
Inflow from the sale of property, plant and equipment	3,572	3,912
Interest received	3,958	5,487
Dividend received	625	8,490
Expenditure on other current investments	(150,000)	-
Inflows from other current investments	75,870	-
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	1,680	(1,421)
Net cash flow from (used in) investing activities	**(368,341)**	**(250,573)**
Cash flow from (used in) financing activities		
Dividend paid to Company shareholders	-	(34,014)
Bond redemption	(150,000)	(300,000)
Interest and commissions paid regarding financing activities	(967)	(3,451)
Net cash flow from (used in) financing activities	**(150,967)**	**(337,465)**
Net decrease in cash and cash equivalents	(171,408)	(250,819)
Cash and cash equivalents at beginning of period	416,827	513,432
Cash and cash equivalents at end of period	**245,419**	**262,613**

**detailed list of cash inflow from (used in) operating activities is presented in table on page 29.*

(PLN '000)

INTERIM CASH INFLOWS FROM OPERATING ACTIVITIES OF LUBELSKI WĘGIEL BOGDANKA S.A.

	For the period of nine months ended 30 September	
	2018	2017
Profit before taxation	90,083	181,201
- Depreciation of non-current assets	298,097	253,223
- Amortisation of intangible assets	1,937	1,096
- Profit / (loss) on sale of property, plant and equipment	(2,612)	470
- Profit/(loss) on liquidation of plant, property and equipment	18,522	8,296
- Actuarial gains (losses) as recognised in the interim statement of comprehensive income	(5,852)	(33,476)
- Change in provisions for employee benefits	399	30,587
- Changes in provisions	4,871	10,835
- Other flows	(2,038)	34
- Dividend received	(625)	(8,490)
- Change in inventories	(29,098)	(9,767)
- Change in trade and other receivables	(48,770)	(103,088)
- Change in trade and other liabilities	19,074	25,649
Cash inflow from (used in) operating activities	**343,988**	**356,570**
Balance-sheet change in receivables	(49,170)	(103,088)
Dividend receivable	400	-
Change in receivables for the purposes of the interim statement of cash flows	**(48,770)**	**(103,088)**
Balance-sheet change in liabilities, liabilities under contracts with customers and grants	5,351	680
Set-off of income tax overpaid with other taxes payable	2,465	10,187
Change in investment liabilities	11,258	14,782
Change in liabilities for the purposes of the interim statement of cash flows	**19,074**	**25,649**
Increase in non-current assets	300,539	253,262
Increase resulting from revaluation of capitalised costs of liquidating non-current assets relating to mining activities	(6,836)	-
Other non-cash adjustments	(1,186)	(1,113)
Interest paid regarding investing activities	(2,744)	(2,027)
Change in investment liabilities	11,258	14,782
Acquisition of property, plant and equipment	**301,031**	**264,904**
Increase in intangible assets	271	110
Acquisition of intangible assets	**271**	**110**

14. APPROVAL OF THE FINANCIAL STATEMENTS

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby declares that as at 22 November 2018 it approves for publication this Consolidated Quarterly Report for three quarters of financial year 2018, covering the period from 1 January 2018 to 30 September 2018.

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

Artur Wasil	President of the Management Board
Artur Wasilewski	Vice-President of the Management Board, Economic and Financial Affairs
Dariusz Dumkiewicz	Vice-President of the Management Board, 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