



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

The Lubelski Węgiel BOGDANKA Group

Abridged Consolidated Quarterly Financial Statements

for the 3rd quarter of 2011

as at and for the period ended on 30 September 2011

Additional information to the abridged consolidated quarterly financial statements for the Lubelski Węgiel Bogdanka Group and to the abridged quarterly financial statements for the Group's Parent Undertaking Lubelski Węgiel Bogdanka S.A., for the third quarter 2011.

1. General information

The composition of the Capital Group and the object of the Group's business

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

Parent Undertaking - 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.

The deed of transformation of a state-owned enterprise into a company wholly owned by the State Treasury operating under the business name: Kopalnia Węgla Kamiennego Bogdanka S.A. was drawn up on 1 March 1993 (Rep. A No. 855/1993) by Notary Public Jacek Wojdyło maintaining a Notarial Office in Katowice at ul. Kopernika 26.

The Company was entered in Section B of the Commercial Register of the District Court in Lublin, VIII Commercial Division, under No. H - 2993, on the basis of a valid decision of that Court issued on 30 April 1993 (file ref. No. HB - 2993, Ns. Rej. H 669/93).

On 26 March 2001, Lubelski Węgiel Bogdanka Spółka Akcyjna was registered in the Register of Entrepreneurs maintained by the District Court in Lublin, XI Division of the National Court Register, under KRS No. 0000004549.

On 22 June 2009, pursuant to the decision of the Polish Financial Supervision Authority, Series A and C Shares and Rights to Series C Shares were admitted to public trading on the WSE main market. On 25 June 2009, the Company made its debut on the WSE by introducing Rights to Series C Shares to trading. The share capital of the Company was increased by means of an issue of 11 million shares with a value of PLN 55 million and currently amounts to PLN 170,068,000 (PLN 301,158,000 after hyperinflation revaluation). The increase in the share capital was registered on 10 July 2009 by the District Court in Lublin, XI Commercial Division of the National Court Register. As a result of transactions of disposal of shares effected in 2010 by the State Treasury, represented by the Minister of the State Treasury as well as transfer of shares on the basis of contracts on a free-of-charge disposal of shares for the benefit of eligible employees under the Act on Commercialisation and Privatisation, Lubelski Węgiel BOGDANKA Spółka Akcyjna has lost the status of the Company owned by the State Treasury.

The Company's core business activities, pursuant to the European Classification of Activity (EKD 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 2011, the Parent Undertaking 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. The company also conducts activities involving the construction and refurbishment of heat-generating, water supply and sewage disposal installations.

The Group's associated undertakings are:

The associated undertaking - EKSPERT Sp. z o.o. with registered office in Bogdanka, 21-013, Puchaczów.

As at 30 September 2011, Łęczyńska Energetyka Sp. z o.o. held 50% of shares in the capital of EKSPERT Sp. z o.o.

2. Principles applied in preparing the abridged consolidated quarterly financial statements and the abridged quarterly financial statements of Lubelski Węgiel Bogdanka S.A.

These abridged consolidated quarterly financial statements have been prepared in compliance with the provisions of the International Accounting Standards and the International Financial Reporting Standards, as well as the Regulation of the Polish Council of Ministers of 19 February 2009 on current and periodic information furnished by the issuers of securities (Dz. U. dated Dz.U.09.33.259, as amended).

Data for the abridged consolidated quarterly financial statements and the abridged quarterly financial statements of Lubelski Węgiel Bogdanka S.A. has been prepared in compliance with the same accounting principles and calculation methods as in the previous annual financial statements.

3. Brief description of significant achievements and failures of the Company during the reporting period, along with the list of the related key events.

With regard to the conducted activities, the following events took place in the third quarter of 2011 under analysis:

- on 19 July 2011 the Company entered into a long-term agreement for the sale of power coal with PH-U Energokrak Sp. z o.o., with registered office in Kraków. The Agreement is effective from 19 July 2011 until 31 December 2015 and concerns the supply of coal for Elektrownia Rybnik S.A., with registered office in Rybnik. The value of the Agreement, without regard to additional options, possible increases, deviations and tolerance, in accordance with current prices amounts to PLN 393 million net. The price of coal for each subsequent year during the term of the Agreement shall be agreed upon by the Parties by way of negotiation.

4. Description of factors and events, in particular of untypical nature, with a significant bearing on the financial results.

In the third quarter of 2011 no untypical events occurred that would have a significant bearing on the financial results achieved both by the Group and its Parent Undertaking Lubelski Węgiel Bogdanka S.A.

The Lubelski Węgiel Bogdanka S.A. Group

The third quarter of 2011 (Q3)

In the third quarter of 2011 the consolidated net revenue on sales of products, goods and materials achieved the level of PLN 283,680,000 while in the comparable period of 2010 the consolidated revenue on sales of products, goods and materials amounted to PLN 356,125,000.

The consolidated operating profit in Q3 2011 amounted to PLN 31,282,000.

As a result of achieving the operating profit, in the third quarter of 2011 net profit attributable to the shareholders of the Parent Undertaking was recorded in the amount of PLN 25,917,000, while in the comparable period of 2010 the Group recorded net profit attributable to the shareholders of the Parent Undertaking of PLN 85,475,000.

Three quarters of 2011 (3Qs cumulative)

In cumulative terms, the revenue on sales of products, goods and materials for three quarters of 2011 amounted to PLN 865,761,000, which represents a decrease by 7.33% as compared to the same period of the previous year.

The operating profit for three quarters of 2011 amounted to PLN 101,691,000.

In cumulative terms, the net profit attributable to Company's shareholders for three quarters of 2011 amounted to PLN 87,852,000, which represents a decrease by 54.17% as compared to the same period of the previous year.

Parent Undertaking - Lubelski Węgiel Bogdanka S.A.

The third quarter of 2011 (Q3)

In the third quarter of 2011 net revenue on sales of products, goods and materials achieved the level of PLN 282,347,000, while in the comparable period of 2010 the item amounted to PLN 355,192,000, which represents a decrease in the net revenue in 2011 by 20.51%.

The operating profit in Q3 2011 amounted to PLN 31,961,000.

The net profit for the third quarter of 2011 amounted to PLN 26,127,000, while in the comparable period of the previous year the Company recorded net profit of PLN 86,337,000.

Three quarters of 2011 (3Qs cumulative)

In cumulative terms, the revenue on sales of products, goods and materials for three quarters of 2011 amounted to PLN 855,631,000, which represents a decrease by 7.94% as compared to the same period of the previous year.

The operating profit for three quarters of 2011 amounted to PLN 101,318,000.

In cumulative terms, the net profit for three quarters of 2011 amounted to PLN 86,911,000, which represents a decrease by 54.56% as compared to the same period of the previous year.

The Lubelski Węgiel Bogdanka S.A. Group

As at 30 September 2011, the balance of total provisions for other liabilities and charges and the total amount of retirement benefits and long-service awards payable in the member companies of the Lubelski Węgiel Bogdanka Group amounted to PLN 287,511,000, which represents a decrease by PLN 783,000 in comparison to the balance as at 31 December 2010.

For three quarters of 2011, deferred income tax liability occurred in the amount of PLN 53,912,000, which represents a decrease by PLN 820,000 in comparison to the balance of this item as at 31 December 2010.

Parent Undertaking - Lubelski Węgiel Bogdanka S.A.

At the Parent Undertaking - Lubelski Węgiel Bogdanka S.A., as at 30 September 2011, the balance of provisions for other liabilities and charges and the amount of retirement benefits and long-service awards payable amounted to PLN 286,666,000, which represents a decrease by PLN 844,000 in comparison to the balance as at 31 December 2010.

As at 30 September 2011, deferred income tax liability occurred in the amount of PLN 55,688,000, which represents a decrease by PLN 690,000 in comparison to the balance of this item as at 31 December 2010.

5. Explanations regarding seasonal and cyclical nature of the Group's activity in the presented period

The production is not seasonal or cyclical, whereas seasonal nature of sales can be noticed in the case of retail sales at a point of coal sale. Sales to individual customers account for 0.30% of the total sales. This has no significant effect on operating and financing activity of the Group.

6. Information about the issue, redemption and repayment of debt and equity securities

In the third quarter of 2011, the Parent Undertaking performed no transactions involving issue, redemption or repayment of debt and equity securities.

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

In the third quarter of 2011, the Parent Undertaking paid dividend to Shareholders for 2010 in the amount of PLN 47,619,000. A dividend date was 29 July 2011, and a dividend payment date - 26 August 2011. And in the third quarter of 2010, the Parent Undertaking did not pay any dividend to the Shareholders. In connection therewith, the dividend rate due to Shareholders of the Parent Undertaking is presented in the table below.

	1 Jan. 2011 – 30 Sep. 2011	1 Jan. 2010 – 30 Sep. 2010
Dividend paid	47,619	-
Weighted average number of ordinary shares ('000)	34,014	34,014
Dividend per share (in PLN per share)	1.40	0.00

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

8. Events after the balance-sheet date not disclosed in the abridged consolidated quarterly financial statements

The presented results for the third quarter of 2011 and three quarters of 2010 refer to the events, identified by the Group, that occurred in this period. After the balance-sheet date no events affecting the financial results occurred that would not be disclosed in the Abridged Consolidated Quarterly Financial Statements.

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

Since the previous consolidated report the balance of contingent liabilities has not changed significantly.

10. Transactions of the Lubelski Węgiel Bogdanka S.A. Group with related entities

Transactions of the Parent Undertaking with related entities

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

The revenue of the Company resulting from the cooperation with its subsidiary, Łęczyńska Energetyka Sp. z o.o., primarily refer to the sale of coal and brick as well as the payments for lease of premises, telecommunications services and re-invoicing the cost of electricity.

Purchases primarily include the purchase of heat power, potable water and the maintenance services for sewage installations, central heating, tailwater and water grid.

In the reporting periods ended on 30 September 2010 and 30 September 2011 the value of trade related to purchase with the subsidiary, Łęczyńska Energetyka Sp. z o.o. in Bogdanka and the balance of liabilities of the Company towards that related undertaking as at subsequent balance-sheet dates were:

	30 Sep. 2011	31 Dec. 2010	30 Sep. 2010
Purchases in period	7,473	10,959	8,314
Total liabilities at end of period including VAT	762	1,281	644

In the reporting periods ended on 30 September 2010 and 30 September 2011 the value of trade related to sales with the subsidiary, Łęczyńska Energetyka Sp. z o.o. in Bogdanka, and the balance of liabilities of the Company towards that related undertaking as at subsequent balance-sheet dates were:

	30 Sep. 2011	31 Dec. 2010	30 Sep. 2010
Sales in period	5,066	10,795	7,954
Total receivables at end of period including VAT	1,151	2,246	1,492

11. Reporting by segments: industry and location

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

Consolidated Statement of Financial Position (Balance Sheet)**30 Sep. 2011 31 Dec. 2010****Assets****Fixed assets**

Tangible fixed assets	2,523,823	2,101,245
Intangible fixed assets	10,122	10,955
Investments in associated undertakings	-	18
Trade debtors and other receivables	520	845
Cash and cash equivalents	52,673	50,909
	<u>2,587,138</u>	<u>2,163,972</u>

Current assets

Stock	46,860	60,810
Trade debtors and other receivables	142,894	126,858
Overpaid income tax	119	4,304
Cash and cash equivalents	100,328	472,101
	<u>290,201</u>	<u>664,073</u>

TOTAL ASSETS**2,877,339 2,828,045****Shareholders' equity****Shareholders' equity attributable to shareholders of the Parent Undertaking**

Ordinary shares	301,158	301,158
Other capitals	1,261,013	1,081,298
Retained profits	437,827	577,309
	<u>1,999,998</u>	<u>1,959,765</u>

Non-controlling interests**9,445 9,254****Total shareholders' equity****2,009,443 1,969,019****Liabilities****Long-term liabilities**

Loans and borrowings	185,000	200,000
Deferred income tax liabilities	53,912	54,732
Employee benefits liabilities	119,289	108,582
Provisions for other liabilities and charges	70,675	67,314
Subsidies	19,258	19,451
Trade creditors and other liabilities	5,615	5,808
	<u>453,749</u>	<u>455,887</u>

Short-term liabilities

Loans and borrowings	56,000	50,000
Current income tax liabilities	2,281	-
Employee benefits liabilities	12,714	29,709
Provisions for other liabilities and charges	84,833	82,689
Trade creditors and other liabilities	258,319	240,741
	<u>414,147</u>	<u>403,139</u>

Total liabilities**867,896 859,026****TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES****2,877,339 2,828,045**

Consolidated Statement of Comprehensive Income

	Q3 2011 period from 1 Jul. 2011 to 30 Sep. 2011	3Qs 2011 period from 1 Jan. 2011 to 30 Sep. 2011	Q3 2010 period from 1 Jul. 2010 to 30 Sep. 2010	3Qs 2010 period from 1 Jan. 2010 to 30 Sep. 2010
Revenue on sales	283,680	865,761	356,125	934,224
Costs of products, goods and materials sold	(222,416)	(682,881)	(221,996)	(616,992)
Gross profit	61,264	182,880	134,129	317,232
Selling costs	(10,722)	(30,191)	(7,260)	(26,678)
Administrative costs	(16,984)	(54,046)	(16,804)	(49,007)
Other income	105	8,056	2,207	4,458
Other costs	(673)	(1,187)	(253)	(1,998)
Other losses - net	(1,708)	(3,821)	(5,517)	(10,867)
Profit on operating activities	31,282	101,691	106,502	233,140
Financial income	3,119	12,563	5,370	18,239
Financial expenses	(2,331)	(5,137)	(2,802)	(9,466)
Net financial income	788	7,426	2,568	8,773
Share in profits/(losses) of associated undertakings	-	(18)	(24)	(48)
Profit before taxation	32,070	109,099	109,046	241,865
Income tax	(6,190)	(21,056)	(22,986)	(48,885)
Net profit for the financial year	25,880	88,043	86,060	192,980
including:				
- attributable to shareholders of the Parent Undertaking	25,917	87,852	85,475	191,683
- attributable to non-controlling interests	(37)	191	585	1,297
Total income for the period	25,880	88,043	86,060	192,980
including:				
- attributable to shareholders of the Parent Undertaking	25,917	87,852	85,475	191,683
- attributable to non-controlling interests	(37)	191	585	1,297
Earnings per share attributable to the shareholders of the Parent Undertaking during the year (in PLN per share)				
- basic		2.58		5.64
- diluted		2.58		5.64

Consolidated Statement of Changes in Shareholders' Equity

	Attributable to shareholders of the Parent Undertaking			Total	Non- controlling interests	Total shareholder s' equity
	Ordinary shares	Other capitals	Retained profits			
As at 1 January 2010	301,158	890,456	538,340	1,729,954	8,943	1,738,897
Total income for the accounting period	-	-	191,683	191,683	1,297	192,980
Transfer of the result for 2009	-	192,053	(192,053)	-	-	-
As at 30 September 2010	301,158	1,082,509	537,970	1,921,637	10,240	1,931,877
As at 1 January 2011	301,158	1,081,298	577,309	1,959,765	9,254	1,969,019
Total income for the accounting period	-	-	87,852	87,852	191	88,043
Dividends concerning 2010	-	-	(47,619)	(47,619)	-	(47,619)
Transfer of the result for 2010	-	179,715	(179,715)	-	-	-
As at 30 September 2011	301,158	1,261,013	437,827	1,999,998	9,445	2,009,443

Consolidated Cash Flow Statement

	For 3 quarters ended on 30 September	
	2011	2010
Operating cash flow		
Operating cash inflow	255,192	334,598
Interest paid	(1,833)	(8,009)
Income tax paid	(15,370)	(42,753)
Net operating cash flow	<u>237,989</u>	<u>283,836</u>
Investing cash flow		
Acquisition of tangible fixed assets	(561,555)	(462,207)
Acquisition of intangible fixed assets	(393)	(55)
Inflow from the sale of tangible fixed assets	147	59
Interest received	10,423	16,466
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(1,765)	(1,706)
Net investing cash flow	<u>(553,143)</u>	<u>(447,443)</u>
Financing cash flow		
Loans and borrowings repaid	(9,000)	-
Dividend paid to shareholders of the Parent Undertaking	(47,619)	-
Net financing cash flow	<u>(56,619)</u>	<u>-</u>
Decrease in cash and cash equivalents	(371,773)	(163,607)
Cash and cash equivalents at beginning of period	472,101	681,659
Cash and cash equivalents at end of period	<u>100,328</u>	<u>518,052</u>

Statement of Financial Position (Balance Sheet) of Lubelski Węgiel Bogdanka S.A.

	30 Sep. 2011	31 Dec. 2010
Assets		
Fixed assets		
Tangible fixed assets	2,474,270	2,054,412
Intangible fixed assets	10,090	10,917
Long-term investments	73,341	73,341
Cash and cash equivalents	52,673	50,909
	<u>2,610,374</u>	<u>2,189,579</u>
Current assets		
Stock	44,806	58,463
Trade debtors and other receivables	140,331	120,364
Overpaid income tax	-	4,456
Cash and cash equivalents	68,302	439,314
	<u>253,439</u>	<u>622,597</u>
TOTAL ASSETS	<u>2,863,813</u>	<u>2,812,176</u>
Shareholders' equity		
Ordinary shares	301,158	301,158
Other capitals	1,266,331	1,086,588
Retained profits	429,682	570,133
Total shareholders' equity	<u>1,997,171</u>	<u>1,957,879</u>
Liabilities		
Long-term liabilities		
Loans and borrowings	185,000	200,000
Deferred income tax liabilities	55,688	56,378
Employee benefits liabilities	118,444	107,798
Provisions for other liabilities and charges	70,675	67,314
Subsidies	19,258	19,451
Trade creditors and other liabilities	5,509	5,808
	<u>454,574</u>	<u>456,749</u>
Short-term liabilities		
Loans and borrowings	56,000	50,000
Current income tax liabilities	2,281	-
Employee benefits liabilities	12,714	29,709
Provisions for other liabilities and charges	84,833	82,689
Trade creditors and other liabilities	256,240	235,150
	<u>412,068</u>	<u>397,548</u>
Total liabilities	<u>866,642</u>	<u>854,297</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>2,863,813</u>	<u>2,812,176</u>

Statement of Comprehensive Income of Lubelski Węgiel BOGDANKA S.A.

	Q3 2011 period from 1 Jul. 2011 to 30 Sep. 2011	3Qs 2011 period from 1 Jan. 2011 to 30 Sep. 2011	Q3 2010 period from 1 Jul. 2010 to 30 Sep. 2010	3Qs 2010 period from 1 Jan. 2010 to 30 Sep. 2010
Revenue on sales	282,347	855,631	355,192	929,452
Costs of products, goods and materials sold	(221,096)	(675,072)	(221,367)	(614,652)
Gross profit	61,251	180,559	133,825	314,800
Selling costs	(10,726)	(30,139)	(7,131)	(26,720)
Administrative costs	(16,273)	(51,855)	(16,129)	(47,306)
Other income	90	7,718	2,186	4,136
Other costs	(673)	(1,187)	(253)	(1,998)
Other losses - net	(1,708)	(3,778)	(5,516)	(10,852)
Profit on operating activities	31,961	101,318	106,982	232,060
Financial income	2,741	11,511	5,217	17,135
Financial expenses	(2,327)	(5,133)	(2,800)	(9,462)
Net financial income	414	6,378	2,417	7,673
Profit before taxation	32,375	107,696	109,399	239,733
Income tax	(6,248)	(20,785)	(23,062)	(48,477)
Net profit for the period	26,127	86,911	86,337	191,256
Total income for the period	26,127	86,911	86,337	191,256
Earnings per share attributable to the Company's shareholders during the year (in PLN per share)				
- basic		2,56		5,62
- diluted		2,56		5,62

Statement of Changes in Shareholders' Equity of Lubelski Węgiel BOGDANKA S.A.

	Ordinary shares	Other capitals	Retained profits	Total shareholders' equity
As at 1 January 2010	301,158	894,535	534,824	1,730,517
Total income for the accounting period	-	-	191,256	191,256
Transfer of the result for 2009	-	192,053	(192,053)	-
As at 30 September 2010	301,158	1,086,588	534,027	1,921,773
As at 1 January 2011	301,158	1,086,588	570,133	1,957,879
Total income for the accounting period	-	-	86,911	86,911
Dividends concerning 2010	-	-	(47,619)	(47,619)
Transfer of the result for 2010	-	179,743	(179,743)	-
As at 30 September 2011	301,158	1,266,331	429,682	1,997,171

Cash Flow Statement of Lubelski Węgiel BOGDANKA S.A.

	For 3 quarters ended on 30 September	
	2011	2010
Operating cash flow		
Operating cash inflow	252,384	332,028
Interest paid	(1,830)	(8,006)
Income tax paid	(14,739)	(42,192)
Net operating cash flow	235,815	281,830
Investing cash flow		
Acquisition of tangible fixed assets	(557,846)	(457,218)
Acquisition of intangible fixed assets	(384)	(55)
Inflow from the sale of tangible fixed assets	147	59
Interest received	9,640	15,362
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(1,765)	(1,706)
Net investing cash flow	(550,208)	(443,558)
Financing cash flow		
Loans and borrowings repaid	(9,000)	-
Dividend paid to Company shareholders	(47,619)	-
Net financing cash flow	(56,619)	-
Decrease in cash and cash equivalents	(371,012)	(161,728)
Cash and cash equivalents at beginning of period	439,314	640,432
Cash and cash equivalents at end of period	68,302	478,704

12. Approval of the financial statements

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby represents that as of 8 November 2011 it approves these abridged consolidated quarterly financial statements of the Group and the abridged quarterly financial statements of the Parent Undertaking for the third quarter of 2011, covering the period from 1 January 2011 to 30 September 2011, for publication.