



**THE LUBELSKI WĘGIEL BOGDANKA
GROUP**

**CONSOLIDATED QUARTERLY REPORT
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2019**

BOGDANKA, NOVEMBER 2019



NOTES

1. General information

The Lubelski Węgiel Bogdanka Group:



% of shares at the Shareholders Meetings of subsidiaries

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

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

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

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

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

The Company's core business activities, pursuant to the Polish Classification of Activity (PKD 0510Z), are mining and agglomeration of hard coal.

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

As at 30 September 2019, 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 energy to third parties like housing estates and other facilities in Łęczna. The company also conducts activities involving the construction and refurbishment of heat-generating, water supply and sewage disposal installations.

The company prepares its balance sheet as at 31 December.

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

As at 30 September 2019, 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 2019, 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 2019, 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 as at 30 September 2019 characterising the Group's subsidiaries is presented below:

Name of the subsidiary	Balance-sheet total [PLN '000]	Equity [PLN '000]	% of shares held	Non-controlling interests	Restrictions in control; restrictions in consolidated assets and equity & liabilities	Consolidation method
<u>Companies subject to consolidation in the current and previous periods:</u>						
Łęczyńska Energetyka Sp. z o.o.	115,474	91,758	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.	11,674	2,853	100.00	none	none	full
EkoTRANS Bogdanka Sp. z o.o.	5,164	802	100.00	none	none	full
MR Bogdanka Sp. z o.o.	6,791	4,745	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 2018. Those financial statements are available on the Parent's website at www.lw.com.pl.

The Group in the structure of the ENEA Group

On 14 September 2015, ENEA S.A. announced a tender offer for the shares of the Parent, Lubelski Węgiel Bogdanka S.A., and it declared its intention to acquire up to 64.57% of the total vote at the General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A. The transaction settlement took place on 29 October 2015. As a result of the transaction, ENEA S.A. along with its subsidiary acquired the total of 66% of shares in 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, Lubelski Węgiel Bogdanka S.A., for the three quarters of 2019 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 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.

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 2018.

New Accounting Policies

On 1 January 2019, the Group 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 and the Group's consolidated 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 Parent or in the consolidated financial statements of the Group:

- If the Parent / the Group is a lessor in the financial statements / consolidated financial statements, such items as "Finance lease receivables" have been disclosed in the statement of financial position / the consolidated statement of financial position, and "Finance lease revenue" - in the consolidated income statement / income statement;



- If the Parent / the Group is a lessee, such items as “Lease liabilities” have been disclosed in the statement of financial position / the consolidated 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 / the consolidated income statement. At the same time, the income statement / the consolidated income statement disclose 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 Parent / the Group sets the lease time, i.e. non-cancellable lease payments, including:

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

The Parent / the Group, for majority of its lease agreements, matches the lease period with the agreement term. In case of agreements concluded for indefinite term, the Parent / the Group sets minimum period binding for both parties of the agreement. If the Parent / the Group 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 Parent / the Group 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 Parent / the Group 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 Parent / the Group sub-leases an asset or expects the asset to be transferred.

In the event that the Parent / the Group decides to take advantage of the release, then lease payments are recognised as cost, as per a straight-line 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 in the amount of PLN 21,410,000, including an increase in assets and liabilities of the Parent by PLN 19,129,000. New items, namely “Right-of-use asset” and “Lease liabilities”, have appeared in the interim consolidated statement of financial position and 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 Parent / the Group being the Lessee).



Operating lease liabilities as at 31 December 2018 - IAS 17	45,872
Lease liabilities not disclosed earlier	-
Agreements excluded - current lease	(68)
Agreements excluded - lease of low-value assets	(689)
Effect of discounting lease liabilities	(23,705)
Lease liabilities as at 1 January 2019 - IFRS 16	21,410
<i>including:</i>	
<i>Non-current</i>	18,472
<i>Current</i>	2,938

For the calculation of the current value of future financial lease payments the discount rate is applied. The Parent / the Group 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 Parent applies the interest rate equal to a 6M WIBOR quoted on the last day preceding the financial year plus margin of 1.3%. Other Group companies apply the interest rate equal to a 1M WIBOR quoted on the last day preceding the financial year plus margin of 1.5%.

Worthy of notice is a high result of discounting the value of lease liability disclosed in the consolidated statement of financial position, of PLN 23,705,000, 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 consolidated net result of the Group for 9 months of 2019 was PLN (261,000) (i.e. worse net result). The total impact of applying the standards on the consolidated EBITDA amounted to PLN 2,765,000 (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 (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 2019) occurred in the period of the first three quarters of 2019 and until the publication date of this Consolidated Quarterly Report:

- On 30 April 2019, the Management Board of the Parent concluded, with ENEA Elektrownia Połaniec S.A., with registered office in Zawada, an Annex to the Long-Term Agreement on sale of thermal coal. The Annex covers the provision of price formula applicable for the period 2018-2020, serving for setting the price of coal supplies, also in 2021.



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 2019, the only important and unusual event that had an impact on the interim separate and consolidated income statement was the issuance, for LW Bogdanka SA, 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.

The dispute on ZUS claims related to contribution for accident insurance has been described in detail in Note 19 of the annual consolidated 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 Parent) 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 Parent and the Social Insurance Institution (ZUS) Lublin Branch has been finally resolved. Given the above, the Parent decided to release in full, a provision previously created for this purpose, in the amount of PLN 22,658,000. The above amount was composed of principal amount and a sanction, in the total value of PLN 16,398,000 and interest of PLN 6,260,000. The total impact of the release of the provision on the net financial result (separate and consolidated) was PLN 22,079,000.

5. Data with regard to the Condensed Interim Consolidated Financial Statements for the Lubelski Węgiel Bogdanka Group in the third quarter of 2019.

The third quarter of 2019

Interim Consolidated Income Statement

In the third quarter of 2019 the consolidated revenue under agreements with customers achieved the level of PLN 527,776,000 while in the comparable period of 2018 the figure was PLN 479,685,000. This represents an increase in net revenue for Q3 2019 by 10.0%

Consolidated operating profit in the third quarter of 2019 amounted to PLN 77,872,000.

In the third quarter of 2019, net profit attributable to owners of the Parent was recorded in the amount of PLN 66,029,000, while in the comparable period of 2018 the Group recorded net profit attributable to owners of the Parent of PLN 9,744,000. It represents an increase by 577.6% compared to the same period of the previous year.

Three quarters of 2019

Interim Consolidated Income Statement

In cumulative terms, the revenue from agreements with customers for three quarters of 2019 amounted to PLN 1,626,112,000, which represents an increase by 21.7% as compared to the same period of the previous year.

The consolidated operating profit for three quarters of 2019 amounted to PLN 319,679,000.

In cumulative terms, the net profit attributable to owners of the Parent for three quarters of 2019 was recorded in the amount of PLN 263,759,000, while in the comparable period of 2018 the Group generated net profit attributable to owners of the Parent of PLN 75,877,000. It represents an increase by 247.6% compared to the same period of the previous year.



Interim Consolidated Statement of Financial Position

Total provisions for other liabilities and charges, as well as provisions for employee benefits in the Group companies as at 30 September 2019 amounted to PLN 347,575,000, which shows a decrease by PLN 20,944,000 as compared to the amount achieved as at 31 December 2018.

As at 30 September 2019, deferred income tax liability occurred in the amount of PLN 217,386,000, which represents an increase by PLN 3,700,000 in comparison to the balance of this item as at 31 December 2018.

6. Data with regard to the interim condensed financial statements for the Parent in the third quarter of 2019

The third quarter of 2019

Interim Income Statement

In the third quarter of 2019 the consolidated revenue under agreements with customers achieved the level of PLN 527,611,000 while in the comparable period of 2018 the figure was PLN 479,809,000. This represents an increase in net revenue for 2019 by 10.0%

Operating profit in the third quarter of 2019 amounted to PLN 77,091,000.

Net profit for the third quarter of 2019 amounted to PLN 65,550,000, while in the same period of the previous year the Parent recorded net profit of PLN 9,676,000. It represents an increase by 577.4% compared to the same period of the previous year.

Three quarters of 2019

Interim Income Statement

In cumulative terms, the revenue from agreements with customers for three quarters of 2019 amounted to PLN 1,623,491,000, which represents an increase by 21.7% as compared to the same period of the previous year.

The operating profit for three quarters of 2019 amounted to PLN 313,175,000.

In cumulative terms, the net profit for three quarters of 2019 amounted to PLN 260,329,000, while in the same period of 2018 the net profit was PLN 74,129,000. It represents an increase by 251.2% compared to the same period of the previous year.

Interim Statement of Financial Position

In the Parent, Lubelski Węgiel Bogdanka S.A., the balance of provisions for other liabilities and charges, as well as provisions for employee benefits as at 30 September 2019 amounted to PLN 342,055,000, which represents a decrease by PLN 23,018,000 as compared to the balance of this item as at 31 December 2018.

As at 30 September 2019, deferred income tax liability occurred in the amount of PLN 217,326,000, which represents an increase by PLN 3,715,000 in comparison to the balance of this item as at 31 December 2018.

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 2019 accounted for 0.22%, and cumulatively in the first three quarters 2019 - 0.13% of total consolidated sales. This has no significant effect on operating and financing activities of the Group.



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

The Shareholders of the Parent, 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 Parent 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 Parent's reserve capital.

The dividend was paid on 23 July 2019.

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

	For the period of nine months ended 30 September	
	2019	2018
Dividend paid	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 owners of the Parent and the number of ordinary shares as at the dividend date.

9. 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.

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

Contingent liabilities and assets have been described in detail in Note 29 of the annual consolidated financial statements. The status of the case regarding the corporate income tax for 2012 has changed significantly in comparison to the status presented therein.

As it was disclosed in the most recent annual consolidated 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 Parent, 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 Parent in the amount of PLN 22,526,000. The Parent 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 Parent 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 consolidated 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).



Other contingent liabilities and assets have not changed significantly from the end of the previous financial year.

11. Transactions of the Lubelski Węgiel Bogdanka Group with related entities

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

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

In the reporting periods ended on 30 September 2019 and 30 September 2018, 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 2019	31 December 2018	30 September 2018
Sales in period	192,975	181,436	138,342
Total receivables at end of period including VAT	32,943	16,774	28,067

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 distribution services from PGE Dystrybucja S.A., 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 2019 and 30 September 2018, the value of purchases from the above entities and the total liabilities of the Group to those entities were as follows:

	For the period from 1 January to		
	30 September 2019	31 December 2018	30 September 2018
Purchases in period	104,462	158,653	129,421
Total liabilities at end of period including VAT	13,411	9,476	19,376

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 2019 and 30 September 2018, 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 2019	31 December 2018	30 September 2018
Purchases in period	53,419	73,669	56,087
Total liabilities at end of period including VAT	11,999	14,171	15,037



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 September 2019 and 30 September 2018, 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 2019	31 December 2018	30 September 2018
Sales in period	1,395,215	1,518,082	1,152,236
Total receivables at end of period including VAT	200,025	132,957	172,961

In the reporting periods ending on 30 September 2019 and 30 September 2018, 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 2019	31 December 2018	30 September 2018
Dividend paid to the ENEA Group companies	16,837	-	-
Total dividend	16,837	-	-

Transactions of the Parent 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 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 as well as the purchase of reclamation services.

Further, the Parent's revenue resulting from the cooperation with the subsidiary, RG Bogdanka Sp. z o.o., Bogdanka, is in the most part generated through the 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 2019 and 30 September 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 Parent's liabilities towards these related entities were as follows:

	For the period from 1 January to		
	30 September 2019	31 December 2018	30 September 2018
Purchases in period, including:	86,698	106,026	80,123
- <i>Purchases of services activated on the value of "property, plant and equipment"</i>	2,983	2,164	1,064
Total liabilities at end of period including VAT	11,345	12,281	12,455

In the reporting periods ended on 30 September 2019 and 30 September 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:

	For the period from 1 January to		
	30 September 2019	31 December 2018	30 September 2018
Sales in period	8,375	12,756	8,650
Total receivables at end of period including VAT	909	2,178	784

In the reporting periods ending on 30 September 2019 and 30 September 2018 the value of dividends payable by and received from subsidiaries - Łęczyńska Energetyka Sp. z o.o., MR Bogdanka sp. z o.o., EkoTRANS Sp. z o.o. and RG Bogdanka Sp. z o.o. were as follows:

	For the period from 1 January to		
	30 September 2019	31 December 2018	30 September 2018
Dividend due	-	-	400
Dividend received	1,165	1,025	625
Total dividend	1,165	1,025	1,025

12. Reporting by segments: industry and location

The Management Board does not apply division into segments for managing the Group since the Group mainly focuses its activities on the production and sale of coal.



INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	As at	
	30 September 2019	31 December 2018
Assets		
Non-current assets		
Property, plant and equipment	3,255,521	3,270,293
Intangible assets	60,244	58,844
Investment properties	3,183	3,312
Right-of-use asset	18,953	-
Deferred tax assets	2,096	1,833
Trade and other receivables	1,411	1,261
Cash and cash equivalents	125,808	128,279
Total non-current assets	3,467,216	3,463,822
Current assets		
Inventories	122,100	83,382
Trade and other receivables	282,707	203,452
Overpaid income tax	-	11,835
Other current investments	68	67
Cash and cash equivalents	297,450	170,793
Total current assets	702,325	469,529
TOTAL ASSETS	4,169,541	3,933,351
Equity		
Equity attributable to owners of the Parent		
Ordinary shares	301,158	301,158
Other capitals	2,314,378	2,288,291
Retained profits	562,019	350,490
	3,177,555	2,939,939
Non-controlling interests	10,372	10,177
Total equity	3,187,927	2,950,116
Liabilities		
Non-current liabilities		
Loans and borrowings	11,653	13,930
Deferred income tax liability	217,386	213,686
Provisions for employee benefits	141,133	132,347
Provisions for other liabilities and charges	138,791	124,207
Grants	12,167	12,587
Lease liabilities	17,466	-
Trade and other liabilities	36,483	39,675
	575,079	536,432
Current liabilities		
Loans and borrowings	3,189	3,212
Provisions for employee benefits	33,483	32,809
Provisions for other liabilities and charges	34,168	79,156
Grants	560	560
Current income tax liability	4,796	-
Lease liabilities	1,808	-
Trade and other liabilities	328,144	330,549
Contract liabilities	387	517
	406,535	446,803
Total liabilities	981,614	983,235
TOTAL EQUITY AND LIABILITIES	4,169,541	3,933,351



INTERIM CONSOLIDATED INCOME STATEMENT

	Q3 2019, period from 1 Jul. 2019 to 30 Sep. 2019	3Qs 2019, period from 1 Jan. 2019 to 30 Sep. 2019	Q3 2018, period from 1 Jul. 2018 to 30 Sep. 2018	3Qs 2018, period from 1 Jan. 2018 to 30 Sep. 2018
Revenue from contracts with customers, including:	527,776	1,626,112	479,685	1,335,637
<i>Core business revenue</i>	518,050	1,590,019	467,758	1,299,855
<i>Additional business revenue</i>	9,726	36,093	11,927	35,782
Costs of products, goods and materials sold	(404,599)	(1,210,685)	(429,432)	(1,168,212)
Gross profit	123,177	415,427	50,253	167,425
Selling costs	(10,150)	(27,831)	(11,686)	(31,951)
Administrative expenses	(32,815)	(83,255)	(24,073)	(74,031)
Other income	756	3,286	465	30,825
Other costs	(237)	(713)	(320)	(1,076)
Other profit / (loss) - net	(2,859)	12,765	(64)	1,421
Profit on operating activities	77,872	319,679	14,575	92,613
Finance income	2,507	10,806	1,710	11,851
Finance costs	(940)	(7,969)	(3,068)	(11,597)
Profit before taxation	79,439	322,516	13,217	92,867
Income tax	(13,408)	(58,562)	(3,557)	(16,854)
Net profit for the financial year	66,031	263,954	9,660	76,013
<i>including:</i>				
- <i>attributable to the owners of the Parent</i>	66,029	263,759	9,744	75,877
- <i>attributable to non-controlling interests</i>	2	195	(84)	136

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

- basic	7.75	2.23
- diluted	7.75	2.23



INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q3 2019, period from 1 Jul. 2019 to 30 Sep. 2019	3Qs 2019, period from 1 Jan. 2019 to 30 Sep. 2019	Q3 2018, period from 1 Jul. 2018 to 30 Sep. 2018	3Qs 2018, period from 1 Jan. 2018 to 30 Sep. 2018
Net profit for the financial year	66,031	263,954	9,660	76,013
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	-	(781)	-	(5,852)
- Income tax relating to non-transferrable items	-	148	-	1,112
Items which will never be subject to reclassification to profit or loss for the current period - total	-	(633)	-	(4,740)
Items which are or may be subject to reclassification to profit or loss for the current period - total	-	-	-	-
Other net comprehensive loss for the reporting period	-	(633)	-	(4,740)
Other net comprehensive income for the reporting period - total	66,031	263,321	9,660	71,273
<i>including:</i>				
- attributable to owners of the Parent	66,029	263,126	9,744	71,137
- attributable to non-controlling interests	2	195	(84)	136



INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Other capitals					Total equity	Non-controlling interests	Total equity
	Ordinary shares	Supplementary fund	Reserve capital	Other capital related to the Management Options Scheme	Retained profits			
As at 1 January 2019	301,158	702,549	1,581,903	3,839	350,490	2,939,939	10,177	2,950,116
Total net comprehensive income for the reporting period:	-	-	-	-	263,126	263,126	195	263,321
- <i>net profit</i>	-	-	-	-	263,759	263,759	195	263,954
- <i>other comprehensive loss</i>	-	-	-	-	(633)	(633)	-	(633)
Transfer of the result for 2018	-	-	26,087	-	(26,087)	-	-	-
Dividend for 2018	-	-	-	-	(25,510)	(25,510)	-	(25,510)
As at 30 September 2019	301,158	702,549	1,607,990	3,839	562,019	3,177,555	10,372	3,187,927
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
- <i>net profit</i>	-	-	-	-	75,877	75,877	136	76,013
- <i>other comprehensive loss</i>	-	-	-	-	(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



INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	For three quarters ended on	
	30 September 2019	30 September 2018
Cash flow from (used in) operating activities		
Cash inflow from operating activities*	566,651	356,488
Interest received and paid	(1,974)	(4,962)
Income tax paid	(50,203)	8,713
Net cash flow from (used in) operating activities	514,474	360,239
Cash flow from (used in) investing activities		
Acquisition of property, plant and equipment	(357,718)	(307,096)
Interest paid regarding investing activities	-	(2,744)
Acquisition of intangible assets	(5,520)	(2,828)
Inflow from the sale of property, plant and equipment	1,006	3,600
Interest received	2,996	4,108
Expenditure on other current investments	(68)	(153,097)
Inflows from other current investments	67	78,901
Inflow on account of funds being deposited in the bank account of the Mine Closure Fund	2,471	1,680
Net cash flow from (used in) investing activities	(356,766)	(377,476)
Cash flow from (used in) financing activities		
Bond redemption	-	(150,000)
Repayments of loans and borrowings	(2,277)	(2,277)
Lease payments	(2,765)	-
Dividend paid	(25,510)	-
Interest and commissions paid regarding financing activities	(499)	(1,558)
Net cash flow from (used in) financing activities	(31,051)	(153,835)
Net increase / (decrease) in cash and cash equivalents	126,657	(171,072)
Cash and cash equivalents at beginning of period	170,793	434,928
Cash and cash equivalents at end of period	297,450	263,856

*detailed list of cash inflow from (used in) operating activities is presented in table on page 21.



INTERIM CONSOLIDATED CASH INFLOW FROM OPERATING ACTIVITIES

	For three quarters ended on	
	30 September 2019	30 September 2018
Profit before taxation	322,516	92,867
- Depreciation of non-current assets	287,122	304,651
- Amortisation of intangible assets	1,876	2,057
- Depreciation of investments in real property	129	124
- Depreciation of the right-of-use asset	2,540	-
- Profit on sale of property, plant and equipment	(939)	(2,650)
- Profit/(loss) on liquidation of plant, property and equipment	34,490	18,522
- Actuarial gains (losses) as recognised in the interim consolidated statement of comprehensive income	(781)	(5,852)
- Change in provisions for employee benefits	9,460	1,478
- Changes in provisions	(41,045)	4,703
- Other flows	629	589
- Change in inventories	(38,718)	(29,203)
- Change in trade and other receivables	(79,405)	(48,432)
- Change in trade and other liabilities	68,777	17,634
Cash inflow from (used in) operating activities	566,651	356,488
Balance-sheet change in liabilities, contract liabilities and grants	(6,147)	2,601
Set-off of income tax overpaid with other taxes payable	11,857	2,465
Change in investment liabilities	63,067	12,568
Change in liabilities for the purposes of the interim consolidated statement of cash flows	68,777	17,634
Increase in non-current assets	305,356	305,289
Increase resulting from revaluation of capitalised costs of liquidating non-current assets relating to mining activities	(10,641)	(6,836)
Other non-cash adjustments	(64)	(1,181)
Interest paid regarding investing activities	-	(2,744)
Change in investment liabilities	63,067	12,568
Acquisition of property, plant and equipment	357,718	307,096
Increase in intangible assets	5,520	2,863
Other non-cash adjustments	-	(35)
Acquisition of intangible assets	5,520	2,828



INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	As at	
	30 September 2019	31 December 2018
Assets		
Non-current assets		
Property, plant and equipment	3,166,750	3,181,779
Intangible assets	57,911	58,617
Non-current investments	75,601	75,601
Right-of-use asset	16,634	-
Trade and other receivables	342	199
Cash and cash equivalents	125,808	128,279
Total non-current assets	3,443,046	3,444,475
Current assets		
Inventories	120,225	80,896
Trade and other receivables	281,139	202,693
Overpaid income tax	-	11,129
Cash and cash equivalents	275,407	154,522
Total current assets	676,771	449,240
TOTAL ASSETS	4,119,817	3,893,715
Equity		
Ordinary shares	301,158	301,158
Other capitals	2,314,378	2,288,291
Retained profits	549,639	341,540
Total equity	3,165,175	2,930,989
Liabilities		
Non-current liabilities		
Deferred income tax liability	217,326	213,611
Provisions for employee benefits	139,202	130,243
Provisions for other liabilities and charges	138,791	124,207
Grants	12,167	12,587
Lease liabilities	15,177	-
Trade and other liabilities	35,975	39,160
	558,638	519,808
Current liabilities		
Provisions for employee benefits	29,988	31,492
Provisions for other liabilities and charges	34,074	79,131
Grants	560	560
Current income tax liability	4,810	-
Lease liabilities	1,755	-
Trade and other liabilities	324,430	331,218
Contract liabilities	387	517
	396,004	442,918
Total liabilities	954,642	962,726
TOTAL EQUITY AND LIABILITIES	4,119,817	3,893,715



INTERIM INCOME STATEMENT

	Q3 2019, period from 1 Jul. 2019 to 30 Sep. 2019	3Qs 2019, period from 1 Jan. 2019 to 30 Sep. 2019	Q3 2018, period from 1 Jul. 2018 to 30 Sep. 2018	3Qs 2018, period from 1 Jan. 2018 to 30 Sep. 2018
Revenue from contracts with customers, including:	527,611	1,623,491	479,809	1,334,261
<i>Core business revenue</i>	518,810	1,594,585	468,356	1,304,595
<i>Additional business revenue</i>	8,801	28,906	11,453	29,666
Costs of products, goods and materials sold	(404,669)	(1,213,518)	(429,683)	(1170038)
Gross profit	122,942	409,973	50,126	164,223
Selling costs	(10,351)	(28,286)	(11,931)	(32,735)
Administrative expenses	(33,084)	(83,416)	(23,687)	(73,847)
Other income	698	2,845	344	30,356
Other costs	(237)	(705)	(315)	(1,015)
Other profit / (loss) - net	(2,877)	12,764	(88)	1,428
Profit on operating activities	77,091	313,175	14,449	88,410
Finance income	2,463	11,849	1,660	12,700
Finance costs	(787)	(7,420)	(2,884)	(11,027)
Profit before taxation	78,767	317,604	13,225	90,083
Income tax	(13,217)	(57,275)	(3,549)	(15,954)
Net profit for the financial year	65,550	260,329	9,676	74,129

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

- basic	7.65	2.18
- diluted	7.65	2.18



INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Q3 2019, period from 1 Jul. 2019 to 30 Sep. 2019	3Qs 2019, period from 1 Jan. 2019 to 30 Sep. 2019	Q3 2018, period from 1 Jul. 2018 to 30 Sep. 2018	3Qs 2018, period from 1 Jan. 2018 to 30 Sep. 2018
Net profit for the financial year	65,550	260,329	9,676	74,129
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	-	(781)	-	(5,852)
- Income tax relating to non-transferrable items	-	148	-	1,112
Items which will never be subject to reclassification to profit or loss for the current period - total	-	(633)	-	(4,740)
Items which are or may be subject to reclassification to profit or loss for the current period - total	-	-	-	-
Other net comprehensive loss for the reporting period	-	(633)	-	(4,740)
Other net comprehensive income for the reporting period - total	65,550	259,696	9,676	69,389



INTERIM STATEMENT OF CHANGES IN EQUITY

	Other capitals				Retained profits	Total equity
	Ordinary shares	Supplementary fund	Reserve capital	Other capital related to the Management Options Scheme		
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:	-	-	-	-	259,696	259,696
- <i>net profit</i>	-	-	-	-	260,329	260,329
- <i>other comprehensive income</i>	-	-	-	-	(633)	(633)
Transfer of the result for 2018	-	-	26,087	-	(26,087)	-
Dividend for 2018	-	-	-	-	(25,510)	(25,510)
As at 30 September 2019	301,158	702,549	1,607,990	3,839	549,639	3,165,175
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
- <i>net profit</i>	-	-	-	-	74,129	74,129
- <i>other comprehensive income</i>	-	-	-	-	(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



INTERIM STATEMENT OF CASH FLOWS

	For three quarters ended on	
	30 September 2019	30 September 2018
Cash flow from (used in) operating activities		
Cash inflow from operating activities*	545,133	343,988
Interest received and paid	(2,411)	(5,379)
Income tax paid	(49,330)	9,291
Net cash flow from (used in) operating activities	493,392	347,900
Cash flow from (used in) investing activities		
Acquisition of property, plant and equipment	(350,392)	(301,031)
Interest paid regarding investing activities	-	(2,744)
Acquisition of intangible assets	(1,436)	(271)
Inflow from the sale of property, plant and equipment	980	3,572
Interest received	2,886	3,958
Dividend received	1,165	625
Expenditure on other current investments	-	(150,000)
Inflows from other current investments	-	75,870
Inflow on account of funds being deposited in the bank account of the Mine Closure Fund	2,471	1,680
Net cash flow from (used in) investing activities	(344,326)	(368,341)
Cash flow from (used in) financing activities		
Dividend paid to Company shareholders	(25,510)	-
Bond redemption	-	(150,000)
Lease payments	(2,671)	-
Interest and commissions paid regarding financing activities	-	(967)
Net cash flow from (used in) financing activities	(28,181)	(150,967)
Net increase / (decrease) in cash and cash equivalents	120,885	(171,408)
Cash and cash equivalents at beginning of period	154,522	416,827
Cash and cash equivalents at end of period	275,407	245,419

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



INTERIM CASH INFLOWS FROM OPERATING ACTIVITIES

	For three quarters ended on	
	30 September 2019	30 September 2018
Profit before taxation	317,604	90,083
- Depreciation of non-current assets	280,191	298,097
- Amortisation of intangible assets	1,754	1,937
- Depreciation of the right-of-use asset	2,493	-
- Profit on sale of property, plant and equipment	(933)	(2,612)
- Profit/(loss) on liquidation of plant, property and equipment	34,490	18,522
- Actuarial gains (losses) as recognised in the interim statement of comprehensive income	(781)	(5,852)
- Change in provisions for employee benefits	7,455	399
- Changes in provisions	(41,114)	4,871
- Other flows	(1,231)	(2,038)
- Dividend received	(1,165)	(625)
- Change in inventories	(39,329)	(29,098)
- Change in trade and other receivables	(78,589)	(48,770)
- Change in trade and other liabilities	64,288	19,074
Cash inflow from (used in) operating activities	545,133	343,988
Balance-sheet change in liabilities, contract liabilities and grants	(10,523)	5,351
Set-off of income tax overpaid with other taxes payable	11,857	2,465
Change in investment liabilities	62,954	11,258
Change in liabilities for the purposes of the interim statement of cash flows	64,288	19,074
Increase in non-current assets	298,106	300,539
Increase resulting from revaluation of capitalised costs of liquidating non-current assets relating to mining activities	(10,641)	(6,836)
Other non-cash adjustments	(27)	(1,186)
Interest paid regarding investing activities	-	(2,744)
Change in investment liabilities	62,954	11,258
Acquisition of property, plant and equipment	350,392	301,031
Increase in intangible assets	1,436	271
Acquisition of intangible assets	1,436	271

APPROVAL OF THE CONSOLIDATED QUARTERLY REPORT

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby declares that as at 20 November 2019 it approves this Consolidated Quarterly Report for three quarters of financial year 2019, covering the period from 1 January 2019 to 30 September 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 Legal 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