THE LUBELSKI WĘGIEL BOGDANKA GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

BOGDANKA, MARCH 2020

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Notes presented on pages 10 - 91 make an integral part of these consolidated financial statements.

(PLN '000)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	Note	As at 31 December 2019	As at 31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	4	3,282,449	3,270,293
Intangible assets	5	63,676	58,844
Right-of-use asset	6.1	18,094	-
Investment properties	7	3,140	3,312
Deferred tax assets	26.3	1,890	1,833
Trade and other receivables	8	6,533	1,261
Cash and cash equivalents	10	133,998	128,279
Total non-current assets		3,509,780	3,463,822
Current assets			
Inventories	9	104,248	83,382
Trade and other receivables	8	238,951	203,452
Overpaid income tax	26.4	16,745	11,835
Other current investments	11	-	67
Cash and cash equivalents	10	382,740	170,793
Total current assets		742,684	469,529
TOTAL ASSETS		4,252,464	3,933,351
Equity			
Equity attributable to owners of the Parent			
Ordinary shares	12	301,158	301,158
Other capitals	13	2,314,378	2,288,291
Retained profits	13	602,607	350,490
		3,218,143	2,939,939
Non-controlling interests	13	**10,359**	**10,177**
Total equity		3,228,502	2,950,116
Liabilities			
Non-current liabilities			
Loans and borrowings	16	10,894	13,930
Deferred income tax liability	26.3	238,477	213,686
Provisions for employee benefits	18	159,225	132,347
Provisions for other liabilities and charges	19	171,635	124,207
Grants	15	12,224	12,587
Lease liabilities	6.1	17,466	-
Trade and other liabilities	14	39,879	39,675
		649,800	536,432
Current liabilities			
Loans and borrowings	16	3,182	3,212
Provisions for employee benefits	18	32,740	32,809
Provisions for other liabilities and charges	19	24,692	79,156
Grants	15	469	560
Lease liabilities	6.1	1,081	-
Trade and other liabilities	14	311,554	330,549
Contract liabilities		444	517
		374,162	446,803
Total liabilities		1,023,962	983,235
TOTAL EQUITY AND LIABILITIES		4,252,464	3,933,351

Notes presented on pages 10 - 91 make an integral part of these consolidated financial statements.

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CONSOLIDATED INCOME STATEMENT

	Note	For the financial year from 1 January to 31 December	
		2019	2018
Revenue from contracts with customers, including:	20	2,157,861	1,756,671
Core business revenue	*20*	*2,109,274*	*1,707,797*
Additional business revenue	*20*	*48,587*	*48,874*
Costs of products, goods and materials sold	21	(1,646,184)	(1,583,971)
Gross profit		511,677	172,700
Selling costs	21	(37,423)	(42,996)
Administrative expenses	21	(115,839)	(101,492)
Other income	22	5,267	34,621
Other costs	23	(1,212)	(1,118)
Other net profit/loss	24	12,752	312
Profit on operating activities		375,222	62,027
Finance income	25	14,733	14,542
Finance costs	25	(11,379)	(11,649)
Profit before taxation		378,576	64,920
Income tax	26.1	(69,830)	(11,124)
Net profit for the financial year		**308,746**	**53,796**
including:			
- attributable to the owners of the Parent		*308,554*	*53,626*
- attributable to non-controlling interests		*192*	*170*

Earnings per share attributable to owners of the Parent during the year (in PLN per share)	Note	For the financial year from 1 January to 31 December	
		2019	2018
- basic	27	9.07	1.58
- diluted	27	9.07	1.58

Notes presented on pages 10 - 91 make an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the financial year from 1 January to 31 December 2019	2018
Net profit for the financial year		**308,746**	**53,796**
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	18	(5,988)	(6,428)
Income tax relating to non-transferrable items	26.1	1,138	1,221
Items which will never be subject to reclassification to profit or loss for the current period - total		(4,850)	(5,207)
Other net comprehensive loss for the reporting period		(4,850)	(5,207)
Other net comprehensive income for the reporting period - total		**303,896**	**48,589**
including:			
- attributable to owners of the Parent		*303,714*	*48,414*
- attributable to non-controlling interests		*182*	*175*

Notes presented on pages 10 - 91 make an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

			Other capitals						
	Note	Ordinary shares	Supplementary fund	Reserve capital	Other capital related to the Management Options Scheme	Retained profits	Total equity	Non-controlling interests	Total equity
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:		-	-	-	-	303,714	303,714	182	303,896
- net profit		-	-	-	-	*308,554*	*308,554*	*192*	*308,746*
- other comprehensive loss		-	-	-	-	*(4,840)*	*(4,840)*	*(10)*	*(4,850)*
Dividend for 2018	28	-	-	-	-	(25,510)	(25,510)	-	(25,510)
Transfer of the result for 2018	28	-	-	26,087	-	(26,087)	-	-	-
As at 31 December 2019		**301,158**	**702,549**	**1,607,990**	**3,839**	**602,607**	**3,218,143**	**10,359**	**3,228,502**
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:		-	-	-	-	48,414	48,414	175	48,589
- net profit		-	-	-	-	*53,626*	*53,626*	*170*	*53,796*
- other comprehensive loss		-	-	-	-	*(5,212)*	*(5,212)*	*5*	*(5,207)*
Transfer of the result for 2017		-	-	673,281	-	(673,281)	-	-	-
As at 31 December 2018		**301,158**	**702,549**	**1,581,903**	**3,839**	**350,490**	**2,939,939**	**10,177**	**2,950,116**

Notes presented on pages 10 - 91 make an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the financial year from 1 January to 31 December	
		2019	2018
Cash flow from (used in) operating activities			
Cash inflow from operating activities*		785,754	460,563
Interest received and paid		(4,060)	(9,545)
Income tax paid and received		(60,717)	7,856
Net cash flow from (used in) operating activities		**720,977**	**458,874**
Cash flow from (used in) investing activities			
Acquisition of property, plant and equipment		(468,932)	(415,277)
Interest paid regarding investing activities	17,1	-	(5,544)
Acquisition of intangible assets		(8,210)	(5,243)
Inflow from the sale of property, plant and equipment		1,025	3,613
Interest received		5,236	8,623
Expenditure on other current investments		(68)	(153,098)
Inflows from other current investments		135	155,167
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	10	(5,719)	(6,473)
Net cash flow from (used in) investing activities		**(476,533)**	**(418,232)**
Cash flow from (used in) financing activities			
Bond redemption		-	(300,000)
Lease payments	6.1	(3,415)	-
Repayments of loans and borrowings	16	(3,036)	(3,036)
Interest and commissions paid regarding financing activities	17,1	(651)	(1,741)
Grant received from central budget	15	115	-
Dividend paid	28	(25,510)	-
Net cash flow from (used in) financing activities		**(32,497)**	**(304,777)**
Net increase / (decrease) in cash and cash equivalents		211,947	(264,135)
Cash and cash equivalents at beginning of period		170,793	434,928
Cash and cash equivalents at end of period		**382,740**	**170,793**

**Cash inflows from consolidated operating activities are detailed in table on page 9.*

Notes presented on pages 10 - 74 make an integral part of these consolidated financial statements.

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CONSOLIDATED CASH INFLOW FROM OPERATING ACTIVITIES

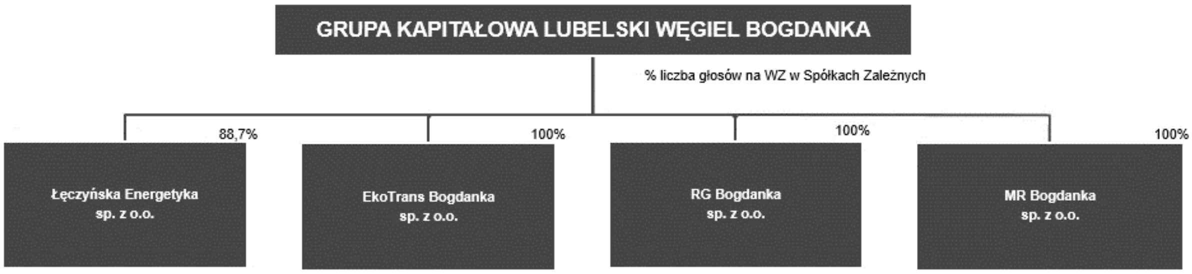
	Note	For the financial year from 1 January to 31 December	
		2019	2018
Profit before taxation		378,576	64,920
- Depreciation of non-current assets	4	386,602	404,274
- Amortisation of intangible assets	5	2,532	2,722
- Depreciation of investments in real property	7	172	168
- Depreciation of the right-of-use asset		3,314	-
- Profit on sale of property, plant and equipment		(840)	(2,652)
- Profit/(loss) on liquidation of plant, property and equipment		53,497	31,423
- Creating and using impairment losses of property, plant and equipment		(250)	-
- Actuarial losses as recognised in the consolidated statement of comprehensive income	18	(5,988)	(6,428)
- Change in provisions for employee benefits	18	26,809	8,135
- Changes in provisions		(51,081)	731
- Other flows		2,034	2,116
- Change in inventories	9	(20,866)	(20,825)
- Change in trade and other receivables	8	(40,771)	5,707
- Change in trade and other liabilities		52,014	(29,728)
Cash inflow from (used in) operating activities		**785,754**	**460,563**
Balance-sheet change in liabilities, contract liabilities and grants		(19,318)	11,235
Set-off of income tax overpaid with other taxes payable		11,857	2,465
Change in investment liabilities		59,475	(43,428)
Change in liabilities for the purposes of the consolidated statement of cash flows		**52,014**	**(29,728)**
Increase in non-current assets	4	450,614	465,249
Increase resulting from revaluation of capitalised costs of liquidating non-current assets		(44,046)	(2,414)
Other non-cash adjustments		15	1,414
Interest paid regarding investing activities		-	(5,544)
Change in investment liabilities		62,349	(43,428)
Acquisition of property, plant and equipment		**468,932**	**415,277**
Increase in intangible assets	5	11,234	5,279
Other non-cash adjustments		(150)	(36)
Change in investment liabilities		(2,874)	-
Acquisition of intangible assets		**8,210**	**5,243**

Notes presented on pages 10 - 74 make an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

1.1. The composition of the Group and the object of the Group's business

The Lubelski Węgiel Bogdanka Group:



[*% number of votes at the Subsidiaries' Shareholders Meetings*]

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

The 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.

Subsidiaries

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

As at 31 December 2019, the Parent held 88.70% of shares in the capital of the 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.

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

As at 31 December 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 as well as reclamation services.

The company prepares its balance sheet as at 31 December.

RG Bogdanka Sp. z o.o., with registered office in Bogdanka, 21-013, Puchaczów.

As at 31 December 2019, the Parent held 100.00% of share in capital of its 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.

MR Bogdanka Sp. z o.o., with registered office in Bogdanka, 21-013, Puchaczów.

As at 31 December 2019, the Parent held 100.00% of share in the capital of the subsidiary, MR Bogdanka Sp. z o.o.

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

The company prepares its balance sheet as at 31 December.

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

Name of the subsidiary	Balance-sheet total [PLN '000]	Equity [PLN '000]	% of shares held	Non-controlling interests	Restrictions in control; restrictions in consolidated assets and equity & liabilities	Consolidation method
Companies subject to consolidation in the current and previous periods:						
Łęczyńska Energetyka sp. z o.o.	115,288	91,643	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.	10,340	2,764	100,00	none	none	full
EkoTRANS Bogdanka Sp. z o.o.	4,330	1,045	100,00	none	none	full
MR Bogdanka Sp. z o.o.	6,902	4,320	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.

Joining 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.

1.2. Assumption of the Company going concern

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

Having conducted an analysis, the Parent's Management Board identified premises indicating a possible impairment of non-current assets (for the value of market capitalisation of the Parent has stood for a long time at a level lower than the balance-sheet value of net assets), decision was made to carry out an impairment test. As a result of the test no impairment was found. For detailed description of the test please refer to Note 4.3.

2. DESCRIPTION OF KEY ACCOUNTING PRINCIPLES (POLICIES) APPLIED

The most important accounting principles applied in preparation of these consolidated financial statements are presented below.

2.1. Basis of preparation

These consolidated financial statements of the Group have been prepared in compliance with the International Financial Reporting Standards as well as the related interpretations published in the form of a regulation of the European Commission, as approved by the European Union.

The consolidated financial statements were prepared according to the historical cost principle except for derivative instruments measured at fair value as well as share-based payments.

Historical cost is calculated on the basis of fair value of the payment made for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a customary transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless whether such price is directly observable or estimated using other valuation technique. In the fair value measurement of an asset or liability, the 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 consolidated financial statements of the Group 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.

Except for the changes described in Note 2.1.2, the consolidated financial statements were prepared using the same accounting principles for the current and comparative periods; the consolidated financial statements follow the same accounting principles (policies) and calculating methods as the latest approved annual consolidated financial statements.

2.1.1. Material values based on professional assessment and estimates

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

The Group makes estimates and assumptions relating to the future. By definition, such accounting estimates are rarely identical with the actual results. Below, the estimates and assumptions which bear a significant risk that a material adjustment will have to be made to the carrying amount of assets and liabilities in the following financial year are discussed in this section.

Detailed information on the assumptions is presented in the relevant notes of these consolidated financial statements, as indicated in the table below.

Below are the items of the consolidated financial statements which pose a risk of adjustment to the carrying amount of assets and liabilities.

	Value of the items related to the estimate made, in PLN '000		Accounting policy	Details of the assumptions and calculations of the material estimate
	2019	2018		
Property, plant and equipment	3,282,449	3,270,293	note 2.4 and 2.8	note 4
Provision for employee benefits	191,965	165,156	note 2.18	note 18
Intangible assets	63,676	58,844	note 2.5 and 2.8	note 5
Provision for mine closure and land reclamation	171,635	124,207	note 2.19	note 19
Deferred tax assets	1,890	1,833	note 2.17	note 26.3
Deferred income tax liability	238,477	213,686	note 2.17	note 26.3

Estimate concerning the mine's life and the size of coal reserves

Mine's life is a period in which - according to the assessment of the Management Board - the Parent is able to function and conduct mining activity on the basis of its resources held at the given moment and available for use. The mine's life is one of key assessments having a bearing for the consolidated financial statements as a whole, and for valuation of key items under assets and shareholders' equity and liabilities.

In order to determine the mine's life, the following premises (factors) are taken into account:

- Final and binding mining licences and permits to carry out business, held by the Parent;
- Plans of the Parent's Management Board with respect to the manner of carrying out extraction of its deposits;
- Formal documents in the form of approved plans, strategy of the Parent;
- Corporate consents where required, e.g. consent of the Supervisory Board, consent of the General Shareholders Meeting;
- Current economic situation in Poland and worldwide, which has impact on the mining sector and day-to-day business operations of the Parent and its plans concerning future mining;
- Economic and financial model (forecast) indicating a theoretic period in which the Parent will have enough resources to conduct mining as per the assumed average annual extraction (production) level.

The assessment whether the adopted mine's life is accurate is made annually, in the same period when the review of the period of using property, plant and equipment, carried out in accordance with IAS 16 "Property, plant and equipment".

A change in the existing mine's life - i.e. shortening or extending the period is made solely when material changes occur with respect to the premises referred to above, i.e. in particular when:

- The Parent obtains new licences for new mining areas and includes them in its plan of operations;
- If licences for new mining areas are obtained, an investment plan prepared by the Parent provides economic rationale for the project and a high likelihood for obtaining the financing in order to perform the project;
- The Parent will obtain necessary corporate consents to enter these areas or to change the scope of the conducted operations;
- The economic and financial model prepared and updated by the Parent on the basis of the forecast average annual extraction level (valid as at the moment of the forecast) indicates that the mine's live will be significantly shortened or extended (by at least 3 years or 10% of the remaining period).
- The Management Board of the Parent wishes to pursue the presented plan in the shape as intended (which is more likely than unlikely), and the abovementioned wish is to be performed by way of adopting relevant resolutions, publishing the plan and launching operational and investment activities.

Currently the estimated life of the mine reaches 2051 and it has not changed comparing to the most recent annual financial statements for 2018. Actual date of mine closure may however differ from that estimated by the Parent. This follows from the fact that the length of the mine's life has been estimated using the current coal reserves only, available as at the reporting date. A possible drop in demand for the Parent's coal will cause a decrease in mining below its production capacity, which will translate into extending the mine's life.

It must be also stressed that on 20 December 2019 the Parent was granted a mining licence for the K-6 and K-7 deposit with the exploitable resources of approximately 66 million tonnes. Obtaining this licence had no influence on extending the current mine's life; the licence will be taken into account in the estimates with respect to the mine's life only after relevant analyses are performed as to the directions of the deposit use.

Valuation of provisions for employee benefits

- Assumptions regarding the actuarial valuation of provisions for employee benefits

The current value of employee benefits depends on a number of factors which are determined with the use of actuarial methods on the basis of certain assumptions. The assumptions used to determine the provision and expenses related to employee benefits include assumptions concerning discount rates as well as the indicator of growth of the given benefit's basis. Key assumptions regarding provisions for employee benefits are presented in Note 18. Any changes to these assumptions affect the carrying amount of the provisions for employee benefits.

As at 31 December 2019 and 31 December 2018, an analysis was carried out with respect to sensitivity of the results of valuation to a change in the financial discount rate and to changes in the planned increases in bases in the range from -1 p.p. / +1 p.p.

(PLN '000)

Carrying amount of individual provisions and possible changes in the carrying amount with other assumptions are presented in the tables below:

As at 31 December 2019

Provision		Deviations			
		Financial discount rate		Planned increases in bases	
	Carrying amount	-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.
Pays upon retirement due to old age	59,154	6,422	(5,496)	(4,355)	4,954
Pays upon retirement due to disability	952	84	(75)	(58)	64
Long-service award	115,287	9,358	(8,396)	(7,487)	8,111
Death benefits	3,977	377	(327)	(281)	317
Total	**179,370**	**16,241**	**(14,294)**	**(12,181)**	**13,446**

As at 31 December 2018

Provision		Deviations			
		Financial discount rate		Planned increases in bases	
	Carrying amount	-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.
Pays upon retirement due to old age	50,187	5,065	(4,342)	(3,168)	3,600
Pays upon retirement due to disability	813	70	(60)	(47)	53
Long-service award	98,427	7,675	(6,754)	(6,062)	6,729
Death benefits	3,353	300	(262)	(228)	255
Total	**152,780**	**13,110**	**(11,418)**	**(9,505)**	**10,637**

The results of balance-sheet valuation as at 31 December 2019, broken down by maturity periods, are presented in the table below:

Payment period	Pays upon retirement due to old age	Pays upon retirement due to disability	Long-service award	Death benefits	Total
2020*	8,760	76	10,935	292	**20,063**
2021	2,121	70	9,280	267	**11,738**
2022	1,971	66	9,926	259	**12,222**
2023	1,838	64	7,883	262	**10,047**
2024	1,536	62	7,485	258	**9,341**
Remainder	42,928	614	69,778	2,639	**115,959**
Total	**59,154**	**952**	**115,287**	**3,977**	**179,370**

** Value of benefits for payment in 2020 includes payments resulting from the acquired retirement rights and long-service awards for persons who achieved retirement age, but remain in the employment relationship.*

Provision for mine closure and land reclamation

The Group creates a provision for costs of mine closure and land reclamation, which it is obliged to incur under current laws. The main assumptions used to determine the amount of expenses related to the closure of a mining plant and land reclamation include assumptions regarding the mine's life, expected inflation rate and long-term discount rates. Any changes to these assumptions affect the carrying amount of the provision.

- Sensitivity to changes regarding the life of the mine.

Assumptions regarding the life of the mine have been described above. In the case that the life of the mine assumed as at 31 December 2019 was extended by 1 year, the carrying amount of the provision for the cost of mine closure and land reclamation would be higher by PLN 589,000, and in the case that the life of the mine was extended by 10 years, the carrying amount of the provision would be higher by PLN 5,972,000. Further, in the case that the life of the mine was shortened by 1 year, the carrying amount of the provision for the cost of mine closure and land reclamation would be lower by PLN 586,000, and in the case that the life of the mine was shortened by 10 years, the carrying amount of the provision would be lower by PLN 5,772,000.

(PLN '000)

It may be noted that extending the mine's life, thus extending the discounting period, results in an increase in the value of the provision, which is an untypical situation. It is a consequence of a negative discount factor (discount rate adjusted of inflation), which results from a very low profitability of long-term securities as at the end of 2019, serving as a base for the discount rate.

- Sensitivity to changes of inflation and discount rates

The inflation rate assumed for calculation of the provision for 2020-2051 is: 2.99% for 2020, 2.6% for 2021, 2.5% for 2022-2051 (as at 31 December 2018 the inflation rate was 2.5% for 2019-2051).
The calculation of the provision was significantly affected by the discount rate which reflects the change in money value over time. For the purpose of assumptions, a discount rate based on the treasury bills yield was adopted and as at 31 December 2019 it amounted to 2.15% (as at 31 December 2018: 3.22%). The above change, given a long discount period, materially affected the amount of the provision contributing to its increase of approx. PLN 46 million (this change has not, however, impacted materially the consolidated financial result of the Group).

If the adopted inflation rates departed from the Parent's Management Board's estimates by 1 p.p., the carrying amount of provisions would be PLN 62,523,000 higher (in the event of inflation rates higher by 1 p.p.) or PLN 46,212,000 lower (in the event of inflation rates lower by 1 p.p.).

The impact of changing the financial discount on the carrying amount of the provisions for the costs of Mine Closure and land reclamation as at 31 December 2019 and 31 December 2018 is presented in the tables below:

As at 31 December 2019

Change in the financial discount	-0.25 p.p.	0 p.p.	+0.25 p.p.	+1 p.p.
Value of the provision for Mine Closure and land reclamation cost	185,635	171,635	158,721	125,666

As at 31 December 2018

Change in the financial discount	-0.25 p.p.	0 p.p.	+0.25 p.p.	+1 p.p.
Value of the provision for Mine Closure and land reclamation cost	134,555	124,207	114,677	90,358

The analysis indicates that when the financial discount rate goes up as at 31 December 2019 by 0.25 p.p., the provision for the costs of Mine Closure and land reclamation is lower by PLN 12,914,000, and the financial discount rate is higher by 1 p.p., the provision for the costs of Mine Closure and land reclamation goes down by PLN 45,969,000. When the financial discount rate goes down as at 31 December 2019 by 0.25 p.p., the provision for the costs of Mine Closure and land reclamation is higher by PLN 14,000,000.

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

2.1.2. 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 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 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 Group:

- If the Group is a lessor, such items as "Finance lease receivables" have been disclosed in the the consolidated statement of financial position, and "Finance lease revenue" – in the consolidated income statement;
- If the Group is a lessee, such items as "Lease liabilities" have been disclosed in 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 consolidated income statement. At the same time, 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 Group sets the lease time, i.e. non-cancellable lease payments, including:

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

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 Group sets minimum period binding for both parties of the agreement. If 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 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 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 Group sub-leases an asset or expects the asset to be transferred.

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

The fact that the standard was applied for the first time did not lead to an adjustment of the balance of retained profits (no adjustments that would result in the adjustment of retained profits in the opening balance). The application of IFRS 16, as of 1 January 2019, caused an increase in the sum of consolidated assets and liabilities of the Group by PLN 21,411,000. New items, namely "Right-of-use asset" and "Lease liabilities", have appeared in the consolidated 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 Group being the Lessee).

(PLN '000)

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	(23,704)
Lease liabilities as at 1 January 2019 - IFRS 16	**21,411**
including:	
Non-current	*18,473*
Current	*2,938*

For the calculation of the current value of future financial lease payments the discount rate is applied. 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 of PLN 23,704,000, 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 2019 was PLN (367,000) (i.e. worse net result). The total impact of applying the standards on the consolidated EBITDA amounted to PLN 3,415,000 (improved EBITDA). The impact on the earning per share was small and amounted to less than PLN 0,01 per one share. The manner of calculating the EBITDA result is described in a "Glossary" in the Directors' Report on Operations of LW Bogdanka S.A. and the LW Bogdanka Group for 2019.

2.1.3. New standards and interpretations

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

a) IFRS 16 "Leases"

New IFRS 16 "Leases" establishes the rules of how to recognise, measure, present and disclose leases, All lease transactions result in the lessee acquiring the right-of-use asset and the liability connected with an obligation to make payment. Therefore, IFRS 16 removes the classification of operating and finance leases, which applies in accordance with IAS 17, and introduces a single lessee accounting model.

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

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

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

Revisions to IAS 28 "Investments in Associates and Joint Ventures" clarify that with respect to long-term interests in an associate or joint venture to which the equity method is not applicable, but which make part of net investments in those associates (e.g. long-term loans) IFRS 9 guidelines shall apply (with respect to impairment). In addition, the Board published also an example illustrating application of the requirements of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.

d) IFRIC 23: Uncertainty over Income Tax Treatments

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

e) Annual Improvements to IFRS 2015-2017 cycle

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

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

f) IAS 19 "Employee Benefits"

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

IFRS 16 was applied by the Group starting as of 1 January 2019 using the modified retrospective approach, which did not result in the need to adjust comparative data. Application of the standard is described in detail in Note 2.1.2.

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

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

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

a) Amendments to the Conceptual Framework in IFRS Standards

In 2019 amendments to references to the Conceptual Framework in IFRS standards, which will be applicable as of 1 January 2020, were published. The reviewed Conceptual Framework will be used by the Board and the Interpretations Committee in the future during the work on new standards. Nevertheless, the entities preparing financial statements may use the Conceptual Framework in order to develop the accounting policies with respect to transactions which are not regulated in the applicable IFRS.

b) *IFRS 3 "Business Combinations"*

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

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

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

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

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

d) *Amendments to IFRS 9, IAS 39 and IFRS 7 related to the IBOR reform*

Amendments to IFRS 9, IAS 39 and IFRS 7 published in 2019 modify some detailed requirements with respect to hedge accounting, primarily in order for the expected reform of reference rates (IBOR reform) not to cause the end of the hedge accounting. The amendments to standards are applicable to annual periods beginning on or after 1 January 2020.

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

e) *IFRS 14 "Regulatory Deferral Accounts"*

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

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

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

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

If non-monetary assets constitute a business, the investor discloses the full gain or loss on the transaction. If, however, assets do not satisfy the definition of a 'business' , the investor recognises the loss or gain only with respect to a part representing interests of other investors.

Amendments were published on 11 September 2014. As at the date of drawing up these consolidated financial statements, endorsement of this amendment has been postponed by the European Union.

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

Amendments to IFRS 3, amendments to IAS 1 and IAS 8, amendments to IFRS 10 and IAS 28, amendments to IFRS 9, IAS 39 and IFRS 7 as well as changes with respect to the reference for the conceptual framework will affect the consolidated financial statements, but the Group believes it should be relatively small.

2.2. Principles of consolidation

The consolidated financial statements cover the financial statements of Lubelski Węgiel Bogdanka S.A. and the entities controlled by it. The Parent has control, if it has:

- power over the entity concerned,
- exposure or right to variable returns from its involvement with the entity concerned,
- the ability to use its power to affect the level of returns generated from the entity.

If Lubelski Węgiel Bogdanka S.A. has less than the majority of voting rights in the entity concerned but the voting rights held are sufficient to enable its unilateral direction of relevant activities of that entity, it means that it has power over the entity. For the assessment whether the voting rights held in the entity are sufficient to give power, the Company analyses all material circumstances, including:

- the volume of voting rights package held in comparison to the volume of shares and the extent of dispersion of voting rights held by other shareholders;
- potential voting rights held by the Company, other shareholders or other parties;
- rights under other contractual arrangements; and
- additional circumstances which may prove that the Company has the ability or not to direct relevant activities at the time of decision making, including voting patterns observed at previous general shareholders meetings.

Additional information on subsidiary entities included in the consolidated financial statements is provided in Note 1.1.

Consolidation of a subsidiary is commenced upon the acquisition of control over that subsidiary by the Company and ended upon the loss of control. Income and costs of a subsidiary acquired or disposed of during a year are recognised in the consolidated income statement and in the consolidated statement of other comprehensive income over the period from the date of control acquisition over the subsidiary by the Company to the date of loss of such control. Profit or loss and other elements of comprehensive income are attributed to the Company's owners and non-controlling interests. Comprehensive income of the subsidiaries is attributed to the Company's owners and non-controlling interests, even if it results in a deficit on the part of non-controlling interests.

Individual entities comprising the Group were established in perpetuity. The financial statements of all subordinated entities were prepared for the same reporting period as the financial statements of the Parent with the use of consistent accounting standards.

The Parent's and the Group companies' financial year is the calendar year.

Consolidation adjustments

If necessary, financial statements of the subsidiaries are adjusted so as to adapt the accounting principles applied by the subsidiaries to the Group's accounting policies. During consolidation, all intercompany assets, liabilities, equity, revenues, costs and cash flows relating to transactions effected between the Group members are fully eliminated.

Unrealised losses are excluded from the consolidated financial statements in accordance with the same principle as unrealised gains, but only if there are no indications of impairment.

Loss of control

Changes of the Group's share in the equity of the subsidiaries which do not result in the loss of control over such entities by the Group are accounted for as equity transactions. The carrying amount of the Group's interests and non-controlling interests is adjusted in order to take into account changes of the share in the subsidiaries. Any differences between the adjustment of non-controlling interests and the fair value of payment made or received are recognised directly under equity and attributed to the Company's owners.

Upon loss of control, the Group no longer recognises assets and liabilities of the subsidiary, non-controlling interests and other equity components connected with the subsidiary. Surplus or deficiency, if any, arising from loss of control is recognised under profit or loss for the current period. If the Group retains any interests in its previous subsidiary, they are measured at fair value at the date of loss of control. Following initial recognition, they are treated as investments measured by equity method or as financial assets available for sale, depending on the level of influence retained by the Group on the activities of the entity.

Non-controlling interests cover shares in Łęczyńska Energetyka, which are not owned by the Group. These shares are held by Łęczna Municipality and by Puchaczów Commune.

Acquisition of entities

Acquisitions of other entities are accounted for using the acquisition method at the acquisition date, which is the date when the Group obtains control over the acquire (target company).

The Group recognises goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- accounting for pre-existing relationships, and
- the recognised value of non-controlling interests in the acquiree; plus the fair value
- of equity interest previously held in the acquiree if the combination is achieved in stages; less
- the recognised net value (fair value) of the identifiable assets acquired and the liabilities assumed.

If the difference is negative, a bargain purchase gain is recognised in profit or loss for the current period at the acquisition date.

Cost associated with acquisition, other than costs of issuing debt or equity instruments, which are incurred by the Group in connection with business combinations, are expensed in the period when incurred. For each acquisition the Group recognises non-controlling interests in the acquiree at fair value or at the non-controlling interests' proportionate share of identifiable net assets of the acquiree measured at fair value.

2.3. Measurement of items expressed in foreign currencies

Functional currency and presentation currency

These consolidated financial statements have been prepared in Polish zloty (PLN). Polish zloty is the Group's functional and reporting currency. Data in the consolidated financial statements is presented in PLN '000, unless specified as an exact figure in specific situations.

Transactions and balances

Transactions expressed in foreign currencies are translated into the functional currency as at initial recognition, at the exchange rate prevailing on the transaction date. As at the balance-sheet date:

- cash items are translated by applying the closing exchange rate (i.e. mid-rate quoted for the given foreign currency by the Polish National Bank for that date),
- non-cash items measured at historical cost expressed in a foreign currency are translated by applying the exchange rate from the first transaction date (exchange rate applied by the entity), and
- non-cash items measured at fair value expressed in a foreign currency are translated by applying the exchange rate from the fair value date.

Foreign exchange differences resulting from translation are disclosed accordingly in the consolidated income statement, with the foreign exchange differences are recognised under "Other profit/(loss) - net", and those referring to financial activity - under "Finance income / costs" or, in cases defined in the accounting policies, under the equity, when they qualify for recognition as a cash flow hedge and hedge of share in net assets.

2.4. Property, plant and equipment (Note 4)

Property, plant and equipment are non-current assets:

- which are held by the Group with a view to being used in the production process, in supply of goods or provision of services, and for administrative purposes,
- which are expected to be used for a period longer than one year,
- in respect of which it is probable that the future economic benefits associated with the asset will flow to the entity, and
- whose value can be measured reliably.

Property, plant and equipment is initially recognised at acquisition (production cost).

As at initial recognition, the acquisition or production cost of property, plant and equipment includes costs of construction of underground tunnels (the so-called main tunnels and operational tunnels) and longwall headings driven in the extraction fields net of revenue from sales of coal mined during construction of such tunnels and headings.

As at initial recognition, the acquisition or production cost of property, plant and equipment includes estimated cost of dismantling and removing the asset and restoring the site, which the Group is obliged to incur at the installation of the asset or its placement in service. In particular, the initial value of non-current assets includes discounted cost of decommissioning non-current assets related to underground mining as well as other structures which, under the applicable mining laws, are subject to decommissioning when operations are discontinued.

The cost of mine decommissioning recognised in the initial value of non-current assets is depreciated using the same method as that used for the non-current assets to which the cost relates. Depreciation starts as soon as a given non-current asset is placed in service, and continues over a period determined in the decommissioning plan for groups of structures under the estimated mine closure schedule.

As at the balance-sheet date, items of non-current assets are carried at acquisition or production cost less accumulated depreciation and impairment charges.

Subsequent outlays are recognised in the carrying amount of a given item of non-current assets or recognised as a separate item of non-current assets (where appropriate) only when it is probable that future economic benefits associated with that item will flow to the Group in future and the value of that item can be measured reliably. Any other outlays on repair and maintenance are recognised in the consolidated income statement in the accounting period in which they are incurred.

Land is not depreciated. Depreciation of an item of non-current assets starts when that item is available to be placed in service. Other items of non-current assets are depreciated using the straight-line method beginning from a month following the month when the asset was put into service or the cost-of-production method in order to distribute their initial values or re-measured values, less residual values, over their useful economic lives, which for particular groups of non-current assets are as follows:

	Depreciation periods
Buildings and structures	25-40 years, but not longer than until the estimated date of mine closure
Structures (excavation pits)	Depreciation with the cost-of-production method based on the length of exploited walls (in metres)

Plant and equipment	5-20 years, but not longer than until the estimated date of mine closure
Vehicles	3-30 years, but not longer than until the estimated date of mine closure
Other non-current assets	3-20 years, but not longer than until the estimated date of mine closure

The asset then ceases to be depreciated at the earlier of: the day when a given asset is classified as available for sale (or included in a group of assets that are to be disposed of, classified as available for sale) in accordance with IFRS 5 "*Non-Current Assets Available for Sale and Discontinued Operations*", or the day when the asset is derecognised due to decommissioning, sale or placement out of service.

Individual material components of non-current assets, whose useful lives are different from the useful life of the entire non-current asset and whose acquisition or production cost is material relative to the acquisition or production cost of the entire non-current asset are depreciated separately, using the depreciation rates which reflect such their estimated useful lives.

The residual value and useful lives of non-current assets are reviewed and, if necessary, changed as at each balance-sheet date.

If the carrying value of an item of non-current assets exceeds its estimated recoverable value, then the carrying value of that asset is reduced to its recoverable value (Note 2.8).

The value of a non-current asset includes costs of regular, major inspections (including certification inspections) which are considered necessary.

Borrowing costs, including interest, fees and commissions on account of liabilities, as well as currency exchange differences arising in relation to borrowings and loans in foreign currencies, to the extent they are recognised as an adjustment of interest expense, which may be directly attributed to acquisition, construction or production of an adapted item of non-current assets, are activated as a portion of the purchase price or cost of production of that asset. The amount of borrowing costs, which is subject to activation, is calculated in accordance with IAS 23 "Borrowing costs".

Specialist spare parts with a significant initial value, which are expected to be used for a period longer than one year, are recorded as items of property, plant and equipment. Spare parts and equipment connected with maintenance which may only be used only for certain items of property, plant and equipment are recorded similarly. Other low-value spare parts and equipment connected with maintenance are carried as inventories and recognised in the consolidated income statement at the time of their use.

Gain or loss on sale of items of non-current assets is calculated by comparing the revenue with their carrying amount, and is recognised in the consolidated income statement under "Other profit/(loss) - net."

2.5. Intangible assets (Note 5)

Geological information

Purchased geological information is recognised in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources" at the value arising from the agreement concluded with the Ministry of Climate (formerly Ministry of Environment). The licence is not amortised until its receipt. Next, capitalised costs are written off during the licence lifetime.

Computer software

Purchased software licenses are capitalised at cost incurred on acquisition and preparation of given software for use. The capitalised cost is amortised over the estimated period of use of the software (2-5 years).

Fees, licences

The fee for mining usufruct for the purpose of extraction of coal from the Bogdanka deposit is capitalised in the amount of the fee paid. The capitalised cost is amortised over the period for which the agreement for mining use has been concluded.

Intangible assets are amortised using the straight-line method beginning from a month following the month when the asset was put into service. As at the balance-sheet date, intangible assets are carried at acquisition or production cost less accumulated amortisation and accumulated impairment charges.

Other intangible assets

Other intangible assets include in particular rights to CO_2 emissions, and other intangible assets not classified to any of the above categories. Rights to CO_2 emissions which have been purchased are disclosed in the purchase price. There rights are not subject to amortisation but to periodic assessment of impairment on general rules. Rights to CO_2 emissions are amortised in proportion to the amount of rights used in a given reporting period – in the table of movements of intangible assets they are disclosed directly as a decrease.

2.6. Lease (Note 6)

From 1 January 2019 the Group applies the following rules with respect to leases

If a lease agreement meets one of the criteria listed below, then the lease is classified as financial lease:

- under a lease agreement the ownership of a given asset is transferred to a lessee before the lease period ends,
- the lessee may buy the assets for a price which, as foreseen, will be lower than the fair value calculated as at the day when the right to purchase the assets may be exercised, to such an extent that it is sufficiently likely that the lessee will exercise this right,
- the lease period makes a greater part of the economic period of use of the asset, even if the legal title is not transferable,
- current value of minimum lease payments as at the beginning of the lease is substantially equal to the total fair value of the asset,
- leased assets are of specialist nature therefore only the lessee may use them without introducing bigger modifications,
- if the lessee may terminate a lease agreement, the losses of the lessor due to such a termination are incurred by the lessee,
- profits or losses resulting from fluctuations of the fair value attached to the final value are for the lessee (for example in the form of reduction of a lease payment equal to the majority of revenue as at the end of the lease period),
- the lessee may continue the lease for an additional period for a charge which is significantly lower than the charges applicable on the market.

The manner of implementing the new standard IFRS 16 "Leases" as well as its impact on the consolidated financial statements are described in detail in Note 2.1.2.

Until the end of 2018 the Group applied the following rules with respect to leases

Operating lease

A lease is classified as an operating lease if the substantial amount of risk and benefits resulting from the ownership of the leased asset remains with the lessor (the financing party). Lease payments under operating lease agreements, net of special promotional offers (if any) granted by the lessor (the financing party), are expensed on a straight-line basis over the lease term.

Acquired usufruct right to land is classified as operating lease, and recognised under non-current prepayments and accrued income. Acquisition cost paid for the possibility to use that right is amortised over the lease term in accordance with the timing of benefits from that right.

2.7. Investment properties (Note 7)

Investment properties are properties which bring benefits for the Group on account of lease revenues, the increase in their value, or both of these reasons, the increase in the value of capital (these also include properties under construction designed for investment purposes). These properties are initially measured at cost with account taken of the transaction cost. Once initially recognised, the investment properties are measured at acquisition cost (production cost).

Investment properties are amortised using the straight-line method. The amortisation starts when an investment property is accepted for use. The estimated useful life is as follows:

Buildings 25-40 years

Revenue from the lease of investment property is recognised in the consolidated income statement on a straight-line basis over the whole term of a lease agreement.

2.8. Impairment of non-financial assets (Note 4.3)

Assets with indefinite useful lives are not amortised, but tested for possible impairment each year. Amortised assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of a given asset exceeds its recoverable amount. Recoverable amount represents the asset's net selling price or the value in use, whichever is higher. For the purpose of assessing impairment, assets are grouped at the lowest level for which separate cash flows can be identified (cash generating units, CGU). Impaired non-financial assets are tested as at each balance-sheet date to determine whether there are circumstances indicating the possibility of reversing previous impairment charges.

The creation, releasing and using the impairment losses of non-financial non-current assets are disclosed in the consolidated income statement under costs by function, in line with the function allocated to the given non-current asset (i.e. under "Cost of products, goods and materials sold", "Selling costs" or "Administrative expenses") or under "Other profit/(loss) - net".

2.9. Financial assets (Note 17)

Financial assets have been classified by the Group as at their initial recognition to the following categories:

- financial assets measured at fair value through profit and loss,
- equity instruments measured through other comprehensive income,
- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit and loss include:

- financial assets held for trade (including derivative instruments for which hedge accounting is not applied),
- financial assets voluntarily classified to this category,
- financial assets which do not meet the definition of a basic loan agreement, including equity instruments such as shares except for those classified to equity instruments by other comprehensive income,

- financial assets meeting the definition of a basic loan agreement, which are not kept as per the business model for the purpose of generating cash flows or sales.

Equity instruments measured through other comprehensive income include investments in equity instruments classified voluntarily and irreversibly as at initial recognition. Such classification may not cover equity instruments which meet the criteria of being held for trade and the criteria of conditional payment recognised by the acquiring company in a merger transaction.

Financial assets measured at amortised cost are financial assets which are kept as per the business model aiming at keeping financial assets for the purpose of generating cash flows resulting from an agreement and financial assets whose contractual terms meet the definition of a basic loan agreement.

Financial assets measured at fair value through other comprehensive income are financial assets which are kept as per the business model aiming at generating cash flows resulting from an agreement and sale of individual financial assets, as well as financial assets whose contractual terms meet the definition of a basic loan agreement.

At initial recognition the Group measures the given financial asset which is subject to classification for the purposes of valuation at its fair value. An exception to this rule are trade receivables without a material financial component, which are measured at transaction price.

Fair value of financial assets not classified to the measurement through profit or loss are increased by transaction costs which may be directly allocated to the purchase/acquisition of those assets.

2.10. Inventories (Note 9)

Inventories are recognised at acquisition or production cost, which however cannot exceed their net selling price possible to obtain. The amount of outflows is determined using the weighted average method. Cost of finished goods and work in progress includes direct labour cost, auxiliary materials and other direct cost and relevant general production costs (based on normal production capacities), and excludes the borrowing cost. The net selling price is the estimated selling price in the normal course of business, net of relevant variable selling costs.

The electricity certificates acquired by the Group for retirement are disclosed under inventories.

2.11. Trade debtors (Note 8)

Trade receivables are initially recognised at transaction price, and subsequently valued at amortised cost using the effective interest rate method, with an account taken for the impairment losses. If there are no differences between initial value of a receivable and a due amount (on the payment date), there is no interest calculated with the effective interest rate.

Receivables denominated in foreign currencies are measured during a financial year at historic rate, i.e. mid-exchange rate quoted by the National Bank of Poland for the transaction date, while as at the balance-sheet date they are measured at the mid-exchange rate quoted by the National Bank of Poland for that day.

Impairment loss of receivables is determined on the basis of the expected credit losses. The expected credit losses include events of a failure to perform a liability by a business partner – both the ones that have already occurred as well as possible estimated credit losses. The impairment loss is charged into costs disclosed in the consolidated income statement, under selling costs. When trade receivables become uncollectible, they are written off against the provision for trade receivables. Subsequent collection of amounts previously written off is credited against "Selling cost" (as a decrease in costs) in the consolidated income statement.

2.12. Cash and cash equivalents (Note 10)

Cash and cash equivalents comprise cash at banks, bank deposits payable on demand and other highly liquid current investments with original maturities of up to three months. Overdraft facilities are presented in the consolidated statement of financial position as an item of current loans and borrowings under current liabilities.

Cash and cash equivalents gathered on a separate Mine Closure Fund's account as well as the restricted cash and cash equivalents where the restriction persists for at least 12 months as from the balance-sheet date, are classified as non-current assets.

2.13. Non-current assets held for sale

Non-current assets held for sale are classified if their carrying amount will be recovered rather through a sale transaction than the continued use. This condition is deemed satisfied only if a sale transaction is highly probable and the asset is available for immediate sale in its present condition (as per generally accepted commercial terms). Classification of the asset as held for sale assumes that the Group's Management Board intends to make the sale transaction within one year from the date of changing classification. The Group measures the non-current asset (or a group for disposal) classified as held for sale in the lower of the two amounts: its carrying amount and fair value net of the costs of effecting the sale.

2.14. Share capital (Note 12)

Ordinary shares are classified as the equity.

Expenditures directly connected with issuance of new shares or options are presented under equity as a decrease, after taxation, of issue proceeds.

2.15. Financial liabilities (Notes 14, 16 and 17)

Financial liabilities including trade and other liabilities are initially recognised at fair value less transaction costs incurred.

Financial liabilities including loans and borrowings as well as debt securities are classified as at the moment of initial recognition to the following categories:

- Financial liabilities measured at fair value through profit or loss,
- Financial liabilities measured at amortised cost,

Financial liabilities measured at fair value through profit and loss include:

- financial liabilities meeting the definition of financial liabilities held for trading, including derivatives not used in hedge accounting,
- financial liabilities voluntarily classified by the Group as measured at fair value through profit and loss.

Financial liabilities measured at amortised cost include all financial liabilities subject to classification for the purposes of valuation, not included to financial liabilities measured at fair value through profit and loss.

Initial measurement of financial liabilities

At initial recognition the Group measures the given financial liability which is subject to classification for the purposes of valuation at its fair value.

Fair value of financial liabilities not classified to the measurement through profit or loss are decreased by transaction costs which may be directly allocated to the issue (incurring/occurrence) of those liabilities.

Balance-sheet valuation and recognition of revaluations

Balance-sheet valuation of a financial liability and recognition of revaluations depend on a classification of a given item to relevant category for the purposes of valuation.

- Financial liabilities measured at fair value through profit or loss
  Financial liabilities classified to the category of financial liabilities measured at fair value through profit or loss are measured as at each balance-sheet day at fair value. The fair value set as at a balance-sheet day is not adjusted by transaction costs which should be incurred for settling the given item. The revaluations to fair value are recognised in the financial result of the period.
- Financial liabilities measured at amortised cost
  Financial liabilities classified to the category of financial liabilities measured at amortised cost are measured as at each balance-sheet day at amortised cost.

2.16. Financial derivatives (Note 17)

The Group may enter into derivative contracts in order to manage its currency exchange risk. They include forward contracts. Derivatives are initially recognised at fair value as at the date of concluding the respective contract, and subsequently re-measured to fair value at the end of each reporting period.

2.17. Current income tax and deferred tax (Note 26)

Current tax

Current liabilities under income tax are calculated in accordance with the tax laws applicable or actually implemented as at the balance-sheet date in the country where the Group operates and generates taxable income. The Group's Management Board periodically reviews the tax liability calculations where the applicable tax laws are subject to interpretation, and creates provisions, if necessary, for the amounts payable to the tax authorities.

Deferred tax

Deferred tax liability resulting from the temporary differences between the tax value of assets and liabilities and their carrying amount shown in the consolidated financial statements is recognised in the full amount, calculated using the balance-sheet method. No deferred tax asset or liability is recognised when it relates to the initial recognition of an asset or liability arising from a transaction other than a business combination which affects neither financial result nor taxable income (loss). Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance-sheet date.

A deferred tax asset is recognised if it is probable that taxable income will be available in the future to allow the benefit of the temporary differences to be utilised.

2.18. Provision for employee benefits (Note 18)

Retirement and other employee benefits

Pursuant to the Company's Collective Bargaining Agreement and applicable provisions of law, the Group's companies pay the following key benefits:

- pays upon retirement due to old age or disability,
- length-of-service awards,
- death benefits.

As at the balance-sheet date, the Group recognises liabilities under the above stated benefits in the consolidated statement of financial position at the current value of the liability, taking into account actuarial gains or losses. The Group's liability under employment benefits is assessed by an independent actuary using the projected unit credit method.

Provisions are calculated on a case-by-case basis, separately for each employee, Provisions are calculated on the basis of the projected amount of a benefit which the Group is obliged to pay out to a given employee under internal rules, particularly under the Company Collective Bargaining Agreements, as well as applicable provisions of law.

The forecast amount of a benefit is calculated using, inter alia, the projected amount of the base used to calculate a given benefit, estimate of how much that base will increase until a given employee acquires the right to the benefit, and a percentage ratio which reflects the employee's length of service.

As at the balance-sheet date, the resulting amount is discounted using the actuarial method, then it is decreased by the amount of the Group's annual contributions towards a given employee's individual provision, also discounted using the actuarial method as at the same date. The actuarial discount rate is the product of the financial discount rate and the likelihood that a given employee will remain with the Group until that employee is entitled to receive the benefit. The financial discount rate corresponds to the market rate of return on long-term treasury bonds effective for the valuation date.

The above stated likelihood is calculated using the multiple decrement model and reflects the likelihood of a given employee leaving the Group as well as the risk of the employee full work disability and death.

The likelihood that a given employee will leave is calculated using a probability schedule and the Group's statistical data. The risk of full work disability and death are computed on the basis of statistical data.

Actuarial gains and losses are charged or credited to other comprehensive income (retirement benefits) or expenses (other non-current benefits) in the consolidated statement of comprehensive income in the period in which they arise.

The costs of past employment that have arisen as a result of a change of the programme are immediately disclosed in the consolidated statement of comprehensive income.

Profit-sharing programmes and bonus programmes

The Group recognises liabilities and expenses related to awards and bonuses as well as profit distribution programmes where it is contractually obliged to pay them, or where past practice has created a constructive obligation.

Share-based payments

The fair value of share options granted is recognised as payroll costs in correspondence with the increase in equity. The fair value is determined at the grant date of share options to the employees and spread over the period in which the employees will acquire the unconditional right to exercise the options (as the fair value of employee benefits cannot be assessed directly, it is determined based on the fair value of the equity instruments granted). The amount charged to costs is adjusted in order to reflect the current number of granted options for which service conditions and non-market vesting conditions are met.

2.19. Provisions (Note 19)

Provision for legal claims, other claims or removal of mining damage

A provision for legal claims, other claims and removal of mining damage is recognised when the Group has a legal or constructive obligation resulting from a past event and where it is probable that an outflow of resources will be required to settle the liability and this outflow has been reliably measured. No provisions for future operating losses are made.

Provision for a mine closure and land reclamation

A provision for future cost of closure of a mining plant and land reclamation is made due to obligations arising under the Geological and Mining Law whereby a mining company is required to decommission mining plants on discontinuation of production. The provision corresponds to the estimated costs connected with:

- securing or liquidation of mining workings as well as structures and equipment of a mining plant;
- securing of the unexploited part of a mineral deposit;
- securing adjacent mineral deposits;
- securing workings of adjacent mining plants;
- taking necessary measures to protect the environment, perform land reclamation and development on areas previously covered by mining activity.

The amount of closing of a mining plant and land reclamation is calculated by an independent consultancy company (The Mineral and Energy Economy Research Institute of the Polish Academy of Sciences) on the basis of historical data concerning costs related to mine closures in the Polish hard coal mining sector.

The amounts of provisions are recognised in the present value of expenditures which are expected to be needed to discharge a given obligation. An interest rate is applied before taxation which reflects the current assessment of the market situation with respect to time value of money and risk related to a particular item of liabilities. Increase in provisions due to the passage of time is included in interest expenses. Change in provisions due to revaluation of relevant applicable estimates (inflation rate, expected nominal value of outlays on closure), with respect to the provision for the closure of a mining plant, is recognised as adjustment to the value of property, plant and equipment for which a closure obligation exists, while with respect to the provision for land reclamation as "Costs of products, goods and materials sold".

2.20. Recognition of revenue (Note 20)

Agreements with customers are analysed and recognised by the Group as per the model indicated in IFRS 15 "*Revenue from contracts with customers*". The recognition of revenue under a given agreement is performed in the following steps:

- Identification of the agreement,
- Identification of the performance obligation,
- Determining of a transaction price,
- Matching the transaction price with the performance obligation,
- Recognition of revenue.

The recognition of revenue is performed upon (or during) fulfillment of a performance obligation, effected by way of delivery of promised goods or services (i.e. an asset) to a customer. The delivery of an asset is completed when the customer gains control over such an asset.

The Group transfers control over goods or services over time thus fulfilling its performance obligation, and recognises revenue over time if one of the following conditions is met:

- criterion 1: the customer simultaneously receives and derives benefits from an entity's performance, in the course of such performance; or
- criterion 2: as a result of the entity's performance an asset is created or enhanced (e.g. production in progress), and control over such an asset - in the course of its creation or enhancement - is exercised by the customer; or
- criterion 3: as a result of the entity's performance no asset with an alternative application for the entity is created, and the entity is entitled to an enforceable right to receive payment for the performance to that moment.

If the performance obligation is not fulfilled in time as per the above, the Group fulfills its performance obligation in a defined moment. In order to define the moment when the customer gains control over the promised asset, and the Group fulfills its performance obligation, the Group takes account of the requirements regarding control. Furthermore, the Group takes account of circumstances indicating that the control was transferred in the following cases (without limitation):

- the Group is at the given moment entitled to receive payment for the asset,
- the customer holds a legal title to the asset,
- the Group has physically transferred the asset,
- the customer bears material risk related to and gains material benefits from its ownership of the asset,
- the customer has accepted the asset.

Moment of revenue recognition

The table below lists individual groups of products offered by the Group and specifies relevant moment of revenue recognition:

Product type	Group of products	Moment of revenue recognition	Measurement method	Measurement method	Activating factor
Permanently provided services - consumption	Hook place Use of bath	Over Time *(settled over time)*	Performance	Consumption	Beginning of service provision
Delivery of products or services settled in a particular moment	Hard coal Scrap Materials	Point in Time *(settled in a point in time)*	n/a	Event	Delivery / end of service provision
Permanently provided services - time lapse	Investor supervision	Over Time *(settled over time)*	Performance	Time lapse	Beginning of service provision

Interest income

Interest income is recognised proportionately to the lapse of time at the effective interest rate method. Whenever a receivable is impaired, the Group reduces its carrying amount to recoverable value which is equal to estimated future cash flows discounted at the instrument's original effective interest rate; subsequently, the discounted amount is gradually charged to the interest income. Interest income on impaired loans advanced is recognised at the original effective interest rate.

2.21. Recognition of government grants (Note 15)

IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" is applied in accounting for, and in the disclosure of, government grants.

According to IAS 20.3, grants related to assets are defined as government grants whose objective is to finance non-current assets. Under IAS 20, government grants must be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

The Group presents grants related to assets in its consolidated financial statements as follows:

- In its consolidated statement of financial position (balance sheet) under "Liabilities" and "Grants".
- In its consolidated income statement proportionately to the depreciation of the non-current assets for which a particular grant was received.

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Recognising a grant in the books of account requires the application of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" to related contingent liabilities or contingent assets.

The grant received should be settled in the full amount on the moment it is amortised in full, sold or if an asset financed with that grant is liquidated.

2.22. Dividend payment (Note 28)

Payment of dividend to the Parent's shareholders is disclosed as a liability in the consolidated financial statements in the period in which the dividend payment is approved by the Parent's shareholders.

3. INFORMATION ON SEGMENTS OF OPERATION

Key reporting structure - industry segments
The Group's core business is production and sale of coal. In 2019, revenue on sales of other products and services amounted to PLN 48,587,000 (in 2018: PLN 48,874,000), representing 2.3% in 2019 and 2.8% in 2018, respectively, of total revenue.

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

Supplementary reporting structure - geographical segments
The Group operates primarily in Poland. In 2019, revenue from foreign sales amounted to PLN 83,000 (in 2018: PLN 133,000), representing both in 2019 and in 2018 less than 0.01% in of total revenue. The Group does not hold related assets or liabilities outside Poland.

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

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

Division into mining fields

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

Key coal customers

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

	For the financial year from 1 January to 31 December	
	2019	2018
Enea Wytwarzanie Sp. z o.o.	65%	62%
Enea Elektrownia Połaniec S.A.	19%	23%

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4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures total	Buildings and structures including excavations	Plant and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
As at 1 January 2019								
Cost or assessed value	11,163	3,249,970	2,204,601	2,397,964	94,164	27,535	383,826	6,164,622
Depreciation	-	(1,454,024)	(1,053,513)	(1,358,075)	(62,568)	(19,662)	-	(2,894,329)
Net book value	**11,163**	**1,795,946**	**1,151,088**	**1,039,889**	**31,596**	**7,873**	**383,826**	**3,270,293**
As at 31 December 2019								
Net book value at beginning of year	11,163	1,795,946	1,151,088	1,039,889	31,596	7,873	383,826	3,270,293
Increases	-	44,046	-	110	-	1,592	404,866	450,614
Transfer from construction in progress	390	430,478	410,125	120,165	18,206	1,259	(570,498)	-
Decreases	(46)	(48,085)	(48,042)	(3,721)	(171)	(3)	(79)	(52,105)
Depreciation	-	(214,399)	(183,943)	(163,506)	(5,660)	(3,037)	-	(386,602)
Impairment loss	-	-	-	-	-	-	249	249
Net book value	11,507	2,007,986	1,329,228	992,937	43,971	7,684	218,364	3,282,449
As at 31 December 2019								
Cost or assessed value	11,507	3,405,599	2,296,594	2,501,385	107,201	28,669	218,364	6,272,725
Depreciation	-	(1,397,613)	(967,366)	(1,508,448)	(63,230)	(20,985)	-	(2,990,276)
Net book value	**11,507**	**2,007,986**	**1,329,228**	**992,937**	**43,971**	**7,684**	**218,364**	**3,282,449**

	Land	Buildings and structures total	Buildings and structures including excavations	Plant and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
As at 1 January 2018								
Cost or assessed value	9,976	3,185,992	2,159,920	2,361,274	97,420	25,994	216,412	5,897,068
Depreciation	-	(1,357,639)	(987,668)	(1,216,021)	(64,785)	(18,316)	-	(2,656,761)
Net book value	**9,976**	**1,828,353**	**1,172,252**	**1,145,253**	**32,635**	**7,678**	**216,412**	**3,240,307**
As at 31 December 2018								
Net book value at beginning of year	9,976	1,828,353	1,172,252	1,145,253	32,635	7,678	216,412	3,240,307
Increases	-	2,414	-	277	-	1,470	461,088	465,249
Transfer from construction in progress	1,187	224,378	206,621	54,241	12,084	1,688	(293,578)	-
Reclassification to assets held for sale	-	-	-	-	(186)	-	-	(186)
Decreases	-	(29,604)	(29,573)	(212)	(887)	(4)	(96)	(30,803)
Non-current assets reclassification	-	780	-	(713)	(2)	(65)	-	-
Depreciation	-	(230,375)	(198,212)	(158,957)	(12,048)	(2,894)	-	(404,274)
Net book value	11,163	1,795,946	1,151,088	1,039,889	31,596	7,873	383,826	3,270,293
As at 31 December 2018								
Cost or assessed value	11,163	3,249,970	2,204,601	2,397,964	94,164	27,535	383,826	6,164,622
Depreciation	-	(1,454,024)	(1,053,513)	(1,358,075)	(62,568)	(19,662)	-	(2,894,329)
Net book value	**11,163**	**1,795,946**	**1,151,088**	**1,039,889**	**31,596**	**7,873**	**383,826**	**3,270,293**

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In 2019 the borrowing costs, which would be subject to activating in the value of property, plant and equipment, were not incurred (in 2018 costs were activated in the amount of PLN 4,130,000).

No collateral was established on property, plant and equipment.

Depreciation of non-current assets is disclosed in the consolidated income statement as follows:

	For the financial year from 1 January to 31 December	
	2019	2018
Costs of products, goods and materials sold	(376,666)	(395,138)
Selling costs	(503)	(485)
Administrative expenses	(9,433)	(8,651)
As at 31 December	**(386,602)**	**(404,274)**

4.1. Property, plant and equipment - excavations

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

As at 31 December 2019:

	Quantity [items]	Length [m]	Initial value	Depreciation	Net value as at the balance-sheet date	Depreciation level in the given group
Walls disclosed in non-current assets, depreciated with the cost-of-production method, including:	26	32,926	503,128	(329,032)	174,096	65%
- depreciated until December 2019	*12*	*11,652*	*180,668*	*(105,246)*	*75,422*	*58%*
Galleries disclosed under non-current assets, depreciated according to useful life	234	90,847	1,492,038	(492,845)	999,193	33%
Other items, depreciated according to useful life (shafts, shaft towers, dams, reservoirs and other)	31	-	301,428	(145,489)	155,939	48%
Total as at 31 December 2019	**291**	**123,773**	**2,296,594**	**(967,366)**	**1,329,228**	**42%**

As at 31 December 2018:

	Quantity [items]	Length [m]	Initial value	Depreciation	Net value as at the balance-sheet date	Depreciation level in the given group
Walls disclosed in non-current assets, depreciated with the cost-of-production method, including:	30	19,267	526,126	(416,431)	109,695	79%
- depreciated until December 2018	*8*	*8,732*	*89,493*	*(47,027)*	*42,466*	*53%*
Galleries disclosed under non-current assets, depreciated according to useful life	234	91,937	1,379,474	(499,001)	880,473	36%
Other items, depreciated according to useful life (shafts, shaft towers, dams, reservoirs and other)	31	-	299,001	(138,081)	160,920	46%
Total as at 31 December 2018	**295**	**111,204**	**2,204,601**	**(1,053,513)**	**1,151,088**	**48%**

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4.2. Property, plant and equipment - construction in progress

The most important investment tasks disclosed under "Construction in progress" are presented below:

	As at 31 December	
	2019	2018
Excavations (galleries)	166,128	283,458
Modernisation of the longwall systems	-	61,796
Expansion of the waste storage yard in Bogdanka	11,225	9,929
Construction of new mining fields	6,555	6,081
Modernisation of the central air conditioning system in Stefanów	6,073	139
Reinforcement of shaft 1.3 lining	5,210	3,707
Modernisation of the main fan station at shaft 1.4.	6,138	4,005
Purchase of belt conveyors	-	2,322
Other	17,035	12,389
As at 31 December	**218,364**	**383,826**

4.3. Impairment losses on the property, plant and equipment

Impairment test as at 31 December 2019

When preparing the annual financial statements of the Group, the Management Board of the Parent makes a periodic assessment of the premises indicating a possible impairment of assets, as instructed in IAS 36 "Impairment of assets". Having conducted such an assessment at the end of 2019, the Parent's Management Board, based on an analysis of current economic and market situation, has found that the current value of market capitalisation of the Parent has stood for a long time at a level lower than the balance-sheet value of net assets. A significant drop in the share price of the Parent, and thus - its market capitalisation - continued after the balance-sheet date, during the first months of 2020. As the Parent's Management Board believes, this situation is primarily a result of factors beyond its control, such as political reasons and EU climate policy, and partially is a consequence of a low liquidity of shares of the parent and low free float. The above situation is also a premise for impairment within the meaning of IAS 36.12.

Therefore the Group is obliged to carry out a test for impairment for cash-flow generating centres. Such test was performed as at 31 December 2019.

Considering that it was not possible to determine the fair value for a very large group of assets for which no active market exist, neither are comparable transactions available, the recoverable value of the tested assets was determined in the process of estimating their usable value by employing the discounted cash flow method on the basis of financial projections for 2020-2051 prepared by the Parent.

Key assumptions used for estimating the usable value of the Parent's assets subject to the test were as follows:

- given that individual departments and the internal mine organisation are interrelated, all Parent's assets were deemed as one CGU;

  As far as the subsidiaries are concerned, due to the nature of their activities, manner of functioning and possibility to sell the provided services and manufactured products, only assets collected in Łęczyńska Energetyka may be deemed as a separate CGU at a level of the Group. In this case no premises were identified to indicate any impairment of non-current assets, therefore no impairment test was performed.

- an average annual level of coal sales volume was determined to amount to 9.4 million tonnes in 2020-2035;
- the forecast period from 2020 to 2051 was estimated on the basis of current coal resources, held by the Parent as at the balance-sheet date (available for use with

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the employment of the existing – as at the balance-sheet date – infrastructure, mainly with respect to shafts), considering the average annual extraction level of 9.4 million tonnes in 2020-2035 (in the subsequent years the average annual extraction level will gradually decrease, which is a consequence of the deposits in the Bogdanka Field beginning to run out and a result of the adopted assumption to use only the infrastructure which is currently available);

- the assumption regarding the coal price in 2020-2041 was made on the basis of materials prepared for the whole Enea Group; the average price of coal was estimated at a level close to actual average price achieved in 2019 (PLN 11.02/GJ), assuming the side trend in the +/- 5% range; as from 2042 a stable price was assumed, standing at a level reached in 2041;
- the whole model is non-inflationary;
- real increase in remunerations was assumed for the whole forecast period at a level reflecting best possible estimate of the Management Board, as at the date when the test was made;
- WACC of 5,59% during the whole period of the forecast, estimated on the basis of the latest economic data (with the risk-free rate of 2.03% and beta 0.83) was taken as a discount rate before taxation;
- the average annual level of CAPEX during the forecast period of PLN 250,663,000, including on average PLN 344,110,000 in 2020-2035.

The results of the test are presented in the table below:

As at 31 December 2019	Recoverable value of assets subject to the test	Net balance-sheet value of the assets subject to the test
Results of the impairment test	3,129,982	2,609,095

Analysis of model sensitivity to the change of key assumptions

The performed sensitivity analysis indicates that factors which are key for the estimates of the recoverable value of cash flow generating centres include discount rate and thermal coal price. The results of model sensitivity (change in recoverable value) to the change of key assumptions is presented in the table below.

Impact of the change in the financial discount (base value 5.59%):

Change of assumptions	-0.5 p.p.	Carrying amount	+0 p.p.
Changes in recoverable value	160,890	3,129,982	(149,717)

Impact of the change in coal price:

Change of assumptions	-0.5%	Carrying amount	+0.5%
Changes in recoverable value	(84,061)	3,129,982	83,870

Other impairment losses

In 2019 the Group made moves in relation to impairment losses of construction on progress (in 2018 changes in impairment losses did not occur).

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

	Land	Plant and equipment	Construction in progress	Total
As at 1 January 2019	**4,394**	**3,187**	**8,267**	**15,848**
Creating impairment loss	-	-	1,050	1,050
Release of the unused write-off due to impairment of value	-	-	(1,299)	(1,299)
As at 31 December 2019	**4,394**	**3,187**	**8,018**	**15,599**
As at 1 January 2018	**4,394**	**3,187**	**8,267**	**15,848**
As at 31 December 2018	**4,394**	**3,187**	**8,267**	**15,848**

The creation/release of the impairment losses in relation to construction in progress was disclosed in the consolidated income statement under "Other net losses". The release of the impairment loss is related to two investment tasks which were temporarily suspended and in 2019, following a decision of the Parent, completed; the expenditure necessary for completing these investments was included by the Parent in the investment plan for the following years.

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5. INTANGIBLE ASSETS

	Computer software	Fees, licences	Geological information	Other	Total
As at 1 January 2019					
Cost or assessed value	8,890	18,380	54,343	3,855	85,468
Amortisation	(5,829)	(4,442)	(12,658)	(3,695)	(26,624)
Net book value	**3,061**	**13,938**	**41,685**	**160**	**58,844**
As at 31 December 2019					
Net book value at beginning of year	3,061	13,938	41,685	160	58,844
Increases	1,070	3,468	-	6,696	11,234
Decreases	(70)	(319)	-	(3,481)	(3,870)
Amortisation	(603)	(854)	(909)	(166)	(2,532)
Net book value	3,458	16,233	40,776	3,209	63,676
As at 31 December 2019					
Cost or assessed value	8,296	20,496	54,343	10,550	93,685
Amortisation	(4,838)	(4,263)	(13,567)	(7,341)	(30,009)
Net book value	**3,458**	**16,233**	**40,776**	**3,209**	**63,676**

As at 1 January 2018					
Cost or assessed value	7,682	18,874	54,217	2,197	82,970
Amortisation	(5,301)	(4,044)	(11,624)	(2,040)	(23,009)
Net book value	**2,381**	**14,830**	**42,593**	**157**	**59,961**
As at 31 December 2018					
Net book value at beginning of year	2,381	14,830	42,593	157	59,961
Increases	1,304	408	-	3,567	5,279
Decreases	(1)	(213)	-	(3,460)	(3,674)
Amortisation	(623)	(1,087)	(908)	(104)	(2,722)
Net book value	3,061	13,938	41,685	160	58,844
As at 31 December 2018					
Cost or assessed value	8,890	18,380	54,343	3,855	85,468
Amortisation	(5,829)	(4,442)	(12,658)	(3,695)	(26,624)
Net book value	**3,061**	**13,938**	**41,685**	**160**	**58,844**

No collateral was established on intangible assets. Both in 2019 and 2018 the Group did not produce intangible assets on its own.

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Amortisation of intangible assets is disclosed in the consolidated income statement as follows:

	For the financial year from 1 January to 31 December	
	2019	2018
Costs of products, goods and materials sold	(2,467)	(2,661)
Selling costs	(3)	(3)
Administrative expenses	(62)	(58)
Total	**(2,532)**	**(2,722)**

Impairment losses for intangible assets are made when occurring circumstances indicate that the Group will not obtain economic benefits from the intangible assets held.

The impairment losses for intangible assets are presented in the table below:

	Geological information	Total
As at 1 January 2019	1,780	1,780
As at 31 December 2019	1,780	1,780
As at 1 January 2018	1,780	1,780
As at 31 December 2018	1,780	1,780

Both in 2019 and in 2018 no movements related to impairment losses of intangible assets occurred.

Impairment test as at 31 December 2019

For detailed description of the impairment test of non-current assets, including intangible assets, please refer to Note 4.3.

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6. LEASES

6.1. Right-of-use asset

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

	Right of perpetual usufruct of land	Vehicles	Total
As at 1 January 2019			
Cost or assessed value	17,596	3,815	21,411
Depreciation	-	-	-
Net book value	**17,596**	**3,815**	**21,411**
As at 31 December 2019			
Net book value at beginning of year	17,596	3,815	21,411
Increases	-	83	83
Decreases	-	(86)	(86)
Amortisation	(496)	(2,818)	(3,314)
Net book value	17,100	994	18,094
As at 31 December 2019			
Cost or assessed value	17,596	3,812	21,408
Depreciation	(496)	(2,818)	(3,314)
Net book value	**17,100**	**994**	**18,094**

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

	For the financial year from 1 January to 31 December	
	2019	2018
Depreciation of the right-of-use asset	3,314	-
Finance costs	554	-
Total	**3,868**	**-**

Changes in lease liabilities and the balance as at 31 December 2019 are presented in the table below:

	For the financial year from 1 January to 31 December	
	2019	2018
As at 1 January	**21,411**	**-**
Increases	83	-
Decreases	(86)	-
Principal installment under financial lease agreements	(2,861)	-
Total	**18,547**	**-**

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

	As at 31 December	
	2019	2018
Less than 1 year	1,081	-
From 1 year to 2 years	106	-
From 2 to 5 years	257	-
More than 5 years	17,103	-
Total	**18,547**	**-**

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6.2. Operating lease

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

	As at		
	31 December 2019	1 January 2019	31 December 2018
Less than 1 year	272	221	3,702
From 1 year to 2 years	166	153	1,690
From 2 to 5 years	250	383	2,078
More than 5 years	-	-	38,402
Minimum future payments	**688**	**757**	**45,872**

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

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

The impact of applying the new standard IFRS 16 "Leases" as well as its impact on the financial statements are described in detail in Note 2.1.2.

7. INVESTMENT PROPERTIES

	For the financial year from 1 January to 31 December	
	2019	2018
As at 1 January	**3,312**	**3,365**
Purchase of investment properties	-	115
Amortisation	(172)	(168)
Total	**3,140**	**3,312**

Investment properties relate to a holiday resort Kalnica, located in the Bieszczady mountains, owned by Łęczyńska Energetyka Sp. z o.o., the Parent's subsidiary.

The table below shows revenue and costs connected with investment properties:

	For the financial year from 1 January to 31 December	
	2019	2018
Revenue on investment properties	114	104
Operating expenses related to investment properties	(256)	(279)

The fair value of the investment properties estimated as at the balance-sheet date is higher from the net book value and amounts to approx. PLN 4,331,000. The Group's investment properties' fair value was calculated by an independent expert by comparing to market prices of transactions covering similar real properties.

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8. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
Trade receivables	213,313	166,993
Less: impairment losses of receivables	(6,286)	(5,545)
Net trade receivables	207,027	161,448
Accruals and deferrals	31,063	36,802
Other receivables	861	5,202
Current	238,951	203,452
Accruals and deferrals	6,078	805
Other receivables	455	456
Non-current	6,533	1,261
Total trade and other receivables	**245,484**	**204,713**

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

All receivables of the Group are expressed in PLN.

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

	For the financial year from 1 January to 31 December	
	2019	2018
As at 1 January	**5,545**	**7,970**
Creating impairment loss	1,570	3,111
Receivables written down during the year as uncollectible	(119)	(78)
Reversal of unused amounts	(710)	(5,458)
Total	**6,286**	**5,545**

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

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

	As at 31 December	
	2019	2018
Up to 1 month	212	313
6 to 12 months	-	2
Above 12 months	6,074	5,230
Total	**6,286**	**5,545**

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

	As at 31 December	
	2019	2018
Up to 1 month	2,700	99
1 to 3 months	45	19
3 to 6 months	91	52
6 to 12 months	39	105
Above 12 months	80	-
Total	**2,955**	**275**

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

9. INVENTORIES

	As at 31 December	
	2019	2018
Materials	72,841	67,295
Finished goods	31,407	16,087
Total	**104,248**	**83,382**

Cost of inventories in the consolidated income statement was disclosed under "Cost of products, goods and materials sold" totalling PLN 1,646,184,000 in 2019 (2018: PLN 1,583,971,000).

As at 31 December 2019 (as well as in 2019) the Group did not create impairment losses for inventories. The same situation took place last year.

Creating and use of impairment losses of inventories was presented in the consolidated income statement in "Cost of products, goods and materials sold".

No collateral was established on inventories held by the Group.

10. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2018
Cash in banks	33,854	18,667
Bank deposits	482,884	280,405
Total	**516,738**	**299,072**
Including:		
*Non-current**	*133,998*	*128,279*
Current	*382,740*	*170,793*
	516,738	*299,072*

**cash with restricted liquidity*

Value of cash with restricted liquidity amounted to PLN 147,614,000 as at 31 December 2019 (as at 31 December 2018: PLN 130,240,000) including PLN 133,998,000 (as at 31 December 2018: PLN 128,279,000) of the funds deposited in the Mine Closure

Fund for the coverage of the costs of closing a mine, and the remainder refers to funds collected on separate VAT accounts. Cash held by the Group is denominated in PLN.

Effective interest rates of short-term bank deposits are close to nominal interest rates, and the fair value of the short-term bank deposits does not differ materially from their carrying amount. Interest rates are based on WIBID rates and were as follows:

2019 – 0.41% - 1.63%

2018 – 0.45% - 1.41%

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

11. OTHER CURRENT INVESTMENTS

	As at 31 December	
	2019	2018
Other current investments	-	67
- Deposits with maturity over 3 months	*-*	*67*
Total	**-**	**67**

12. SHARE CAPITAL

	Number of shares ('000)	Ordinary shares - par value	Hyperinflation adjustment	Total
As at 1 January 2019	34,014	170,068	131,090	301,158
As at 31 December 2019	34,014	170,068	131,090	301,158
As at 1 January 2018	34,014	170,068	131,090	301,158
As at 31 December 2018	34,014	170,068	131,090	301,158

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

13. OTHER CAPITAL

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

Other capital related to the Management Options Scheme

Other capital related to the Management Options Scheme at the Parent refers to the Management Options Scheme adopted by virtue of the Supervisory Board of the Parent dated 30 September 2013, for the period 2013-2017. In Q3 2018 the Parent and all beneficiaries of the Scheme (the persons to whom option may be granted) concluded arrangements under which Scheme participation agreements of the beneficiaries were terminated. Each beneficiary was paid compensation of PLN 1. Upon conclusion of the above arrangements the Management Options Scheme was ultimately closed. The amount PLN 3,839,000 disclosed in the Consolidated statement of changes in equity may be transferred to retained profits.

Equity on valuation of cash flow hedges

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

Non-controlling interests

Non-controlling interests relate exclusively to the subsidiary Łęczyńska Energetyka Sp. z o.o., and are owned by the Łęczna Municipality (11.29%) and by the Puchaczów Commune (0.01%) - 11.30% in total. In 2019 comprehensive income attributable to non-controlling interests amounted to PLN 182,000, and consisted of the following items: net profit attributable to non-controlling interests in the amount of PLN 192,000 and other comprehensive income concerning actuarial losses on defined benefit schemes in the amount of PLN 10,000.

Retained profits

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

Components of equity not subject to distribution

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

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

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14. TRADE AND OTHER LIABILITIES

	As at 31 December	
	2019	2018
Trade liabilities	117,017	137,040
Other liabilities, including:	165,253	186,148
- *Company Social Benefits Fund*	*1,082*	*214*
- *Liabilities on security deposit*	*7,254*	*3,421*
- *Investment liabilities*	*60,553*	*122,027*
- *Salaries payable*	*54,382*	*39,956*
- *Other liabilities*	*41,982*	*20,530*
Total financial liabilities	282,270	323,188
Liabilities - social security and other tax payable	69,163	47,036
Trade and other liabilities	**351,433**	**370,224**
Including:		
- *Non-current*	*39,879*	*39,675*
- *Current*	*311,554*	*330,549*
Total	**351,433**	**370,224**

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

15. GRANTS

	As at 31 December	
	2019	2018
As at 1 January	**13,147**	**13,708**
Including:		
Non-current	*12,587*	*13,148*
Current	*560*	*560*
Grants received	115	-
Grants settled during a year	(569)	(561)
As at 31 December	**12,693**	**13,147**
Including:		
Non-current	*12,224*	*12,587*
Current	*469*	*560*

During 2019 the Parent received a grant in relation to its pursuance of the SUMAD R&D project entitled "Sustainable use of post-mining heaps" amounting to PLN 115,000. This grant is settled in proportion to the costs incurred by the Parent for this project. The remaining portion of the grant refers to the grant to non-current assets and should be settled in the full amount on the moment it is amortised in full, sold or if an asset financed with that grant is liquidated. The manner of disclosure of the grant is described in Note 2.20.

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16. LOANS AND BORROWINGS

	As at 31 December	
	2019	2018
Long-term:	**10,894**	**13,930**
Special purpose loans	10,894	13,930
- Regional Environmental Protection Fund in Lublin	*10,894*	*13,930*
Short-term:	**3,182**	**3,212**
Special purpose loans	3,182	3,212
- Regional Environmental Protection Fund in Lublin	*3,182*	*3,212*
Total	**14,076**	**17,142**

In 2014 the subsidiary Łęczyńska Energetyka received from the Regional Environmental Protection Fund in Lublin a special purpose loan intended for financing an investment "Construction of a water treatment facility in Bogdanka along with technological connections". The loan has been repaid in equal monthly instalments since November 2015. The due date for payment of the last instalment is 31 March 2024. The loan bears interest of 0.7 of the rediscount rate of bills of exchange set by the Monetary Policy Council (however not less than 4% annually). The loan is secured with a blank promissory note to the amount of PLN 34,554,000 as well as assignment of receivables under a heat sale agreement concluded with the Parent. In 2019 Łęczyńska Energetyka, with respect to the above loan, repaid a principal amount of PLN 3,036,000.

As at 31 December 2018 and during 2019, the Parent was a party to a revolving overdraft facility agreement with a limit of PLN 100 million (concluded with mBank S.A.). The agreement expired on 29 November 2019.

The fair value of loans does not significantly differ from their carrying amount. Loans received by the Group are denominated in Polish zlotys.

Changes to the balance of liabilities due to loans and the status as at 31 December 2019 and 2018 are presented in the table below:

	Regional Environmental Protection Fund in Lublin	TOTAL
As at 1 January 2019	**17,142**	**17,142**
Repayment of principal installments	(3,036)	(3,036)
Accrued interest	622	622
Interest paid	(652)	(652)
As at 31 December 2019	**14,076**	**14,076**
As at 1 January 2018	**20,208**	**20,208**
Repayment of principal installments	(3,036)	(3,036)
Accrued interest	743	743
Interest paid	(773)	(773)
As at 31 December 2018	**17,142**	**17,142**

Notes presented on pages 10 - 74 make an integral part of these consolidated financial statements.

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17. FINANCIAL INSTRUMENTS

17.1. Financial instruments by category

	Financial assets measured at amortised cost	Total
Assets as disclosed in the consolidated statement of financial position		
Trade receivables	207,027	207,027
Cash and cash equivalents	516,738	516,738
As at 31 December 2019	**723,765**	**723,765**

	Liabilities measured at amortised cost	Total
Liabilities as disclosed in the consolidated statement of financial position		
Loans and borrowings	14,076	14,076
Trade and other financial liabilities as well as contract liabilities	178,014	178,014
Lease liabilities	18,547	18,547
As at 31 December 2019	**210,637**	**210,637**
Interest and commissions paid		
Interest	1,206	1,206
Total	1,206	1,206

	Financial assets measured at amortised cost	Total
Assets as disclosed in the consolidated statement of financial position		
Trade receivables	161,448	161,448
Other current investments	67	67
Cash and cash equivalents	299,072	299,072
As at 31 December 2018	**460,587**	**460,587**

	Liabilities measured at amortised cost	Total
Liabilities as disclosed in the consolidated statement of financial position		
Loans and borrowings	17,142	17,142
Trade and other financial liabilities as well as contract liabilities	259,584	259,584
As at 31 December 2018	**276,726**	**276,726**
Interest and commissions paid		
Interest	7,285	7,285
Total	7,285	7,285

17.2. Hierarchy of financial instruments

Hierarchy of financial instruments measured at fair value.

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

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

As at 31 December 2019 and 31 December 2018 the Group held no financial instruments valued at fair value.

17.3. Financial risk factors

The Group is exposed to various types of financial risks connected with its activities, such as market risk (including cash flow risk resulting from change in interest rates), credit risk, currency risk, and liquidity risk. The Group's general programme for risk management primarily focuses on ensuring the Group's safety (securing the conducted operations), ensuring efficiency of decisions made, designed to maximise profits at an admissible level of risk, ensuring sufficient liquidity to enable the Group to implement its investment projects and secure the Group's operating activity. The interest rate risk is managed in order to restrict the negative influence of market change in interest rates on cash flows to the extent that would be acceptable for the Group, and to minimise finance costs.

The risk is significantly concentrated only in the event of credit risk. In other cases such a concentration does not occur.

17.3.1. Risk of a change in cash flows resulting from a change in interest rates

Given that the Group holds a significant amount of interest-bearing assets, the Group's revenue and cash flows are affected by changes in market interest rates.

The Group is exposed to interest rate risk particularly in connection with loans but may also be related to its current and non-current debt instruments and bank loans. Loans, borrowings and bonds bearing interest at variable rates result in the Group's exposure to a change in cash flows resulting from changes in interest rates.

Both in 2019 and in 2018 the Group used external financing in the form of loans, denominated in the złoty. In previous years the Group pursued the bond programme which was repaid in full amount with the last tranche paid in 2018. The total debt of the Group as at 31 December 2019 amounts to PLN 14 million (as at 31 December 2018 – PLN 17 million) and results from loans only. Based on simulations it was determined that a 1 p.p. change in interest rates would increase or decrease, as applicable, the Company's gross profit by an amount lower or equal to PLN 141,000 (as at 31 December 2018: PLN 171,000) and increase or decrease, as applicable, the net profit by an amount lower or equal to PLN 114,000 (as at 31 December 2018: PLN 139,000).

Based on the 2019 and 2018 data concerning the Group's interest bearing assets, the sensitivity of the finance income changes to changes in interest rates has been assessed. The value of assets exposed to the interest rate risk as at 31 December 2019 with respect to bank deposits of free cash (including those classified as other current investments) amounts to PLN 382,740,000 (as at 31 December 2018 – PLN 170,860,000), and with respect to Mine Closure Fund assets – PLN 133,998,000 (as at 31 December 2018 – PLN 128,279,000). The change in finance income is presented in the table below:

Impact of changes of interest rates on finance income from deposits as at 31 December 2019:

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Change in interest rate	-1 p. p.	-0.5 p. p.	+0.5 p. p.	+1 p. p.
Estimated impact	(3,827)	(1,914)	1,914	3,827

Impact of changes of interest rates on finance income from deposits as at 31 December 2018:

Change in interest rate	-1 p. p.	-0.5 p. p.	+0.5 p. p.	+1 p. p.
Estimated impact	(1,709)	(854)	854	1,709

The value of assets relating to Mine Closure Fund exposed to interest rate risk amounts to PLN 133,998,000 as at 31 December 2019 (PLN 128,279,000 as at 31 December 2018).

Impact of changes in interest rates on finance income under funds deposited to the Mine Closure Fund as at 31 December 2019:

Change in interest rate	-1 p. p.	-0.5 p. p.	+0.5 p. p.	+1 p. p.
Estimated impact	(1,340)	(670)	670	1,340

Impact of changes in interest rates on finance income under funds deposited to the Mine Closure Fund as at 31 December 2018:

Change in interest rate	-1 p. p.	-0.5 p. p.	+0.5 p. p.	+1 p. p.
Estimated impact	(1,283)	(641)	641	1,283

17.3.2. Foreign currency risk

The Group enters into transactions denominated in foreign currencies. It brings about a risk of exchange rate fluctuations. The Group is exposed mostly to a risk of changes in EUR/PLN and USD/PLN exchange rates. In 2019 no material currency exchange transactions were concluded. Such transactions were concluded by the Group in previous years in relation to purchases of specialised plant and equipment, however the Group expects such transactions to reoccur soon as it has become necessary to renew its machine park (specialised plant and equipment used in mining).

As at 31 December 2019 the Group had financial assets exposed to the currency risk in the amount of PLN 115,000 (as at the end of 2018 the Group had no financial assets exposed to the currency risk). The financial liabilities exposed to the currency risk as at 31 December 2019 amounted to PLN 46,000 (as at 31 December 2018: PLN 1,389,000) and related to liabilities on account of a purchase of materials. An increase or decrease in a currency exchange rate by 1% would not affect the consolidated pre-tax earnings in any manner.

17.3.3. Credit risk

The Group is exposed to credit risk in connection with cash and cash equivalents, deposits at banks and financial institutions, as well as credit exposures of the Group's customers. When selecting banks and financial institutions, the Company only accepts highly credible entities (rated with at least an investment rating). In addition, the Group pursues a policy limiting credit exposure connected with particular financial institutions. As far as customers are concerned, the Group mainly sells its products to regular customers whose credibility is based on the experience gained in the course of mutual cooperation.

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The table below shows exposure to credit risk and credit risk concentration:

	As at 31 December	
	2019	2018
Cash in hand and bank deposits*	516,738	299,139
Current trade receivables	207,027	161,448
Total exposure to credit risk	**723,765**	**460,587**
Receivables from 7 key customers	198,595	153,099
Concentration of credit risk under receivables from 7 key customers	96%	95%
Cash deposited at Bank Gospodarstwa Krajowego S.A. (expressed as % of total cash and bank deposits)	66%	47%
Cash deposited at Bank Millenium S.A. (expressed as % of total cash and bank deposits)	27%	45%
Cash deposited at PEKAO S.A. (expressed as % of total cash and bank deposits)	3%	2%
Cash deposited at mBank S.A. (expressed as % of total cash and bank deposits)	2%	2%
Cash deposited at PKO Bank Polski S.A. (expressed as % of total cash and bank deposits)	2%	1%
Cash deposited at BOŚ S.A. (expressed as % of total cash and bank deposits)	-	2%
Cash deposited at Alior Bank S.A. (expressed as % of total cash and bank deposits)	-	1%

**The disclosed amount includes Other current investments disclosed as at 31 December 2018.*

The ability of the Group's main customers to make payments for goods is good, therefore the credit risk is assessed as low. The Group has worked with these customers for quite a long time and to date no problems with payments have occurred. Sales to new customers are performed on the basis of prepayments. The share of receivables from other customers in total trade receivables is not significant.

The banks at which the Group places its cash and deposits have been awarded the following ratings (data as at the date of these consolidated financial statements):

- - Bank Millennium S.A. - long-term Fitch rating: BBB- (stable)
- - Bank PEKAO S.A. – long-term Fitch rating: BBB+ (stable)
- Bank PKO BP – long-term Moody's rating: A2 (stable)
- - Bank Gospodarstwa Krajowego – long-term Fitch rating: A- (stable)
- - mBank S.A. - long-term Fitch rating: BBB- (positive)
- Bank Ochrony Środowiska S.A. - long-term Fitch rating: BB- (stable).
- - Alior Bank S.A. - long-term Fitch rating: BB (stable).

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17.3.4. Liquidity risk

Conservative management of liquidity risk consists in, inter alia, maintaining appropriate amounts of cash and ensuring availability of financing through securing credit facilities of appropriate size. The Management Board monitors the current forecasts concerning the Group's liquid assets (comprising available credit facilities - when applicable as well as cash and cash equivalents) based on estimated cash flows. By making this forecast, deviations between actual cash flow and the demand for cash are eliminated.

As at 31 December 2018 and during 2019, the Group was a party to a revolving overdraft facility agreement with a limit of PLN 100 million (concluded with mBank S.A.). The agreement expired on 29 November 2019. As at 31 December 2019, the Group did not have active agreements or available credit lines.

The table below presents an analysis of the Group's financial liabilities by remaining contractual maturity as from the balance-sheet date. The amounts presented in the table are contractual, non-discounted cash flows. The balance to be repaid within 12 months is presented in carrying amounts increased by interest (if any).

As at 31 December 2019	less than 1 year	1 up to 2 years	2 up to 5 years	more than 5 years
Loans and borrowings	3,685	3,416	8,277	-
Trade and other liabilities	141,965	5,106	14,441	30,332
Lease liabilities	1,576	592	1,695	37,837

As at 31 December 2018	less than 1 year	1 up to 2 years	2 up to 5 years	more than 5 years
Loans and borrowings	3,834	3,539	9,883	1,810
Trade and other liabilities	219,909	4,942	14,387	31,214

Liabilities maturing in less than 1 year are chiefly represented by liabilities whose maturity falls within up to 3 months as from the balance-sheet date.

17.3.5. Sensitivity analysis of the financial result with respect to coal prices changes

Based on the 2019 data concerning the Group's core business, the sensitivity of the financial result to changes in market risk factors (prices of coal) has been assessed.

The assessment indicates that a 1% increase in the unit price of coal (translating into a 1% increase in revenues from the sale of coal) results in a rise of the result on sales (gross profit - administrative expenses - selling costs) by 5.9%. Similarly, a 1% decrease in the coal price reduces the result on sales (gross financial result – administrative expenses – selling costs) by 5.9%.

The table below shows changes in the result in other analysed ranges (assuming that other factors remain unchanged).

Change in price	-15%	-10%	-5%	-2%	-1%	0%	1%	2%	5%	10%	15%
Change in result	-88.3%	-58.9%	-29,4%	-11.8%	-5.9%	- %	5.9%	11.8%	29,4%	58.9%	88.3%

With a view to mitigating, to a certain extent, the risk related to changes in prices of energy sources, the Group enters into long-term commercial contracts with key customers purchasing thermal coal.

(PLN '000)

17.4. Managing capital risk

The Group's objective in the area of managing capital/financial risk is to protect the Group's ability to continue as going concern, in particular ensuring financing for investments being made as well as ensuring relevant funding for on-going activities to allow the liabilities to be paid on due dates. The Group's objective in the area of managing financial risk includes maintaining the optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may change the amount of dividend declared to be paid to shareholders, refund capital to shareholders, issue new shares or dispose of assets with a view to reducing indebtedness.

In the area of capital management, the Group focuses on managing cash and cash equivalents, and possible debts under leases, contracted loans and borrowings as well as debts which may possibly result from future bond issues.

As at the end of 2019 the Group has contracted loans for the financing of current operations and investment activities.

In 2018 the financial liability on account of bond issue to be used for the financing of purchase of non-current assets was gradually repaid in tranches, and as at 31 December 2018 the Group had no liabilities on that account.

The table below shows the relation between the net debt and the capital employed:

	As at 31 December	
	2019	2018
Total loans and borrowings	14,076	17,142
Lease liabilities	18,547	-
Net of cash and cash equivalents and other current investments	(516,738)	(299,139)
Net debt	**(484,115)**	**(281,997)**
Total equity	3,228,502	2,950,116
Employed capital	2,744,387	2,668,119

(PLN '000)

18. PROVISIONS FOR EMPLOYEE BENEFITS

	As at 31 December	
	2019	2018
Provisions as disclosed in the consolidated statement of financial position:		
Retirement and disability benefits	60,106	51,000
Long service awards	115,287	98,427
Voluntary Redundancy Programme	-	233
Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	16,572	15,496
Total	**191,965**	**165,156**

	For the financial year from 1 January to 31 December	
	2019	2018
Costs recognised in the consolidated income statement:		
Retirement and disability benefits	5,728	4,640
Long service awards	27,675	14,813
Voluntary Redundancy Programme	-	(2,751)
Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	12,518	8,746
Total	**45,921**	**25,448**

The significant increase in provisions for employee benefits as at the end of 2019 is mainly attributable to a drop, by approx. a third, in the discount rate assumed for actuarial valuation of provisions as at 31 December 2019. The rate decreased from 3.22 p.p. as at the end of 2018 to 2.15 p.p. as at the end of 2019. This change contributed to an increase in the provision for retirement and disability benefits, death benefits and long-service awards. The drop in the discount rate in particular affected the value of provisions for long-service awards, which can be seen in the value of actuarial losses charged into financial result in the amount of PLN 13,161,000.

	For the financial year from 1 January to 31 December	
	2019	2018
Costs as disclosed in the consolidated statement of comprehensive income		
Retirement and disability benefits	5,687	6,765
Other benefits for employees (death benefits)	301	(337)
Total	**5,988**	**6,428**

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Change in provisions for employee benefits liabilities:

	For the financial year from 1 January to 31 December	
	2019	2018
As at 1 January	**165,156**	**157,021**
Costs of current employment (including unused holidays, salaries and wages, Voluntary Redundancy Programme, death benefits and other)	27,567	19,030
Costs of past employment	932	-
Interest expense	4,261	3,898
Actuarial losses as recognised in the consolidated income statement	13,161	2,520
Actuarial losses as recognised in the consolidated statement of comprehensive income	5,988	6,428
Recognised in the comprehensive income, total	51,909	31,876
Benefits paid	(25,100)	(23,741)
As at 31 December	**191,965**	**165,156**
Including:		
- non-current	*159,225*	*132,347*
- current	*32,740*	*32,809*

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Amounts disclosed in the consolidated income statement and in the consolidated statement of comprehensive income in 2019 are as follows:

	Benefits during employment	Post-employment benefits	Total
Liabilities as at 1 January	**110,803**	**54,353**	**165,156**
Costs of current employment (including unused holidays, salaries and wages, Voluntary Redundancy Programme, death benefits and other)	22,913	4,654	27,567
Costs of past employment	864	68	932
Interest expense	2,828	1,433	4,261
Actuarial losses as recognised in the consolidated income statement	13,161	-	13,161
Actuarial losses as recognised in the consolidated statement of comprehensive income	-	5,988	5,988
Recognised in the consolidated statement of comprehensive income, total	**39,766**	**12,143**	**51,909**

Amounts disclosed in the consolidated income statement and in the consolidated statement of comprehensive income in 2018 are as follows:

	Benefits during employment	Post-employment benefits	Total
Liabilities as at 1 January	**110,319**	**46,702**	**157,021**
Costs of current employment (including unused holidays, salaries and wages, Voluntary Redundancy Programme, death benefits and other)	15,112	3,918	19,030
Interest expense	2,687	1,211	3,898
Actuarial losses as recognised in the consolidated income statement	2,520	-	2,520
Actuarial losses as recognised in the consolidated statement of comprehensive income	-	6,428	6,428
Recognised in the consolidated statement of comprehensive income, total	**20,319**	**11,557**	**31,876**

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

	For the financial year from 1 January to 31 December	
	2019	2018
Costs of products, goods and materials sold	37,481	19,342
Selling costs	217	121
Administrative expenses	3,962	2,087
Finance costs	4,261	3,898
Recognised in the consolidated income statement, total:	**45,921**	**25,448**
Actuarial losses as recognised in the consolidated statement of comprehensive income	5,988	6,428
Recognised in the consolidated statement of comprehensive income, total	**51,909**	**31,876**

Key actuarial assumptions used in the valuation

	As at 31 December	
	2019	2018
Discount rate	2.15%	3.22%
Employee mobility	0.68%	0.71%
Increase in salaries and wages in the subsequent year	2.70%	2.50%
Increase in salaries and wages in 2021 (2018: in 2020)	2.70%	2.50%
Increase in salaries and wages in 2022 (2018: from 2021)	2.70%	2.50%

(PLN '000)

The assumptions for future mortality are based on opinions, published statistics and experience in a given area. Average expected length of life (in years) of persons retiring as at the balance-sheet date:

	As at 31 December	
	2019	2018
Men	15.84	15.93
Women	24,20	24,34

Weighted average term of the liability under given benefits schemes (in years):

	As at 31 December	
	2019	2018
Retirement and disability benefits	13.75	13.35
Length-of-service awards	11.00	9.30
Death benefits	8.61	8.29

19. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Provision for a mine closure and land reclamation	Mining damage	Legal claims	Real property tax	ZUS claims - contribution for accident insurance	Other	Total
As at 1 January 2019	**124,207**	**3,184**	**11,677**	**41,431**	**22,658**	**206**	**203,363**
Including:							
Non-current	*124,207*	*-*	*-*	*-*	*-*	*-*	*124,207*
Current	*-*	*3,184*	*11,677*	*41,431*	*22,658*	*206*	*79,156*
Recognition in the consolidated statement of financial position							
- Update of the provision created	*46,781*	*-*	*-*	*-*	*-*	*-*	*46,781*
Recognition in the consolidated income statement							
- Creation of additional provisions	*-*	*-*	*271*	*3,713*	*-*	*167*	*4,151*
- Use of the created provision	*-*	*(753)*	*(151)*	*(36,858)*	*-*	*(170)*	*(37,932)*
- Release of an unused provision	*(3,353)*	*(282)*	*-*	*-*	*(22,658)*	*-*	*(26,293)*
- Interest	*-*	*-*	*237*	*2,020*	*-*	*-*	*2,257*
- Discount settlement	*4,000*	*-*	*-*	*-*	*-*	*-*	*4,000*
As at 31 December 2019	**171,635**	**2,149**	**12,034**	**10,306**	**-**	**203**	**196,327**
Including:							
Non-current	*171,635*	*-*	*-*	*-*	*-*	*-*	*171,635*
Current	*-*	*2,149*	*12,034*	*10,306*	*-*	*203*	*24,692*
As at 1 January 2018	**114,448**	**4,434**	**11,804**	**42,353**	**21,340**	**5,839**	**200,218**
Including:							
Non-current	*114,448*	*-*	*-*	*-*	*-*	*-*	*114,448*
Current	*-*	*4,434*	*11,804*	*42,353*	*21,340*	*5,839*	*85,770*
Recognition in the consolidated statement of financial position							
- Update of the provision created	*3,688*	*-*	*-*	*-*	*-*	*-*	*3,688*
Recognition in the consolidated income statement							
- Creation of additional provisions	*2,340*	*289*	*383*	*5,986*	*-*	*227*	*9,225*
- Use of the created provision	*-*	*(1,539)*	*(205)*	*(9,845)*	*-*	*(2,282)*	*(13,871)*
- Release of an unused provision	*-*	*-*	*(598)*	*-*	*-*	*(3,578)*	*(4,176)*
- Interest	*-*	*-*	*293*	*2,937*	*1,318*	*-*	*4,548*
- Discount settlement	*3,731*	*-*	*-*	*-*	*-*	*-*	*3,731*
As at 31 December 2018	**124,207**	**3,184**	**11,677**	**41,431**	**22,658**	**206**	**203,363**
Including:							
Non-current	*124,207*	*-*	*-*	*-*	*-*	*-*	*124,207*
Current	*-*	*3,184*	*11,677*	*41,431*	*22,658*	*206*	*79,156*

Mine closure and land reclamation

The Group creates a provision for costs of mine closure and land reclamation, which it is obliged to incur under current laws. The value of costs of mine closure and land reclamation calculated as at 31 December 2019 amounts to: PLN 171,635,000 including provision for mine closure of PLN 162,972,000 and provision for land reclamation of PLN 8,663,000. The change in provision compared to 31 December 2018 was PLN 47,428,000; the decrease resulting from releasing a portion of the provision of PLN 3,353,000 and an increase resulting from the discount write-off of PLN 4,000,000 were recognised in the consolidated income statement under "Costs of products, goods and materials sold" and "Finance costs", respectively, while an increase caused by update of assumptions, totalling PLN 46,781,000, was recognised in the consolidated statement of financial position as an increase in "Property, plant and equipment".

Removing mining damage

Given the need of removing mining damage, the Group creates a provision for mining damage. The estimated value of works necessary to remove damage as at 31 December 2019 amounts to PLN 2,149,000, and covers predominantly planned costs which will have to be incurred in connection with removal of damage in buildings and compensations for damage to agricultural land. For the first half of 2019 the amount of the used provision totalled PLN 753,000 (PLN 1,539,000 in the whole 2018).

Legal claims

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

Real property tax

The amount disclosed constitutes a provision for real property tax. The essence of the dispute between the Group and territorial self-government units was elaborated on by the Group in the consolidated financial statements for previous years. The point is that while preparing statements for real property tax, the Parent (like other mining companies in Poland) has not, so far, taken into account the value of underground mining excavations or the value of equipment installed there, for the purpose of calculating this tax.

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

At the end of 2018 decisions issued by the Commune Heads and determining real property tax for the Parent for 2013 (Ludwin, Puchaczów and Cyców Communes) were upheld by the Local Government Appellate Court, and so it was decided to make the settlement of real property tax receivables and liabilities. As a result of the settlement, a provision, created earlier, was used in the amount of PLN 9,485,000 (mainly using the amount was in a set-off with overpayments made by the Parent).

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

Further, at the end of 2019, decisions issued by the Commune Heads and determining real property tax for the Parent for 2014 (Ludwin, Puchaczów and Cyców Communes) were upheld by the Local Government Appellate Court, and so it was decided to make the mutual settlement of real property tax receivables and liabilities. As a result of the settlement, an earlier created provision was used in the amount of PLN 9,183,000 (similarly as in previous years, mainly using the amount was in a set-off with overpayments made by the Parent with a partial additional payment from the Parent).

Concurrently with the made provision, based on the above, in connection with the payments of the real property tax made in 2014, 2015, 2017, 2018 and 2019 (overpayments charged to liabilities) on account of mining excavations, as at 31 December 2019 the Parent calculated income due for those years for the overpaid real property tax, in the amount of PLN 184,000 (as at 31 December 2018: PLN 4,877,000). In should be pointed that during 2019 the receivables related to the overpayment of income tax were settled almost in the whole amount. They are disclosed in the consolidated statement of financial position as current assets under "Trade debtors and other receivables".

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

On 18 June 2014 the Social Security Institution, Branch in Lublin, determined the interest rate of the accident insurance contribution for the Parent at a level of 3.47% for the settlement period from 1 April 2013 to 31 March 2014, and at a level of 3.09% for the settlement period from 1 April 2014 to 31 March 2015, and imposed additional sanction on the Parent; in relation to the above the Parent has decided to create an appropriate provision. The decision was appealed against by the Parent and was a subject to a dispute between 2015 and 2018, described extensively in the consolidated financial statements for previous years.

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.

(PLN '000)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

	For the financial year from 1 January to 31 December	
	2019	2018
Sale of coal	2,109,274	1,707,797
Other activities	31,111	30,099
Sale of goods and materials	17,476	18,775
Revenue from contracts with customers	**2,157,861**	**1,756,671**

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

- Contracts for the sale of coal, relating to the core activities of the Group; those contracts may be of two types – with transport service (where the Group arranges transport for the customer) or without the service.
- Contracts for the sale of goods and materials, relating mainly to the sale of scrap; revenue from such sales accounts for a slight share in the total consolidated revenue. The total value of all revenue on that account in 2019 amounted to PLN 17,476,000.
- Contracts relating to the sale of other services, in which the largest portion relates to revenue from renting space in the bath – the so called hook places and closets. The service is provided almost exclusively to the Parent's subcontractors (providing services within the scope of mining works), whose employees are required to use the bath under occupational and safety regulations. The total value of consolidated revenue from renting bath space in 2019 amounted to PLN 8,904,000.

(PLN '000)

21. COSTS BY TYPE

	For the financial year from 1 January to 31 December	
	2019	2018
Amortisation	392,620	407,164
Materials and energy consumption	497,890	555,112
Outsourced services	473,259	450,893
Employee benefits	698,918	629,019
Entertainment and advertising costs	8,011	8,822
Taxes, fees and charges	50,523	41,915
Other expenses by type	22,538	17,403
Total costs by type	**2,143,759**	**2,110,328**
Activities for the Company's own needs	(308,218)	(301,641)
Accruals and deferrals	(9,031)	1,346
Value of coal obtained from excavations	(81,848)	(113,225)
Provisions and other presentation adjustments between costs by type and by function	52,742	20,752
Total production cost	**1,797,404**	**1,717,560**
Change in products	(15,192)	(7,755)
Costs of goods and materials sold	17,234	18,654
Own cost of sales, including:	**1,799,446**	**1,728,459**
- Costs of products, goods and materials sold	*1,646,184*	*1,583,971*
- Selling costs	*37,423*	*42,996*
- Administrative expenses	*115,839*	*101,492*

(PLN '000)

22. OTHER INCOME

	For the financial year from 1 January to 31 December	
	2019	2018
Compensations and damages received	3,199	2,014
Settlement with the Mostostal & Acciona Infraestructuras Consortium and with the Wonam Group	-	31,165
Other,	2,068	1,442
including:		
- release of other provisions for liabilities	*215*	*130*
- Release of impairment losses	*204*	*65*
- return of the excise tax	*738*	*759*
- Other income	*911*	*488*
Total other income	**5,267**	**34,621**

23. OTHER COSTS

	For the financial year from 1 January to 31 December	
	2019	2018
Donations	(840)	(219)
Enforcement fees and penalties	(139)	(85)
Compensation	(113)	(631)
Other	(120)	(183)
Total other costs	**(1,212)**	**(1,118)**

24. OTHER NET PROFIT/LOSS

	For the financial year from 1 January to 31 December	
	2019	2018
Profit on sale of non-current assets	935	2,639
Currency exchange differences	(78)	(20)
Release of provision for ZUS claims related to contribution for accident insurance	16,398	-
Profit/(loss) on liquidation of non-current assets	(3,785)	
Impairment losses due to impairment of construction in progress	250	-
Other	(968)	(2,307)
Total other net profit	**12,752**	**312**

(PLN '000)

25. FINANCE INCOME AND COSTS

	For the financial year from 1 January to 31 December	
	2019	2018
Interest income on short-term bank deposits	3,073	5,109
Other income, including:	11,660	9,433
- Interest regarding the Mine Closure Fund	*1,858*	*1,800*
Release of provision for ZUS claims related to contribution for accident insurance	*6,260*	*-*
- Release of the provision for interest on income tax	*-*	*3,578*
- Profit/(loss) on the settlement of interest on real property tax	*3,320*	*-*
- Release of provisions for potential interest on liabilities towards the Mostostal & Acciona Infraestructuras Consortium	*-*	*2,753*
- Other	*222*	*1,302*
Total finance income	**14,733**	**14,542**
Interest and commissions on bank loans, borrowings and bonds	(622)	(1,214)
Interest expense on valuation of employee benefits	(4,261)	(3,898)
Settlement of discount on regarding provision for the Mine Closure Fund and land reclamation	(4,000)	(3,731)
Creation of a provision and impairment losses of interest	(1,004)	(978)
Interest expense of the lease of non-current assets	(554)	-
Provision for interest on claims of the Social Security Institution (ZUS) for contribution for accident insurance	-	(1,318)
Other costs	(938)	(510)
Total finance costs	**(11,379)**	**(11,649)**

Notes presented on pages 10 - 74 make an integral part of these consolidated financial statements.

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26. INCOME TAX

26.1. Tax burden

	For the financial year from 1 January to 31 December	
	2019	2018
Current tax	43,958	1,360
Deferred tax charged into finance income	25,872	9,764
Deferred tax charged into other comprehensive income:	(1,138)	(1,221)
- as actuarial losses as recognised in the consolidated statement of comprehensive income	*(1,138)*	*(1,221)*
Total	**68,692**	**9,903**

26.2. Reconciliation of an effective tax rate

	For the financial year from 1 January to 31 December	
	2019	2018
Profit before taxation	378,576	64,920
Tax calculated at the rate of 19%	71,929	12,335
Correction of income tax for previous years	2,247	(1,906)
Tax effect of income permanently excluded from the taxable base, including:	(5,903)	(1,717)
- revenue due in respect of the real property tax (on balance settlement)	*(2,065)*	*(637)*
- release of an unused provision for interest on ZUS claims related to contribution for accident insurance	*(3,789)*	-
- release of unused provision for interest on income tax	-	*(680)*
- other	*(49)*	*(400)*
Tax effect of costs permanently excluded from the taxable base	1,557	2,412
- payment to the National Fund for the Disabled	*1,394*	*1,202*
- impairment loss for interest receivable from the central budget and interest payable to the central budget	-	*529*
- donations	*163*	*12*
- other interest	-	*66*
- other	-	*603*
Decrease in financial result by the income tax	**69,830**	**11,124**

Income tax in the consolidated financial statements was determined with the application of nominal interest rate for 2019 amounting to 19.0% (2018: 19.0%).

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

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

(PLN '000)

26.3. Deferred income tax

Assets and liabilities regarding the deferred income tax mutually set-off if the Group has an enforceable legal title for offsetting current tax assets and liabilities and if the deferred income tax is subject to reporting to the same tax office. Following the set off, the following amounts are presented in the consolidated financial statements:

	As at 31 December	
	2019	2018
Deferred tax assets		
- to be realised after 12 months	*39,892*	*44,037*
- to be realised within 12 months	*11,275*	*11,689*
Total deferred tax assets	**51,167**	**55,726**
Deferred income tax liability		
- to be realised after 12 months	*268,388*	*256,472*
- to be realised within 12 months	*19,366*	*11,107*
Total deferred tax liabilities	**287,754**	**267,579**
Deferred tax assets (net)	**1,890**	**1,833**
Deferred tax liabilities (net)	**238,477**	**213,686**

Changes in the assets and liabilities regarding the deferred income tax during the year (before their set off is taken into account under one legal jurisdiction) are the following:

Change in deferred income tax assets

Deferred tax assets	Provisions for employee benefits and similar	Unpaid remuneration and other benefits	Provision for real property tax	Other balance-sheet provisions	Provision for mining damage	Other	Total
As at 1 January 2019	31,546	3,654	6,525	11,511	605	1,885	55,726
(Decrease)/increase of the financial result	4,940	993	(5,085)	(5,205)	(197)	(5)	(4,559)
- recognised in the consolidated income statement	*3,802*	*993*	*(5,085)*	*(5,205)*	*(197)*	*(5)*	*(5,697)*
- recognised in the consolidated statement of comprehensive income	*1,138*	*-*	*-*	*-*	*-*	*-*	*1,138*
As at 31 December 2019	36,486	4,647	1,440	6,306	408	1,880	51,167
As at 1 January 2018	29,888	4,258	6,663	5,696	843	1,942	49,290
(Decrease)/increase of the financial result	1,658	(604)	(138)	5,815	(238)	(57)	6,436
- recognised in the consolidated income statement	*437*	*(604)*	*(138)*	*5,815*	*(238)*	*(57)*	*5,215*
- recognised in the consolidated statement of comprehensive income	*1,221*	*-*	*-*	*-*	*-*	*-*	*1,221*
As at 31 December 2018	31,546	3,654	6,525	11,511	605	1,885	55,726

Projections prepared for the Group suggest that tax income will be generated in 2020 and in the subsequent years. Based on these projections, it was concluded that there is no risk of failure to realise deferred tax assets recognised in these consolidated financial statements.

(PLN '000)

Change in deferred income tax liability

Deferred tax liabilities	Valuation of non-current assets	Costs of panel strengthening	Provision for a mine closure and land reclamation, net*	Real property tax receivable	Other	Total
As at 1 January 2019	**254,621**	**3,312**	**8,186**	**537**	**923**	**267,579**
(Decrease)/increase of the financial result, including:	20,017	118	504	(404)	(60)	20,175
- recognised in the consolidated income statement	*20,017*	*118*	*504*	*(404)*	*(60)*	*20,175*
As at 31 December 2019	**274,638**	**3,430**	**8,690**	**133**	**863**	**287,754**
As at 1 January 2018	**238,367**	**4,524**	**8,369**	**616**	**724**	**252,600**
(Decrease)/increase of the financial result, including:	16,254	(1,212)	(183)	(79)	199	14,979
- recognised in the consolidated income statement	*16,254*	*(1,212)*	*(183)*	*(79)*	*199*	*14,979*
As at 31 December 2018	**254,621**	**3,312**	**8,186**	**537**	**923**	**267,579**

**The item includes the on balance value of non-current assets and provisions related to mine closure and land reclamation.*

26.4. Current income tax - receivables and liabilities

Receivables related to the overpayment of current income tax in the amount of PLN 16,745,000 which are disclosed in the consolidated statement of financial position are mainly a result of an overpayment of the Parent's corporate income tax due for 2019.

Receivables related to the overpayment of current portion of the income tax for 2018 as disclosed in the consolidated statement of financial position as at the end of the previous year was in 2019 set off (PLN 10,715) with current liabilities on account of CIT, while PLN 1,120 was set off with the payable CIT in relation with correction of income tax for 2013-2018.

27. EARNINGS PER SHARE

Basic

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

	For the financial year from 1 January to 31 December	
	2019	2018
Earnings attributable to owners of the Company	308,554	53,626
Weighted average number of ordinary shares ('000)	34,014	34,014
Basic earnings per share (in PLN)	**9.07**	**1.58**

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares as if an exchange was made for potential ordinary shares causing dilution. As at 31 December 2019, the Parent did not have instruments causing dilution of potential ordinary shares.

28. DIVIDEND PER SHARE

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

	For the financial year from 1 January to 31 December	
	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.

The Management Board of the Parent is analysing the possibility of paying the dividend for 2019. On the date of these consolidated financial statements, the decision on the distribution of profit for 2019 was not yet taken. Recommendation of the Parent's Management Board regarding profit distribution for 2019 is expected to be issued in the middle of the second quarter 2020.

29. CONTINGENT ITEMS

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

Real property tax

The contingent liability concerning the value of mining excavations from which the Parent does not create a provision (provision for real property tax, in its parts deemed as probable by the Parent, amounts to PLN 10,306,000 and is presented in Note 19), may primarily result from the existing discrepancies between the position of the Parent and the position of tax authorities with respect to the subject of that tax. The issue revolves around the question of whether there are in the mining excavations any structures within the meaning of the Act on Local Taxes and Charges which would be subject to the property tax. The discrepancies may also occur with regard to the value of particular facilities – in the event that it is agreed that the facilities are subject to the real property tax. The extent of such liability has not changed significantly compared to the end of the prior financial year (31 December 2018).

Patent claims

The contingent liability for legal claims related to the fee for co-inventors of inventions covered with patents no. 206048 and 209043 functioning at the Parent from which the Parent does not create provision may primarily result from impossibility to assess whether the claim in question is justified and different positions taken by the Parent and the co-inventors of inventions covered with the abovementioned patents. The value of the possible liability as at the day of publishing these consolidated financial statements amounts to PLN 48 million. The Parent estimated a provision for remuneration for co-inventors to the best of its knowledge and in line with principles so far applied at the Parent when calculating remunerations for inventors. The item provisions for legal claims shows a provision for legal claims regarding remuneration for co-inventors of inventions covered by patents No. 206048 and 209043, used at the Parent. The amount of remuneration will be subject to analysis of court experts or experts accepted by both parties, to be made upon drafting a technical opinion regarding the patented inventions. On 24 March 2016 a court expert issued an opinion. Subsequently, during the course of 2016, both parties submitted a number of reservations to the opinion. Further, a court expert was heard as regards the prepared opinion; the hearing, which took place on 4 July 2017, was preceded by drawing an additional opinion by the expert. Another hearing took place on 5 September 2017; during the trial the Court made decisions as to considering further evidence motions, including further expert opinions, and requested the parties to specify their arguments to the expert opinions. On 1 December 2017 the Regional Court in Lublin issued a decision admitting the evidence in the form of opinions prepared by the University of Science and Metallurgy (AGH) in Kraków and the Silesian University of Technology in Gliwice, Mining and Geology Faculty. Such an opinion has not been prepared yet until today. On 13 November 2018 a hearing took place, during which the Court informed the parties that the University of Science and Metallurgy had not provided the opinion yet, therefore it was considering taking disciplining actions towards the expert. The next hearing was scheduled for 2 July 2019, but since the opinion was not ready it was postponed to 29 October 2019 and further to 28 January 2020 and finally 17 March 2020. The hearing planned for that day finally did not take place and as at the date of these financial statements no new date has been set.

Further actions will depend on the assessment of the opinions. The extent of such liability has not changed significantly compared to the end of the prior financial year (31 December 2018).

(PLN '000)

30. FUTURE CONTRACTUAL LIABILITIES

Investment liabilities

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

	As at 31 December	
	2019	2018
Property, plant and equipment	373,485	129,790
Investment liabilities	**373,485**	**129,790**

Future contractual liabilities include mainly agreements for mining works and the purchase of plant and machinery depend on the amount of scheduled preparatory works (drilling excavations). Such a big increase in investment liabilities comparing to 2018 primarily resulted from a conclusion of an agreement for modernisation of longwall coal-cutting machine along with delivery of brand new conveyors and an agreement for delivery of a brand new complete mechanised wall lining. The total assumed value of liabilities on account of those two agreements is directly related to almost two-thirds of the growth in value.

31. RELATED PARTY TRANSACTIONS

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 also 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 Cieplnej Sp. z o.o. in Chełm.

In the reporting periods ending on 31 December 2019 and 31 December 2018, the value of sales to the above entities and the total receivables of the Group from those entities were as follows:

	For the financial year from 1 January to 31 December	
	2019	2018
Sales in period	260,977	181,436
Total receivables at end of period including VAT	22,290	16,774

Key purchase transactions include: purchase of materials (mine lining) from Huta Łabędy S.A., purchase of transport services from PKP Cargo S.A., purchase of the electrical energy distribution services from PGE Polska Grupa Energetyczna, purchase of fuel from Orlen Paliwa Sp. z o.o. as well as payments for mining and prospecting licences.

(PLN '000)

In the reporting periods ending on 31 December 2019 and 31 December 2018, the value of purchases from the above entities and the total liabilities of the Group to those entities were as follows:

	For the financial year from 1 January to 31 December	
	2019	2018
Purchases in period	129,228	158,653
Total liabilities at end of period including VAT	10,610	9,476

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 31 December 2019 and 31 December 2018, the value of purchases from the ENEA Group companies and the Group's total liabilities towards those entities were as follows:

	For the financial year from 1 January to 31 December	
	2019	2018
Purchases in period	73,105	73,669
Total liabilities at end of period including VAT	15,726	14,171

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. and in a small amount to Enea Badania i Rozwój Sp. o.o.

In the reporting periods ending on 31 December 2019 and 31 December 2018, the value of sales to the ENEA Group companies and the total receivables of the Group from those entities were as follows:

	For the financial year from 1 January to 31 December	
	2019	2018
Sales in period	1,840,921	1,518,082
Total receivables at end of period including VAT	168,051	132,957

In the reporting periods ending on 31 December 2019 and 31 December 2018, the value of dividends paid to the Enea Group companies, i.e. Enea S.A. and Enea Wytwarzanie Sp. z o.o. were as follows:

	For the financial year from 1 January to 31 December	
	2019	2018
Dividend paid to the ENEA Group companies	16,837	-
Total dividend	**16,837**	**-**

(PLN '000)

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

	For the financial year from 1 January to 31 December	
	2019	2018
Remuneration of Management Board members and commercial proxies	**6,320**	**4,547**
Including:		
- Annual award	*1,870*	*213*
- Pay for termination of employment relationship	*-*	*423*
Remuneration of the Supervisory Board members	**511**	**500**

By mid-2018 a Management Options Scheme was in place at the Parent covering the period from 2013 to 2017, under which eligible persons, subject to the fulfillment of certain conditions, could be granted options conferring the right for eligible persons to acquire series A warrants free of charge. The warrants, in turn, confer the right to acquire series D shares. The Scheme was eventually finished in Q3 2018.

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

33. INFORMATION ON THE AUDITOR RESPONSIBLE FOR AUDITING THE REPORT AND THE AUDITOR'S FEE

On 5 January 2018, the Parent's Supervisory Board adopted a resolution on appointing PricewaterhouseCoopers Sp. z o.o. (currently PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.) with registered office in Warsaw, as an entity authorised to:

- review the Parent's financial statements and the Group's consolidated financial statements for the first halves of 2018, 2019 and 2020,
- audit the financial statements of the Parent and the consolidated financial statements of the Group for 2018, 2019 and 2020.

PricewaterhouseCoopers Sp. z o.o. (currently PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.) since 16 February 1995 has been entered in the list of entities authorised to audit financial statements, maintained by the National Chamber of Chartered Auditors under entry number 144.

The Group earlier used the services of PricewaterhouseCoopers Sp. z o.o. (currently PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.) and PwC chain entities with respect to: advisory services and preparation of a report regarding an issue prospectus of LWB S.A. shares, published in 2009; review and audit of separate and consolidated financial statements of financial years 2009-2011; advisory services regarding first-time application of IAS/IFRS; advisory services and audit regarding the scope of budget preparation (2011-2012); workshops on different subjects (2010); legal advisory (2012); tax advisory in 2014-2017 regarding, without limitation, excise tax; and reviewing the correctness of Excise Ratio calculations made by the Parent for 2016, 2017 and 2018; as well as works related to checking whether the electricity consumption ratio for 2017-2019 was calculated correctly.

(PLN '000)

The remuneration of the auditor auditing the financial statements as well as for the PricewaterhouseCoopers entities for all services provided in 2019 and 2018 is as follows:

	For the financial year from 1 January to 31 December	
	2019	2018
Auditor's fee	**305**	**314**
Including:		
- Audit of the annual financial statements	*252*	*262*
- Review of the financial statements	*40*	*45*
- Other certification services (review of indicators)	*13*	*7*

34. EVENTS AFTER THE BALANCE-SHEET DATE

After the balance-sheet date, to the best of the Group's knowledge, no material event occurred, which could affect its financial result as at 31 December 2019, and were not disclosed in the consolidated financial statements.

At the end of 2019 news was spread, with its origin in China, about a novel coronavirus SARS-Cov-2 causing the COVID-19 disease ("coronavirus"). As at 31 December 2019 the virus was present on a limited territory, but during the first months of 2020 the situation developed rapidly and the coronavirus spread globally (arriving also to Poland at the beginning of March), thus magnifying adverse effects for human lives and world economy. At the present moment the Group's operations have not been materially affected as a result of threats caused by the coronavirus; the Parent's Management Board however carefully monitors the level of this threat and takes numerous actions leading to minimising the virus threat and adverse effects resulting therefrom (if any). These actions include temporary limiting business trips and meetings, increasing availability of cleaning agents, disinfection agents, and protective equipment, introducing relevant work procedures (e.g. shift work), as well as careful monitoring of directions of its employees' travels (including their families/ other members of their households) in terms of countries of higher risk profile. The Group also adjusted its procedures to the requirements of the Act on specific solutions related to prevention, counteraction and fighting COVID-19 adopted by the lower chamber of the Parliament (the *Sejm*) on 2 March 2020….".

As at the date of these consolidated financial statements it is very difficult to predict how the situation will develop, and what adverse consequences (if any) will be for the Group's operating and financial activity. Further dissemination of the virus may cause a global drop in demand, disturbance for the operations of heavy industry, chemical industry and power sector, which use thermal coal for their respective activities, which in consequence may have adverse effects for the Group's future financial results. At the same time the Group's operations may be significantly affected by the instances of disease of the Group's employees and the employees of entities providing mining services for the Parent, as well as when the Group's key suppliers suspend deliveries of key materials used in coal production and necessary for conducting operations in accordance with applicable laws.

The Parent's Management Board is also analysing various scenarios of response depending on further development of the situation, which includes a possible temporary reorganisation of the mine's staff work, which may affect the level of extraction performed.

In the assessment of the Parent's Management Board it is an event occurring after the completion of the reporting period and not requiring adjustments to be made.

In the period between the balance-sheet date and the date of these consolidated financial statements, the price of the Parent's shares dropped from the level of approx. PLN 35 to approx. PLN 15 which, as the Parent's Management Board believes, results from an unfavourable situation on global markets and uncertainty as to the COVID-19 pandemic ("coronavirus"), as described above. Given the above, the Parent's Management Board has analysed key estimates, in particular those related to impairment test, as to whether they are reasonable and valid. On the basis of this analysis, the Parent's Management Board did not find it necessary to modify key assessments for the impairment test and other estimates which could materially affect these consolidated financial statements.

35. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Lubelski Węgiel BOGDANKA S.A. declares that as of 25 March 2020, it approves these consolidated financial statements of the Group for the period from 1 January to 31 December 2019.

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

Artur Wasil	President of the Parent's Management Board
Artur Wasilewski	Vice-President of the Parent's Management Board Economic and Financial Affairs
Dariusz Dumkiewicz	Vice-President of the Parent's Management Board Development
Adam Partyka	Vice-President of the Parent's Management Board Employee and Social Affairs
Urszula Piątek	Chief Accountant of the Parent

Notes presented on pages 10 - 74 make an integral part of these consolidated financial statements.