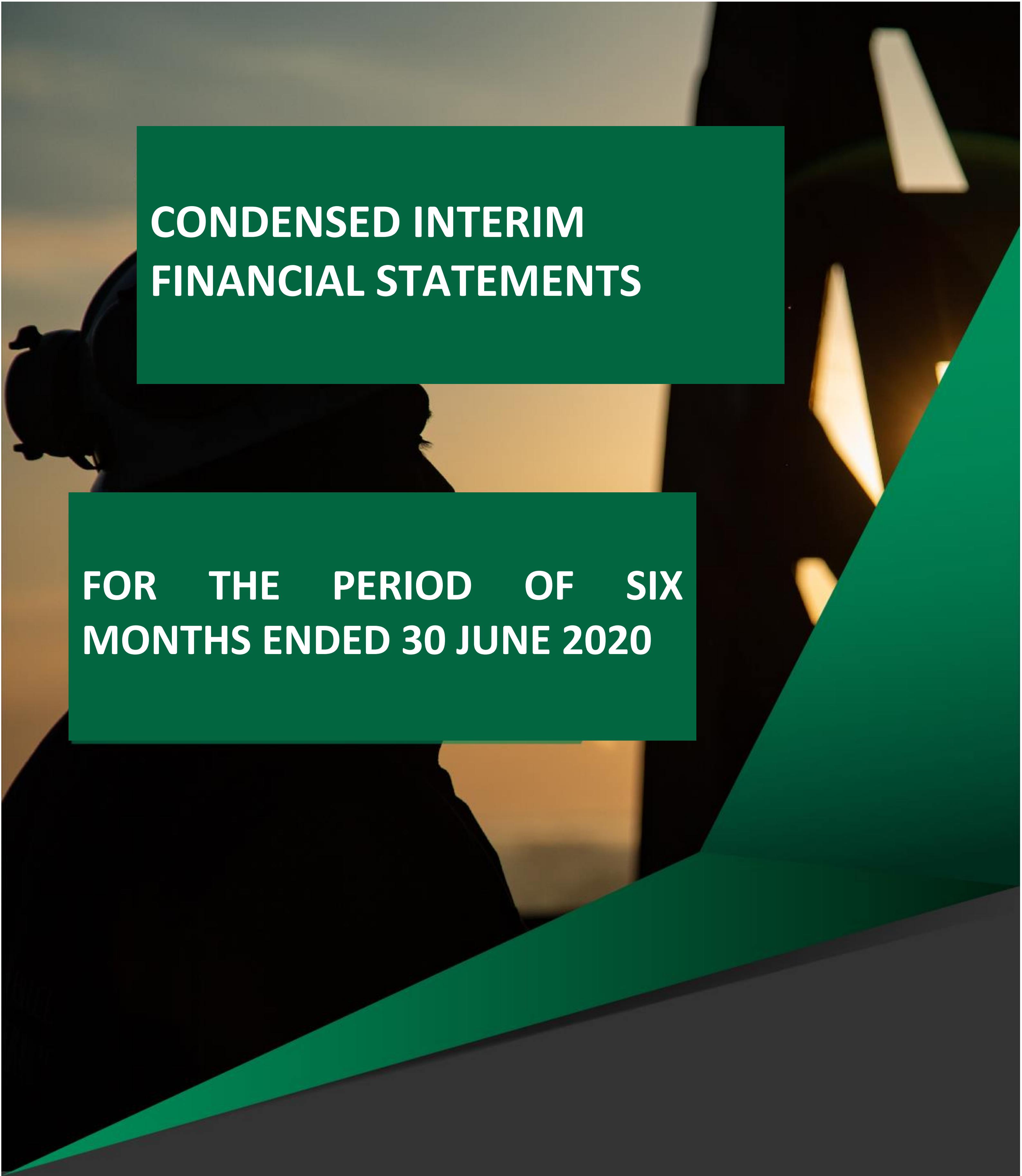

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD OF SIX MONTHS ENDED 30 JUNE 2020

LUBELSKI WĘGIEL BOGDANKA S.A.

BOGDANKA, SEPTEMBER 2020

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(PLN '000)

INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	Note	As at 30 June 2020	As at 31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	5	3,432,502	3,193,807
Intangible assets	6	59,751	60,416
Non-current investments		75,601	75,601
Right-of-use assets	7.1	16,064	15,782
Trade and other receivables	8	281	5,498
Cash and cash equivalents	10	134,982	133,998
Total non-current assets		3,719,181	3,485,102
Current assets			
Inventories	9	144,524	102,199
Trade and other receivables	8	220,579	237,895
Overpaid income tax	21.3	3,948	16,288
Cash and cash equivalents	10	237,951	366,899
Total current assets		607,002	723,281
TOTAL ASSETS		**4,326,183**	**4,208,383**
Equity			
Ordinary shares	11	301,158	301,158
Other capitals		2,314,378	2,314,378
Retained profits		623,224	591,334
Total equity		3,238,760	3,206,870
Liabilities			
Non-current liabilities			
Deferred income tax liability		239,363	238,421
Provisions for employee benefits	14	169,538	156,119
Provisions for other liabilities and charges	15	194,383	171,635
Grants		11,945	12,224
Lease liabilities	7.1	15,105	15,176
Trade and other liabilities	13	33,863	39,300
		664,197	632,875
Current liabilities			
Provisions for employee benefits	14	34,913	31,111
Provisions for other liabilities and charges	15	25,018	24,663
Grants		469	469
Lease liabilities	7.1	1,278	1,036
Trade and other liabilities	13	361,419	310,915
Contract liabilities		129	444
		423,226	368,638
Total liabilities		1,087,423	1,001,513
TOTAL EQUITY AND LIABILITIES		**4,326,183**	**4,208,383**

Notes presented on pages 10-42 constitute an integral part
of these condensed interim financial statements.

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INTERIM INCOME STATEMENT

	Note	For the period of six months ended 30 June 2020	For the period of six months ended 30 June 2019
Revenue from contracts with customers, including:	16	846,970	1,095,880
Core business revenue	*16*	*829,376*	*1,075,775*
Additional business revenue	*16*	*17,594*	*20,105*
Costs of products, goods and materials sold		(724,927)	(808,849)
Gross profit		122,043	287,031
Selling costs		(14,976)	(17,935)
Administrative expenses		(62,360)	(50,332)
Other income	17	1,915	2,147
Other costs	18	(1,110)	(468)
Other profit / (loss) - net	19	(98)	15,641
Profit on operating activities		45,414	236,084
Finance income	20	3,333	9,386
Finance costs	20	(5,015)	(6,633)
Profit before taxation		43,732	238,837
Income tax	21.2	(9,691)	(44,058)
Net profit for the financial year		**34,041**	**194,779**

Earnings per share attributable to owners of the Company during the period (in PLN per share)	Note	For the period of six months ended 30 June 2020	For the period of six months ended 30 June 2019
- Basic	22	1.00	5.73
- Diluted	22	1.00	5.73

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INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	For the period of six months ended 30 June	
		2020	2019
Net profit for the financial year		**34,041**	**194,779**
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 losses of defined benefit schemes	14	(2,656)	(781)
Income tax relating to non-transferrable items	21.1	505	148
Items which will never be subject to reclassification to profit or loss for the current period - total		(2,151)	(633)
Other net comprehensive loss for the reporting period		(2,151)	(633)
Other net comprehensive income for the reporting period - total		**31,890**	**194,146**

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INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary shares	Other capitals			Retained profits	Total equity
			Supplementary fund	Reserve capitals	Other capital related to the Management Options Scheme		
As at 1 January 2020		**301,158**	**702,549**	**1,607,990**	**3,839**	**591,334**	**3,206,870**
Total net comprehensive income for the reporting period:		-	-	-	-	31,890	31,890
- Net profit		-	-	-	-	*34,041*	*34,041*
- Other comprehensive loss		-	-	-	-	*(2,151)*	*(2,151)*
As at 30 June 2020		**301,158**	**702,549**	**1,607,990**	**3,839**	**623,224**	**3,238,760**
As at 1 January 2019		**301,158**	**702,549**	**1,581,903**	**3,839**	**341,540**	**2,930,989**
Total net comprehensive income for the reporting period:		-	-	-	-	194,146	194,146
- Net profit		-	-	-	-	*194,779*	*194,779*
- Other comprehensive loss		-	-	-	-	*(633)*	*(633)*
Dividend for 2018	23	-	-	-	-	(25,510)	(25,510)
Transfer of the result for 2018	23	-	-	26,087	-	(26,087)	-
As at 30 June 2019		**301,158**	**702,549**	**1,607,990**	**3,839**	**484,089**	**3,099,625**

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INTERIM STATEMENT OF CASH FLOWS

	Note	For the period of six months ended 30 June	
		2020	2019
Cash flow from (used in) operating activities			
Cash inflow from operating activities*		211,631	365,911
Interest received and paid		(1,974)	(1,447)
Income tax paid and received		(4,961)	(46,948)
Net cash flow from (used in) operating activities		**204,696**	**317,516**
Cash flow from (used in) investing activities			
Acquisition of property, plant and equipment		(332,579)	(234,941)
Acquisition of intangible assets	6	(833)	(238)
Inflow from the sale of property, plant and equipment		49	813
Interest received		2,398	1,907
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund		(984)	(979)
Net cash flow from (used in) investing activities		**(331,949)**	**(233,438)**
Cash flow from (used in) financing activities			
Lease payments		(1,695)	(1,942)
Net cash flow from (used in) financing activities		**(1,695)**	**(1,942)**
Net increase / (decrease) in cash and cash equivalents		(128,948)	82,136
Cash and cash equivalents at beginning of period		366,899	154,522
Cash and cash equivalents at end of period		**237,951**	**236,658**

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

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NOTES TO INTERIM STATEMENT OF CASH FLOWS

	Note	For the period of six months ended 30 June	
		2020	2019
Profit before taxation		43,732	238,837
- Depreciation of non-current assets	5	164,145	185,006
- Amortisation of intangible assets	6	1,498	1,142
- Depreciation of right-of-use assets	7.1	1,161	1,663
- Profit/(loss) on sale of property, plant and equipment		61	(812)
- Profit/(loss) on liquidation of plant, property and equipment		15,725	20,407
- Actuarial losses as recognised in the interim statement of comprehensive income	14	(2,656)	(781)
- Change in provisions for employee benefits		17,221	6,939
- Changes in provisions		3,786	(15,444)
- Other flows		39	356
- Dividend paid		(945)	(1,165)
- Release of impairment losses of property, plant and equipment		(1,050)	-
- Change in inventories		(42,325)	(31,646)
- Change in trade and other receivables		23,478	(85,369)
- Change in trade and other liabilities		(12,239)	46,778
Cash inflow from (used in) operating activities		**211,631**	**365,911**
Balance-sheet change in receivables		22,533	(86,534)
Dividend receivable	27	945	1,165
Change in receivables for the purposes of the interim statement of cash flows		**23,478**	**(85,369)**
Balance-sheet change in liabilities, contract liabilities and grants		44,473	(33,785)
Set-off of income tax overpaid with other taxes payable		9,058	11,857
Change in investment liabilities		(65,770)	68,706
Change in liabilities for the purposes of the interim statement of cash flows		**(12,239)**	**46,778**
Increase in non-current assets	5	417,666	177,833
Increase resulting from revaluation of capitalised costs of liquidating non-current assets relating to mining activities		(19,317)	(11,574)
Other non-cash adjustments		-	(24)
Change in investment liabilities		(65,770)	68,706
Acquisition of property, plant and equipment		**332,579**	**234,941**

1. GENERAL INFORMATION

1.1. Information on the Company

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

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

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

The Company's core business activity, pursuant to the Polish Classification of Activity (PKD 0510Z), is hard coal mining.

The Company is the Parent in the Lubelski Węgiel Bogdanka Group. The Group draws condensed interim consolidated financial statements in accordance with IFRS of the Group for the period from 1 January to 30 June 2020. In order to understand fully the Company's financial standing and the results of its operation, these interim condensed financial statements should be read in conjunction with the condensed interim consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the period ended on 30 June 2020, as well as with the audited financial statements of Lubelski Węgiel Bogdanka S.A. for the financial period ended on 31 December 2019. The financial statements are available at the Company's website at www.ri.lw.com.pl on the date as announced in a current report stating the date of publication of the Company's financial statements as well as the Group's consolidated financial statements.

Joining the structure of the ENEA Group

On 14 September 2015, ENEA S.A. announced a tender offer for the shares of the Company and it declared its intention to acquire up to 64,57% of the total vote at the General Shareholders Meeting of the Company. The transaction was completed on 29 October 2015. As a result, ENEA S.A. along with its subsidiary acquired a total of 66% of shares in the Company, which thus became a part of the ENEA Group, whose parent is ENEA S.A. with registered office in Poznań.

The ultimate controlling entity is the State Treasury.

1.2. Assumption of going concern

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

Moreover, due to the situation resulting from the Covid-19 pandemic and in relation to the fact that the value of market capitalisation of the Company has for an extended period of time stood at a level lower than the balance-sheet value of net assets, an impairment test was carried out. As a result, no impairment nor a threat to the Company's going concern was discovered.

2. DESCRIPTION OF KEY ACCOUNTING PRINCIPLES (POLICIES) APPLIED

2.1. Basis of preparation

These condensed interim financial statements of LW Bogdanka S.A. for the first half of 2020 were prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting", as endorsed by the EU.

The condensed interim financial statements were prepared according to the historical cost principle except for derivative instruments measured at fair value.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a customary transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless whether such price is directly observable or estimated using other valuation technique. In the fair value measurement of an asset or liability, the Company takes into account the characteristics of the given asset or liability if the market participants take them into account when pricing assets or liabilities at the measurement date. Fair value for the purpose of measurement and/or disclosure in the Company's financial statements is determined in accordance with the above principle, except for share-based payments which are covered by the scope of IFRS 2, lease transactions which are covered by the scope of IFRS 16, and measurements which are in a certain way similar to fair value but are not defined as fair value, such as net realisable value according to IAS 2 or value in use according to IAS 36.

2.1.1. New Accounting Policies

The condensed interim financial statements were prepared using the same accounting principles for the current and comparative periods; the financial statements follow the same accounting principles (policies) and calculating methods as the latest annual financial statements.

2.1.2. Material values based on professional assessment and estimates

Accounting estimates as well as the professional judgement of the Management Board regarding current and future events in individual fields are required for the preparation the condensed interim financial statements on the basis of the International Financial Reporting Standards and in accordance with the accounting policies.

The main accounting estimates and judgments are based on past experience as well as other factors, including assessments of future events which seem justified in a given situation. Accounting estimates and judgments are reviewed on a regular basis.

Key estimates and judgements have not changed since the publication of the annual financial statements for 2019 except for the update of assumptions regarding the impairment test for value of property, plant and equipment, elaborated on in note 5.2.

2.1.3. New standards and interpretations

The following new standards and amendments to the applicable standards that entered into force on 1 January 2020 were for the first time applied in these condensed interim financial statements:

a) *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.

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

Amendments to IFRS 9, IAS 39 and MSSF 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.

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.

d) *Amendments to the Conceptual Framework in IFRS Standards*

In 2019 amendments to references to the Conceptual Framework in IFRS standards, which are applicable as of 1 January 2020, were published. The reviewed Conceptual Framework are used by the Board and the Interpretations Committee 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.

The application of other changes (amendments to IFRS 3, IFRS 9, IAS 39, IFRS 7 as well as IAS 1 and Conceptual Framework) did not significantly affect the financial statements of the Company.

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

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

a) *Amendments to IAS 1 "Presentation of Financial Statements"*

The Board published amendments to IAS 1 which explain the matter of presenting liabilities as non-current and current. The published amendments are applicable to financial statements for periods beginning on or after 1 January 2022.

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

b) *Amendments to IFRS 3 "Business Combinations"*

The published amendments to the standard aim at updating appropriate reference for the Conceptual Framework in IFRS without introducing changes to the content related to business combinations accounting. As at the date of drawing up these condensed interim financial statements, the amendment has not been yet endorsed by the European Union.

c) *Amendments to IAS 16 "Property, plant and equipment"*

The amendment prohibits the adjustment of cost of producing plant, property and equipment by amounts received from the sale of components produced in the period of preparing property, plant and equipment to start functioning according to the management's plans. Instead, the entity will recognize the abovementioned revenue on sales and related costs directly in the profit and loss account. The amendment is applicable to financial statements for periods beginning on or after 1 January 2022. As at the date of drawing up these condensed interim financial statements, the amendment has not been yet endorsed by the European Union.

d) *Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"*

Amendments to IAS 37 provide clarification with respect to costs recognized by the entity in the analysis, whether an agreement is an onerous contract. The amendment is applicable to financial statements for periods beginning on or after 1 January 2022. As at the date of drawing up these condensed interim financial statements, the amendment has not been yet endorsed by the European Union.

e) *Annual Improvements to IFRS 2018-2020 cycle*

"Annual Improvements to IFRS 2018-2020 cycle" amend the following standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and examples illustrating in IFRS 16 "Leases".

Revisions include clarifications and make the guidelines in the standards regarding recognition and measurement more clarified. As at the date of drawing up these condensed interim financial statements, the amendments have not been yet endorsed by the European Union.

f) *Amendments to IFRS 16 "Lease"*

On 28 May 2020 the Board published the amendment to IFRS 16 as a response to lease agreement changes in relation to coronavirus pandemic (Covid-19). Lessees are entitled to make use of exemptions and reliefs, which may take various forms, such as deferral or exemption of lease payments. Having considered the above, the Board simplified the assessment of whether these changes constitute lease modifications. Lessees may apply the simplification involving not adhering to IFRS 16 policies concerning lease agreement modifications. This shall result in recognition of lease exemptions and reliefs as variable lease charge for the period in which an event causing the decreased payment occurred or an analogous condition is met. The amendment is applicable from 1 June 2020 but has not been yet endorsed by the European Union.

g) *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.

h) *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 condensed interim financial statements, endorsement of this amendment has been postponed by the European Union.

The Company currently analyses the impact of the new standards, amendments to standards and interpretations on the financial statements. In the Company's assessment the financial statement will be mainly influenced by amendments to IAS 16 "Property, plant and equipment" with respect to including the value of coal obtain while driving roadways to the cost of driving (which will result in increased sales revenue and increased initial value of workings, which translates into higher impairment losses).

Other amendments (to IAS 1, IFRS 3, IAS 37, annual improvements to IFRS 2018-2020, amendments to IFRS 16, IFRS 10 and IAS 28) will affect the financial statements, but the Company believes it should be relatively small.

3. INFORMATION ON BUSINESS SEGMENTS

Key reporting structure – industry segments

The Company's core business is production and sale of coal, From 1 January to 30 June 2020, revenue on sales of other products and services amounted to PLN 17,594,000 (in the analogous period of 2019: PLN 20,105,000), representing, 2.1% of total revenue in 2020 and 1.8% in 2018.

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

Supplementary reporting structure – geographical segments

The Company operates primarily in Poland. From 1 January to 30 June 2020 the Company made no foreign sales (in the analogous period of the previous year foreign sales amounted merely to PLN 37,000,000, representing less than 0.01% of total revenue). The Company does not hold the related assets or liabilities outside Poland.

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

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

Division into mining fields

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

Key coal customers

Within six months in 2020 and 2019, key customers for the Company's coal, whose share in sales exceeded 10% of the total revenue on sales, were:

	For the period of six months ended 30 June	
Enea Wytwarzanie Sp. z o.o.	66%	61%
Enea Elektrownia Połaniec S.A.	16%	19%

4. INFORMATION CONCERNING SEASONALITY

The production is not seasonal, whereas seasonal character of sales can be noticed in the case of retail sales at a point of coal sale. Sales to retail customers account for less than 0.1% of total sales. They do not have any significant impact on the operating and financial activities of the Company.

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5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures: Total	Buildings and structures: Including workings	Plant and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
As at 1 January 2020								
Cost or assessed value	11,200	3,302,541	2,297,226	2,434,466	106,281	26,566	216,935	6,097,989
Depreciation	-	(1,347,236)	(967,481)	(1,474,761)	(62,807)	(19,378)	-	(2,904,182)
Net book value	**11,200**	**1,955,305**	**1,329,745**	**959,705**	**43,474**	**7,188**	**216,935**	**3,193,807**
As at 30 June 2020								
Net book value at beginning of year	11,200	1,955,305	1,329,745	959,705	43,474	7,188	216,935	3,193,807
Increases	-	19,317	-	-	-	983	397,366	417,666
Transfer from construction in progress	12	104,360	100,858	22,278	397	172	(127,219)	-
Decreases	(111)	(15,544)	(15,544)	(221)	-	-	-	(15,876)
Amortisation	-	(89,219)	(77,741)	(70,724)	(2,655)	(1,547)	-	(164,145)
Impairment loss	-	-	-	-	-	-	1,050	1,050
Net book value	11.101	1,974,219	1,337,318	911,038	41,216	6,796	488,132	3,432,502
As at 30 June 2020								
Cost or assessed value	11.101	3,297,406	2,269,272	2,446,437	106,629	26,064	488,132	6,375,769
Depreciation	-	(1,323,187)	(931,954)	(1,535,399)	(65,413)	(19,268)	-	(2,943,267)
Net book value	**11,101**	**1,974,219**	**1,337,318**	**911,038**	**41,216**	**6,796**	**488,132**	**3,432,502**
As at 1 January 2019								
Cost or assessed value	10,856	3,150,853	2,205,109	2,339,424	93,620	25,558	378,728	5,999,039
Depreciation	-	(1,407,239)	(1,053,513)	(1,329,660)	(62,206)	(18,155)	-	(2,817,260)
Net book value	**10,856**	**1,743,614**	**1,151,596**	**1,009,764**	**31,414**	**7,403**	**378,728**	**3,181,779**
As at 30 June 2019								
Net book value at beginning of year	10,856	1,743,614	1,151,596	1,009,764	31,414	7,403	378,728	3,181,779
Increases	-	11,574	-	-	-	867	165,392	177,833
Transfer from construction in progress	390	179,093	178,414	74,793	13,587	278	(268,141)	-
Decreases	-	(19,272)	(19,272)	(1,076)	(92)	(3)	(25)	(20,468)
Depreciation/amortisation	-	(101,233)	(87,681)	(79,667)	(2,584)	(1,522)	-	(185,006)
Net book value	11,246	1,813,776	1,223,057	1,003,814	42,325	7,023	275,954	3,154,138
As at 30 June 2019								
Cost or assessed value	11,246	3,128,765	2,171,275	2,407,295	103,010	25,117	275,954	5,951,387
Depreciation	-	(1,314,989)	(948,218)	(1,403,481)	(60,685)	(18,094)	-	(2,797,249)
Net book value	**11,246**	**1,813,776**	**1,223,057**	**1,003,814**	**42,325**	**7,023**	**275,954**	**3,154,138**

(PLN '000)

5.1. Property, plant and equipment - workings

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

As at 30 June 2020:

	Quantity [items]	Length [m]	Initial value	Depreciation	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:	28	29,766	450,655	(271,817)	178,838	60%
- Depreciated until June 2020	*8*	*2,775*	*128,680*	*(109,202)*	*19,478*	*85%*
Galleries disclosed under non-current assets, depreciated according to useful life	236	90,924	1,514,931	(512,132)	1,002,799	34%
Other items, depreciated according to useful life (shafts, shaft towers, dams, reservoirs and other)	31	-	303,686	(148,005)	155,681	49%
Total as at 30 June 2020	**295**	**120,690**	**2,269,272**	**(931,954)**	**1,337,318**	**41%**

As at 30 June 2019:

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

5.2. Impairment losses on the property, plant and equipment

Impairment test as at 30 June 2020

When preparing the financial statements of the Company, the Management Board makes a periodic assessment of the premises indicating a possible impairment of assets, as instructed in IAS 36 "Impairment of assets". Due to the ongoing Covid-19 pandemic ("coronavirus"), causing companies to operate in volatile, non-standard and unprecedented conditions, the Management Board has to approach the analysis of such premises with particular attention. Having conducted such an assessment for the purpose of preparing the Company's interim financial statements as at 30 June 2020, the Company's Management Board, based on an analysis of current economic and market situation, has found that the current value of market capitalisation of the Company is still standing at a level lower than the balance-sheet value of net assets. It shall be emphasized that the aforementioned premise appeared by the end of the previous financial year and was the main cause of carrying out the impairment test as at 31 December 2019. Despite the full-scale pandemic took place in 2020, it did not constitute the prevailing premise indicating a possible impairment of assets but merely an additional premise which confirms the necessity to carry out an impairment test.

During the first 6 months of 2020 (compared to the end of the previous financial year) a further, yet not so significant drop in the share price of the Company, and thus – its market capitalisation – took place. As the Company'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 low liquidity of shares and low free float as well as economic slowdown stemming from the coronavirus pandemic.

Therefore, despite the non-current assets having been tester fairly recently for impairment, the Company is obliged to carry out an impairment test for cash-flow generating centres during the financial year, that is as at 30 June 2020.

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 the period between 2020 (second half) and 2051 prepared by the Company.

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

- Given that individual departments and the internal mine organisation are interrelated, all Company's assets were deemed as one CGU;
- An average annual level of coal sales volume was determined to amount to 9.3 million tonnes in 2021-2035;
- The forecast period from 2020 (second half) to 2051 was estimated on the basis of current coal resources, held by the Company as at the balance-sheet date (available for use with the employment of the existing – as at the balance-sheet date – infrastructure, mainly with respect to shafts), considering the average annual extraction level of 9.3 million tonnes in 2021-2035 (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 the second half of 2020 as well as 2021-2043 was made on the basis of materials prepared for the whole Enea Group; the average price of coal was estimated at a level of PLN 10.81/GJ, assuming the side trend in the +/- 5% range; as from 2044 a stable price was assumed, standing at a level reached in 2043;
- 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 6,77% during the whole period of the forecast, estimated on the basis of the latest economic data (with the risk-free rate of 1.98% and beta 1.07) was taken as a discount rate before taxation;
- The average annual level of CAPEX during the forecast period of PLN 253,562,000, including on average PLN 338,253,000 in 2021-2035.

(PLN '000)

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

As at 30 June 2020	Recoverable value of assets subject to the test	Net balance-sheet value of the assets subject to the test
Results of the impairment test	2,827,861	2,773,884

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 6.77%):

Change of assumptions	-0.5 p.p.	Carrying amount	+0.5 p.p.
Changes in recoverable value	130,582	2,827,861	(122,525)

Impact of the change in coal price:

Change of assumptions	-0.5%	Carrying amount	+0.5%
Changes in recoverable value	(68,486)	2,827,861	68,486

Influence on the change of real increase in remunerations:

Change of assumptions	-0.5 p.p.	Carrying amount	+0.5 p.p.
Changes in recoverable value	268,702	2,827,861	(268,702)

Other impairment losses

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 2020	**4,394**	**3,187**	**5,908**	**13,489**
Release of revaluation write-offs due to impairment of value	-	-	(1,050)	(1,050)
As at 30 June 2020	**4,394**	**3,187**	**4,858**	**12,439**
As at 1 January 2019	**4,394**	**3,187**	**6,157**	**13,738**
As at 30 June 2019	**4,394**	**3,187**	**6,157**	**13,738**

The release of the impairment losses in relation to construction in progress was disclosed in the interim income statement under "Other net profits/(losses)".

(PLN '000)

6. INTANGIBLE ASSETS

	Computer software	Fees, licences	Geological information	Total
As at 1 January 2020				
Cost or assessed value	8,038	20,488	54,343	82,869
Depreciation	(4,631)	(4,255)	(13,567)	(22,453)
Net book value	**3,407**	**16,233**	**40,776**	**60,416**
As at 30 June 2020				
Net book value at beginning of year	3,407	16,233	40,776	60,416
Increases	139	694	-	833
Amortisation	(307)	(511)	(680)	(1,498)
Net book value	3,239	16,416	40,096	59,751
As at 30 June 2020				
Cost or assessed value	8,177	21,182	54,343	83,702
Depreciation	(4,938)	(4,766)	(14,247)	(23,951)
Net book value	**3,239**	**16,416**	**40,096**	**59,751**

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

(PLN '000)

7. LEASES

7.1. Right-of-use assets

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

	Right of perpetual usufruct of land	Vehicles	Total
As at 1 January 2020			
Cost or assessed value	15,314	3,729	19,043
Depreciation	(464)	(2,797)	(3,261)
Net book value	**14,850**	**932**	**15,782**
As at 30 June 2020			
Net book value at beginning of year	14,850	932	15,782
Increases	-	1,447	1,447
Decreases	-	(4)	(4)
Amortisation	(232)	(929)	(1,161)
Net book value	14,618	1,446	16,064
As at 30 June 2020			
Cost or assessed value	15,314	5,172	20,486
Depreciation	(696)	(3,726)	(4,422)
Net book value	**14,618**	**1,446**	**16,064**

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

(PLN '000)

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

	For the period of six months ended 30 June	
	2020	2019
Depreciation of right-of-use assets	1,161	1,663
Finance costs	423	459
Total	**1,584**	**2,122**

Changes in lease liabilities and the balance as at balance-sheet date are presented in the table below:

	For the period of six months ended 30 June	
	2020	2019
As at 1 January	**16,212**	**19,129**
Increases	1,447	-
Decreases	(4)	-
Principal instalment under financial lease agreements	(1,272)	(1,483)
Total	**16,383**	**17,646**

Maturity structure of lease liabilities as at the balance-sheet date is presented in the table below:

	As at	
	30 June 2020	31 December 2019
Less than 1 year	1,278	1,036
From 1 year to 2 years	73	71
From 2 to 5 years	233	226
More than 5 years	14,799	14,879
Total	**16,383**	**16,212**

7.2. Operating lease

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

	As at	
	30 June 2020	31 December 2019
Less than 1 year	199	230
From 1 year to 2 years	166	166
From 2 to 5 years	167	250
Total	**532**	**646**

The Company 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.

(PLN '000)

8. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2020	31 December 2019
Trade receivables	178,430	212,217
Write-downs of receivables	(4,224)	(5,965)
Net trade receivables	174,206	206,252
Accruals and deferrals	42,228	30,955
Other receivables	4,145	688
Current	220,579	237,895
Accruals and deferrals	281	5,498
Non-current	281	5,498
Total trade and other receivables	**220,860**	**243,393**

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

All receivables of the Company are expressed in PLN.

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

	For the period of six months ended 30 June	
	2020	2019
As at 1 January	**5,965**	**5,174**
Creating impairment loss	49	457
Receivables written down during the year as uncollectible	(28)	(115)
Reversal of unused amounts	(1,762)	(94)
Total	**4,224**	**5,422**

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

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

	As at	
	30 June 2020	31 December 2019
Up to 1 month	1	31
1 to 6 months	1	-
Above 12 months	4,222	5,934
Total	**4,224**	**5,965**

(PLN '000)

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

	As at	
	30 June 2020	31 December 2019
Up to 1 month	2,069	2,664
1 to 3 months	8	10
3 to 6 months	111	60
Total	**2,188**	**2,734**

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	
	30 June 2020	31 December 2019
Materials	73,096	70,833
Finished goods	71,428	31,366
Total	**144,524**	**102,199**

Cost of inventories in the interim income statement was disclosed under "Cost of products, goods and materials sold" totalling PLN 724,926,000 in the first 6 months of 2020 (PLN 808,849,000 in the same period of the previous year).

As at 30 June 2020 (as well as in 2020) the Company did not create impairment losses for inventories. The same situation took place last year.

No collateral was established on inventories.

10. Cash and cash equivalents

	As at	
	30 June 2020	31 December 2019
Cash in banks	16,415	25,839
Bank deposits	356,518	475,058
Total	**372,933**	**500,897**
Including:		
Non-current	*134,982*	*133,998*
Current	*237,951*	*366,899*
	372,933	***500,897***

As at 30 June 2020 the value of cash with restricted liquidity amounted to PLN 142,884,000 (31 December 2019: PLN 147,587,000) including PLN 134,982,000 of funds deposited in the Mine Closure Fund for the coverage of the costs of closing a mine (31 December 2019: PLN 133,998,000), and the remainder refers to funds collected on separate VAT accounts. Cash held by the Company are denominated in PLN.

Overdraft

On 12 May 2020, the Company entered with Bank Gospodarstwa Krajowego ("BGK") into a revolving overdraft facility agreement with a limit of PLN 150 million. Interest on the loan is based on WIBOR 1M and bank's fixed margin. The repayment is scheduled to take place by 12 May 2021. As at the balance-sheet date the limit was not used.

Statement of submission to execution and authorization to all bank accounts kept with BGK constitute collateral for the overdraft.

11. Share capital

	Number of shares ('000)	Ordinary shares - par value	Hyperinflation adjustment	Total
As at 1 January 2020	34,014	170,068	131,090	301,158
As at 31 December 2020	34,014	170,068	131,090	301,158
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

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

12. OTHER CAPITAL

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

Other capital related to the Management Options Scheme

Other capital related to the Management Options Scheme refers to the Management Options Scheme adopted by virtue of the Supervisory Board dated 30 September 2013, for the period 2013-2017. In Q3 2018 the Company and all beneficiaries of the Scheme (the persons to whom option may be granted) concluded arrangements under which Scheme participation agreements of the beneficiaries were terminated. Each beneficiary was paid compensation of PLN 1. Upon conclusion of the above arrangements the Management Options Scheme was ultimately closed. The amount PLN 3,839,000 disclosed in the interim 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. During the first six months of 2020 and the first six months of 2019 the Company held no financial instruments hedging cash flows.

Retained profits

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

Components of equity not subject to distribution

Under Article 396.1 of the Commercial Companies Code applicable to the Company, a supplementary fund must be created to cover possible losses; at least 8% of profit for the given financial year must be transferred to the supplementary fund until it amounts to at least a third of the share capital. This portion of the supplementary fund is not available for distribution for the benefit of shareholders. As at 30 June 2020 and 31 December 2019, 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.

(PLN '000)

13. TRADE AND OTHER LIABILITIES

	As at	
	30 June 2020	31 December 2019
Trade liabilities	116,514	124,870
Other liabilities, including:	240,206	161,001
Company Social Benefits Fund	*6,872*	*679*
Liabilities on security deposit	*3,412*	*7,249*
Investment liabilities	*124,145*	*59,933*
Salaries payable	*24,036*	*52,025*
Other liabilities	*81.741*	*41,115*
Total financial liabilities	356,720	285,871
Liabilities - social security and other tax payable	38,562	64,344
Trade and other liabilities	**395,282**	**350,215**
Including:		
Non-current	*33,863*	*39,300*
Current	*361,419*	*310,915*
Total	**395,282**	**350,215**

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

(PLN '000)

14. PROVISIONS FOR EMPLOYEE BENEFITS

	As at	
	30 June 2020	31 December 2019
Provisions disclosed in the interim statement of financial position, for:		
Retirement and disability benefits	62,315	59,079
Long service awards	123,647	112,887
Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	18,489	15,264
Total	**204,451**	**187,230**

Costs disclosed in the interim income statement, of:		
Retirement and disability benefits	3,150	2,778
Long service awards	16,114	6,520
Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	11,832	8,120
Total	**31,096**	**17,418**

The significant increase in provisions for employee benefits as at 30 June 2020 is mainly attributable to further drop in the discount rate assumed for actuarial valuation as at 30 June 2020 to the level of 1.70 p.p. (as at 31 December 2019 the discount rate amounted to 2.15 p.p.). This influenced, in particular, the decrease in value of provisions for long-service awards, retirement and post-employment benefits, and death benefits, with the value of provisions for long-service awards experiencing the most significant increase, which can be seen in the value of actuarial losses charged directly into financial result in the amount of PLN 8,685,000.

	For the period of six months ended 30 June	
	2020	2019
Costs as disclosed in the interim statement of comprehensive income:		
Retirement and disability benefits	2,570	866
Other benefits for employees (death benefits)	86	(85)
Total	**2,656**	**781**

(PLN '000)

Change in provisions for employee benefits liabilities:

	For the period of six months ended 30 June	
	2020	2019
As at 1 January	187,230	161,735
Costs of current employment (including unused holidays, salaries and wages, death benefits and other)	20,733	15,567
Interest expense	1,678	2,097
Actuarial gains/(losses) as disclosed in the interim income statement	8,685	(246)
- Actuarial losses as recognised in the interim statement of comprehensive income	2,656	781
Recognised in the comprehensive income, total	33,752	18,199
Benefits paid	(16,531)	(11,260)
As at 30 June	**204,451**	**168,674**
Including:		
- Non-current	*169,538*	*134,216*
- Current	*34,913*	*34,458*

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

	For the period of six months ended 30 June	
	2020	2019
Costs of products, goods and materials sold	26,844	13,949
Selling costs	138	76
Administrative expenses	2,436	1,296
Finance costs	1,678	2,097
Total as disclosed in the interim income statement	**31,096**	**17,418**
- Actuarial losses as recognised in the interim statement of comprehensive income	2,656	781
Total as disclosed in the interim statement of comprehensive income	**33,752**	**18,199**

(PLN '000)

15. 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 2020	**171,635**	**2,149**	**12,034**	**10,306**	**-**	**174**	**196,298**
Including:							
Non-current	*171,635*	*-*	*-*	*-*	*-*	*-*	*171,635*
Current	*-*	*2,149*	*12,034*	*10,306*	*-*	*174*	*24,663*
Recognition in the interim statement of financial position							
- Update of the provision created	*20,996*	*-*	*-*	*-*	*-*	*-*	*20,996*
Recognition in the interim income statement							
- Creation of additional provisions	*-*	*-*	*128*	*-*	*-*	*104*	*232*
- Use of the created provision	*-*	*(123)*	*(37)*	*-*	*-*	*(153)*	*(313)*
- Interest	*-*	*-*	*134*	*302*	*-*	*-*	*436*
- Discount settlement	*1,752*	*-*	*-*	*-*	*-*	*-*	*1,752*
As at 30 June 2020	**194,383**	**2,026**	**12,259**	**10,608**	**-**	**125**	**219,401**
Including:							
Non-current	*194,383*	*-*	*-*	*-*	*-*	*-*	*194,383*
Current	*-*	*2,026*	*12,259*	*10,608*	*-*	*125*	*25,018*
As at 1 January 2019	**124,207**	**3,184**	**11,677**	**41,431**	**22,658**	**181**	**203,338**
Including:							
Non-current	*124,207*	*-*	*-*	*-*	*-*	*-*	*124,207*
Current	*-*	*3,184*	*11,677*	*41,431*	*22,658*	*181*	*79,131*
Recognition in the interim statement of financial position							
- Update of the provision created	*12,393*	*-*	*-*	*-*	*-*	*-*	*12,393*
Recognition in the interim income statement							
- Creation of additional provisions	*-*	*-*	*50*	*3,183*	*-*	*104*	*3,337*
- Use of the created provision	*-*	*(228)*	*(2)*	*-*	*-*	*(105)*	*(335)*
- Release of an unused provision	*-*	*-*	*-*	*-*	*(22,658)*	*-*	*(22,658)*
- Interest	*-*	*-*	*149*	*1,433*	*-*	*-*	*1,582*
- Discount settlement	*1,812*	*-*	*-*	*-*	*-*	*-*	*1,812*
As at 30 June 2019	**138,412**	**2,956**	**11,874**	**46,047**	**-**	**180**	**199,469**
Including:							
Non-current	*138,412*	*-*	*-*	*-*	*-*	*-*	*138,412*
Current	*-*	*2,956*	*11,874*	*46,047*	*-*	*180*	*61,057*

Mine closure and land reclamation

The Company creates a provision for costs of mine closure and land reclamation, which it is obliged to incur under current laws. The value of mining plant closure and land reclamation calculated as at 30 June 2020 amounts to: PLN 194,383,000 including provision for mine closure of PLN 185,720,000 and provision for land reclamation of PLN 8,663,000. The change in provision compared to 31 December 2019 is PLN 22,748,000; an increase resulting from the reversal of discount write-off of PLN 1,752,000 were recognised in the interim income statement under "Costs of products, goods and materials sold" and "Finance cost", respectively, while an increase caused by update of assumptions, amounting in total to PLN 20,996,000, was recognised in the interim statement of financial position as an increase in "Property, plant and equipment".

Removing mining damage

Given the need of removing mining damage, the Company creates a provision for mining damage. The estimated value of works necessary to remove damage as at 30 June 2020 amounts to PLN 2,026,000, 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 6 months of 2020 the amount of the used provision totalled PLN 123,000 (compared to PLN 228,000 for the same period of the previous year).

Legal claims

The amount disclosed constitutes a provision for certain legal claims filed against the Company by customers and suppliers. The value of made/released provisions in the current period is disclosed in the income statement under other income/expenses. In the Management Board's opinion, supported by appropriate legal opinions, those claims being filed will not result in significant losses in an amount that would exceed the value of provisions created as at 30 June 2020. The provision for legal claims has not changed significantly compared to the end of the prior financial year (31 December 2019).

Real property tax

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

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

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

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

Further, at the end of 2019, decisions issued by the Commune Heads and determining real property tax for the Company 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 Company with a partial additional payment from the Company).

At the same time, revenue calculated by the Company due on account of overpaid property tax (valued as at 31 December 2019 at PLN 184,000.00), recognized thus far simultaneously with provision in the scope concerning underground workings, was entirely settled in the first 6 months of 2020.

(PLN '000)

16. Revenue from contracts with customers

	For the period of six months ended 30 June	
	2020	2019
Sale of coal	829,376	1,075,775
Other activities	11,577	10,035
Sale of goods and materials	6,017	10,070
Revenue from contracts with customers	**846,970**	**1,095,880**

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

- Contracts for the sale of coal, relating to the core activities of the Company; those contracts may be of two types – with transport service (where the Company arranges transport for the customer) or without a service.
- Contracts for the sale of goods and materials, relating mainly to the sale of scrap; revenue from such sales accounts for a slight share in the total revenue. The total value of all revenue on that account during the first 6 months of 2020 amounted to PLN 6,017,000 (PLN 10,070,000 in the same period of the previous year).
- Contracts relating to the sale of other services, in which the largest portion relates to revenue from renting space in the bath – the so called hook places and closets. The service is provided almost exclusively to the Company's subcontractors (providing services within the scope of mining works to the Company), whose employees are required to use the bath under occupational and safety regulations. The total value of revenue from renting bath space during the first 6 months of 2020 amounted to PLN 5,153,000 (PLN 5,659,000 in the same period of the previous year).

17. Other income

	For the period of six months ended 30 June	
	2020	2019
Compensations and damages received	626	731
Return of the excise tax	1,053	738
Other,	236	678
including:		
- release of other provisions for liabilities	*153*	*105*
- Release of impairment losses	*8*	*87*
Settlement of income from grants	*44*	*-*
- Other income	*31*	*486*
Total other income	**1,915**	**2,147**

(PLN '000)

18. Other costs

	For the period of six months ended 30 June	
	2020	2019
Donations	(926)	(395)
Compensation	(96)	-
Other	(88)	(73)
Total other costs	**(1,110)**	**(468)**

19. Other profit / (loss) – net

	For the period of six months ended 30 June	
	2020	2019
(Loss)/Profit on sale of non-current assets	(61)	812
Currency exchange differences	(4)	(21)
Release of impairment losses due to impairment of construction in progress	1,050	-
Profit/(loss) on liquidation of non-current assets	(182)	(1,135)
Release of provision for Social Insurance Institution (ZUS) claims related to contribution for accident insurance	-	16,398
Creating other provisions	(91)	(49)
Other	(810)	(364)
Total other profit / (loss) - net	**(98)**	**15,641**

(PLN '000)

20. FINANCE INCOME AND COSTS

	For the period of six months ended 30 June	
	2020	2019
Interest income on short-term bank deposits	1,391	957
Dividend due	945	1,165
Other income, including:	997	7,264
- Interest regarding the Mine Closure Fund	*913*	*939*
- Release of provision for interest on claims of the Social Security Institution (ZUS) for contribution for accident insurance	-	*6,260*
- Other	*84*	*65*
Total finance income	**3,333**	**9,386**
Interest expense on valuation of employee benefits	(1,678)	(2,097)
Settlement of discount on regarding provision for the Mine Closure Fund and land reclamation	(1,752)	(1,812)
Profit/(loss) on the settlement of interest on real property tax	(273)	(997)
Creation of a provision and impairment losses of interest	(396)	(791)
Interest on the lease of non-current assets	(423)	(460)
Other costs	(493)	(476)
Total finance costs	**(5,015)**	**(6,633)**

21. INCOME TAX

21.1. Tax burden

	30 June	
	2020	2019
Current tax	8,267	44,758
Correction of income tax for previous periods	(23)	1,928
Deferred tax charged into finance income	1,447	(2,628)
Deferred tax charged into other comprehensive income:	(505)	(148)
- as actuarial losses as recognised in the statement of comprehensive income	*(505)*	*(148)*
Total	**9,186**	**43,910**

(PLN '000)

21.2. Reconciliation of an effective tax rate

	For the period of six months ended 30 June	
	2020	2019
Profit before taxation	43,732	238,837
Tax calculated at the rate of 19%	8,309	45,379
Correction of income tax for previous years	(23)	1,928
Tax effect of income permanently excluded from the taxable base, including:	(180)	(4,314)
- Dividend due from subsidiaries	*(180)*	*(221)*
- Release of an unused provision for interest on Social Insurance Institution (ZUS) claims related to contribution for accident insurance	*-*	*(3,726)*
- Other	*-*	*(367)*
Tax effect of costs permanently excluded from the taxable base	1,585	1,065
- Payment to the National Fund for the Disabled	*646*	*598*
- Provision for interest on real property tax	*52*	*189*
- Impairment loss for interest receivable from the central budget and interest payable to the central budget	*-*	*109*
- Donations	*176*	*75*
- Other interest	*-*	*94*
- Other	*711*	*-*
Decrease in financial result by the income tax	**9,691**	**44,058**
Effective tax rate	22%	18%

Income tax in the condensed interim financial statements was determined with the application of nominal interest rate for 2020 amounting to 19.0% (2019: 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 financial statements can therefore be changed after their amount has been finally determined by the tax authorities.

21.3. Current income tax – receivables and liabilities

Receivables related to the overpayment of current income tax in the amount of PLN 3,948,000 which are disclosed in the interim statement of financial position are mainly a result of an overpayment of the Company's corporate income tax due for 2020.

22. EARNINGS PER SHARE

Basic

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

	For the period of six months ended 30 June	
	2020	2019
Earnings attributable to owners of the Company	34,041	194,779
Weighted average number of ordinary shares ('000)	34,014	34,014
Basic earnings per share (in PLN)	**1.00**	**5.73**

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares as if an exchange was made for potential ordinary shares causing dilution. As at 30 June 2020 and 30 June 2019, the Company did not have any financial instruments which could cause a possible dilution of ordinary shares.

23. DIVIDEND PER SHARE

On 30 June 2020 the Annual General Shareholders Meeting took place, during which a resolution on adjourning the Meeting and setting it on 29 July 2020 was adopted. At the Annual General Shareholders Meeting on 29 July 2020, the Shareholders of the Company adopted a resolution on distribution of profit for 2019, under which the entire net profit of the Company amounting to PLN 306,184,000 was allocated for reserve capital.

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

	For the period of six months ended 30 June	
	2020	2019
Dividend due	-	25,510
Number of ordinary shares as at the dividend date ('000)	34,014	34,014
Dividend per share (in PLN)	**-**	**0.75**

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

24. FINANCIAL INSTRUMENTS

Hierarchy of financial instruments measured at fair value.

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

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

As at 30 June 2020 and 30 June 2019, the Company did not have any financial instruments measured at fair value.

25. CONTINGENT ITEMS

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

Real property tax

The contingent liability concerning the value of mine workings from which the Company does not create a provision (provision for real property tax, in its parts deemed as probable by the Company, amounts to PLN 10,608,000 and is presented in Note 15), may primarily result from the existing discrepancies between the position of the Company and the position of tax authorities with respect to the subject of that tax. The issue revolves around the question of whether in the mine workings there are 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 2019).

Patent claims

The contingent liability for legal claims related to the fee for co-inventors of inventions covered with patents no. 206048 and 209043 functioning at the Company from which the Company does not create provision may primarily result from impossibility to assess whether the claim in question is justified and different positions taken by the Company and the co-inventors of inventions covered with the abovementioned patents. The value of the possible liability as at the day of publishing these financial statements amounts to PLN 48 million. The Company estimated a provision for remuneration for co-inventors to the best of its knowledge and in line with principles so far applied at the Company when calculating remunerations for inventors. 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 Company. 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 trial 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. The opinion was eventually prepared in March 2020. On 9 June 2020 a trial took place during which the Court decided to prolong the deadline for submitting comments to the additional opinion of the expert. On 20 July 2020 the Company filed a letter containing comments on the abovementioned opinion. As at the date of preparation of these condensed financial statements no new date of a trial has been set.

(PLN '000)

The extent of such liability has not changed significantly compared to the end of the prior financial year (31 December 2019).

26. FUTURE CONTRACTUAL LIABILITIES

Investment liabilities

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

	As at		
	30 June 2020	31 December 2019	30 June 2019
Property, plant and equipment	145,437	373,485	305,310
Investment liabilities	**145,437**	**373,485**	**305,310**

27. TRANSACTIONS WITH RELATED ENTITIES

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

Transactions with subsidiaries of the State Treasury of the Republic of Poland

The Company concludes commercial transactions with state administration and local self-government bodies as well as subsidiary entities of the State Treasury of the Republic of Poland.

Key sale transactions include revenue on sales of thermal coal to the following companies: Zakłady Azotowe w Puławach S.A. (Azoty Group), Energa Elektrownie Ostrołęka S.A., PGE Energia Ciepła S.A. and Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Chełm.

In the reporting periods ending on 30 June 2020 and 30 June 2019, the value of tradeover on account of sales with the above entities and the total receivables of the Company from those entities were as follows:

(PLN '000)

	For the period from 1 January to		
	30 June 2020	31 December 2019	30 June 2019
Sales in period	98,718	260,977	134,940
Total receivables at end of period including VAT	14,784	22,290	32,208

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

In the reporting periods ending on 30 June 2020 and 30 June 2019, the value of purchases from the above entities and the total liabilities of the Company to those entities were as follows:

	For the period from 1 January to		
	30 June 2020	31 December 2019	30 June 2019
Purchases in period	57,064	129,228	67,512
Total liabilities at end of period including VAT	13,041	10,610	13,661

Transactions of the Company with the subsidiary companies of Lubelski Węgiel Bogdanka Group,
The Company's revenue resulting from the co-operation with Łęczyńska Energetyka, the Company's subsidiary, is in the most part generated through sale of coal, lease of premises, telecommunications services, investor supervision, and re-invoicing electricity costs.

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

The Company's revenue resulting from the co-operation with its subsidiary, EkoTRANS Bogdanka Sp. z o.o., relates predominantly to payments for lease of premises and telecommunication services.

Purchases include primarily services of transportation, utilisation and recovery of spoil arising during coal-associated shale cleaning and washing as well as the purchase of reclamation services.

The Company's revenue resulting from the cooperation with the subsidiary, RG Bogdanka Sp. z o.o., is in the most part generated through lease of premises, fees for using the machinery, and telecommunications services.

Purchases include primarily services with respect to the mining works and auxiliary works at the mine as well as run-of-mine services.

The Company's revenue resulting from the co-operation with its subsidiary, MR Bogdanka Sp. z o.o., relates predominantly to payments for lease of premises and telecommunication services.

Purchases primarily include the purchase of services connected with renovation of mining equipment and devices as well as transport units, performing regeneration services, traffic maintenance services and supply of machineries and components.

(PLN '000)

In the reporting periods ended on 30 June 2020 and 30 June 2019 the value of trade related to purchase from the following subsidiaries: Łęczyńska Energetyka Sp. z o.o., EkoTRANS Sp. z o.o., RG Bogdanka Sp. z o. o. and MR Bogdanka Sp. z o.o., and the balance of the Company's liabilities towards these related entities were as follows:

	For the period from 1 January to		
	30 June 2020	31 December 2019	30 June 2019
Purchases in period, including:	59,102	116,900	58,278
- Purchases of services activated on the value of "property, plant and equipment"	*3,518*	*4,481*	*2,312*
Total liabilities at end of period including VAT	11,542	12,723	10,712

In the reporting periods ended on 30 June 2020 and 30 June 2019 the value of trade related to sale to the following subsidiaries: Łęczyńska Energetyka Sp. z o.o., EkoTRANS Bogdanka Sp. z o.o., RG Bogdanka Sp. z o.o. and MR Bogdanka Sp. z o.o., and the balance of the Company's receivables from these associated entities were as follows:

	For the period from 1 January to		
	30 June 2020	31 December 2019	30 June 2019
Sales in period	6,246	12,300	6,341
Total receivables at end of period including VAT	895	1,954	720

In the reporting periods ending on 30 June 2020 and 30 June 2019 the value of dividends due and received from subsidiaries – Łęczyńska Energetyka Sp. z o.o., EkoTRANS Bogdanka Sp. z o.o., RG Bogdanka Sp. z o. o. and MR Bogdanka Sp. z o.o. were as follows:

	For the period from 1 January to		
	30 June 2020	31 December 2019	30 June 2019
Dividend due from the LW BOGDANKA Group companies	945	-	1,165
Dividend received from the LW BOGDANKA Group companies	-	1,165	-

Transactions with ENEA Group companies

Purchase transactions cover primarily the purchases of electrical energy from ENEA S.A. and materials from ENEA Logistyka Sp. z o.o. as well as services from Enea Centrum Sp. z o.o.

In the reporting periods ending on 30 June 2020 and 30 June 2019, the value of turnover on account of purchases from the ENEA Group companies and the Company's total liabilities towards those entities were as follows:

	For the period from 1 January to		
	30 June 2020	31 December 2019	30 June 2019
Purchases in period	45,953	73,105	33,737
Total liabilities at end of period including VAT	17,049	15,726	11,086

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. z o.o.

(PLN '000)

In the reporting periods ending on 30 June 2020 and 30 June 2019, the value of tradeover on account of sale with the ENEA Group companies and the total receivables of the Company from those entities as at individual balance-sheet dates were as follows:

	For the period from 1 January to		
	30 June 2020	31 December 2019	30 June 2019
Sales in period	711,880	1,840,921	934,756
Total receivables at end of period including VAT	145,483	168,051	208,184

In the reporting periods ending on 30 June 2020 and 30 June 2019, the value of dividend due and paid for the Enea Group companies, i.e. Enea S.A. and Enea Wytwarzanie Sp. z o.o. were as follows:

	For the period from 1 January to		
	30 June 2020	31 December 2019	30 June 2019
Dividend payable to the ENEA Group companies	-	-	16,837
Dividend paid to the ENEA Group companies	-	16,837	-
Total dividend	**-**	**16,837**	**16,837**

28. Information on remuneration of the Management Board, the Supervisory Board and the commercial proxies

	For the period of six months ended 30 June	
	2020	2019
Remuneration of Management Board members and commercial proxies	2,179	3,513
Remuneration of the Supervisory Board members	223	263

Apart from the standard remuneration on account of managerial contracts, appointment or employment relationship, no other transactions with key personnel took place in the first half of 2020 and in the same period of the previous year.

29. THE INFLUENCE OF COVID-19 AS AN UNUSUAL EVENT ON COMPANY'S FINANCIAL RESULT

The epidemic of SARS-Cov-2 coronavirus causing the COVID-19 disease has been developing since the beginning of 2020, but arrived to Poland at the beginning of March. The virus itself and the results it brings, together with the results of measures taken by the government for counteracting the epidemic, have affected the condition of the economy both in Poland and globally. For this reason also the activities of the Company have been affected by the current situation. Due to the fact that the abovementioned events intensified as late as at the end of the first quarter 2020, their impact on financial results and the Company's operating activity in Q1 2020 was relatively small. In Q2 2020, however, the impact of the coronavirus epidemic was significantly bigger. At the present moment it is impossible to quantify the exact impact of these events, as the level of sales and Company's operating results are influenced by many more factors apart from COVID-19, nevertheless problems caused by the virus epidemic [decrease in the economic activity in Poland and the related lower demand for electric energy which is followed by a lower production of electric energy and demand for power coal, reduced supplies, materials availability] and the protection measures taken for counteracting virus infection, on one hand result in reducing production and reducing the economy of scale, and on the other – in higher operating costs, which eventually will negatively affect the financial result. The impact is particularly evident in the decrease of sales revenue in Q2 2020., during which sales revenue dropped by nearly 31% compared to the analogous period of 2019 (a similar decrease may be observed in comparison to revenue budgeted for Q2 2020). Much of this decline is due to the coronavirus epidemic.

In order to mitigate the negative influence of coronavirus on financial results, the Company took a number of adjusting and optimizing actions. At the same time the Company constantly analyses the operating and financial situation and it is possible that if legally required conditions are met, the Company may apply to relevant institutions to receive support or financing.

In the long term, it is assumed that when the epidemic ends the domestic economy will return to regular development, the demand for electric energy will increase which will translate into higher demand for thermal coal mined by the Company.

30. EVENTS AFTER THE BALANCE-SHEET DATE

After the balance-sheet date, to the best of the Company's knowledge, no material event occurred, which could affect the financial result as at 30 June 2020, and were not disclosed in the condensed interim financial statements.
On 29 July 2020 an Annual General Shareholders Meeting was held, during which new members were appointed to the Supervisory Board for the joint three-year term of office. The appointment shall take effect on 30 July 2020. Then, on 27 August 2020 an Extraordinary General Shareholders Meeting took place, during which the previously appointed members of the Supervisory Board were joined by new ones.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The Management Board of Lubelski Węgiel BOGDANKA S.A. declares that as of 2 September 2020, it approves for publication these condensed interim financial statements of the Company for the period from 1 January to 30 June 2020.

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

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