OF LUBELSKI WĘGIEL BOGDANKA S.A.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD OF SIX MONTHS ENDED 30 JUNE 2019

BOGDANKA, AUGUST 2019

CONTENTS OF THE FINANCIAL STATEMENTS

Notes presented on pages 9 - 38 make an integral part of these interim financial statements.

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INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

		As at	
		30 June 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	5	3,154,138	3,181,779
Intangible assets	6	57,393	58,617
Non-current investments		75,601	75,601
Right-of-use asset	7.1	17,466	-
Trade and other receivables	8	384	199
Cash and cash equivalents		129,258	128,279
Total non-current assets		3,434,240	3,444,475
Current assets			
Inventories		112,542	80,896
Trade and other receivables	8	289,042	202,693
Overpaid income tax		-	11,129
Cash and cash equivalents		236,658	154,522
Total current assets		638,242	449,240
TOTAL ASSETS		**4,072,482**	**3,893,715**
Equity			
Ordinary shares	9	301,158	301,158
Other capitals	10	2,314,378	2,288,291
Retained profits	10	484,089	341,540
Total equity		3,099,625	2,930,989
Liabilities			
Non-current liabilities			
Deferred income tax liability		210,835	213,611
Provisions for employee benefits	12	134,216	130,243
Provisions for other liabilities and charges	13	138,412	124,207
Grants		12,307	12,587
Lease liabilities	7.1	15,176	-
Trade and other liabilities	11	36,677	39,160
		547,623	519,808
Current liabilities			
Provisions for employee benefits	12	34,458	31,492
Provisions for other liabilities and charges	13	61,057	79,131
Grants		560	560
Trade and other liabilities	11	300,511	331,214
Lease liabilities	7.1	2,470	-
Current income tax liability	19.3	466	-
Dividend payable	21	25,514	4
Contract liabilities		198	517
		425,234	442,918
Total liabilities		972,857	962,726
TOTAL EQUITY AND LIABILITIES		**4,072,482**	**3,893,715**

Notes presented on pages 9 - 38 make an integral part of these interim financial statements.

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INTERIM INCOME STATEMENT

	Note	For the period of six months ended 30 June	
		2019	2018
Revenue from contracts with customers, including:	14	1,095,880	854,452
Core business revenue	*14*	*1,075,775*	*836,240*
Additional business revenue	*14*	*20,105*	*18,212*
Costs of products, goods and materials sold		(808,849)	(740,355)
Gross profit		287,031	114,097
Selling costs		(17,935)	(20,804)
Administrative expenses		(50,332)	(50,160)
Other income	15	2,147	30,012
Other costs	16	(468)	(700)
Other net profit/loss	17	15,641	1,516
Profit on operating activities		236,084	73,961
Finance income	18	9,386	11,040
Finance costs	18	(6,633)	(8,143)
Profit before taxation		238,837	76,858
Income tax	19.1	(44,058)	(12,405)
Net profit for the financial year		**194,779**	**64,453**

Earnings per share attributable to owners of the Company during the period (in PLN per share)	Note		
- basic	20	5,73	1.89
- diluted	20	5,73	1.89

Notes presented on pages 9 - 38 make an integral part of these interim financial statements.

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INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	For the period of six months ended 30 June	
		2019	2018
Net profit for the financial year		**194,779**	**64,453**
Total other comprehensive loss for the financial period: Items which will never be subject to reclassification to profit or loss for the current period:			
Actuarial gains (losses) of defined benefit schemes	12	(781)	(5,852)
Income tax relating to non-transferrable items	19.1	148	1,112
Items which will never be subject to reclassification to profit or loss for the current period - total		(633)	(4,740)
Other net comprehensive loss for the reporting period		(633)	(4,740)
Other net comprehensive income for the reporting period - total		**194,146**	**59,713**

Notes presented on pages 9 - 38 make an integral part of these interim financial statements.

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INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary shares	Other capitals: Supplementary fund	Other capitals: Other capital - transfer of profit / loss	Other capitals: Other capital related to the Management Options Scheme	Retained profits	Total equity
As at 1 January 2019		**301,158**	**702,549**	**1,581,903**	**3,839**	**341,540**	**2,930,989**
Total net comprehensive income for the reporting period:		-	-	-	-	194,146	194,146
- net profit		-	-	-	-	*194,779*	*194,779*
- other comprehensive loss		-	-	-	-	*(633)*	*(633)*
Dividend for 2018	21	-	-	-	-	(25,510)	(25,510)
Transfer of the result for 2018	21	-	-	26,087	-	(26,087)	-
As at 30 June 2019		**301,158**	**702,549**	**1,607,990**	**3,839**	**484,089**	**3,099,625**
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:		-	-	-	-	59,713	59,713
- net profit		-	-	-	-	64,453	64,453
- other comprehensive loss		-	-	-	-	(4,740)	(4,740)
As at 30 June 2018		**301,158**	**702,549**	**908,622**	**3,839**	**1,028,172**	**2,944,340**

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INTERIM STATEMENT OF CASH FLOWS

	Note	For the period of six months ended 30 June	
		2019	2018
Cash flow from (used in) operating activities			
Cash inflow from operating activities*		365,911	196,251
Interest received and paid		(1,447)	(3,361)
Income tax paid and received		(46,948)	13,608
Net cash flow from (used in) operating activities		**317,516**	**206,498**
Cash flow from (used in) investing activities			
Acquisition of property, plant and equipment		(234,941)	(209,492)
Interest paid regarding investing activities		-	(2,744)
Acquisition of intangible assets		(238)	(11)
Inflow from the sale of property, plant and equipment		813	3,572
Interest received		1,907	2,554
Expenditure on other current investments		-	(150,000)
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund		(979)	1,679
Net cash flow from (used in) investing activities		**(233,438)**	**(354,442)**
Cash flow from (used in) financing activities			
Bond redemption		-	(75,000)
Lease payments	7.1	(1,942)	-
Interest and commissions paid regarding financing activities		-	(968)
Net cash flow from (used in) financing activities		**(1,942)**	**(75,968)**
Net increase / (decrease) in cash and cash equivalents		82,136	(223,912)
Cash and cash equivalents at beginning of period		154,522	416,827
Cash and cash equivalents at end of period		**236,658**	**192,915**

**detailed list of cash inflow from (used in) operating activities is presented in table on page 9.*

Notes presented on pages 9 - 38 make an integral part of these interim financial statements.

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INTERIM CASH INFLOWS FROM OPERATING ACTIVITIES

	Note	For the period of six months ended 30 June 2019	For the period of six months ended 30 June 2018
Profit before taxation		238,837	76,858
- Depreciation of non-current assets	5	185,006	194,769
- Amortisation of intangible assets	6	1,142	1,298
- Depreciation of the right-of-use asset	7.1	1,663	-
- Profit on sale of property, plant and equipment		(812)	(2,612)
- Profit/(loss) on liquidation of plant, property and equipment		20,407	14,808
- Actuarial gains (losses) as recognised in the interim statement of comprehensive income	12	(781)	(5,852)
- Change in provisions for employee benefits	12	6,939	10
- Changes in provisions		(15,444)	2,072
- Other flows		356	(1,652)
- Dividend paid		(1,165)	(1,025)
- Change in inventories		(31,646)	(35,765)
- Change in trade and other receivables	8	(85,369)	(54,637)
- Change in trade and other liabilities	11	46,778	7,979
Cash inflow from (used in) operating activities		**365,911**	**196,251**
Balance-sheet change in receivables		(86,534)	(55,662)
Dividend receivable		1,165	1,025
Change in receivables for the purposes of the interim statement of cash flows		**(85,369)**	**(54,637)**
Balance-sheet change in liabilities, contract liabilities and grants		(33,785)	(6,271)
Set-off of income tax overpaid with other taxes payable		11,857	423
Change in investment liabilities		68,706	13,827
Change in liabilities for the purposes of the interim statement of cash flows		**46,778**	**7,979**
Increase in non-current assets	5	177,833	207,722
Increase resulting from revaluation of capitalised costs of liquidating non-current assets relating to mining activities		(11,574)	(7,665)
Other non-cash adjustments		(24)	(1,648)
Change in investment liabilities		68,706	13,827
Interest paid regarding investing activities		-	(2,744)
Acquisition of property, plant and equipment		**234,941**	**209,492**

Notes presented on pages 9 - 38 make an integral part of these interim financial statements.

1. GENERAL INFORMATION

1.1 Information about the Company

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 Company is the Parent in the Lubelski Węgiel Bogdanka Group. The Group draws condensed interim consolidated financial statements in accordance with IFRS of the Group for the period from 1 January to 30 June 2019. In order to understand fully the Company's financial standing and the results of its operation, these interim condensed financial statements should be read in conjunction with the condensed interim consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the financial period ended on 30 June 2019, as well as with the audited financial statements of Lubelski Węgiel Bogdanka S.A. for the financial period ended on 31 December 2018. Those financial statements are available on the Company's website at www.ri.lw.com.pl.

Joining the structure of the ENEA Group

On 14 September 2015, ENEA S.A. announced a tender offer for the shares of the Company and it declared its intention to acquire up to 64,57% of the total vote at the General Shareholders Meeting of the Company. 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 Company, as a result of which the Company 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.

Notes presented on pages 9 - 38 make an integral part of these interim financial statements.

1.2 Assumption of the Company going concern

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

If, after the preparation of the condensed interim financial statements, the Company's becomes aware of events which have a significant bearing on these financial statements or which result in the going concern assumption being no longer appropriate for the Company, the Management Board of Lubelski Węgiel Bogdanka S.A. is authorised to make amendments to the interim condensed financial statements until the date of their approval for publication. This does not preclude a possibility to make amendments to the condensed interim financial statements retrospectively in subsequent periods in connection with rectification of errors or as a result of changes in the accounting policies following from IAS 8.

2. DESCRIPTION OF KEY ACCOUNTING PRINCIPLES (POLICIES) APPLIED

2.1 Basis of preparation

These condensed interim financial statements of LW Bogdanka S.A. for the first half of 2019 were prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting", as endorsed by the EU.

The condensed interim financial statements were 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 to sell an asset or paid to transfer a liability in a customary transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless whether such price is directly observable or estimated using other valuation technique. In the fair value measurement of an asset or liability, the Company 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 Company's financial statements 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 IFRS 16, 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.

2.1.1. New Accounting Policies

On 1 January 2019, the Company adopted the new standard, IFRS 16 "Leases", for the first time. IFRS 16 "Leases" has been applied with the use of the modified retrospective method with the total effect of the first-time application of IFRS 16. Below is a description of the impact that the application of this standard had on the interim financial statements.

The application of the standard resulted in the recognition of additional lease assets and lease liabilities in the balance sheet, However, because of a relatively small scope and number of contracts treated so far as operating leases, the ultimate impact on the Company's financial statements is limited. In the event of agreements, which in accordance with the new IFRS 16 are or will be classified as financial lease, new items are disclosed in the financial statements of the Company:

- If the Company is a lessor, such items as "Finance lease receivables" have been disclosed in the statement of financial position, and "Finance lease revenue" – in the income statement;

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- If the Company is a lessee, such items as “Lease liabilities” have been disclosed in the statement of financial position under equity and liabilities, and “Right-of-use assets” under assets.

Lease payments are shown as repayment of the principal (reduction of the lease liability in the balance sheet) and interest costs on lease liability, which are recognised in the income statement. At the same time the income statement discloses the depreciation of a right-of-use asset.

For the calculation of the current value of future lease payments the discount rate is applied.

The Company sets the lease time, i.e. non-cancellable lease payments, including:

- optional periods for lease extension, if the Company is reasonably certain to exercise an option to extend the lease; and
- optional periods for lease termination, if the Company is reasonably certain to terminate an option to extend the lease.

The Company, for majority of its lease agreements, matches the lease period with the agreement term. In case of agreements concluded for indefinite term, the Company sets minimum period binding for both parties of the agreement. If the Company is unable to define how long it is going to use an asset, and an estimation might be treated as a lease term (in case of an agreement for an indefinite term), the Company defines so that the termination period of that agreement is the non-cancellable agreement term.

As far as the land perpetual usufruct right is concerned, lease term is equal to the period of the right to use the land.

The Company may use the practical release and not to apply the model of recognising leases with respect to:

- short-term lease (the agreement is concluded for the period of less than 12 months, without the right to buy back the asset),
- lease of low-value assets of which the initial value, for new assets, does not exceed PLN 10,000,00 (even if their value becomes material after aggregation); assets are not highly dependable on or related to other assets specified in the agreement.

The release does not refer to a situation where the Company sub-leases an asset or expects the asset to be transferred.

In the event that the Company decides to take advantage of the release, then lease payments are recognised as cost, as per a straight-lime method throughout the term of the lease.

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). The application of IFRS 16, as of 1 January 2019, caused an increase in the sum of consolidated assets and liabilities of the Company by PLN 19,129,000. New items, namely “Right-of-use asset” and “Lease liabilities”, have appeared in the interim statement on financial position due to certain rental agreements, lease agreement, and agreements regarding land perpetual usufruct being classified, in accordance to the new standard, as lease (with the Company being the Lessee).

Operating lease liabilities as at 31 December 2018 - IAS 17	40,102
Lease liabilities not disclosed earlier	-
Agreements excluded - current lease	(26)
Agreements excluded - lease of low-value assets	(689)
Effect of discounting lease liabilities	(20,258)
Lease liabilities as at 1 January 2019 - IFRS 16	**19,129**
including:	
- Non-current	*16,200*
- Current	*2,929*

For the calculation of the current value of future financial lease payments the discount rate is applied. The Company applies an incremental borrowing rate, that is the interest rate which the Group would be obliged to pay under a similar lease agreement or, if it's impossible to determine such interest rate, the interest rate applicable as at the first day of the lease at which it would have to lend funds necessary for the purchase of the given asset, for the similar period and with similar collaterals. The Company applies the interest rate equal to a 6M WIBOR quoted on the last day preceding the financial year plus margin of 1.3%.

Worthy of notice is a high result of discounting the value of lease liability of PLN 20,258,000, achieved however as a result of the period for which agreements classified as lease agreements have been concluded. Majority of them are long-term agreements related to the perpetual usufruct of land.

The total impact of applying IFRS 16 "Leases" on the net result of the Company for 6 months of 2019 was PLN (146,000) (i.e. worse net result). The total impact of applying the standards on the EBITDA amounted to PLN 1,942,000 (improved EBITDA). The impact on the earning per share was small and amounted to less than PLN 0,01 per one share.

Except for the changes described above, the condensed interim 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 financial statements.

2.1.2. Material values based on professional assessment and estimates

Accounting estimates as well as the professional judgement of the Management Board regarding current and future events in individual fields are required for the preparation the condensed interim 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.

Key estimates and judgements have not changed since the publication of the annual financial statements for 2018.

2.1.3. New standards and interpretations

The following new standards and amendments to the applicable standards that entered into force on 1 January 2019 were for the first time applied in these condensed interim financial statements:

a) IFRS 16 "Leases"

New IFRS 16 "Leases" establishes the rules of how to recognise, measure, present and disclose leases, All lease transactions result in the lessee acquiring the right-of-use asset and the liability connected with an obligation to make payment. Therefore, IFRS 16 removes the classification of operating and finance leases, which applies in accordance with IAS 17, and introduces a single lessee accounting model. A lessee is obligated to recognise: (a) assets and liabilities for all lease transactions concluded for a term of over 12 months, except where a given asset is a low-value asset; and (b) depreciation of a leased asset separately from interest on lease liability in the income statement.

A significant part of IFRS 16 repeats the regulations from IAS 17 relating to lease accounting treatment by a lessor. Consequently, a lessor continues the classification broken down into operating lease and finance lease, and differentiates the accounting treatment accordingly.

b) Amendments to IFRS 9: Prepayment features with negative compensation

As a result of amendment to IFRS 9, entities can measure financial assets with the so called prepayment feature with negative compensation at amortised cost or at fair value through other comprehensive income, if a certain condition is met – instead of measurement at fair value through profit or loss.

c) *Amendments to IAS 28 "Investments in Associates and Joint Ventures"*

Revisions to IAS 28 "Investments in Associates and Joint Ventures" clarify that companies apply IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applicable. In addition, the Board published also an example illustrating application of the requirements of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.

d) *IFRIC 23: Uncertainty over Income Tax Treatments*

IFRIC 23 clarifies the requirements regarding recognition and measurement included in IAS 12 in a situation involving uncertainty over income tax treatments.

e) *Annual Improvements to IFRS 2015-2017 cycle*

"Annual Improvements to IFRS 2015-2017 cycle" amend 4 standards: IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "External Borrowing Costs".

Revisions include clarifications and make the guidelines in the standards regarding recognition and measurement more clarified.

f) *IAS 19 "Employee Benefits"*

Revisions to the standard specify the requirements connected with accounting recognition of modification, curtailment or settlement of a defined benefit plan.

IFRS 16 was applied by the Company starting as of 1 January 2019 using the modified retrospective approach, which did not result in the need to adjust comparative data. Application of the standard is described in detail in Note 2.1.1.

The application of other changes (amendments to IFRS 9, IAS 28, amendments to IFRS 2015-2017, amendments to IAS 19 as well as IFRIC 23) did not significantly affect the financial statements of the Company.

Published standards and interpretations which are not yet mandatory and have not been earlier applied by the Company

In these condensed interim financial statements the Company did not decide to earlier apply the following published standards, interpretations or revisions before they become effective:

a) *Amendments to References to the Conceptual Framework in IFRS Standards*

Amendments to references to the conceptual framework in IFRS standards will be applicable as of 1 January 2020.

b) *IFRS 3 "Business Combinations"*

The amendment to IFRS 3 resulted in a change in the definition of a "business". The current definition has been narrowed, which will probably result in more acquisition transactions to be classified as the acquisition of assets. The amendment to IFRS 3 is applicable to annual periods beginning on or after 1 January 2020.

As at the date of drawing up these condensed interim financial statements, the amendment has not been yet endorsed by the European Union.

c) *IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"*

The Board has published a new definition of "material". The amendments to IAS 1 and IAS 8 make the definition of "material" more precise and increase consistency between the standards; it is however not expected that they will have a significant impact on the financial statements. The amendment is applicable to annual periods beginning on or after 1 January 2020.

As at the date of drawing up these condensed interim financial statements, the amendments have not been yet endorsed by the European Union.

d) IFRS 14 "Regulatory Deferral Accounts"

The standard permits entities which are first-time adopters of IFRS (on or after 1 January 2016) to recognise amounts arising from rate-regulated activities in accordance with the accounting principles applied previously. To improve comparability with entities already applying IFRS and do not disclose such amounts, in accordance with the published IFRS 14, amounts arising from rate-regulated activities should be presented under a separate item, both in the statement of financial position and in the profit and loss account, and in the statement of other comprehensive income.

IFRS 14 has not been yet endorsed by a decision of the European Union.

e) Amendments to IFRS 10 and IAS 28 regarding sale or contribution of assets between an investor and its associate or joint venture

Amendments solve the problem of current inconsistency between IFRS 10 and IAS 28. Accounting treatment depends on whether non-monetary assets sold or contributed to an associate or joint venture constitute a business.

If non-monetary assets constitute a business, the investor will disclose the full gain or loss on the transaction. If, however, assets do not satisfy the definition of a 'business' , the investor recognises the loss or gain excluding a part representing interests of other investors.

Amendments were published on 11 September 2014. The date of application of amended regulations has not been yet determined by the International Accounting Standards Board.

As at the date of drawing up these condensed interim financial statements, endorsement of this amendment has been postponed by the European Union.

The Company currently analyses the impact of the new standards, amendments to standards and interpretations on the financial statements.

Amendments to IFRS 3, amendments to IAS 1, amendments to IFRS 10 and IAS 28, as well as changes with respect to the reference for the conceptual framework will affect the financial statements, but the Company believes it should be relatively small.

3. INFORMATION ON BUSINESS SEGMENTS

Key reporting structure - industry segments

The Company's core business is production and sale of coal, From 1 January to 30 June 2019, revenue on sales of other products and services amounted to PLN 20,105,000 (in the analogous period of 2018: PLN 18,212,000), representing, 1.8% of total revenue in 2019 and 2.1% in 2018.

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

Supplementary reporting structure - geographical segments

The Company operates primarily in Poland. From 1 January to 30 June 2019, revenue on foreign sales amounted to PLN 37,000,000 (PLN 73,000,000 in the analogous period of the previous year), representing less than 0.01% of total revenue in the current year (0.01% in the analogous period of the previous year). The Company does not hold the related assets or liabilities outside Poland.

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

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

Division into mining fields

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

Key coal customers

Within six months in 2019 and 2018, key customers for the Company's coal, whose share in sales exceeded 10% of the total revenue on sales, were:

	For the period of six months ended 30 June	
	2019	2018
Enea Wytwarzanie Sp. z o.o.	61%	62%
Enea Elektrownia Połaniec S.A.	19%	25%

4. INFORMATION CONCERNING SEASONALITY

The production is not seasonal, whereas seasonal character of sales can be noticed in the case of retail sales at a point of coal sale. Sales to retail customers account for less than 0,1% of total sales. They do not have any significant impact on the operating and financial activities of the Company.

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5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures total	Buildings and structures including excavations	Plant and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
As at 1 January 2019								
Cost or assessed value	10,856	3,150,853	2,205,109	2,339,424	93,620	25,558	378,728	5,999,039
Depreciation	-	(1,407,239)	(1,053,513)	(1,329,660)	(62,206)	(18,155)	-	(2,817,260)
Net book value	**10,856**	**1,743,614**	**1,151,596**	**1,009,764**	**31,414**	**7,403**	**378,728**	**3,181,779**
As at 30 June 2019								
Net book value at beginning of year	10,856	1,743,614	1,151,596	1,009,764	31,414	7,403	378,728	3,181,779
Increases	-	11,574	-	-	-	867	165,392	177,833
Transfer from construction in progress	390	179,093	178,414	74,793	13,587	278	(268,141)	-
Decreases	-	(19,272)	(19,272)	(1,076)	(92)	(3)	(25)	(20,468)
Depreciation	-	(101,233)	(87,681)	(79,667)	(2,584)	(1,522)	-	(185,006)
Net book value	11,246	1,813,776	1,223,057	1,003,814	42,325	7,023	275,954	3,154,138
As at 30 June 2019								
Cost or assessed value	11,246	3,128,765	2,171,275	2,407,295	103,010	25,117	275,954	5,951,387
Depreciation	-	(1,314,989)	(948,218)	(1,403,481)	(60,685)	(18,094)	-	(2,797,249)
Net book value	**11,246**	**1,813,776**	**1,223,057**	**1,003,814**	**42,325**	**7,023**	**275,954**	**3,154,138**
As at 1 January 2018								
Cost or assessed value	9,669	3,088,882	2,160,368	2,304,097	96,767	23,665	214,087	5,737,167
Depreciation	-	(1,312,692)	(987,668)	(1,192,712)	(64,323)	(16,593)	-	(2,586,320)
Net book value	**9,669**	**1,776,190**	**1,172,700**	**1,111,385**	**32,444**	**7,072**	**214,087**	**3,150,847**
As at 30 June 2018								
Net book value at beginning of year	9,669	1,776,190	1,172,700	1,111,385	32,444	7,072	214,087	3,150,847
Increases	-	7,665	-	1,657	-	740	197,660	207,722
Transfer from construction in progress	144	95,166	94,916	8,930	2,219	137	(106,596)	-
Reclassification to assets held for sale	-	-	-	-	(186)	-	-	(186)
Decreases	-	(14,700)	(14,700)	(101)	(796)	-	(4)	(15,601)
Depreciation	-	(110,304)	(95,855)	(76,551)	(6,550)	(1,364)	-	(194,769)
Net book value	9,813	1,754,017	1,157,061	1,045,320	27,131	6,585	305,147	3,148,013
As at 30 June 2018								
Cost or assessed value	9,813	3,070,117	2,133,687	2,307,085	85,625	23,502	305,147	5,801,289
Depreciation	-	(1,316,100)	(976,626)	(1,261,765)	(58,494)	(16,917)	-	(2,653,276)
Net book value	**9,813**	**1,754,017**	**1,157,061**	**1,045,320**	**27,131**	**6,585**	**305,147**	**3,148,013**

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5.1 Property, plant and equipment - excavations

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

As at 30 June 2019:

	Quantity [items]	Length [m]	Initial value	Depreciation	Net value as at the balance-sheet date	Depreciation level in the given group
Walls disclosed in non-current assets, depreciated with the cost-of-production method, including:	25	23,637	453,027	(309,096)	143,931	68%
- depreciated until June 2019	*9*	*12,076*	*152,946*	*(65,251)*	*87,695*	*43%*
Galleries disclosed under non-current assets, depreciated according to useful life	233	92,579	1,419,248	(497,240)	922,008	35%
Other items, depreciated according to useful life (shafts, shaft towers, dams, reservoirs and other)	31	-	299,000	(141,882)	157,118	47%
Total as at 30 June 2019	**289**	**116,216**	**2,171,275**	**(948,218)**	**1,223,057**	**44%**

As at 30 June 2018:

	Quantity [items]	Length [m]	Initial value	Depreciation	Net value as at the balance-sheet date	Depreciation level in the given group
Galleries disclosed under non-current assets, depreciated by using a natural method, including:	29	20,670	483,619	357,414	126,205	74%
- depreciated until June 2018	*11*	*7,427*	*157,175*	*116,164*	*41,011*	*74%*
Walls disclosed in non-current assets, depreciated with the use periods	232	92,258	1,351,068	484,996	866,072	36%
Other items, depreciated according to useful life (shafts, shaft towers, dams, reservoirs and other)	31	-	299,000	134,216	164,784	45%
Total as at 30 June 2018	**292**	**112,928**	**2,133,687**	**976,626**	**1,157,061**	**46%**

5.2 Impairment losses of property, plant and equipment

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

	Land	Plant and equipment	Construction in progress	Total
As at 1 January 2019	4,394	3,187	6,157	13,738
As at 30 June 2019	**4,394**	**3,187**	**6,157**	**13,738**
As at 1 January 2018	4,394	3,187	6,157	13,738
As at 30 June 2018	**4,394**	**3,187**	**6,157**	**13,738**

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6. INTANGIBLE ASSETS

	Computer software	Fees, licences	Geological information	Total
As at 1 January 2019				
Cost or assessed value	8,635	18,373	54,343	81,351
Amortisation	(5,641)	(4,435)	(12,658)	(22,734)
Net book value	**2,994**	**13,938**	**41,685**	**58,617**
As at 30 June 2019				
Net book value at beginning of year	2,994	13,938	41,685	58,617
Increases	-	237	-	237
Decreases	-	(319)	-	(319)
Amortisation	(247)	(440)	(455)	(1,142)
Net book value	2,747	13,416	41,230	57,393
As at 30 June 2019				
Cost or assessed value	8,595	17,397	54,343	80,335
Amortisation	(5,848)	(3,981)	(13,113)	(22,942)
Net book value	**2,747**	**13,416**	**41,230**	**57,393**

As at 1 January 2018				
Cost or assessed value	7,426	18,866	54,217	80,509
Amortisation	(5,157)	(4,037)	(11,624)	(20,818)
Net book value	**2,269**	**14,829**	**42,593**	**59,691**
As at 30 June 2018				
Net book value at beginning of year	2,269	14,829	42,593	59,691
Increases	-	12	-	12
Amortisation	(286)	(558)	(454)	(1,298)
Net book value	1,983	14,283	42,139	58,405
As at 30 June 2018				
Cost or assessed value	7,344	18,744	54,343	80,431
Amortisation	(5,361)	(4,461)	(12,204)	(22,026)
Net book value	**1,983**	**14,283**	**42,139**	**58,405**

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7. LEASES

7.1. Right-of-use asset

The table below presents changes due to the right-of-use asset:

	Right of perpetual usufruct of land	Vehicles	Total
As at 1 January 2019			
Cost or assessed value	15,314	3,815	19,129
Depreciation	-	-	-
Net book value	**15,314**	**3,815**	**19,129**
As at 30 June 2019			
Net book value at beginning of year	15,314	3,815	19,129
Depreciation	(232)	(1,431)	(1,663)
Net book value	15,082	2,384	17,466
As at 30 June 2019			
Cost or assessed value	15,314	3,815	19,129
Depreciation	(232)	(1,431)	(1,663)
Net book value	**15,082**	**2,384**	**17,466**

Costs related to the right-of-use asset are as follows:

	For the period of six months ended 30 June	
	2019	2018
Depreciation of the right-of-use asset	1,663	-
Finance costs	459	-
Total	**2,122**	-

Changes in lease liabilities and the balance as at 30 June 2019 are presented in the table below:

	For the period of six months ended 30 June	
	2019	2018
As at 1 January	19,129	-
Principal installment under financial lease agreements	(1,483)	-
Total	**17,646**	-

Maturity structure of lease liabilities is presented in the table below:

	As at	
	30 June 2019	31 December 2018
Less than 1 year	2,470	-
From 1 year to 2 years	71	-
From 2 to 5 years	226	-
More than 5 years	14,879	-
Total	**17,646**	-

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7.2. Operating lease

Minimum future payments on operating lease agreements which cannot be revoked are as follows:

	As at		
	30 June 2019	1 January 2019	31 December 2018
Less than 1 year	179	179	3,579
From 1 year to 2 years	153	153	1,609
From 2 to 5 years	306	383	1,836
More than 5 years	-	-	33,078
Minimum future payments	**638**	**715**	**40,102**

The Company is also a party to lease agreements of specialist plant and machinery and vehicles which cannot be disclosed as financial lease. The agreements are concluded for various terms. In part, they are short-term agreements with the objective to check the quality of manufacture and fitness for use of plant and machinery in the technological process. Agreements concluded for more than 2 years include a provision about possible indexation of the rate using a goods and services price index. Selected short-term agreements are not covered with IFRS 16 “Leases” and therefore are not presented in the balance sheet as the right-to-use asset.

Introducing the new standard IFRS 16 “Leases” as of 1 January 2019 triggered significant changes in the value of minimum future payments, as disclosed so far, on account of irreversible operating lease agreements as a large portion of agreements (and so the resulting payments) was classified as financial leases.

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8. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2019	31 December 2018
Trade receivables	263,072	166,176
Write-downs of receivables	(5,422)	(5,174)
Net trade receivables	257,650	161,002
Accruals and deferrals	26,590	36,705
Other receivables	4,802	4,986
Current	289,042	202,693
Accruals and deferrals	384	199
Non-current	384	199
Total trade and other receivables	**289,426**	**202,892**

Fair value of trade and other receivables does not differ significantly from their carrying amount.

All receivables of the Company are expressed in PLN.

Changes in the impairment losses of trade receivables are presented below:

	For the period of six months ended 30 June	
	2019	2018
As at 1 January	5,174	7,146
Creating impairment loss	457	2,373
Receivables written down during the year as uncollectible	(115)	(4,469)
Reversal of unused amounts	(94)	(25)
Total	**5,422**	**5,025**

Creation and release of impairment losses was disclosed in the interim income statement under "Selling costs". Other categories of trade and other receivables do not included items of reduced value.

Maturity structure of accounts receivable with impairment of value is presented in the table below:

	As at	
	30 June 2019	31 December 2018
Up to 1 month	1	81
6 to 12 months	3	1
above 12 months	5,418	5,092
Total	**5,422**	**5,174**

Maturity structure of receivables with respect to which the payment deadline has elapsed, which are however unlikely to lose value, is presented in the table below:

	As at	
	30 June 2019	31 December 2018
Up to 1 month	194	71
1 to 3 months	33	5
3 to 6 months	72	50
Total	**299**	**126**

Maximum exposure to credit risk as at the reporting date is the fair value of each category of receivables described above.

9. SHARE CAPITAL

	Number of shares ('000)	Ordinary shares - par value	Hyperinflation adjustment	Total
As at 1 January 2019	34,014	170,068	131,090	301,158
As at 30 June 2019	34,014	170,068	131,090	301,158
As at 1 January 2018	34,014	170,068	131,090	301,158
As at 30 June 2018	34,014	170,068	131,090	301,158

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

10. OTHER CAPITAL

Pursuant to the Articles of Association, the Company can create supplementary capital and other reserve capitals, the purpose of which is determined by provisions of law and resolutions of decision-making bodies. Other capital includes supplementary capital under the Management Options issue and capital resulting from valuation of cash flow hedging financial instruments (partially deemed an efficient hedge).

Other capital related to the Management Options Scheme

On 30 September 2013 the Supervisory Board of the Company adopted, by way of a resolution, the Rules of Management Options Scheme in 2013-2017. The resolution was adopted based on Resolution No. 26 of the Annual General Shareholders Meeting of the Company of 4 July 2013 regarding issue of up to 1,360,540 registered series A subscription warrants with the exclusion of a pre-emptive right, conditional increase in the Company's share capital by no more than PLN 6,802,700 through issue of up to 1,360,540 ordinary series D shares with a par value of PLN 5 each and with the exclusion of a pre-emptive right. As at the allocation date, the valuation of the scheme was made using the Black – Scholes – Merton model, the calculated value of bonds as at the allocation date amounted to PLN 23,657,000. The valuation model employed the following assumptions:

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

As at 30 June 2019, the number of allocated options under the whole Scheme was 1,143,863, and the total value of the Management Option Scheme amounted to PLN 3,839,000 (30 June 2018: PLN 3,839,000). Within this pool, the number of allocated rights (for 2013-2014) to be exercised under the above options was 335,199.

The total cost of the Scheme disclosed as at 30 June 2019 under "Other capitals" amounted to PLN 3,839,000 (30 June 2018: PLN 3,839,000). In Q3 2018 the Company and all beneficiaries of the Scheme (the persons to whom option may be granted) concluded arrangements under which Scheme participation agreements of the beneficiaries were terminated. Each beneficiary was paid compensation of PLN 1. Upon conclusion of the above arrangements the Management Options Scheme was ultimately closed.

Equity on valuation of cash flow hedges

Other capitals may include also derivatives used as cash flow hedges (in the part deemed the efficient hedge) after tax effect. During the first six months of 2019 and the first six months of 2018 the Company held no financial instruments hedging cash flows.

Retained profits

Apart from net earnings for the current year, the amount of retained profits consists of retained earnings, non-transferrable actuarial gain/(loss) on defined benefit schemes and capital arising from fair value measurement of property, plant and equipment as at the date on which the IAS/IFRS were first applied.

Components of equity not subject to distribution

Under Article 396.1 of the Commercial Companies Code applicable to the Company, a supplementary fund must be created to cover possible losses; at least 8% of profit for the given financial year must be transferred to the supplementary fund until it amounts to at least a third of the share capital. This portion of the supplementary fund is not available for distribution for the benefit of shareholders. As at 30 June 2019 and 31 December 2018, this value was PLN 100,386,000.

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

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11. TRADE AND OTHER LIABILITIES

	As at	
	30 June 2019	31 December 2018
Trade liabilities	144,527	145,140
Other liabilities, including:	145,386	182,339
Company Social Benefits Fund	*2,376*	*190*
Liabilities on security deposit	*3,230*	*3,396*
Investment liabilities	*51,974*	*120,796*
Salaries payable	*20,656*	*38,167*
Other liabilities	*67,150*	*19,790*
Total financial liabilities	289,913	327,479
Liabilities - social security and other tax payable	47,275	42,895
Trade and other liabilities	**337,188**	**370,374**
Including:		
Non-current	*36,677*	*39,160*
Current	*300,511*	*331,214*
Total	**337,188**	**370,374**

Fair value of trade and other receivables does not differ significantly from their carrying amount.

12. PROVISIONS FOR EMPLOYEE BENEFITS

	As at	
	30 June 2019	31 December 2018
Provisions disclosed in the interim statement of financial position, for:		
Retirement and disability benefits	52,625	50,105
Long service awards	100,141	96,925
Voluntary Redundancy Programme	-	233
Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	15,908	14,472
Total	**168,674**	**161,735**

	For the period of six months ended 30 June	
	2019	2018
Costs disclosed in the interim income statement, of:		
Retirement and disability benefits	2,778	2,283
Long service awards	6,520	5,697
Voluntary Redundancy Programme	-	(2,115)
Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	8,120	4,330
Total	**17,418**	**10,195**

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	For the period of six months ended 30 June	
	2019	2018
Costs recognised in the statement of comprehensive income regarding the distribution of actuarial gains and losses resulting from demographic assumptions, financial assumption and other changes:		
Retirement and disability benefits	866	6,078
Other benefits for employees (death benefits)	(85)	(226)
Total	**781**	**5,852**

Change in provisions for employee benefits liabilities:

	For the period of six months ended 30 June	
	2019	2018
As at 1 January	161,735	153,562
Costs of current employment (including unused holidays, salaries and wages, Voluntary Redundancy Programme, death benefits and other)	15,567	8,668
Interest expense	2,097	1,913
Actuarial gains as disclosed in the interim income statement	(246)	(386)
Actuarial gains (losses) as recognised in the interim statement of comprehensive income	781	5,852
Recognised in the comprehensive income, total	18,199	16,047
Benefits paid	(11,260)	(16,037)
As at 30 June	**168,674**	**153,572**
including:		
- Non-current	*134,216*	*124,327*
- Current	*34,458*	*29,245*

Employee benefits costs are recognised in the interim income statement and the interim statement of comprehensive income as follows:

	For the period of six months ended 30 June	
	2019	2018
Costs of products, goods and materials sold	13,949	7,516
Selling costs	76	721
Administrative expenses	1,296	45
Finance costs	2,097	1,913
Total as disclosed in the interim income statement	**17,418**	**10,195**
Actuarial gains (losses) as recognised in the interim statement of comprehensive income	781	5,852
Total as disclosed in the interim statement of comprehensive income	**18,199**	**16,047**

(PLN '000)

13. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Provision for a mine closure and land reclamation	Mining damage	Legal claims	Real property tax	ZUS claims - contribution for accident insurance	Other	Total
As at 1 January 2019	124,207	3,184	11,677	41,431	22,658	181	203,338
Including:							
Non-current	*124,207*	*-*	*-*	*-*	*-*	*-*	*124,207*
Current	*-*	*3,184*	*11,677*	*41,431*	*22,658*	*181*	*79,131*
Recognition in the interim statement of financial position							
- Update of the provision created	*12,393*	*-*	*-*	*-*	*-*	*-*	*12,393*
Recognition in the interim income statement							
- Creation of additional provisions	*-*	*-*	*50*	*3,183*	*-*	*104*	*3,337*
- Use of the created provision	*-*	*(228)*	*(2)*	*-*	*-*	*(105)*	*(335)*
- Release of an unused provision	*-*	*-*	*-*	*-*	*(22,658)*	*-*	*(22,658)*
- Interest	*-*	*-*	*149*	*1,433*	*-*	*-*	*1,582*
- Discount settlement	*1,812*	*-*	*-*	*-*	*-*	*-*	*1,812*
As at 30 June 2019	**138,412**	**2,956**	**11,874**	**46,047**	**-**	**180**	**199,469**
Including:							
Non-current	*138,412*	*-*	*-*	*-*	*-*	*-*	*138,412*
Current	*-*	*2,956*	*11,874*	*46,047*	*-*	*180*	*61,057*
As at 1 January 2018	114,448	4,434	11,599	42,353	21,340	5,818	199,992
Including:							
Non-current	*114,448*	*-*	*-*	*-*	*-*	*-*	*114,448*
Current	*-*	*4,434*	*11,599*	*42,353*	*21,340*	*5,818*	*85,544*
Recognition in the interim statement of financial position							
- Update of the provision created	8,362	-	-	-	-	-	8,362
Recognition in the interim income statement							
- Creation of additional provisions	-	-	160	3,103	-	92	3,355
- Use of the created provision	-	(201)	-	-	-	(2,141)	(2,342)
- Release of an unused provision	-	-	-	-	-	(3,578)	(3,578)
- Interest	-	-	145	1,421	656	-	2,222
- Discount settlement	1,719	-	-	-	-	-	1,719
As at 30 June 2018	**124,529**	**4,233**	**11,904**	**46,877**	**21,996**	**191**	**209,730**
Including:							
Non-current	*124,529*	*-*	*-*	*-*	*-*	*-*	*124,529*
Current	*-*	*4,233*	*11,904*	*46,877*	*21,996*	*191*	*85,201*

Mine closure and land reclamation

The Company creates a provision for costs of mine closure and land reclamation, which it is obliged to incur under current laws. The value of mining plant closure and land reclamation calculated as at 30 June 2019 amounts to: PLN 138,412,000 including provision for mine closure of PLN 126,771,000 and provision for land reclamation of PLN 11,641,000. The change in provision compared to 31 December 2018 is PLN 14,205,000; an increase resulting from the discount write-off of PLN 1,812,000 were recognised in the interim income statement under "Costs of products, goods and materials sold" and "Finance cost", respectively, while an increase caused by update of assumptions, amounting in total to PLN 12,393,000, was recognised in the interim statement of financial position as an increase in "Property, plant and equipment".

Removing mining damage

Given the need of removing mining damage, the Company creates a provision for mining damage. The estimated value of works necessary to remove damage as at 30 June 2019 amounts to PLN 2,956,000, and covers predominantly planned costs which will have to be incurred in connection with removal of damage in buildings, buy-out of developed properties (where damage appeared) and compensations for damage to agricultural land. For the first half of 2019 the amount of the used provision totalled PLN 228,000, compared to PLN 201,000 for the same period of 2018).

Legal claims

The amount disclosed constitutes a provision for certain legal claims filed against the Company by customers and suppliers. The value of made/released provisions in the current period is disclosed in the interim income statement under other income/expenses. In the Management Board's opinion, supported by appropriate legal opinions, those claims being filed will not result in significant losses in an amount that would exceed the value of provisions created as at 30 June 2019. The provision for legal claims has not changed significantly compared to the end of the prior financial year (31 December 2018).

Real property tax

The amount disclosed constitutes a provision for real property tax. The essence of the dispute between the Company and territorial units was elaborated on by the Company in financial statements for previous years, including the financial statements of the Company for 2018. The point is that while preparing statements for real property tax, the Company (like other mining companies in Poland) does not take into account the value of underground mining excavations or the value of equipment installed there, for the purpose of calculating this tax.

During 2014-2017 mutual receivables and liabilities regarding the real property tax were partially compensated.

At the end of 2018 decisions issued by the Commune Heads and determining real property tax for the Company for 2013 (Ludwin, Puchaczów and Cyców Communes) were upheld by the Local Government Appellate Court, and so it was decided to make the settlement of real property tax receivables and liabilities. As a result of the settlement, a provision created previously in the amount of PLN 9,485,000 was used (mainly by offsetting it against tax overpaid by the Company).

During the first half of 2019 such settlements were not effected.

Concurrently with the made provision, based on the above, in connection with the payments of the real property tax made in 2014, 2015, 2017 and 2018 (overpayments charged to liabilities) on account of mining excavations, as at 30 June 2019 the Company calculated income due for those years for the overpaid real property tax, in the amount of PLN 4,013,000 (as at 31 December 2018: PLN 4,877,000). Receivables on account the revenue accrued were disclosed in the Interim Statement of Financial Position under "Trade and other receivables".

After the balance-sheet date, in order to secure against any possible negative consequences for the Company in the form of interest on past due real property tax, if the decisions of the authorities (to the effect that equipment and lining in the excavations should be included in the tax base) were eventually upheld, the Company decided to include in its calculations, for the purpose of that tax, the value of underground mining excavations and lining (since components of mine excavations have appeared in majority of judgements) and to pay past due tax including interest for 2016-2019. The corrected tax returns were filed and the past due tax was paid on 6 August 2019 and the total amount paid to Puchaczów, Cyców and Ludwin communes amounted to PLN 27,610,000. This operation had no impact on the Company's financial result (the Company used a portion of a provision earlier created for this purpose).

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

The dispute on ZUS claims related to contribution for accident insurance has been described in detail in Note 17 of the annual financial statements. On 21 November 2017 an appeal trial was held during which the Court of Appeal in Lublin recognised the appeal filed by the Social Insurance Institution from the judgment (advantageous for the Company) of 7 February 2017. The Court of Appeal issued a judgment in which it dismissed the appeal filed by the Social Insurance Institution, On 12 March 2018 the Social Insurance Institution Lublin Branch filed a cassation appeal against the aforesaid judgement to the Supreme Court. By virtue of a judgement dated 4 April 2019, the Supreme Court finally dismissed the cassation appeal lodged by the Social Insurance Institution (ZUS) Lublin Branch, and, as a result, the dispute between the Company and the Social Insurance Institution (ZUS) Lublin Branch has been finally resolved. Given the above, the Company decided to release in full, a provision previously created for this purpose, in the amount of PLN 22,658,000.

(PLN '000)

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

	For the period of six months ended 30 June	
	2019	2018
Sale of coal	1,075,775	836,240
Other activities	10,035	9,136
Sale of goods and materials	10,070	9,076
Revenue from contracts with customers	**1,095,880**	**854,452**

The main categories of contracts falling within the above types of revenue include:

- Contracts for the sale of coal, relating to the core activities of the Company; those contracts may be of two types – with transport service (where the Company arranges transport for the customer) or without transport service.
- Contracts for the sale of goods and materials, relating mainly to the sale of scrap; revenue from such sales accounts for a slight share in the total revenue. The total value of all revenue on that account during the first 6 months of 2019 amounted to PLN 10,070,000.
- Contracts relating to the sale of other services, in which the largest portion relates to revenue from renting space in the bath – the so called hook places and closets. The service is provided almost exclusively to the Company's subcontractors (providing services within the scope of mining works to the Company), whose employees are required to use the bath under occupational and safety regulations. The total value of revenue from renting bath space during the first 6 months of 2019 amounted to PLN 10,035,000.

(PLN '000)

15. OTHER INCOME

	For the period of six months ended 30 June	
	2019	2018
Compensations and damages received	731	507
Settlement with the *Mostostal & Acciona Infraestructuras Consortium*	-	28,666
Other,	1,416	839
including:		
- release of other provisions for liabilities	*105*	*61*
- release of impairment losses of receivables	*87*	*9*
- return of the excise tax	*738*	*759*
- Other income	*486*	*10*
Total other income	**2,147**	**30,012**

16. OTHER COSTS

	For the period of six months ended 30 June	
	2019	2018
Donations	(395)	(97)
Compensation	-	(589)
Other	(73)	(14)
Total other costs	**(468)**	**(700)**

17. OTHER NET PROFIT

	For the period of six months ended 30 June	
	2019	2018
Profit on sale of non-current assets	812	2,612
Currency exchange differences	(21)	(6)
Release of provision for ZUS claims related to contribution for accident insurance	16,398	-
Creating other provisions	(49)	*(160)*
Other	(1,499)	*(930)*
Total other net profit	**15,641**	**1,516**

18. FINANCE INCOME AND COSTS

	For the period of six months ended 30 June	
	2019	2018
Interest income on short-term bank deposits	957	2,726
Dividend due	1,165	1,025
Other income, including:	7,264	7,289
- Interest regarding the Mine Closure Fund	*939*	*892*
- Release of provision for interest on claims of the Social Security Institution (ZUS) for contribution for accident insurance	*6,260*	-
- Release of the provision for interest on income tax	-	*3,578*
- Release of provisions for potential interest on liabilities towards the Mostostal & Acciona Infraestructuras Consortium	-	*2,753*
- Other	*65*	*66*

Notes presented on pages 9 - 38 make an integral part of these interim financial statements.

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Total finance income	**9,386**	**11,040**
Interest and commissions on bonds	-	(471)
Interest expense on valuation of employee benefits	(2,097)	(1,913)
Settlement of discount on regarding provision for the Mine Closure Fund and land reclamation	(1,812)	(1,719)
Creation of a provision and impairment losses of interest	(1,788)	(2,869)
Interest expense of the lease of non-current assets	(460)	-
Provision for interest on claims of the Social Security Institution (ZUS) for contribution for accident insurance	-	(656)
Other cost	(476)	(515)
Total finance cost	**(6,633)**	**(8,143)**

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19. INCOME TAX

19.1 Tax burden

	For the period of six months ended 30 June	
	2019	2018
Current tax	44,758	8,101
Correction of income tax for previous periods	1,928	(1,906)
Deferred tax charged into finance income	(2,628)	6,210
Deferred tax charged into other comprehensive income:	(148)	(1,112)
- as actuarial losses as recognised in the statement of comprehensive income	*(148)*	*(1,112)*
Total	**43,910**	**11,293**

19.2 Reconciliation of an effective tax rate

	For the period of six months ended 30 June	
	2019	2018
Profit before taxation	238,837	76,858
Tax calculated at the rate of 19%	45,379	14,603
Correction of income tax for previous years	1,928	(1,906)
Tax effect of income permanently excluded from the taxable base, including:	(4,397)	(1,823)
- revenue due in respect of the real property tax	*(83)*	*(202)*
- dividend due from subsidiaries	*(221)*	*(195)*
- release of provision for ZUS claims related to contribution for accident insurance (interest + sanction)	*(3,726)*	-
- release of unused provision for interest on income tax	-	*(680)*
- other	*(367)*	*(746)*
Tax effect of costs permanently excluded from the taxable base	1,148	1,531
- payment to the National Fund for the Disabled	*598*	*493*
- provision for interest on real property tax	*272*	*270*
- impairment loss for interest receivable from the central budget and interest payable to the central budget	*109*	*323*
- donations	*75*	*18*
- other interest	*94*	*66*
- other	-	*361*
Decrease in financial result by the income tax	**44,058**	**12,405**
Effective tax rate	18%	16%

Income tax in the condensed interim financial statements was determined with the application of nominal interest rate for 2019 amounting to 19.0% (2018: 19.0%). Slight deviation of the effective tax rate in 2019 from the 19% rate is primarily a result of a one-off influence of the adjustment in the income tax for previous years and the influence of the release of the provision for ZUS claims related to contribution for accident insurance.

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

Tax and other settlements (e.g. customs or foreign currency settlements) can be inspected by the authorities which are entitled to impose heavy fines, and additional amounts of liabilities established as a result of an inspection must be paid with high interest. As a result, the tax risk in Poland is greater than that which usually exists in countries with more advanced tax systems. Tax settlements can be inspected within a five-year period.

Amounts disclosed in the financial statements can therefore be changed after their amount has been finally determined by the tax authorities.

19.3 Current income tax - receivables and liabilities

Liabilities related to the current income tax in the amount of PLN 466,000 which are disclosed in the interim statement of financial position mainly refer to the whole of the current CIT for 2019.

20. EARNINGS PER SHARE

Basic

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

	For the period of six months ended 30 June	
	2019	2018
Earnings attributable to owners of the Company	194,779	64,453
Weighted average number of ordinary shares ('000)	34,014	34,014
Basic earnings per share (in PLN)	**5,73**	**1.89**

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares as if an exchange was made for potential ordinary shares causing dilution. As at 30 June 2019 the Company did not hold instruments causing possible dilution of ordinary shares (as at 30 June 2018 the Company held such instruments in connection with the introduction of the Management Options Scheme in 2013, nevertheless the existence of subscription warrants allocated in the Management Options Scheme did not have any material impact on the calculation of a diluted earnings per share).

21. DIVIDEND PER SHARE

The Shareholders of the Company, during an Annual General Shareholders Meeting which was held on 18 June 2019 adopted resolution on distribution of profit for 2018. Under the resolution, the net profit of the Company amounting to PLN 51,597,000 was allocated as follows:

- The amount of PLN 25,510,000 – for the Company's reserve capital,
- The remaining amount, i.e. PLN 26,087,000 – for the Company's reserve capital.

The dividend rate to shareholders of the Company is presented in the table below.

	For the period of six months ended 30 June	
	2019	2018
Dividend due	25,510	-
Number of ordinary shares as at the dividend date ('000)	34,014	34,014
Dividend per share (in PLN)	**0.75**	-

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

22. FINANCIAL INSTRUMENTS

Hierarchy of financial instruments measured at fair value.

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

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

As at 30 June 2019 and 30 June 2018, the Company did not have any financial instruments measured at fair value.

23. CONTINGENT ITEMS

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

Corporate income tax for 2012

As it was disclosed in the most recent annual financial statements, with respect to the customs and tax inspection carried out in the area of compliance with tax law, and specifically with regulations on the corporate income tax for 2012, which inspection was subsequently transformed into tax proceedings, the Company, from the very outset, had not agreed with the position of the Head of the Customs and Tax Office in Biała Podlaska ("Tax Authority"). The Tax Authority, in its decision issued on 24 September 2018, assessed tax arrears of the Company in the amount of PLN 22,526,000. The Company had not accepted the above Decision, therefore on 8 October 2018 it filed an appeal from the Decision and presented its objections to the above.

Eventually, on 8 May 2019, the Company was served a decision issued by the Head of the Customs and Tax Office in Biała Podlaska on discontinuation of the tax proceedings for 2012. The Tax Authority withdrew from its approach with respect to tax recognition of expenses incurred for movable excavations and wall reinforcement. In the light of this decision, it is no longer justified to disclose in the financial statements the amount of possible interest of PLN 11,373,000 of tax arrears as contingent liabilities (the above amount was disclosed as a contingent tax liability as at 31 December 2018).

Real property tax

The contingent liability concerning the value of mining excavations from which the Company does not create a provision (provision for real property tax, in its parts deemed as probable by the Company, amounts to PLN 46,046,000), may primarily result from the existing discrepancies between the position of the Company and the position of tax authorities with respect to the subject of that tax. The issue revolves around the question of whether there are in the mining excavations any structures within the meaning of the Act on Local Taxes and Charges which would be subject to the property tax, The discrepancies may also occur with regard to the value of particular facilities - in the event that it is agreed that the facilities are subject to the real property tax. The extent of such liability has not changed significantly compared to the end of the prior financial year (31 December 2018).

Patent claims

The contingent liability for legal claims related to the fee for co-inventors of inventions covered with patents no. 206048 and 209043 functioning at the Company from which the Company does not create provision may primarily result from impossibility to assess whether the claim in question is justified and different positions taken by the Company and the co-inventors of inventions covered with the abovementioned patents. The value of the possible liability as at the day of publishing these condensed interim financial statements amounts to PLN 48 million. The Company estimated a provision for remuneration for co-inventors to the best of its knowledge and in line with principles so far applied at the Company when calculating remunerations for inventors and disclosed it under the provision for legal claims. The amount of remuneration will be subject to analysis of court experts or experts accepted by both parties, to be made upon drafting a technical opinion regarding the patented inventions. Another hearing was scheduled to take place on 2 July 2019; eventually the hearing did not take place as the supplementary opinion had not been ready for including to the case files. The next date of Court meeting has been set at 29 October 2019. Further actions will depend on the assessment of the opinions. The extent of such liability has not changed significantly compared to the end of the prior financial year (31 December 2018).

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24. FUTURE CONTRACTUAL LIABILITIES

Investment liabilities

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

	As at		
	30 June 2019	31 December 2018	30 June 2018
Property, plant and equipment	305,310	129,790	302,529
Investment liabilities	**305,310**	**129,790**	**302,529**

25. RELATED PARTY TRANSACTIONS

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

In the reporting periods ending on 30 June 2019 and 30 June 2018, the value of tradeover on account of sales with the above entities and the total receivables of the Company from those entities were as follows:

	For the period from 1 January to		
	30 June 2019	31 December 2018	30 June 2018
Sales in period	134,940	181,436	83,572
Total receivables at end of period including VAT	32,208	16,774	29,643

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Key purchase transactions include: purchase of materials (mine lining) from Huta Łabędy S.A., purchase of transport services from PKP Cargo S.A., purchase of the electrical energy distribution services 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 June 2019 and 30 June 2018, 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 June 2019	31 December 2018	30 June 2018
Purchases in period	67,512	158,653	89,528
Total liabilities at end of period including VAT	13,661	9,476	15,521

Transactions of the Company with the subsidiary companies of Lubelski Węgiel Bogdanka Group,

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 Company'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 Company'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 Company'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 June 2019 and 30 June 2018 the value of trade related to purchase from the following subsidiaries: Łęczyńska Energetyka Sp. z o.o., EkoTRANS Sp. z o.o., RG Bogdanka Sp. z o. o. and MR Bogdanka Sp. z o.o., and the balance of the Company's liabilities towards these related entities were as follows:

	For the period from 1 January to		
	30 June 2019	31 December 2018	30 June 2018
Purchases in period, including:	58,278	106,026	54,627
- Purchases of services activated on the value of "property, plant and equipment"	*2,312*	*2,164*	*508*
Total liabilities at end of period including VAT	10,712	12,281	12,647

In the reporting periods ended on 30 June 2019 and 30 June 2018 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 Company's receivables from these associated entities were as follows:

(PLN '000)

	For the period from 1 January to		
	30 June 2019	31 December 2018	30 June 2018
Sales in period	6,341	12,756	6,884
Total receivables at end of period including VAT	720	2,178	704

In the reporting periods ending on 30 June 2019 and 30 June 2018 the value of dividends due and received from 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. were as follows:

	For the period from 1 January to		
	30 June 2019	31 December 2018	30 June 2018
Dividend due from the LW BOGDANKA Group companies	1,165	-	1,025
Dividend received from the LW BOGDANKA Group companies	-	1,025	-

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 June 2019 and 30 June 2018, the value of turnover on account of purchases from the ENEA Group companies and the Company's total liabilities towards those entities were as follows:

	For the period from 1 January to		
	30 June 2019	31 December 2018	30 June 2018
Purchases in period	33,737	73,669	37,192
Total liabilities at end of period including VAT	11,086	14,171	14,801

Sale transactions cover primarily the sales of thermal coal to ENEA Wytwarzanie Sp. z o.o. and ENEA Elektrownia Połaniec S.A. and Enea Ciepło Sp. z o.o.

In the reporting periods ending on 30 June 2019 and 30 June 2018, the value of tradeover on account of sale with the ENEA Group companies and the total receivables of the Company from those entities as at individual balance-sheet dates were as follows:

	For the period from 1 January to		
	30 June 2019	31 December 2018	30 June 2018
Sales in period	934,756	1,518,082	749,043
Total receivables at end of period including VAT	208,184	132,957	157,501

In the reporting periods ending on 30 June 2019 and 30 June 2018, the value of dividend due for 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 June 2019	31 December 2018	30 June 2018
Dividend payable to the ENEA Group companies	16,837	-	-
Total dividend	**16,837**	-	-

(PLN '000)

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

	For the period of six months ended 30 June	
	2019	2018
Remuneration of Management Board members and commercial proxies	3,513	2,132
Remuneration of the Supervisory Board members	263	250

Apart from the standard remuneration on account of managerial contracts, appointment or employment relationship, no other transactions with key personnel took place in the first half of 2019 and in the same period of the previous year.

27. UNUSUAL EVENTS AFFECTING THE RESULT

In the period of the first 6 months of 2019, the only important and unusual event that had an impact on the interim income statement was the issuance, for the Company, of the judgement of the Supreme Court dated 4 April 2019 regarding the cassation complaint of the Social Security Institution (ZUS) in a dispute concerning accident contribution. For detailed description please refer to Note 13.

28. EVENTS AFTER THE BALANCE-SHEET DATE

After the balance-sheet date, to the best of the Company's knowledge, no material event occurred, which could affect the financial result as at 30 June 2019, and were not disclosed in the condensed interim financial statements.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The Management Board of Lubelski Węgiel BOGDANKA S.A. declares that as of 29 August 2019, it approves for publication these condensed interim financial statements of the Company for the period from 1 January to 30 June 2019.

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
Urszula Piątek	Chief Accountant