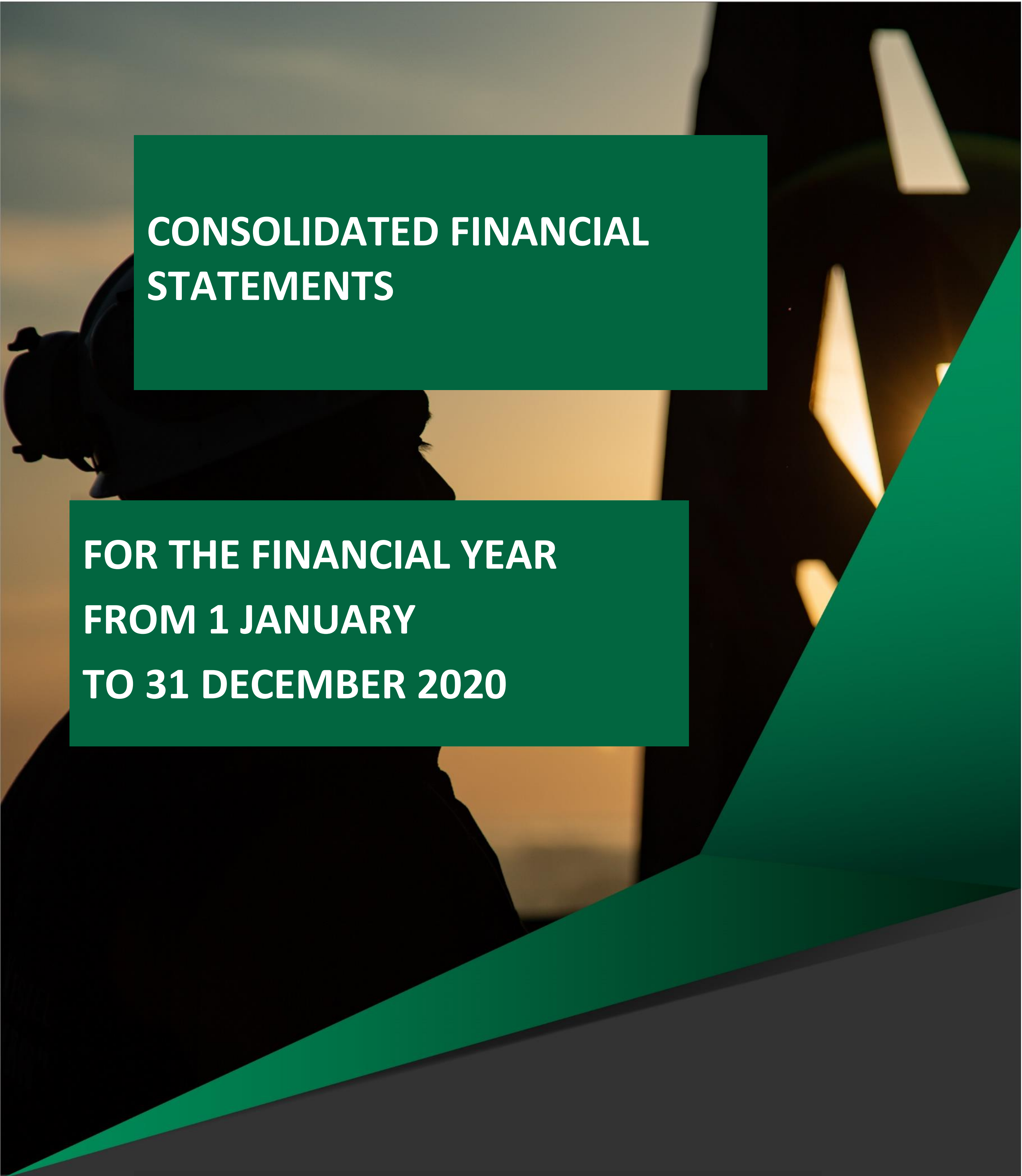

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020

LUBELSKI WĘGIEL BOGDANKA GROUP

BOGDANKA, MARCH 2021

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(PLN '000)

Consolidated Statement of Financial Position (Balance Sheet)

	NOTE	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Assets			
Non-current assets			
Property, plant and equipment	4	3,531,565	3,282,449
Intangible assets	5	59,175	63,676
Right-of-use asset	6.1	25,288	18,094
Investment properties	7	3,044	3,140
Deferred tax assets	25.3	2,089	1,890
Trade and other receivables	8	1,193	6,533
Cash and cash equivalents	10	141,591	133,998
Total non-current assets		3,763,945	3,509,780
Current assets			
Inventories	9	91,124	104,248
Trade and other receivables	8	268,260	238,951
Overpaid income tax	25.4	10,324	16,745
Cash and cash equivalents	10	241,610	382,740
Current assets not designated for sale		611,318	742,684
Total current assets		611,318	742,684
TOTAL ASSETS		**4,375,263**	**4,252,464**
Equity			
Ordinary shares	11	301,158	301,158
Supplementary capital		702,549	702,549
Other capital reserves		1,918,013	1,611,829
Retained profits		367,665	602,607
Equity attributable to owners of the Parent		3,289,385	3,218,143
Non-controlling interests		10,442	10,359
Total equity		3,299,827	3,228,502
Liabilities			
Non-current liabilities			
Loans and borrowings	15	7,858	10,894
Deferred income tax liability	25.3	248,187	238,477
Provisions for employee benefits	17	178,671	159,225
Provisions for other liabilities and charges	18	212,456	171,635
Grants	14	11,871	12,224
Lease liabilities	6.1	22,914	17,466
Trade and other liabilities	13	33,093	39,879
Total non-current liabilities		715,050	649,800
Current liabilities			
Loans and borrowings	15	3,150	3,182
Provisions for employee benefits	17	36,656	32,740
Provisions for other liabilities and charges	18	7,314	24,692
Grants	14	469	469
Lease liabilities	6.1	3,005	1,081
Trade and other liabilities	13	308,463	311,554
Liabilities under contracts with customers		1,329	444
Current liabilities not designated for sale		360,386	374,162
Total current liabilities		360,386	374,162
Total liabilities		1,075,436	1,023,962
TOTAL EQUITY AND LIABILITIES		**4,375,263**	**4,252,464**

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CONSOLIDATED INCOME STATEMENT

	NOTE	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019
Continuing operations			
Revenue	19	1,822,112	2,157,861
Cost of products, goods and materials sold	20	(1,573,417)	(1,646,184)
Gross profit		248,695	511,677
Selling costs	20	(31,669)	(37,423)
Administrative expenses	20	(120,307)	(115,839)
Other income	21	7,737	5,267
Other costs	22	(1,894)	(1,212)
Other profit /(loss) - net	23	(7,321)	12,752
Profit on operating activities		95,241	375,222
Finance income	24	7,537	14,733
Finance costs	24	(9,588)	(11,379)
Profit before taxation		93,190	378,576
Income tax	25.2	(20,228)	(69,830)
Profit on continuing operations		72,962	308,746
Net profit for the reporting period		72,962	308,746
including profit attributable to:			
- shareholders of the Parent		*72,876*	*308,554*
- non-controlling interests		*86*	*192*

EARNINGS PER SHARE

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	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018
- basic earnings per share on continuing operations		2.14	9.07
- basic earnings per share on discontinued operations		-	-
Basic earnings per share	26	**2.14**	**9.07**
- diluted earnings per share on continuing operations		2.14	9.07
- diluted earnings per share on discontinued operations		-	-
Diluted earnings per share	26	**2.14**	**9.07**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019
Net profit for the reporting period		**72,962**	**308,746**
Total other comprehensive loss for the reporting period Items which will never be subject to reclassification to profit or loss for the current period: Actuarial losses of defined benefit schemes	17	(2,021)	(5,988)
Total other loss not to be reclassified to profit or loss, before taxation		(2,021)	(5,988)
Total other gain/(loss) to be reclassified to profit or loss, before taxation		-	-
Total other loss, before taxation		(2,021)	(5,988)
Income tax relating to non-transferrable items	25.1	384	1,138
Other net comprehensive loss for the reporting period		(1,637)	(4,850)
Other net comprehensive income for the reporting period - total		**71,325**	**303,896**
including comprehensive income attributable to:			
- shareholders of the Parent		*71,242*	*303,714*
- non-controlling interests		*83*	*182*

Notes presented on pages 4-68 constitute an integral part of these consolidated financial statements.

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Consolidated Statement of Changes in Equity

	NOTE	ORDINARY SHARES	SUPPLEMENTARY FUND	OTHER CAPITAL RESERVES	RETAINED PROFITS	TOTAL EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As at 1 January 2020		**301,158**	**702,549**	**1,611,829**	**602,607**	**3,218,143**	**10,359**	**3,228,502**
Total net comprehensive income for the reporting period:		-	-	-	71,242	**71,242**	83	**71,325**
- Net profit		-	-	-	*72,876*	***72,876***	*86*	***72,962***
- Other comprehensive loss		-	-	-	*(1,634)*	***(1,634)***	*(3)*	***(1,637)***
Dividend		-	-	-	-	-	-	-
Transfer of the result from previous year	27	-	-	306,184	(306,184)	-	-	-
Change in equity in the period		-	-	306,184	(234,942)	**71,242**	83	**71,325**
As at 31 December 2020		**301,158**	**702,549**	**1,918,013**	**367,665**	**3,289,385**	**10,442**	**3,299,827**

	NOTE	ORDINARY SHARES	SUPPLEMENTARY FUND	RESERVE CAPITAL	RETAINED PROFITS	TOTAL EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As at 1 January 2019		**301,158**	**702,549**	**1,585,742**	**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	27	-	-	-	(25,510)	**(25,510)**	-	**(25,510)**
Transfer of the result from previous year		-	-	26,087	(26,087)	-	-	-
Change in equity in the period		-	-	26,087	252,117	**278,204**	182	**278,386**
As at 31 December 2019		**301,158**	**702,549**	**1,611,829**	**602,607**	**3,218,143**	**10,359**	**3,228,502**

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CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019
Cash flow from (used in) operating activities			
Net profit		72,962	308,746
Adjustments:			
Income tax in the profit and loss account		20,228	69,830
Depreciation/amortisation		364,686	392,620
Profit/(loss) on sale and liquidation of property, plant and equipment		30,808	52,657
Profit/(loss) on liquidation of plant, property and equipment		-	-
Creating and using impairment losses of property, plant and equipment		6,240	(250)
Interest income		(1,986)	(4,543)
Interest expense		471	483
Other flows		4,061	2,034
Changes in working capital			
Change in provisions for employee benefits liabilities		21,341	20,821
Changes in provisions		(7,680)	(51,081)
Change in inventories		13,124	(20,866)
Change in trade and other receivables		(23,969)	(40,771)
Change in trade and other liabilities		(10,343)	52,014
Total adjustments		416,981	472,948
Operating cash inflow		489,943	781,694
Income tax paid and received		(12,983)	(60,717)
Net cash flow from (used in) operating activities		**476,960**	**720,977**
Cash flow from (used in) investing activities			
Acquisition of property, plant and equipment		(603,476)	(468,932)
Acquisition of intangible assets		(2,654)	(8,210)
Inflow from the sale of property, plant and equipment		136	1,025
Interest received		2,557	5,236
Expenditure on other current investments		-	(68)
Inflows from other current investments		-	135
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund		(7,592)	(5,719)
Net cash flow from (used in) investing activities		**(611,029)**	**(476,533)**
Cash flow from (used in) financing activities			
Lease payments	6.1	(3,494)	(3,415)
Repayments of loans and borrowings	15	(3,036)	(3,036)
Interest and commissions paid regarding financing activities	15	(531)	(651)
Grant received from central budget		-	115
Dividend paid	27	-	(25,510)
Net cash flow from (used in) financing activities		**(7,061)**	**(32,497)**
Net increase / (decrease) in cash and cash equivalents before the consequences of the exchange rate changes		(141,130)	211,947
Net increase / (decrease) in cash and cash equivalents		(141,130)	211,947
Cash and cash equivalents at beginning of period		382,740	170,793
Cash and cash equivalents at end of period		**241,610**	**382,740**

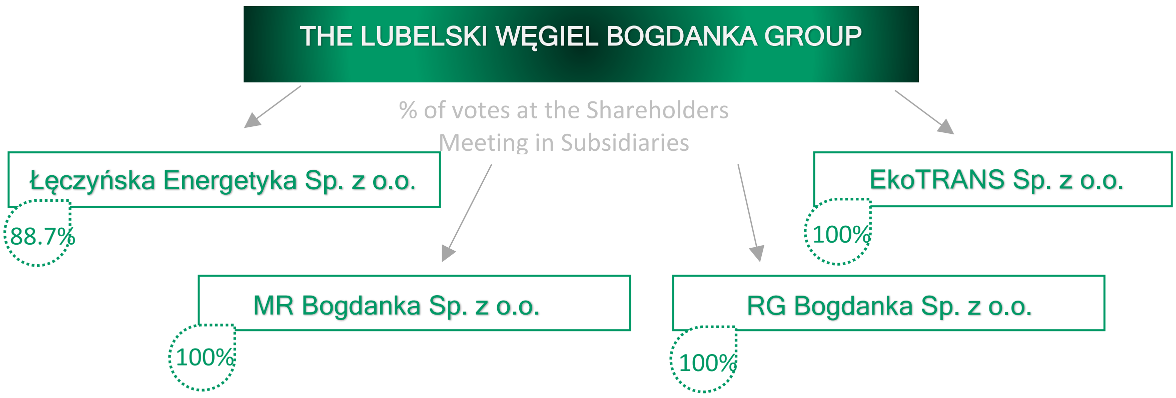
(PLN ‘000)

1. General information

Name of the reporting entity	Lubelski Węgiel Bogdanka S.A.
Registered office	Bogdanka
Type	Joint-stock company
Country of registration	The Republic of Poland
Entity’s registered address	Bogdanka, 21-013 Puchaczów
Basic place of conducting business	The Republic of Poland
Description of the nature and key scope of the business	extraction of hard coal
Parent's name	Enea S.A.
Name of the Group’s ultimate-level parent entity	State Treasury

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

The Lubelski Węgiel Bogdanka Group:



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 activity, pursuant to the Polish Classification of Activity (PKD 0510Z), is hard coal mining.

Subsidiaries

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

As at 31 December 2020, the Parent held 88.7% of shares in the capital of the subsidiary, Łęczyńska Energetyka Sp. z o.o.

Łęczyńska Energetyka Sp. z o.o. provides services to the mine 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 2020, the Parent held 100.0% 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 2020, the Parent held 100.0% 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 2020, the Parent held 100.0% 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, as at the balance-sheet date, 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
Łęczyńska Energetyka Sp. z o.o.	113,317	92,380	88.7	Non-controlling interests amount to 11.3% and are held by: Łęczna Municipality 11.29% Puchaczów Commune 0.01%	none	full
RG Bogdanka Sp. z o.o.	15,542	5,555	100.0	none	none	full
EkoTRANS Bogdanka Sp. z o.o.	4,693	885	100.0	none	none	full
MR Bogdanka Sp. z o.o.	8,063	4,672	100.0	none	none	full

All companies were subject to consolidation in the current and previous periods:

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.

Compared to the previous year, during 2020 no changes were made to the Parent's name and the names of subsidiaries making up the Group, or any changes to other identification data.

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 was completed on 29 October 2015. As a result, ENEA S.A. along with its subsidiary acquired a total of 66% of shares in Lubelski Węgiel Bogdanka S.A., which thus, along with its subsidiaries, 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 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.

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 Parent 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 Group's going concern was discovered. 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.

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.

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.

Compliance with the European Single Electronic Format ("ESEF")

In compliance with the provisions of Directive 2004/109/EC dated 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market ("Issuer") and in relation to the Regulation of the European Commission No. 2019/815 dated 17 December 2018 with regard to regulatory technical standards on the specification of a single electronic reporting format, the Parent as the Issuer is obliged to prepare consolidated financial statements in compliance with the European Single Electronic Format (ESEF) for the financial year starting on 1 January 2020. At the moment this obligation refers to the consolidated financial statements, and the first ones covered with the ESEF compliance requirement are the annual consolidated financial statements of the Lubelski Węgiel Bogdanka Group for 2020.

Under the above regulations the issuers are obliged to prepare annual financial statements in the XHTML format, and in the event that the annual financial statements include the consolidated financial statements prepared in accordance with the IFRS – which is the case of the Parent – the issuers must embed XBRL tags into these statements; currently the tagging requirement refers to basic components of the financial statements, i.e. statement of financial position, profit and loss account and the statement of comprehensive income, statement of changes in equity and statement of cash flows. Considering the above, the annual consolidated financial statements of the Lubelski Węgiel Bogdanka Group for 2020 have been prepared in compliance with the ESEF requirement.

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 2020	VALUE OF THE ITEMS RELATED TO THE ESTIMATE MADE, IN PLN '000 2019	ACCOUNTING POLICY	DETAILS OF THE ASSUMPTIONS AND CALCULATIONS OF THE MATERIAL ESTIMATE
Property, plant and equipment	3,531,565	3,282,449	note 2.4 and 2.8	note 4
Provision for employee benefits	215,327	191,965	note 2.18	note 17
Intangible assets	59,175	63,676	note 2.5 and 2.8	note 5
Provision for mine closure and land reclamation	212,456	171,635	note 2.19	note 18
Deferred tax assets	2,089	1,890	note 2.17	note 25.3
Deferred income tax liability	248,187	238,477	note 2.17	note 25.3

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

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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 consolidated financial statements for 2019. 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.

The Parent is aware of works pending on the restructuring of the Polish mining industry, as announced in the Poland's Energy Policy until 2040 ("PEP 2040"), according to which coal mines will have been closed by the end of 2049. The direction of changes is to be ratified by a social agreement signed between the government of the Republic of Poland and the social party which, in principle, was to determine the final shape of PEP 2040. If the government and the social party succeed in achieving an agreement, the mine's live may change.

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 17. Any changes to these assumptions affect the carrying amount of the provisions for employee benefits.

As at 31 December 2020 and 31 December 2019, 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.

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 2020

PROVISION	CARRYING AMOUNT	DEVIATIONS FINANCIAL DISCOUNT RATE -1 P.P.	DEVIATIONS FINANCIAL DISCOUNT RATE +1 P.P.	DEVIATIONS PLANNED INCREASES IN BASES -1 P.P.	DEVIATIONS PLANNED INCREASES IN BASES +1 P.P.
Pays upon retirement due to old age	64,432	7,566	(6,053)	(4,578)	5,195
Pays upon retirement due to disability	1,025	92	(80)	(58)	64
Long-service award	131,066	10,735	(9,394)	(8,334)	9,284
Death benefits	4,208	390	(348)	(299)	336
Total	**200,731**	**18,783**	**(15,875)**	**(13,269)**	**14,879**

As at 31 December 2019

PROVISION	CARRYING AMOUNT	DEVIATIONS FINANCIAL DISCOUNT RATE -1 P.P.	DEVIATIONS FINANCIAL DISCOUNT RATE +1 P.P.	DEVIATIONS PLANNED INCREASES IN BASES -1 P.P.	DEVIATIONS PLANNED INCREASES IN BASES +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**

(PLN '000)

The results of balance-sheet valuation as at 31 December 2020, 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
2021*	8,530	80	13,153	297	22,060
2022	2,209	74	11,890	279	14,452
2023	1,797	71	9,108	282	11,258
2024	1,796	69	9,030	280	11,175
2025	1,909	67	8,116	276	10,368
Remainder	48,191	664	79,769	2,794	131,418
Total	**64,432**	**1,025**	**131,066**	**4,208**	**200,731**

** Value of benefits for payment in 2021 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 2020 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 2,093,000, 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 21,885,000. 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 2,073,000, 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 20,940,000.

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 2020, serving as a base for the discount rate (analogous situation took place at the end of 2019).

- Sensitivity to changes of inflation and discount rates

The inflation rate assumed for calculation of the provision for 2021-2051 is: 1.8% for 2021, 2.45% for 2022, 2.4% for 2023 and 2.5% for 2024-2051 (as at 31 December 2019 inflation rate was 2.99% for 2020, 2.6% for 2021 and 2.5% for 2022-2051).

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 2020 it amounted to 1.5% (as at 31 December 2019: 2.15%). The above change, given a long discount period, materially affected the amount of the provision contributing to its increase of approx. PLN 40 million (this change has not, however, impacted materially the financial result of the Group).

If the adopted inflation rates departed from the Management Board's estimates by 1 p.p., the carrying amount of provisions would be PLN 74,632,000 higher (in the event of inflation rates higher by 1 p.p.) or PLN 55,694,000 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 2020 and 31 December 2019 is presented in the tables below:

(PLN '000)

As at 31 December 2020

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	229,335	212,456	196,856	156,775

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

The analysis indicates that when the financial discount rate goes up as at 31 December 2020 by 0.25 p.p., the provision for the costs of Mine Closure and land reclamation is lower by PLN 15,600,000, 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 55,681,000. When the financial discount rate goes down as at 31 December 2020 by 0.25 p.p., the provision for the costs of Mine Closure and land reclamation is higher by PLN 16,879,000.

Other key estimates and judgements have not changed since the publication of the annual consolidated financial statements for 2019.

2.1.2. 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 consolidated 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 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.

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, IAS 8 and Conceptual Framework) 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 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 2023.

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

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

The amendments, published in May 2020, 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 with possibility of early application.

g) *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the IBOR reform*

In response to the expected reform of reference rates (IBOR reform), the International Accounting Standards Board has published the second part of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. As at the date of drawing up these consolidated financial statements, the amendment has not been yet endorsed by the European Union.

h) *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.

i) *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. In the Group's assessment the consolidated 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). In recent years the value of coal obtained as a result of drilling near-wall pits was in the range from PLN 55 million to PLN 113 million and depended on the price of coal in the given period, the number and length of the near-wall pits made in individual periods as well as geology-related conditions of the seam where they were drilled. Amendments to IFRS 3, amendments to IAS 1, amendments to IFRS 10 and IAS 28, amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16, annual changes to IFRS 2018-2020 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 and Environment (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 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)

An agreement is a lease agreement if it covers an identified asset which may be either expressly specified in the agreement or indirectly specified on the moment of making it available for use to the client, and the lessee receives all economic benefits of that asset in the period of its use and is entitled to specify how the identified asset will be used. In the consolidated financial statements, the Group, as the lessee, discloses lease agreements as the right to use the underlying asset in the purchase price which covers the value of the lease liability increased by all payments made upon or before the conclusion of the agreement, initial direct costs related to the conclusion of the agreement, estimated disassembly costs and removal of the asset, costs of refurbishing the place where the asset was stored, costs of restoring the asset to the condition in which it must be returned under the agreement unless these costs have been incurred for producing inventories. The value so calculated is decreased by value of receivables due to the incentives granted by the lessor. After the initial recognition the Group values the right to use an asset in the purchase price less depreciation and permanent loss of value. Depreciation period starts with the start of the agreement and ends either in the end of the economic usability of the asset or the end of the agreement, whichever date is earlier. The lease liability represents the sum of the current value of lease payments and the current value of the expected payments at the end of the lease agreement.

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 centres). 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 16)

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)

Materials are disclosed in the purchase price, less possible impairment losses resulting from lengthy storage in warehouse. Goods are valued in the purchase price, which however does not exceed the net sales price possible to obtain. Finished goods are valued at production cost, which however does not exceed the net sales price possible to obtain. The amount of outflows of materials and goods is determined using the weighted average method. Finished goods are valued at an average annual production cost. 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. Expected credit losses are credit losses weighted with a risk of default. A credit loss is the difference between all contractual cash flows due to the Group under the contract and all cash flows that Group expects to receive, with due account for the result of change in money value over time. The Group estimates the expected losses at a level of:

- expected credit losses for 12 months, or
- credit losses expected in full lifetime.

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.

Cash at bank account, bank deposits payable upon demand as well as other current investments with the initial maturity of up to three month and high liquidity are valued as at each balance-sheet date (in the nominal/initial value increased by the interest accrued until the balance-sheet date, adjusted by a loss allowance for expected credit losses).

The Group invests in debt instruments and deposits money solely in securities or in banks with the investment rating not lower than BBB-. The above is an assurance that the risk of inability to pay the liability (no return of funds invested by the Group) is very low. As a result, there is no need to analyse the expected credit losses throughout the instrument's life (lifelong expected credit losses), but the possible loss allowance should be considered solely with respect to 12-month expected credit losses.

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 11)

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 13, 15 and 16)

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 16)

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 25)

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. Provisions for employee benefits (Note 17)

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 18)

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 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 19)

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 14)

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.

Whether a grant will be disclosed in the consolidated financial statements or not depends on what the received financing is to be allocated for:

- Grants received and allocated for the purchase or creation of non-current assets are disclosed in the its consolidated statement of financial position (balance sheet) under "Liabilities" and "Grants".
- The above grants are accounted for in the consolidated income statement, proportionately to the depreciation of the non-current assets for which a particular grant was received.
- Grants for purposes other than those described above are disclosed in the consolidated income statement as other operating revenue.

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.

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2.22. Dividend payment (Note 27)

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 BUSINESS SEGMENTS

Key reporting structure - industry segments

The Group's core business is production and sale of coal. In 2020, revenue on sales of other products and services amounted to PLN 46,524,000 (in 2019: PLN 48,587,000), representing 2.6% in 2020 and 2.3% in 2019, 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 2020, revenue from foreign sales amounted to PLN 22,000 (in 2019: PLN 83,000), representing both in 2020 and in 2019 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 generating unit (CGU).

Key coal customers

In 2020 and 2019 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 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019
Enea Wytwarzanie Sp. z o.o.	73%	65%
Enea Elektrownia Połaniec S.A.	11%	19%

(PLN '000)

4. NON-CURRENT ASSETS

	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	11,507	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**
As at 31 December 2020								
Net book value at beginning of year	11,507	2,007,986	1,329,228	992,937	43,971	7,684	218,364	3,282,449
Increases	-	31,123	-	-	-	2,142	611,356	644,621
Transfer from construction in progress	12	288,753	279,922	268,811	5,440	1,140	(564,156)	-
Decreases	(111)	(30,589)	(30,580)	(308)	(89)	(8)	(33)	(31,138)
Depreciation	-	(196,375)	(169,593)	(152,933)	(5,390)	(3,429)	-	(358,127)
Impairment loss	-	(211)	-	(528)	-	-	(5,501)	(6,240)
Net book value	11,408	2,100,687	1,408,977	1,107,979	43,932	7,529	260,030	3,531,565
As at 31 December 2020								
Cost or assessed value	11,408	3,560,462	2,411,645	2,754,872	108,746	30,275	260,030	6,725,793
Depreciation	-	(1,459,775)	(1,002,668)	(1,646,893)	(64,814)	(22,746)	-	(3,194,228)
Net book value	**11,408**	**2,100,687**	**1,408,977**	**1,107,979**	**43,932**	**7,529**	**260,030**	**3,531,565**
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**

In 2020 the borrowing costs, which would be subject to activating in the value of property, plant and equipment, were not incurred.

No collateral was established on property, plant and equipment.

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019
Costs of products, goods and materials sold	(348,386)	(376,666)
Selling costs	(322)	(503)
Administrative expenses	(9,419)	(9,433)
As at 31 December	**(358,127)**	**(386,602)**

4.1. Property, plant and equipment - workings

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

As at 31 December 2020

	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:	28	30,131	505,834	(320,910)	184,924	63%
- depreciated until December 2020	*8*	*20,568*	*166,223*	*(44,198)*	*122,025*	*27%*
Galleries disclosed under non-current assets, depreciated according to useful life	244	93,983	1,600,999	(531,162)	1,069,837	33%
Other items, depreciated according to useful life (shafts, shaft towers, dams, reservoirs and other)	30	-	304,812	(150,596)	154,216	49%
Total as at 31 December 2020	**302**	**124,114**	**2,411,645**	**(1,002,668)**	**1,408,977**	**42%**

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**	**12,773**	**2,296,594**	**(967,366)**	**1,329,228**	**42%**

(PLN '000)

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 2020	AS AT 31 DECEMBER 2019
Excavations (galleries)	172,540	166,128
Expansion of the waste storage yard in Bogdanka	9,245	11,225
Construction of new mining fields	454	6,555
Modernisation of the central air conditioning system in Stefanów	24,335	6,073
Reinforcement of shaft 1.3 lining	6,171	5,210
Upgrade of drive and signaling system of the MW 1.3 shaft	6,228	6,138
Purchase of belt conveyors	16,289	-
Overhaul of mechanical miners and heading machines	10,173	1,737
Other	14,595	15,298
As at 31 December	**260,030**	**218,364**

4.3. Impairment losses on the property, plant and equipment

Impairment test as at 31 December 2020

When preparing the consolidated 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". 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 Group's consolidated financial statements as at 2020, 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 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 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 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 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 tested fairly recently for impairment as at the end of 2019 and as at 30 June 2020, the Group is obliged to carry out an impairment test for cash-flow generating centres also at the end of 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 2021 and 2051 prepared by the Parent.

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 Parent's assets were deemed as one CGU;
- the forecast period from 2021 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 the employment of the existing – as at the balance-sheet date – infrastructure, mainly with respect to shafts). Beginning from 2035 the average annual extraction level will 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);

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- The average level of coal production and sales volume was determined to amount to 9.2 million tonnes in 2021-2030; Bearing in mind a conservative approach to the assumptions (and with due consideration of the provisions of the "Poland's Energy Policy until 2040") it was assumed, for the purposes of the test, that in the years to follow the sales of coal will drop as a consequence of the decreased use of thermal coal in the economy. However due to low unit cost of coal production the market share is expected to stay at a level defined in the Strategy;
- coal prices in 2021-2043 was made on the basis of materials prepared for the own needs of the Parent and the whole Enea Group; the average price of coal was estimated at a level of PLN 11.35/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 Parent's Management Board, as at the date when the test was made;
- WACC of 6,00% during the whole period of the forecast, estimated on the basis of the latest economic data (with the risk-free rate of 1.71% and beta 1.07) was taken as a discount rate before taxation;
- The average annual level of CAPEX during the forecast period of PLN 291,014,000, including on average PLN 421,729,000 in 2021-2035.

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

AS AT 31 DECEMBER 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	3,099,059	2,818,172

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 and sales volume. 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 6.00%):

CHANGE OF ASSUMPTIONS	-0.5 p.p.	BASE VALUE	+0.5 p.p.
Changes in recoverable value	189,228	3,099,059	(174,898)

Impact of the change in coal price:

CHANGE OF ASSUMPTIONS	-0.5%	BASE VALUE	+0.5%
Changes in recoverable value	(106,236)	3,099,059	106,236

Influence on the change of real increase in remunerations:

CHANGE OF ASSUMPTIONS	-0.5 p.p.	BASE VALUE	+0.5 p.p.
Changes in recoverable value	258,349	3,099,059	(280,455)

Furthermore, being aware of the impact of the economies of scale and the optimum use of the resources on the Parent's operating and financial results, and bearing in mind the trend of discontinuing production of hard coal, the Parent carried out an analysis of the change of the recoverable value in the event of limiting the total commercial coal production throughout the period of forecast by 5% (relative to the operative resources held, e.g. in the event of the necessity to close the mine earlier). The results of the analysis of change in recoverable value are presented in the table below. It should be however remembered that in the case of lower demand or other factors which may adversely affect the final level of production, the Group automatically takes relevant optimisation measures in order to use the resources in the most efficient manner possible and maximise economic benefits in the given production level.

(PLN '000)

Impact of the change in production of commercial coal:

CHANGE OF ASSUMPTIONS	-5%	BASE VALUE
Changes in recoverable value	(81,791)	3,099,059

Other impairment losses

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

	LAND	BUILDINGS AND STRUCTURES	PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
As at 1 January 2020	**4,394**	**-**	**3,187**	**8,018**	**15,599**
Creating impairment loss	-	211	528	6,551	7,290
Release of revaluation write-offs due to impairment of value	-	-	-	(1,050)	(1,050)
As at 31 December 2020	**4,394**	**211**	**3,715**	**13,519**	**21,839**
As at 1 January 2019	**4,394**	**-**	**3,187**	**8,267**	**15,848**
Creating impairment loss	-	-	-	1,050	1,050
Release of revaluation write-offs due to impairment of value	-	-	-	(1,299)	(1,299)
As at 31 December 2019	**4,394**	**-**	**3,187**	**8,018**	**15,599**

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

5. INTANGIBLE ASSETS

	COMPUTER SOFTWARE	FEES, LICENCES	GEOLOGICAL INFORMATION	OTHER	TOTAL
As at 1 January 2020					
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 31 December 2020					
Net book value at beginning of year	3,458	16,233	40,776	3,209	63,676
Increases	167	797	-	1,694	2,658
Decreases	-	-	-	(3,901)	(3,901)
Amortisation	(631)	(1,030)	(1,360)	(237)	(3,258)
Net book value	2,994	16,000	39,416	765	59,175
As at 31 December 2020					
Cost or assessed value	8,464	21,285	54,343	8,557	92,649
Amortisation	(5,470)	(5,285)	(14,927)	(7,792)	(33,474)
Net book value	**2,994**	**16,000**	**39,416**	**765**	**59,175**

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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**

No collateral was established on intangible assets. Both in 2020 and 2019 the Group did not produce intangible assets on its own.

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019
Cost of products, goods and materials sold	(3,169)	(2,467)
Selling costs	(3)	(3)
Administrative expenses	(86)	(62)
As at 31 December	**(3,258)**	**(2,532)**

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 2020	**1,780**	**1,780**
As at 31 December 2020	**1,780**	**1,780**
As at 1 January 2019	**1,780**	**1,780**
As at 31 December 2019	**1,780**	**1,780**

Both in 2020 and in 2019 no movements related to impairment losses of intangible assets occurred.

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 assets:

	RIGHT OF PERPETUAL USUFRUCT OF LAND	VEHICLES	TOTAL
As at 1 January 2020			
Cost or assessed value	17,596	3,812	21,408
Depreciation	(496)	(2,818)	(3,314)
Net book value	**17,100**	**994**	**18,094**
As at 31 December 2020			
Net book value at beginning of year	17,100	994	18,094
Increases	-	10,356	10,356
Decreases	-	(34)	(34)
Depreciation	(496)	(2,632)	(3,128)
Net book value	16,604	8,684	25,288
As at 31 December 2020			
Cost or assessed value	17,596	14,112	31,708
Depreciation	(992)	(5,428)	(6,420)
Net book value	**16,604**	**8,684**	**25,288**
As at 1 January 2019			
Cost or assessed value	17,596	3,815	21,411
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)
Depreciation	(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 assets are as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019
Depreciation of the right-of-use asset	3,128	3,314
Finance costs	544	554
Total	**3,672**	**3,868**

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Changes in lease liabilities and the balance as at 31 December 2020 are presented in the table below:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019
As at 1 January	**18,547**	**21,411**
Increases	10,356	83
Decreases	(34)	(86)
Principal instalment under financial lease agreements	(2,950)	(2,861)
Total	**25,919**	**18,547**

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

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Less than 1 year	3,005	1,081
From 1 year to 2 years	3,089	106
From 2 to 5 years	2,812	257
More than 5 years	17,013	17,103
Total	**25,919**	**18,547**

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

Minimum future payments on operating lease agreements which cannot be revoked, and which are not included in the scope of the IFRS 16 "Leases", are as follows:

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Less than 1 year	252	272
From 1 year to 2 years	184	166
From 2 to 5 years	92	250
Minimum future payments	**528**	**688**

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.

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7. INVESTMENT PROPERTIES

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
As at 1 January	**3,140**	**3,312**
Acquisition of investment real property	77	-
Depreciation	(173)	(172)
Total	**3,044**	**3,140**

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 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Revenue on investment properties	126	114
Operating expenses related to investment properties	(268)	(256)

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.

8. TRADE AND OTHER RECEIVABLES

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Trade receivables	228,031	213,313
Less: impairment losses of receivables	(5,186)	(6,286)
Net trade receivables	222,845	207,027
Accruals and deferrals	35,713	31,063
Other receivables	9,702	861
Current	268,260	238,951
Accruals and deferrals	738	6,078
Other receivables	455	455
Non-current	1,193	6,533
Total trade and other receivables	**269,453**	**245,484**

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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 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
As at 1 January	**6,286**	**5,545**
Creating impairment loss	962	1,570
Receivables written down during the year as uncollectible	(128)	(119)
Reversal of unused amounts	(1,934)	(710)
Total	**5,186**	**6,286**

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

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Up to 1 month	1	212
Above 12 months	5,185	6,074
Total	**5,186**	**6,286**

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 2020	AS AT 31 DECEMBER 2019
Up to 1 month	489	2,700
1 to 3 months	56	45
3 to 6 months	212	91
6 to 12 months	71	39
Above 12 months	138	80
Total	**966**	**2,955**

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

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9. Inventories

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Materials	66,106	72,841
Revaluation write-off due to impairment of value	(138)	-
Finished goods	25,156	31,407
Total	**91,124**	**104,248**

Cost of inventories in the consolidated income statement was disclosed under "Cost of products, goods and materials sold" totalling PLN 1,573,417,000 in 2020 (2019: PLN 1,646,184,000).

Changes in the impairment losses for impairment of inventories are presented below:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
As at 1 January	**-**	**-**
Creating impairment losses of inventories	138	-
Total	**138**	**-**

Creating impairment losses of inventories in the consolidated income statement was presented under "Other profit/(loss) - net."

No collateral was established on inventories held by the Group.

10. Cash and cash equivalents

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Cash in banks	190,385	33,854
Bank deposits	192,816	482,884
Total	**383,201**	**516,738**
Including:		
*Non-current**	*141,591*	*133,998*
Current	*241,610*	*382,740*
	383,201	*516,738*

**cash with restricted liquidity*

Value of cash with restricted liquidity amounted to PLN 161,898,000 as at 31 December 2020 (as at 31 December 2019: PLN 147,614,000) including PLN 141,591,000 (as at 31 December 2019: PLN 133,998,000) 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:

2020 – approx. 0.1%

2019 – 0.41% - 1.32%

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

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 Parent have been fully paid up.

12. Other capitals

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 reserve capitals include 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 statement of changes in equity under other reserve capitals, relating to the Scheme, 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 2020 and 2019 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 2020 comprehensive income attributable to non-controlling interests amounted to PLN 83,000, and consisted of the following items: net profit attributable to non-controlling interests in the amount of PLN 86,000 and other comprehensive income concerning actuarial losses on defined benefit schemes in the amount of PLN 3,000.

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.

(PLN '000)

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 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.

13. Trade and other liabilities

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Trade liabilities	117,798	117,017
Other liabilities, including:	153,732	165,253
- Company Social Benefits Fund	*1,162*	*1,082*
- Liabilities on security deposit	*7,561*	*7,254*
- Investment liabilities	*69,625*	*60,553*
- Salaries payable	*52,948*	*54,382*
- Other liabilities	*22,436*	*41,982*
Total financial liabilities	271,530	282,270
Liabilities - social security and other tax payable	70,026	69,163
Trade and other liabilities	**341,556**	**351,433**
Including:		
Non-current	*33,093*	*39,879*
Current	*308,463*	*311,554*
Total	**341,556**	**351,433**

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

14. Grants

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
As at 1 January	**12,693**	**13,147**
Including:		
Non-current	*12,224*	*12,587*
Current	*469*	*560*
Grants received	199	115
Grants settled during a year	(552)	(569)
As at 31 December	**12,340**	**12,693**
Including:		
Non-current	*11,871*	*12,224*
Current	*469*	*469*

(PLN '000)

In 2020 the Parent received a grant in relation to its pursuance of the MINERESCUE R&D project entitled "From post-mining heaps to valuable resources - new concept of the closed circuit economy" amounting to PLN 199,000. This grant is settled in proportion to the costs incurred by the Parent for this project. The remainder of the grant covers the SUMAD R&D Project "Sustainable use of post-mining heaps" in the amount of PLN 20,000 and a 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. The manner of disclosure of the grant is described in note 2.21.

15. LOANS AND BORROWINGS

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Long-term:	**7,858**	**10,894**
Special purpose loans	7,858	10,894
- Regional Environmental Protection Fund in Lublin	*7,858*	*10,894*
Short-term:	**3,150**	**3,182**
Special purpose loans	3,150	3,182
- Regional Environmental Protection Fund in Lublin	*3,150*	*3,182*
Total	**11,008**	**14,076**

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 2020 Łęczyńska Energetyka, with respect to the above loan, repaid a principal amount of PLN 3,036,000.

As at 31 December 2020 the Parent was a party to a revolving overdraft facility agreement with a limit of PLN 150 million. The facility agreement was concluded on 12 May 2020 with Bank Gospodarki Krajowej and is in effect until 12 May 2021. During 2020 the credit limit was not used.

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 2020 and 2019 are presented in the table below:

(PLN '000)

	REGIONAL ENVIRONMENTAL PROTECTION FUND IN LUBLIN	TOTAL
As at 1 January 2020	**14,076**	**14,076**
Repayment of principal instalments	(3,036)	(3,036)
Accrued interest	499	499
Interest paid	(531)	(531)
As at 31 December 2020	**11,008**	**11,008**
As at 1 January 2019	**17,142**	**17,142**
Repayment of principal installments	(3,036)	(3,036)
Accrued interest	621	621
Interest paid	(651)	(651)
As at 31 December 2019	**14,076**	**14,076**

16. Financial instruments

16.1. Financial instruments by category

	FINANCIAL ASSETS MEASURED AT AMORTISED COST	TOTAL
Assets as disclosed in the consolidated statement of financial position		
Trade receivables	222,845	222,845
Cash and cash equivalents	383,201	383,201
As at 31 December 2020	**606,046**	**606,046**

	LIABILITIES MEASURED AT AMORTISED COST	TOTAL
Liabilities as disclosed in the consolidated statement of financial position		
Loans and borrowings	11,008	11,008
Trade and other financial liabilities as well as contract liabilities	188,752	188,752
Lease liabilities	25,919	25,919
As at 31 December 2020	**225,679**	**225,679**
Interest and commissions paid		
Interest	1,075	1,075
Total	1,075	1,075

(PLN '000)

	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

16.2. 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 2020 and 31 December 2019 the Group held no financial instruments valued at fair value.

16.3. 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.

16.3.1. 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 assets exposed to the risk of change in interest rates are: cash in deposits and non-current cash referring to the Mine Closure Fund. In case of liabilities the interest rate risk is particularly connected with loans but may also be related to its current and non-current debt instruments and variable rate loans. They may result in the Group's exposure to a change in cash flows resulting from changes in interest rates.

(PLN '000)

Both in 2020 and in 2019 the Group used external financing in the form of loans, denominated in PLN. The Group is also a party to a revolving overdraft facility agreement with a limit of PLN 150 million, but during 2020 the credit limit was not used.

The total debt of the Group as at 31 December 2020 amounts to PLN 11 million (as at 31 December 2019 – PLN 14 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 110,000 (as at 31 December 2019: PLN 141,000) and increase or decrease, as applicable, the net profit by an amount lower or equal to PLN 89,000 (as at 31 December 2019: PLN 114,000).

Based on the 2020 and 2019 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 2020 with respect to bank deposits of free cash amounts to PLN 241,610,000 (as at 31 December 2019 – PLN 382,740,000), and with respect to Mine Closure Fund assets – PLN 141,591,000 (as at 31 December 2019 – PLN 133,998,000). 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 2020:

CHANGE IN INTEREST RATE	-1 P. P.	-0.5 P. P.	+0.5 P. P.	+1 P. P.
Estimated impact	(2,416)	(1,208)	1,208	2,416

Impact of changes of interest rates on finance income from deposits 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	(3,827)	(1,914)	1,914	3,827

The value of assets relating to Mine Closure Fund exposed to interest rate risk amounts to PLN 141,591,000 as at 31 December 2020 (PLN 133,998,000 as at 31 December 2019).

Impact of changes in interest rates on finance income under funds deposited to the Mine Closure Fund as at 31 December 2020:

CHANGE IN INTEREST RATE	-1 P. P.	-0.5 P. P.	+0.5 P. P.	+1 P. P.
Estimated impact	(1,416)	(708)	708	1,416

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

16.3.2. Currency risk

The Group enters into specific transactions denominated in foreign currencies, which 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 2020 no material currency exchange transactions were concluded. Such transactions were concluded by the Group in previous years in relation to the 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) or in connection with securing the sales.

As at 31 December 2020 the Group had financial assets exposed to the currency risk in the amount of PLN 329,000 (as at the end of 2019: PLN 115,000). The financial liabilities exposed to the currency risk as at 31 December 2020 amounted to PLN 46,000 (as at 31 December 2019: 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.

(PLN '000)

16.3.3. 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. It must be noted that given the situation resulting from the COVID-19 pandemic, the customers must be checked even more carefully, and the previous experience from the past cooperation is now of lower significance.

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

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Cash in hand and bank deposits	383,201	516,738
Current trade receivables	222,845	207,027
Total exposure to credit risk	**606,046**	**723,765**
Receivables from 7 key customers	218,306	198,595
Concentration of credit risk under receivables from 7 key customers	98%	96%
Cash deposited at Bank Gospodarstwa Krajowego S.A. (expressed as % of total cash and bank deposits)	93%	66%
Cash deposited at Bank Millenium S.A. (expressed as % of total cash and bank deposits)	2%	27%
Cash deposited at mBank S.A. (expressed as % of total cash and bank deposits)	2%	2%
Cash deposited at Bank Ochrony Środowiska S.A. (expressed as % of total cash and bank deposits)	2%	-
Cash deposited at PEKAO S.A. (expressed as % of total cash and bank deposits)	less than 1%	3%
Cash deposited at PKO Bank Polski S.A. (expressed as % of total cash and bank deposits)	less than 1%	2%

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+ (negative)
- 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- (stable)
- Bank Ochrony Środowiska S.A. - long-term Fitch rating: BB- (negative)

(PLN '000)

16.3.4. 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 2020 the Group was a party to a revolving overdraft facility agreement with a limit of PLN 150 million (concluded with BGK bank on 12 May 2020). As at the balance-sheet date the limit was not used.

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 2020	LESS THAN 1 YEAR	1 UP TO 2 YEARS	2 UP TO 5 YEARS	OVER 5 YEARS
Loans and borrowings	3,530	3,294	4,983	-
Trade and other liabilities	156,397	5,106	14,003	25,664
Lease liabilities	3,685	3,686	4,275	37,271

AS AT 31 DECEMBER 2019	LESS THAN 1 YEAR	1 UP TO 2 YEARS	2 UP TO 5 YEARS	OVER 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

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.

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

Based on the 2020 data concerning the Group's core business, the sensitivity of the financial result to changes in market risk factors (price 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 18.4%. Similarly, a 1% decrease in the coal price reduces the result on sales (gross financial result – administrative expenses – selling costs) by 18.4%.

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	-275.4%	-183.6%	-91.8%	-36.7%	-18.4%	- %	18.4%	36.7%	91.8%	183.6%	275.4%

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)

16.4. 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. The above actions may currently be affected by the situation related to the COVID-19 pandemic, nevertheless in the middle- and long-term perspective LWB intends to remain a dividend company.

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 2020 and 2019 the Group has contracted loans for the financing of current operations and investment activities.

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

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Total loans and borrowings	11,008	14,076
Lease liabilities	25,919	18,547
Net of cash and cash equivalents and other current investments	(383,201)	(516,738)
Net debt	**(346,274)**	**(484,115)**
Total equity	3,299,827	3,228,502
Employed capital	2,953,553	2,744,387

17. PROVISIONS FOR EMPLOYEE BENEFITS

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Provisions as disclosed in the consolidated statement of financial position:		
Retirement and disability benefits	65,457	60,106
Long service awards	131,066	115,287
Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	18,804	16,572
Total	**215,327**	**191,965**

(PLN '000)

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Costs recognised in the consolidated income statement:		
Retirement and disability benefits	6,390	5,728
Long service awards	27,955	27,675
Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	12,048	12,518
Total	**46,393**	**45,921**

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Costs as disclosed in the consolidated statement of comprehensive income		
Retirement and disability benefits	2,244	5,687
Other benefits for employees (death benefits)	(223)	301
Total	**2,021**	**5,988**

Change in provisions for employee benefits liabilities:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
As at 1 January	**191,965**	**165,156**
Costs of current employment (including unused holidays, salaries and wages, Voluntary Redundancy Programme, death benefits and other)	30,107	27,567
Costs of past employment	-	932
Interest expense	3,425	4,261
Actuarial losses as recognised in the consolidated income statement	12,861	13,161
Actuarial losses as recognised in the consolidated statement of comprehensive income	2,021	5,988
Recognised in the comprehensive income, total	48,414	51,909
Benefits paid	(25,052)	(25,100)
As at 31 December	**215,327**	**191,965**
Including:		
- Non-current	*178,671*	*159,225*
- Current	*36,656*	*32,740*

(PLN '000)

Amounts disclosed in the consolidated income statement and in the consolidated statement of comprehensive income in 2020 are as follows:

	BENEFITS DURING EMPLOYMENT	POST-EMPLOYMENT BENEFITS	TOTAL
Liabilities as at 1 January	**127,882**	**64,083**	**191,965**
Costs of current employment (including unused holidays, salaries and wages, Voluntary Redundancy Programme, death benefits and other)	24,426	5,681	30,107
Interest expense	2,241	1,184	3,425
Actuarial losses as recognised in the consolidated income statement	12,861	-	12,861
Actuarial losses as recognised in the consolidated statement of comprehensive income	-	2,021	2,021
Recognised in the consolidated statement of comprehensive income, total	**39,528**	**8,886**	**48,414**

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**

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 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Cost of products, goods and materials sold	38,812	37,481
Selling costs	241	217
Administrative expenses	3,915	3,962
Finance costs	3,425	4,261
Recognised in the consolidated income statement, total:	**46,393**	**45,921**
Actuarial losses as recognised in the consolidated statement of comprehensive income	2,021	5,988
Recognised in the consolidated statement of comprehensive income, total	**48,414**	**51,909**

(PLN '000)

Key actuarial assumptions used in the valuation

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Discount rate	1.50%	2.15%
Employee mobility	0.70%	0.68%
Increase in salaries and wages in the subsequent year	1.80%	2.70%
Increase in salaries and wages in 2022 (2019: in 2021)	2.45%	2.70%
Increase in salaries and wages in 2029 (2019: from 2022)	2.50%	2.70%

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 2020	AS AT 31 DECEMBER 2019
Men	15.95	15.84
Women	24.21	24,20

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

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Retirement and disability benefits	13.53	13.75
Length-of-service awards	10,80	11.00
Death benefits	8.64	8.61

(PLN '000)

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	PROVISION FOR MINE CLOSURE - NET 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**	**-**	**203**	**196,327**
Including:							
Non-current	*171,635*	*-*	*-*	*-*	*-*	*-*	*171,635*
Current	*-*	*2,149*	*12,034*	*10,306*	*-*	*203*	*24,692*
Recognition in the consolidated statement of financial position							
- Update of the provision created	*34,986*	*-*	*-*	*-*	*-*	*-*	*34,986*
Recognition in the consolidated income statement							
- Creation of additional provisions	*2,145*	*1,871*	*129*	*-*	*-*	*367*	*4,512*
- Use of the created provision	*-*	*(1,441)*	*(450)*	*(10,306)*	*-*	*(203)*	*(12,400)*
- Release of an unused provision	*-*	*-*	*(7,345)*	*-*	*-*	*-*	*(7,345)*
- Discount settlement	*3,690*	*-*	*-*	*-*	*-*	*-*	*3,690*
As at 31 December 2020	**212,456**	**2,579**	**4,368**	**-**	**-**	**367**	**219,770**
Including:							
Non-current	*212,456*	*-*	*-*	*-*	*-*	*-*	*212,456*
Current	*-*	*2,579*	*4,368*	*-*	*-*	*367*	*7,314*
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*

(PLN '000)

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 2020 amounts to: PLN 212,456,000 including provision for mine closure of PLN 201,463,000 and provision for land reclamation of PLN 10,993,000. The change in provision compared to 31 December 2019 was PLN 40,821,000; the increase resulting from the creation of a portion of the provision of PLN 2,145,000 and an increase resulting from the discount write-off of PLN 3,690,000 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 34,986,000, 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 damage resulting from mining activities, the Group creates a provision for mining damage. The estimated value of works necessary to remove damage as at 31 December 2020 amounts to PLN 2,579,000, 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 2020 the amount of the used provision totalled PLN 1,441,000 (PLN 753,000 in the whole 2019).

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 2020.

Considering that the claims are time-barred, the provision of PLN 7,245,000 related to a possible claim of PEMUG towards the Parent was fully released at the end of 2020.

Real property tax

As at the ends of previous years the Group always disclosed the provision for real property tax under provisions for other liabilities and charges. The essence of the dispute between the Parent and territorial local government units was elaborated on by the Group in the consolidated financial statements for previous years. Over time, in relation to the issued court decisions which, in majority, supported the taxation of components making part of mining excavations, the parties made mutual settlements in the real property tax. In particular such settlements took part in 2018 (settlement of the real property tax payable for 2013), then in 2019 (settlement of the real property tax payable for 2014 and 2016-2019) and finally during 2020 when the real property tax payable for 2015 was settled.

At the moment all (except for small amounts of settlements of the real property tax for 2011) liabilities and possible liabilities regarding the real property tax were paid by the Parent, therefore it is no longer necessary to create a provision for this purpose.

19. Revenue

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Sale of coal	1,775,588	2,109,274
Other activities	34,249	31,111
Sale of goods and materials	12,275	17,476
Total revenue	**1,822,112**	**2,157,861**

(PLN '000)

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 2020 amounted to PLN 12,275,000.
- 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 2020 amounted to PLN 7,442,000.

20. COSTS BY TYPE

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Depreciation/amortisation	364,686	392,620
Materials and energy consumption	485,991	497,890
Outsourced services	405,737	473,259
Employee benefits	706,437	698,918
Entertainment and advertising costs	7,868	8,011
Taxes, fees and charges	55,281	50,523
Other expenses by type	2,535	22,538
Total costs by type	**2,028,535**	**2,143,759**
Activities for the Company's own needs	(281,270)	(308,218)
Accruals and deferrals	1,104	(9,031)
Value of coal obtained from excavations	(55,071)	(81,848)
Provisions and other presentation adjustments between costs by type and by function	13,746	52,742
Total production cost	**1,707,044**	**1,797,404**
Change in products	6,436	(15,192)
Costs of goods and materials sold	11.913	17,234
Own cost of sales, including:	**1,725,393**	**1,799,446**
- Cost of products, goods and materials sold	*1,573,417*	*1,646,184*
- Selling costs	*31,669*	*37,423*
- Administrative expenses	*120,307*	*115,839*

(PLN '000)

21. Other income

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Compensations and damages received	1,334	3,199
Release of the provision for possible PEMUG claims	4,206	-
Other,	2,197	2,068
including:		
- Release of other provisions for liabilities	*216*	*215*
- Release of impairment losses	*231*	*204*
- return of the excise tax	*1,411*	*738*
- Other income	*339*	*911*
Total other income	**7,737**	**5,267**

22. Other costs

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Donations	(1,135)	(840)
Enforcement fees and penalties	(435)	(139)
Compensation	(197)	(113)
Other	(127)	(120)
Total other costs	**(1,894)**	**(1,212)**

23. Other profit /(loss) – net

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Profit on sale of non-current assets	(82)	935
Currency exchange differences	(6)	(78)
Release of provision for Social Insurance Institution (ZUS) claims related to contribution for accident insurance	-	16,398
Profit/(loss) on liquidation of non-current assets	(154)	(3,785)
Impairment losses due to impairment of non-current assets	(6,240)	250
Other	(839)	(968)
Total other profit /(loss) - net	**(7,321)**	**12,752**

(PLN '000)

24. Finance income and costs

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019
Interest income on short-term bank deposits	1,508	3,073
Other income, including:	6,029	11,660
- Interest regarding the Mine Closure Fund	*967*	*1,858*
- Release of the provision for interest on possible PEMUG claims	*3,139*	*-*
Release of provision for ZUS claims related to contribution for accident insurance	*-*	*6,260*
- Profit/(loss) on the settlement of interest on real property tax	*1,693*	*3,320*
- Other	*230*	*222*
Total finance income	**7,537**	**14,733**
Interest and commissions on bank credits and loans	(500)	(622)
Interest expense on valuation of employee benefits	(3,425)	(4,261)
Settlement of discount on regarding provision for the Mine Closure Fund and land reclamation	(3,690)	(4,000)
Creation of a provision and impairment losses of interest	(443)	(1,004)
Interest expense of the lease of non-current assets	(544)	(554)
Other costs	(986)	(938)
Total finance costs	**(9,588)**	**(11,379)**

25. Income tax

25.1. Tax burden

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Current tax	10,333	43,958
Deferred tax charged into finance income	9,895	25,872
Deferred tax charged into other comprehensive income:	(384)	(1,138)
- as actuarial losses as recognised in the statement of comprehensive income	*(384)*	*(1,138)*
Total	**19,844**	**68,692**

(PLN '000)

25.2. Reconciliation of an effective tax rate

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Profit before taxation	93,190	378,576
Tax calculated at the rate of 19%	17,706	71,929
Correction of income tax for previous years	18	2,247
Tax effect of income permanently excluded from the taxable base, including:	(468)	(5,903)
- revenue due in respect of the real property tax (on balance settlement)	*(311)*	*(2,065)*
- Release of an unused provision for interest on Social Insurance Institution (ZUS) claims related to contribution for accident insurance	-	*(3,789)*
- Other	*(157)*	*(49)*
Tax effect of costs permanently excluded from the taxable base	2,972	1,557
- Payment to the National Fund for the Disabled	*1,508*	*1,394*
- Donations	*215*	*163*
- Other interest	*228*	-
- additional financing	*329*	-
- Other	*692*	-
Decrease in financial result by the income tax	**20,228**	**69,830**
Effective tax rate	**22%**	**18%**

Income tax in the consolidated 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 consolidated financial statements can therefore be changed after their amount has been finally determined by the tax authorities.

25.3. 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:

(PLN '000)

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2019
Deferred tax assets		
- to be realised after 12 months	*35,829*	*39,892*
- to be realised within 12 months	*12,651*	*11,275*
Total deferred tax assets	**48,480**	**51,167**
Deferred income tax liability		
- to be realised after 12 months	*289,343*	*268,388*
- to be realised within 12 months	*5,235*	*19,366*
Total deferred tax liabilities	**294,578**	**287,754**
Deferred tax assets (net)	**2,089**	**1,890**
Deferred tax liabilities (net)	**248,187**	**238,477**

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 INCOME 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 2020	36,486	4,647	1,440	6,306	408	1,880	51,167
(Decrease)/increase of the financial result	4,317	220	(1,440)	(5,475)	82	(391)	(2,687)
- recognised in the consolidated income statement	*3,933*	*220*	*(1,440)*	*(5,475)*	*82*	*(391)*	*(3,071)*
- recognised in the consolidated statement of comprehensive income	*384*	*-*	*-*	*-*	*-*	*-*	*384*
As at 31 December 2020	40,803	4,867	-	831	490	1,489	48,480
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

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.

Change in deferred income tax liability

DEFERRED TAX LIABILITIES	VALUATION OF NON-CURRENT ASSETS	COSTS OF PANEL STRENGTHENING	PROVISION FOR MINE CLOSURE AND LAND RECLAMATION - NET*	REAL PROPERTY TAX RECEIVABLE	OTHER	TOTAL
As at 1 January 2020	**274,638**	**3,430**	**8,690**	**133**	**863**	**287,754**
(Decrease)/increase of the financial result, including:	6,150	1,331	(303)	-	(354)	6,824
- recognised in the consolidated income statement	*6,150*	*1,331*	*(303)*	*-*	*(354)*	*6,824*
As at 31 December 2020	**280,788**	**4,761**	**8,387**	**133**	**509**	**294,578**
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**

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

25.4. Current income tax - receivables and liabilities

Receivables related to the overpayment of current income tax in the amount of PLN 10,324,000 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 2020.

Receivables related to the overpayment of current portion of the income tax for 2019 as disclosed in the consolidated statement of financial position as at the end of the previous year was in 2020 set off with current liabilities on account of CIT, and in the event of the remaining portion of PLN 2,643,000, the amount was returned to the Parent's account.

26. 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 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Earnings attributable to owners of the Parent	72,876	308,554
Weighted average number of ordinary shares ('000)	34,014	34,014
Basic earnings per share (in PLN)	**2.14**	**9.07**

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 2020, the Parent did not have instruments causing dilution of potential ordinary shares.

27. Dividend per share

On 30 June 2020 the Parent's 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 Parent adopted a resolution on distribution of profit for 2019, under which the entire net profit of the Parent amounting to PLN 306,184,000 was allocated for 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 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
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 2020. On the date of these consolidated financial statements, the decision on the distribution of profit for 2020 was not yet taken. Recommendation of the Parent's Management Board regarding profit distribution for 2020 is expected to be issued in the middle of the second quarter 2021.

28. Additional notes to operating cash flows

	NOTE	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019
Balance-sheet change in liabilities, liabilities under contracts with customers and grants		(9,345)	(19,318)
Set-off of income tax overpaid with other taxes payable		9,058	11,857
Change in investment liabilities		(10,056)	59,475
Change in liabilities for the purposes of the consolidated statement of cash flows		**(10,343)**	**52,014**
Increase in non-current assets	4	644,621	450,614
Increase resulting from revaluation of capitalised costs of liquidating non-current assets		(31,123)	(44,046)
Other non-cash adjustments		34	15
Change in investment liabilities		(10,056)	62,349
Acquisition of property, plant and equipment		**603,476**	**468,932**
Increase in intangible assets	5	2,658	11,234

(PLN '000)

Other non-cash adjustments	(4)	(150)
Change in investment liabilities	-	(2,874)
Acquisition of intangible assets	**2,654**	**8,210**

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

Considering that the real property tax regarding the mining excavations was settled in the portion deemed probable by the Parent, the Group has discontinued to disclose the provision for real property tax (for details see Note 17). Nevertheless possible contingent liability may primarily result from the existing discrepancies between the position of the Group 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 other structures (in addition to the declared ones) 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 Parent from which the Group 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 Group 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. The basic opinion prepared by AGH was delivered on 23 January 2019 and the Court obliged the parties to file evidence motions and reservations in relation to the contents of the opinion. The parties filed their remarks and applied for issuing supplementary opinion. As no supplementary opinion was issued, the date of the hearing was postponed several times. The supplementary opinion was received on 4 June 2020 and the Court, once again, obliged the parties to present reservations to the supplemented opinion, and further, by virtue of its decision of 15 September 2020 the Court allowed the AGH supplementary opinion as evidence in order for the parties to refer to the remarks and reservations included in the parties' letters. By virtue of the decision of 30 October 2020 the Court allowed the request of the Parent and ordered AGH to resent its stance on the evidence thesis for the AGH experts by taking into account the remuneration variants, advantageous for the Parent, when drafting a new opinion. The date of the next hearing was set by the Court on 22 June 2021.

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 2019).

(PLN '000)

Claims of the Parent regarding a price collusion

Contingent assets resulting from a lawsuit instigated by the Parent on 30 December 2020 against A. Weber Sp. z o.o., Minova Ekochem S.A. and DSI Schaum Chemie Sp. z o.o. for the payment of PLN 23,124,000 (principal plus interest) as damages for the damage inflicted as a consequence of violating the competition law (prohibited anti-competitive agreements covering price collusion, market sharing, and bid rigging in the purchase of chemical products for mining, including polyurethane adhesives). The damage incurred by the Parent is a result of the necessity to pay overestimated price given the prohibited agreements in 2006-2010 (following the decision of the President of the Office of Competition and Consumer Protection (UOKiK) dated 16 December 2013). The case is at an initial stage now and the possible outcome cannot be estimated.

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 2020	AS AT 31 DECEMBER 2019
Property, plant and equipment	89,425	373,485
Investment liabilities	**89,425**	**373,485**

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).

31. TRANSACTIONS WITH RELATED ENTITIES

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

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

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

Key sale transactions include revenue on sales of thermal coal to the following companies: Zakłady Azotowe w Puławach S.A. (Azoty Group), PGE Energia Ciepła S.A., PGE Górnictwo i Energetyka Konwencjonalna 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 2020 and 31 December 2019, 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 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Sales in period	207,354	260,977
Total receivables at end of period including VAT	30,871	22,290

(PLN '000)

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 31 December 2020 and 31 December 2019, 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 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Purchases in period	110,577	129,228
Total liabilities at end of period including VAT	12,295	10,610

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 31 December 2020 and 31 December 2019, 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 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Purchases in period	97,754	73,105
Total liabilities at end of period including VAT	21,908	15,726

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.

In the reporting periods ending on 31 December 2020 and 31 December 2019, 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 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Sales in period	1,545,731	1,840,921
Total receivables at end of period including VAT	183,710	168,051

In the reporting periods ending on 31 December 2020 and 31 December 2019, 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 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019
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 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019
Remuneration of Management Board members and commercial proxies	**5,760**	**6,320**
Including: *- Annual award*	*1,395*	*1,870*
Remuneration of the Supervisory Board members	**493**	**511**

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 2020 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, 2018 and 2019; works related to checking whether the electricity consumption ratio for 2017-2020 was calculated correctly; and review of the Group's consolidated financial statements for 2020, prepared in the XBRL format as well as an assessment of the Report on remuneration paid to the Management Board and the Supervisory Board of the Parent for 2019-2020.

The remuneration of the auditor auditing the financial statements (of the Parent and the subsidiaries) as well as for the PricewaterhouseCoopers entities for all services provided in 2020 and 2019 is as follows:

(PLN '000)

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020	FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
Auditor's fee	380	305
Including:		
- Audit of the annual financial statements	*252*	*252*
- Review of the financial statements	*40*	*40*
- review of the Report on remuneration and the XBRL consolidated financial statements	*62*	*-*
- Other certification services (review of indicators)	*26*	*13*

34. 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 2020. 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 Group 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 Group's operating activity in Q1 2020 was relatively small. In Q2 and Q3 2020, however, the impact of the coronavirus epidemic was significantly bigger. It is impossible to quantify the exact impact of these events, as the level of sales and Group'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. This result was particularly visible in the decrease in revenue for the second quarter of 2020 (the decrease largely corresponds to the consequences of the ongoing coronavirus epidemic).

In order to mitigate the negative influence of coronavirus on its financial results, the Group took a number of adjusting and optimizing actions. One such action was the application filed by the Parent with the Provincial Labour Office to be granted financial support from the Guaranteed Employee Benefits Fund ("GEBF") in order to protect jobs (as part of Anti-Crisis Shield 4.0 relief package). The application was accepted and on 6 October 2020 the Parent was informed that is was granted financial support from GEBF amounting to PLN 33.7 million. The financial support was paid in three portions starting October 2020.

Further, on 24 November 2020, the Parent filed a supplementary motion for additional financing from GEBF for the purpose of job protection. The information on accepting the application was served to the Parent on 25 November 2020. The amount of PLN 0.65 million was granted as the additional financing to remunerations for November and December 2020 as well as for January 2021.

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 Group.

It should also be noted that on 29 September the Parent updated production assumptions for 2020 and now expects total annual net output of approx. 7.4 million tonnes. Eventually, the annual extraction was more than 7.6 million tonnes, however this level is lower compared to the expected under standard circumstances and its update was influenced by a number of factors. The significantly reduced demand for thermal coal from the commercial power plants and the heat sector observed in the first half of 2020 was a result of a warm and windy winter as well as decreased economic activity due to the coronavirus pandemic. In Q3 2020 apart from the abovementioned factors, there were also geological an mining circumstances which limited the assumed wall progress and achieved yield levels, such as deforming pressure increment causing limited capacity of longwall workings. These difficulties, combined with staff shortages stemming from the growing number of COVID-19 infections as well as the obligation to isolate employees who had been in contact with infected persons have resulted in significant limitation of output.

It shall be however emphasized that the Parent's Management Board believes the above-described hindrances to be temporary.

Impact on financial result

As far as financial areas affected by the situation related to COVID-19 are concerned, financial effects can be calculated accurately only with respect to additional financing to the costs of employee benefits and the costs of precautions undertaken in order to counteract coronavirus infections.

- Additional financing to employee benefits from the Guaranteed Employee Benefits Fund – as it was mentioned above, the total financing obtained from the Fund amounted to approximately PLN 34.3 million, of which the total of PLN 32.2 million was was accounted for in the result for 2020. The financing was disclosed in the consolidated income statement as the decrease in relevant cost items, i.e. "Costs of products, goods and materials sold" were decreased by PLN 30.0 million; "Selling costs" were decreased by PLN 0.2 million; and "Administrative expenses" were decreased by PLN 3.0 million;
- Costs of measures taken by the Parent in order to counteract coronavirus infection – the total value of costs collected on cost positions ("STK") separated during 2020 was approximately PLN 5.0 million. These are the only costs which can be identified (purchases directly related to counteracting infections) and cover primarily personal protective equipment (masks, gloves, and disinfectants), purchase/lease of devices, e.g. thermal cameras, thermometres as well as costs of SARS-CoV-2 tests.

35. 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 the financial result as at 31 December 2020, and were not disclosed in the consolidated financial statements.

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Lubelski Węgiel BOGDANKA S.A. declares that as of 24 March 2021, it approves these consolidated financial statements of the Group for the period from 1 January to 31 December 2020.

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 Legal 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