

The Lubelski Węgiel BOGDANKA Group
Consolidated Quarterly Report as at and for the period ended on 31 March 2012
Interim condensed consolidated financial statements
All amounts in the tables are in PLN thousand, unless otherwise specified)



LUBELSKI WĘGIEL „BOGDANKA”
SPÓŁKA AKCYJNA

The Lubelski Węgiel BOGDANKA Group

**Consolidated Quarterly Report for the First Quarter of
2012**

as at and for the period ended on 31 March 2012

**The financial statements prepared in accordance with
International Accounting Standard 34 “Interim Financial
Reporting”**

Additional information to the interim condensed consolidated quarterly report for the Lubelski Węgiel BOGDANKA Group and the interim condensed quarterly financial statements for the Parent Undertaking Lubelski Węgiel BOGDANKA S.A. for Q1 2012.

1. General information

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

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

Parent 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). Reg. No. 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. As a result of transactions effected in 2010 regarding the disposal of shares effected 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 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 31 March 2012, 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

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construction and refurbishment of heat-generating, water supply and sewage disposal installations.
The company prepares its balance sheet as at 31 December.

2. Principles applied in preparing the interim condensed consolidated quarterly report and the interim condensed quarterly financial statements of Lubelski Węgiel BOGDANKA S.A.

The interim condensed 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 Finance Minister of 19 February 2009 on current and periodic information furnished by the issuers of securities and the conditions for deeming equally important the information required by provisions of law of a country which is not a Member State (Dz. U. No. 33 dated 28 February 2009, item 259).

Data for the interim condensed consolidated quarterly report and the interim condensed 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.

These financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting and with relevant accounting standards applicable to interim financial reporting endorsed by the European Union, published and applicable as at 31 March 2012.

In the presented period, the Group did not introduce material changes in value of the estimated amounts which were presented for the preceding financial year.

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

With regard to the conducted activities under analysis, the following events took place at the Parent Undertaking in the first quarter of 2012:

From the publication date of these interim condensed consolidated financial statements, the following material events affecting the Company's operations in 2012, have occurred:

- On 23 January 2012, the Parent Undertaking's Management Board, signed agreement No. UW/LW/01/2012 with Elektrownia Kozienice S.A. with registered office in Świerże Górne, concerning the supply of power coal for the purposes of a newly built power block in Elektrownia Kozienice S.A. The Agreement was concluded for the term from the date of its execution until 31 December 2036. The estimated net value of the Agreement at supply prices of the current year amounts to PLN 11,248 billion, without taking into account volume quantity tolerance of +/- 5% stipulated by the Agreement.

In addition, on 23 January 2012 Annex No. 1 was signed to the existing Long-Term Agreement for the supply of power coal No. UW/LW/01/2010 until 31 December 2025. In consequence of execution of the new Agreement and Annex No. 1 to the existing Long-Term Agreement, the Parties are bound by two long-term agreements with their aggregate value in the years 2011-2036 amounting at the current prices to about PLN 22,772 billion.

- On 23 April 2012, the Parent Undertaking's Management Board concluded Agreement on Sale/Purchase of Power Coal with PGNIG Termika S.A., with registered office in Warsaw. The Agreement concerns coal supplies provided by the Company in 2013-2015 for the purposes of, among others, Żerań Heat and Power Station and Siekierki Heat and Power Station, both owned by PGNIG Termika S.A. (formerly Vattenfall Heat Poland S.A.). The Agreement is in effect from the date of conclusion thereof until 31 December 2015. The value of the Agreement at current prices amounts to PLN 1,062,180,000 net without permissible deviations and tolerance specified in the Agreement.

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

In the first quarter of 2012 no untypical events occurred that would have a significant bearing on the financial results achieved both by the Lubelski Węgiel BOGDANKA Group and its Parent Undertaking.

The Lubelski Węgiel BOGDANKA Group

Q1 2012

In the first quarter of 2012 the consolidated net revenue on sales of products, goods and materials achieved the level of PLN 477,302,000 while in the comparable period of 2011 the consolidated revenue on sales of products, goods and materials amounted to PLN 309,961,000.

The consolidated operating profit in Q1 2012 amounted to PLN 119,297,000.

As a result of achieving the operating profit, in the first quarter of 2012 net profit attributable to the shareholders of the Parent Undertaking was recorded in the amount of PLN 99,106,000, while in the comparable period of 2011 the Group recorded net profit attributable to the shareholders of the Parent Undertaking of PLN 35,860,000.

Parent Undertaking - Lubelski Węgiel BOGDANKA S.A.

Q1 2012

In the first quarter of 2012 the net revenue on sales of products, goods and materials achieved the level of PLN 475,758,000, while in the comparable period of 2011 the item amounted to PLN 304,678,000, which represents an increase in the net revenue in 2012 by 56.15%.

The operating profit in Q1 2012 amounted to PLN 120,942,000.

The net profit for the first quarter of 2012 amounted to PLN 96,995,000, while in the comparable period of the previous year the Company recorded the net profit of PLN 35,062,000.

The Lubelski Węgiel BOGDANKA Group

Q1 2012

As at 31 March 2012, 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 289,249,000, which represents an increase by PLN 28,442,000 in comparison to the balance as at 31 December 2011.

In the 'provision for other liabilities and charges' item, a provision was disclosed for liabilities (if any) for the settlement of additional and replacement works performed by Mostostal Warszawa S.A. in the Parent Undertaking's facilities, i.e. Mechanical Coal Processing Plant in Bogdanka. The Parent Undertaking estimated of the provision based on received cost estimates and its knowledge.

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The estimated amount of the provision of PLN 25,000,000 was disclosed in books as at 31 March 2012.

As at 31 March 2012, deferred income tax liability occurred in the amount of PLN 60,096,000, which represents a decrease by PLN 10,563,000 in comparison to the balance of this item as at 31 December 2011.

Parent Undertaking - Lubelski Węgiel BOGDANKA S.A.

Q1 2012

The Parent Undertaking Lubelski Węgiel BOGDANKA S.A. recorded as at 31 March 2012 the balance of provisions for other liabilities and charges and the retirement benefits and long service awards payable in the amount of PLN 288,436,000, which represents an increase by PLN 28,447,000 in comparison to the balance as at 31 December 2011.

In the 'provision for other liabilities and charges' item, a provision was disclosed for liabilities (if any) for the settlement of additional and replacement works performed by Mostostal Warszawa S.A. in the Parent Undertaking's facilities, i.e. Mechanical Coal Processing Plant in Bogdanka. The Parent Undertaking estimated of the provision based on received cost estimates and its knowledge. The estimated amount of the provision of PLN 25,000,000 was disclosed in books as at 31 March 2012.

As at 31 March 2012, deferred income tax liability occurred in the amount of PLN 61,965,000, which represents a decrease by PLN 10,526,000 in comparison to the balance of this item as at 31 December 2011.

5. Information regarding seasonal or cyclical character of the Issuer's activity in the discussed 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 account for 0.18% 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 first quarter of 2012, both the Group and 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 first quarter of 2012 and in the same period of 2011, the Parent Undertaking did not pay any dividend to Shareholders.

On 27 April 2012, the Annual General Shareholders Meeting of the Parent Undertaking adopted resolution regarding distribution of the net profit for 2011 and decided to pay dividend in the amount of PLN 136,054,360.00, i.e. PLN 4 per share. Further, the General Shareholders Meeting scheduled the dividend date to take place on 18 May 2012, and the dividend payment date - on 14 August 2012.

8. Events after the balance-sheet date not disclosed in the interim condensed consolidated financial statements

The presented results for the first quarter of 2012 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 Consolidated Quarterly Report.

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

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

10. Transactions of the Lubelski Węgiel BOGDANKA 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 Parent Undertaking and are performed on an arms' length basis.

The revenue of the Parent Undertaking resulting from the cooperation with its subsidiary, Łęczyńska Energetyka, 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 ending on 31 March 2012 and 31 March 2011, the value of tradeover on account of purchase with the subsidiary Łęczyńska Energetyka Sp. z o.o. in Bogdanka and the total liabilities of the Parent Undertaking towards that related entity for subsequent balance-sheet dates were as follows:

	31 Mar. 2012	31 Dec. 2011	31 Mar. 2011
Purchases in period	6,376	11,707	2,933
Total liabilities at end of period including VAT	1,665	1,577	935

In the reporting periods ending on 31 March 2012 and 31 March 2011, the value of tradeover on account of sale with the subsidiary "Łęczyńska Energetyka" Sp. z o.o. in Bogdanka and the total accounts receivable of the Parent Undertaking towards that related entity for subsequent balance-sheet dates were as follows:

	31 Mar. 2012	31 Dec. 2011	31 Mar. 2011
Sales in period	4,542	8,368	3,164
Total receivables at end of period including VAT	2,127	2,340	1,950

11. 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.

Consolidated Interim Statement of Financial Position (Balance Sheet)

	31 Mar. 2012	31 Dec. 2011
Assets		
Fixed assets		
Tangible fixed assets	2,647,376	2,605,312
Intangible fixed assets	9,697	9,931
Trade debtors and other receivables	694	685
Cash and cash equivalents	58,628	58,288
	<u>2,716,395</u>	<u>2,674,216</u>
Current assets		
Stock	63,449	43,494
Trade debtors and other receivables	268,008	255,698
Cash and cash equivalents	216,892	102,820
	<u>548,349</u>	<u>402,012</u>
TOTAL ASSETS	<u>3,264,744</u>	<u>3,076,228</u>
Shareholders' equity		
Shareholders' equity attributable to shareholders of the Parent Undertaking		
Ordinary shares	301,158	301,158
Other capitals	1,261,013	1,261,013
Retained profits	670,002	570,896
	<u>2,232,173</u>	<u>2,133,067</u>
Non-controlling interests	9,683	9,579
Total shareholders' equity	<u>2,241,856</u>	<u>2,142,646</u>
Liabilities		
Long-term liabilities		
Loans and borrowings	386,000	341,000
Deferred income tax liabilities	60,096	70,659
Employee benefits payable	116,743	113,144
Provisions for other liabilities and charges	76,856	76,856
Grants	18,864	19,111
Trade creditors and other liabilities	4,521	5,796
	<u>663,080</u>	<u>626,566</u>
Short-term liabilities		
Loans and borrowings	5,000	-
Employee benefits payable	32,006	34,109
Current income tax liabilities	13,165	2,034
Provisions for other liabilities and charges	63,644	36,698
Trade creditors and other liabilities	245,993	234,175
	<u>359,808</u>	<u>307,016</u>
Total liabilities	<u>1,022,888</u>	<u>933,582</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>3,264,744</u>	<u>3,076,228</u>

Consolidated Interim Statement of Comprehensive Income

	Q1 2012 period from 1 Jan. 2012 to 31 Mar. 2012	Q1 2011 period from 1 Jan. 2011 to 31 Mar. 2011
Revenue on sales	477,302	309,961
Costs of products, goods and materials sold	(301,373)	(237,143)
Gross profit	175,929	72,818
Selling costs	(9,915)	(9,619)
Administrative costs	(20,803)	(18,364)
Other income	784	1,628
Other expenses	(240)	(285)
Other profits/(losses) - net	(26,458)	(2,480)
Operating profit	119,297	43,698
Financial income	4,409	3,963
Financial expenses	(3)	(2,826)
Net financial income	4,406	1,137
Profit before taxation	123,703	44,835
Income tax	(24,493)	(8,877)
Net profit for the financial year	99,210	35,958
including:		
- attributable to shareholders of the Parent Undertaking	99,106	35,860
- attributable to non-controlling interests	104	98
Total income for the period	99,210	35,958
including:		
- attributable to shareholders of the Parent Undertaking	99,106	35,860
- attributable to non-controlling interests	104	98
Earnings per share attributable to the shareholders of the Parent Undertaking during the year (in PLN per share)		
- basic	2.91	1.05
- diluted	2.91	1.05

Consolidated Interim Statement of Changes in Equity

	Attributable to shareholders of the Parent Undertaking				Non- controlling interests	Total shareholders' equity
	Ordinary shares	Other capitals	Retained profits	Total		
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	-	-	35,860	35,860	98	35,958
As of 31 March 2011	301,158	1,081,298	613,169	1,995,625	9,352	2,004,977
As at 1 January 2012	301,158	1,261,013	570,896	2,133,067	9,579	2,142,646
Total income for the accounting period	-	-	99,106	99,106	104	99,210
As of 31 March 2012	301,158	1,261,013	670,002	2,232,173	9,683	2,241,856

Consolidated Interim Statement of Cash Flows

	For Q1 ended on 31 March	
	2012	2011
Operating cash flow		
Operating cash inflow	226,663	88,956
Interest paid	(3)	(2,799)
Income tax paid	(23,926)	(8,595)
Net operating cash flow	<u>202,734</u>	<u>77,562</u>
Investing cash flow		
Acquisition of tangible fixed assets	(133,125)	(192,095)
Interest paid regarding investing activity	(4,850)	-
Acquisition of intangible fixed assets	(183)	(236)
Inflow from the sale of tangible fixed assets	51	37
Interest received	1,082	3,931
Other net investing cash flow	(1,297)	-
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(340)	(699)
Net investing cash flow	<u>(138,662)</u>	<u>(189,062)</u>
Financing cash flow		
Loans and borrowings received	50,000	-
Loans and borrowings repaid	-	(3,000)
Net financing cash flow	<u>50,000</u>	<u>(3,000)</u>
Net increase / (decrease) in cash and cash equivalents	114,072	(114,500)
Cash and cash equivalents at beginning of period	102,820	472,101
Cash and cash equivalents at end of period	<u>216,892</u>	<u>357,601</u>

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

	31 Mar. 2012	31 Dec. 2011
Assets		
Fixed assets		
Tangible fixed assets	2,597,223	2,554,740
Intangible fixed assets	9,678	9,900
Long-term investments	73,341	73,341
Cash and cash equivalents	58,628	58,288
	<u>2,738,870</u>	<u>2,696,269</u>
Current assets		
Stock	59,844	41,572
Trade debtors and other receivables	264,546	252,605
Cash and cash equivalents	183,791	70,397
	<u>508,181</u>	<u>364,574</u>
TOTAL ASSETS	<u>3,247,051</u>	<u>3,060,843</u>
Shareholders' equity		
Ordinary shares	301,158	301,158
Other capitals	1,266,331	1,266,331
Retained profits	658,744	561,749
Total shareholders' equity	<u>2,226,233</u>	<u>2,129,238</u>
Liabilities		
Long-term liabilities		
Loans and borrowings	386,000	341,000
Deferred income tax liabilities	61,965	72,491
Employee benefits payable	115,930	112,326
Provisions for other liabilities and charges	76,856	76,856
Grants	18,864	19,111
Trade creditors and other liabilities	4,521	5,731
	<u>664,136</u>	<u>627,515</u>
Short-term liabilities		
Loans and borrowings	5,000	-
Employee benefits payable	32,006	34,109
Current income tax liabilities	13,082	2,136
Provisions for other liabilities and charges	63,644	36,698
Trade creditors and other liabilities	242,950	231,147
	<u>356,682</u>	<u>304,090</u>
Total liabilities	<u>1,020,818</u>	<u>931,605</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>3,247,051</u>	<u>3,060,843</u>

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

	Q1 2012 period from 1 Jan. 2012 to 31 Mar. 2012	Q1 2011 period from 1 Jan. 2011 to 31 Mar. 2011
Revenue on sales	475,758	304,678
Costs of products, goods and materials sold	(302,611)	(233,055)
Gross profit	173,147	71,623
Selling costs	(10,084)	(9,688)
Administrative costs	(20,292)	(17,757)
Other income	524	1,457
Other expenses	(240)	(285)
Other profits/(losses) - net	(26,402)	(2,450)
Operating profit	116,653	42,900
Financial income	4,289	3,644
Financial expenses	-	(2,826)
Net financial income	4,289	818
Profit before taxation	120,942	43,718
Income tax	(23,947)	(8,656)
Net profit for the period	96,995	35,062
Total income for the period	96,995	35,062
Earnings per share attributable to the Company's shareholders during the year (in PLN per share)		
- basic	2.85	1.03
- diluted	2.85	1.03

Interim Statement of Changes in Equity of Lubelski Węgiel BOGDANKA S.A.

	Ordinary shares	Other capitals	Retained profits	Total shareholders' equity
As at 1 January 2011	301,158	1,086,588	570,133	1,957,879
Total income for the accounting period	-	-	35,062	35,062
As of 31 March 2011	301,158	1,086,588	605,195	1,992,941
As at 1 January 2012	301,158	1,266,331	561,749	2,129,238
Total income for the accounting period	-	-	96,995	96,995
As of 31 March 2012	301,158	1,266,331	658,744	2,226,233

Interim Statement of Cash Flows of Lubelski Węgiel BOGDANKA S.A.

	For Q1 ended on 31 March	
	2012	2011
Operating cash flow		
Operating cash inflow	225,281	85,420
Interest paid	-	(2,799)
Income tax paid	(23,527)	(8,176)
Net operating cash flow	<u>201,754</u>	<u>74,445</u>
Investing cash flow		
Acquisition of tangible fixed assets	(132,703)	(188,812)
Interest paid regarding investing activity	(4,850)	-
Acquisition of intangible fixed assets	(183)	(228)
Inflow from the sale of tangible fixed assets	51	37
Interest received	962	3,612
Other net investing cash flow	(1,297)	-
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	(340)	(699)
Net investing cash flow	<u>(138,360)</u>	<u>(186,090)</u>
Financing cash flow		
Loans and borrowings received	50,000	-
Loans and borrowings repaid	-	(3,000)
Net financing cash flow	<u>50,000</u>	<u>(3,000)</u>
Net increase / (decrease) in cash and cash equivalents	113,394	(114,645)
Cash and cash equivalents at beginning of period	70,397	439,314
Cash and cash equivalents at end of period	<u>183,791</u>	<u>324,669</u>

12. Approval of the financial statements

The Management Board of Lubelski Węgiel BOGDANKA S.A. hereby declares that as at 08 May 2012 it approves this Consolidated Quarterly Report for the first quarter for the period between 1 January 2012 and 31 March 2012.

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Name and surname	Position / Function	Date	Signature
Mirosław Taras	President of the Management Board		
Krystyna Borkowska	Vice-President of the Management Board for Economic and Financial Affairs, Chief Accountant		
Zbigniew Stopa	Vice-President of the Management Board for Technical Affairs		
Waldemar Bernaciak	Vice-President of the Board for Commerce and Logistics		
Lech Tor	Member of the Management Board elected by the employees		