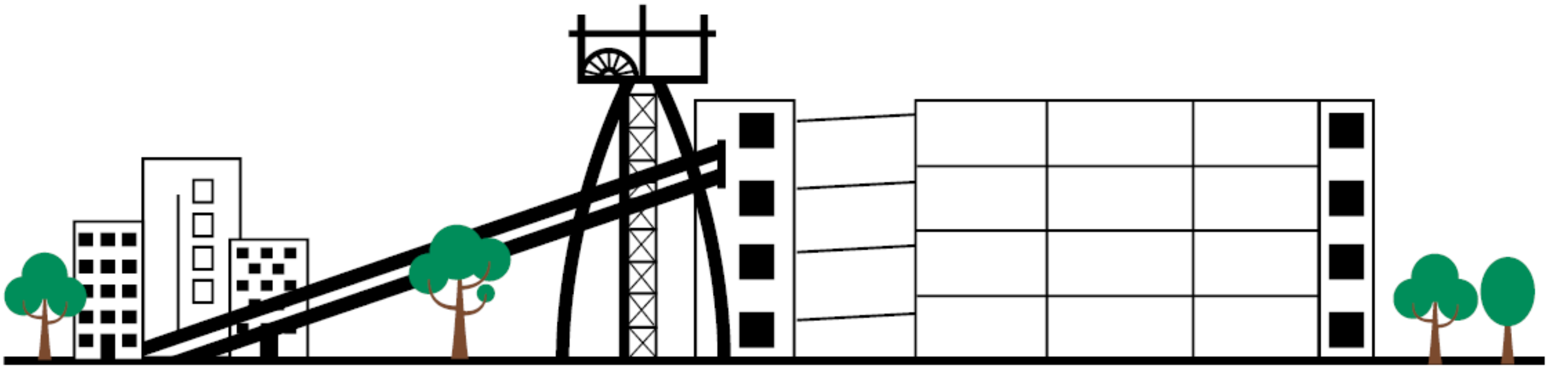
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM 1 JANUARY UNTIL 31 DECEMBER 2021



LUBELSKI WĘGIEL BOGDANKA S.A.

BOGDANKA, MARCH 2022

TABLE OF CONTENTS

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	NOTE	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Assets			
Non-current assets			
Property, plant and equipment	5	3,362,134	3,447,547
Intangible assets	6	55,674	58,358
Non-current investments	8	75,601	75,601
Right-of-use assets	7.1	20,292	23,025
Trade and other receivables	9	123	200
Cash and cash equivalents	11	147,671	141,591
Total non-current assets		3,661,495	3,746,322
Current assets			
Inventories	10	95,421	88,557
Trade and other receivables	9	323,568	266,922
Overpaid income tax		-	9,606
Cash and cash equivalents	11	580,560	216,782
Total current assets		999,549	581,867
TOTAL ASSETS		**4,661,044**	**4,328,189**
Equity			
Ordinary shares	12	301,158	301,158
Supplementary capital		702,549	702,549
Other capital reserves		1,988,063	1,918,013
Retained profits		580,844	353,647
Total equity		3,572,614	3,275,367
Liabilities			
Non-current liabilities			
Deferred income tax liability	25.3	227,229	248,152
Provisions for employee benefits	17	165,447	175,227
Provisions for other liabilities and charges	18	130,402	212,456
Grants	15	11,282	11,871
Lease liabilities	7.1	18,377	20,636
Trade and other liabilities	14	28,838	32,354
Total non-current liabilities		581,575	700,696
Current liabilities			
Provisions for employee benefits	17	39,240	34,353
Provisions for other liabilities and charges	18	25,085	7,066
Grants	15	493	469
Lease liabilities	7.1	3,048	2,974
Trade and other liabilities	14	422,181	305,935
Liabilities under contracts with customers		9,704	1,329
Current income tax liabilities		2,864	-
Financial liabilities on account of measurement of derivative instruments	16	4,240	-
Total current liabilities		506,855	352,126
Total liabilities		1,088,430	1,052,822
TOTAL EQUITY AND LIABILITIES		**4,661,044**	**4,328,189**

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

INCOME STATEMENT

	NOTE	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Continuing operations			
Sales revenue	19	2,366,062	1,818,543
Cost of products, goods and materials sold	20	(1,825,300)	(1,574,215)
Gross profit		540,762	244,328
Selling costs	20	(40,040)	(31,886)
Administrative expenses	20	(134,814)	(120,876)
Other income	21	4,739	7,296
Other expenses	22	(1,015)	(1,905)
Other net loss	23	(5,716)	(7,273)
Profit on operating activities		363,916	89,684
Finance income	24	5,176	8,342
Finance costs	24	(7,844)	(8,928)
Profit before taxation		361,248	89,098
Income tax	25.2	(69,653)	(19,048)
Profit on continuing operations		291,595	70,050
Net profit for the reporting period		**291,595**	**70,050**

EARNINGS PER SHARE

EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY DURING THE YEAR (IN PLN PER SHARE)	NOTE	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
- basic earnings per share on continuing operations		8.57	2.06
- basic earnings per share on discontinued operations		-	-
Basic earnings per share	26	**8.57**	**2.06**
- diluted earnings per share on continuing operations		8.57	2.06
- diluted earnings per share on discontinued operations		-	-
Diluted earnings per share	26	**8.57**	**2.06**

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

STATEMENT OF COMPREHENSIVE INCOME

	NOTE	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Net profit for the reporting period		**291,595**	**70,050**
Other comprehensive income/(loss) for the financial period: Items which will never be subject to reclassification to profit or loss for the current period: Actuarial gains/(losses) of defined benefit schemes	17	6,978	(1,917)
Total other gain/(loss) not to be reclassified to profit or loss, before taxation		6,978	(1,917)
Total other gain/(loss) to be reclassified to profit or loss, before taxation		-	-
Total other gain/(loss), before taxation		6,978	(1,917)
Income tax relating to non-transferrable items	25.1	(1,326)	364
Other comprehensive net income/(loss) for the reporting period		5,652	(1,553)
Other net comprehensive income for the reporting period – total		**297,247**	**68,497**

STATEMENT OF CHANGES IN EQUITY

	NOTE	ORDINARY SHARES	SUPPLEMENTARY CAPITAL	OTHER CAPITAL RESERVES	RETAINED PROFITS	TOTAL EQUITY
As at 1 January 2021		**301,158**	**702,549**	**1,918,013**	**353,647**	**3,275,367**
Total net comprehensive income for the reporting period:		-	-	-	297,247	**297,247**
- Net profit		-	-	-	*291,595*	***291,595***
- Other comprehensive income		-	-	-	*5,652*	***5,652***
Transfer of the result from previous year	27	-	-	70,050	(70,050)	**-**
Change in equity in the period		-	-	70,050	227,197	**297,247**
As at 31 December 2021		**301,158**	**702,549**	**1,988,063**	**580,844**	**3,572,614**

	NOTE	ORDINARY SHARES	SUPPLEMENTARY CAPITAL	OTHER CAPITAL RESERVES	RETAINED PROFITS	TOTAL EQUITY
As at 1 January 2020		**301,158**	**702,549**	**1,611,829**	**591,334**	**3,206,870**
Total net comprehensive income for the reporting period:		-	-	-	68,497	**68,497**
- Net profit		-	-	-	*70,050*	***70,050***
- Other comprehensive loss		-	-	-	*(1,553)*	***(1,553)***
Transfer of the result from previous year		-	-	306,184	(306,184)	**-**
Change in equity in the period		-	-	306,184	(237,687)	**68,497**
As at 31 December 2020		**301,158**	**702,549**	**1,918,013**	**353,647**	**3,275,367**

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

STATEMENT OF CASH FLOWS

	NOTE	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Cash flow from (used in) operating activities			
Net profit		291,595	70,050
Adjustments:			
Income tax in the income statement		69,653	19,048
Depreciation/amortisation		416,753	353,989
Loss on sale and liquidation of property, plant and equipment		36,303	30,793
Creating and using impairment losses of property, plant and equipment	5.3	652	6,240
Interest income		(177)	(2,482)
Dividend received		(4,509)	(945)
Interest expense		666	471
Valuation of derivative financial instruments	16	4,240	-
Other flows		117	128
Changes in working capital:			
Change in provisions for employee benefits liabilities		2,085	20,433
Changes in provisions		20,716	(7,899)
Change in inventories		(6,864)	13,642
Change in trade and other receivables		(56,569)	(23,729)
Change in trade and other liabilities	28	59,246	(12,523)
Total adjustments		542,312	397,166
Operating cash inflow		833,907	467,216
Income tax paid and received		(90,165)	(11,328)
Net cash flow from (used in) operating activities		**743,742**	**455,888**
Cash flow from (used in) investing activities			
Acquisition of property, plant and equipment	28	(374,817)	(597,643)
Acquisition of intangible assets	28	(304)	(937)
Inflow from the sale of property, plant and equipment		96	136
Interest received		177	2,482
Dividend received	24	4,509	945
Expenditure on other current investments		(68,155)	-
Inflows from other current investments		68,155	-
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund		(6,080)	(7,592)
Net cash flow from (used in) investing activities		**(376,419)**	**(602,609)**
Cash flow from (used in) financing activities			
Lease payments	7.1	(3,545)	(3,396)
Net cash flow from (used in) financing activities		**(3,545)**	**(3,396)**
Net increase / (decrease) in cash and cash equivalents before the consequences of the exchange rate changes		363,778	(150,117)
Net increase / (decrease) in cash and cash equivalents		363,778	(150,117)
Cash and cash equivalents at beginning of period		216,782	366,899
Cash and cash equivalents at end of period		**580,560**	**216,782**

1. GENERAL INFORMATION

1.1. Information about the Company

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

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

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

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

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

The Company is the Parent in the Lubelski Węgiel Bogdanka Group. This Group prepares consolidated financial statements compliant with IFRS for the financial period from 1 January to 31 December 2021. For the purpose of full understanding of the financial standing and results of the Company's operations, these financial statements should be read in conjunction with the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the period ended on 31 December 2021. The financial statements are available at the Company's website at www.ri.lw.com.pl on the date as announced in a current report stating the date of publication of the Company's financial statements as well as the Group's consolidated financial statements for the financial period ended on 31 December 2021.

The Company in the structure of the ENEA Group

On 14 September 2015, ENEA S.A. announced a tender offer for the shares of the Company and it declared its intention to acquire up to 64.57% of the total vote at the General Shareholders Meeting of the Company. The transaction was completed on 29 October 2015. As a result, ENEA S.A. along with its subsidiary acquired a total of 66% of shares in the Company, which thus became a part of the ENEA Group, whose parent is ENEA S.A. with registered office in Poznań.

The ultimate controlling entity is the State Treasury.

1.2. Assumption of going concern

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

Moreover, due to the situation resulting from the Covid-19 pandemic and in relation to the fact that the value of market capitalisation of the Company has for an extended period of time stood at a level lower than the balance-sheet value of net assets, an impairment test was carried out. As a result, no impairment nor a threat to the Company's going concern was discovered. For detailed description of the test please refer to Note 5.3.

2. DESCRIPTION OF KEY ACCOUNTING PRINCIPLES (POLICIES) APPLIED

2.1. Basis for preparation

These financial statements of LW Bogdanka S.A. were drawn up on the basis of the International Financial Reporting Standards and related interpretations announced in Regulations of the European Commission, as endorsed by the European Union ("EU IFRS").

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

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

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

Impact of climactic factors on financial statements

While preparing the financial statement the Company analyzed risks (risk factors) related to climate change. Detailed information can be found in Directors' Report on Operations of LW Bogdanka S.A. and of the LW Bogdanka Group for 2021 ("Report on operations"), in particular in the Statement on non-financial information of LW Bogdanka S.A. and of the LW Bogdanka Group, making a separate part thereof.

The Company considered the impact of climactic risks (risk factors) on the financial statement and included tchem, for example, in the impairment test of non-financial assets and in the calculation of provisions for other liabilities and charges.

2.1.1. New Accounting Policies

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

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

In compliance with the provisions of Directive 2004/109/EC of 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 of 17 December 2018 with regard to regulatory technical standards on the specification of a single electronic reporting format, the Company as the Issuer is obliged to prepare 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 applies to the consolidated financial statements, and the first statements 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 LWB – 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 2021 financial statements of the Lubelski Węgiel Bogdanka Group, in which the Company is the Parent, have been prepared in compliance with the ESEF requirement.

2.1.3. 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 of the 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 Company 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 financial statements, as indicated in the table below.

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

	VALUE OF THE ITEM RELATED TO THE ESTIMATE MADE, IN PLN '000		ACCOUNTING POLICY	DETAILS OF THE ASSUMPTIONS AND CALCULATIONS OF THE MATERIAL ESTIMATE
	2021	2020		
Property, plant and equipment	3,362,134	3,447,547	note 2.3 and 2.7	note 5
Provision for employee benefits	204,687	209,580	note 2.17	note 17
Intangible assets	55,674	58,358	note 2.4 and 2.7	note 6
Provision for mine closure and land reclamation	130,402	212,456	note 2.18	note 18
Deferred income tax liability	227,229	248,152	note 2.16	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 Company 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 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 Company;
- plans of the Company'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 Company;
- 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 Company and its plans concerning future mining;
- economic and financial model (forecast) indicating a theoretic period in which the Company 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 Company 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 Company provides economic rationale for the project and a high likelihood for obtaining the financing in order to perform the project;
- The Company obtains 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 Company 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 Company wishes to pursue the presented plan in the shape as intended (which is more likely than unlikely), and the abovementioned wish is to be performed by way of adopting relevant resolutions, publishing the plan and launching operational and investment activities.

Currently the estimated life of the mine reaches 2051 and it has not changed comparing to the most recent annual financial statements for 2020. However, the actual date of the mine closure may differ from the Company's estimates. 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

Company's coal will cause a decrease in mining below its production capacity, which will translate into extending the mine's life.

The Company 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") as well as termination of hard coal extraction in Poland until 2049, as predicted by the Social Agreement on Transformation of the Hard Coal Mining Industry and Selected Transformation Processes for Silesia. At present, apart from the necessity to align with the general framework of hard coal extraction which assumes termination of extraction by 2049, the Company remains directly unaffected by the aforementioned regulations, particularly due to financial results and operating efficiency. At the same time, the Company undertakes measures with a view to diversifying its areas of business activity and searches for new development opportunities in the form of selective extraction of coking coal.

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 2021 and 31 December 2020, 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 2021

PROVISION	CARRYING AMOUNT	DEVIATIONS			
		FINANCIAL DISCOUNT RATE		PLANNED INCREASES IN BASES	
		-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.
Pays upon retirement due to old age	60,160	5,801	(5,047)	(3,901)	4,372
Pays upon retirement due to disability	903	70	(62)	(45)	50
Long-service award	125,519	8,897	(7,891)	(6,993)	7,704
Death benefits	3,880	319	(282)	(241)	267
TOTAL	**190,462**	**15,087**	**(13,282)**	**(11,180)**	**12,393**

As at 31 December 2020

PROVISION	CARRYING AMOUNT	DEVIATIONS			
		FINANCIAL DISCOUNT RATE		PLANNED INCREASES IN BASES	
		-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.
Pays upon retirement due to old age	63,326	6,963	(5,970)	(4,505)	5,111
Pays upon retirement due to disability	1,006	90	(79)	(56)	62
Long-service award	128,495	10,537	(9,220)	(8,180)	9,112
Death benefits	4,039	384	(333)	(286)	321
TOTAL	**196,866**	**17,974**	**(15,602)**	**(13,027)**	**14,606**

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

The results of balance-sheet valuation as at 31 December 2021, 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 AWARDS	DEATH BENEFITS	TOTAL
2022*	8,675	81	15,946	313	25,015
2023	2,006	77	10,436	311	12,830
2024	1,979	74	10,143	307	12,503
2025	1,977	70	9,214	299	11,560
2026	1,993	67	9,442	281	11,783
Remainder	43,530	534	70,338	2,369	116,771
TOTAL	**60,160**	**903**	**125,519**	**3,880**	**190,462**

** Value of benefits for payment in 2022 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 the costs of mine closure and land reclamation

The Company creates a provision for the costs of mine closure and land reclamation, which it is obliged to incur under current laws.

The Calculation of the closure costs concerns underground and surface infrastructure which can be liquidated as at the balance-sheet day. It also covers facilities which constitute investments in progress. The estimated closure costs do not include the expected revenue on closure, such as the sale of scrap, buildings and equipment. General management expenses, costs of land reclamation and elimination of mining damage as well as expenses incurred on liquidation of facilities which are not covered by a legal obligation of liquidation are not included in the closure costs. It should also be noted that estimates concerning the closure costs do not include possible benefits for employees laid off as a group.

Costs by unit, used by the Polish Academy of Sciences for calculation of the costs of mine closure and land reclamation , including in particular expenses related to closure of shafts (and machinery removal), closure of underground excavations, and maintenance of underground and surface facilities necessary for the security of operation of a mine, were obtained from the documents of the Upper Silesian Coal Basin mines closed in recent years and Industrial Development Agency data. 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 2021 was extended by 1 year, the carrying amount of the provision for the costs of mine closure and land reclamation would be lower by PLN 1,509,000, and in the case that the life of the mine was extended by 10 years, the carrying amount of the provision would be lower by PLN 14,328,000. Further, in the case that the life of the mine was shortened by 1 year, the carrying amount of the provision for the costs of mine closure and land reclamation would be higher by PLN 1,527,000, and in the case that the life of the mine was shortened by 10 years, the carrying amount of the provision would be higher by PLN 20,940,000.

- Sensitivity to changes of inflation and discount rates

The inflation rate assumed for calculation of the provision for 2022-2051 is: 7.5% for 2022, 4.05% for 2023, 2.7% for 2024 and 2.5% for 2025-2051 (as at 31 December 2020 inflation rate was 1.8% for 2021, 2.45% for 2022, 2.40% for 2023 and 2.5% for 2024-2051).

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 2021 it amounted to 3.7% (as at 31 December 2020: 1.5%). The above change, given a long discount period, materially affected the amount of the provision contributing to its decrease of approx. PLN 82 million (this change has not, however, impacted materially the financial result of the Company).

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

If the adopted inflation rates departed from the Management Board's estimates by 1 p.p., the carrying amount of provisions would be higher by PLN 43,984,000 (in the event of inflation rates going up by 1 p.p.) or lower by PLN 33,168,000 (in the event of inflation rates going down by 1 p.p.).

The impact of changing the financial discount rate on the carrying amount of the provisions for the costs of mine closure and land reclamation as at 31 December 2021 and 31 December 2020 is presented in the tables below:

As at 31 December 2021

CHANGE IN THE FINANCIAL DISCOUNT RATE	-0.25 p.p.	0 p.p.	+0.25 p.p.	+1 p.p.
Value of the provision for the costs of mine closure and land reclamation	140,195	130,402	121,315	97,779

As at 31 December 2020

CHANGE IN THE FINANCIAL DISCOUNT RATE	-0.25 p.p.	0 p.p.	+0.25 p.p.	+1 p.p.
Value of the provision for the costs of mine closure and land reclamation	229,335	212,456	196,856	156,775

The analysis indicates that when the financial discount rate goes up as at 31 December 2021 by 0.25 p.p., the provision for the costs of mine closure and land reclamation is lower by PLN 9,087,000, and when the financial discount rate goes up by by 1 p.p., the provision for the costs of mine closure and land reclamation is lower by by PLN 32,623,000. When the financial discount rate goes down as at 31 December 2021 by 0.25 p.p., the provision for the costs of mine closure and land reclamation is higher by PLN 9,793,000.

Other key estimates and judgements have not changed since the publication of the annual financial statements for 2020.

2.1.4. New standards and interpretations

The following new standards and amendments to the applicable standards that entered into force on 1 January 2021 were for the first time applied in these financial statements:

- 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 ("the Board") has published the second part of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These concern accounting matters which arise when IBOR-based financial instruments move to new interest rates. The amendments introduce a number of guidelines and exemptions, in particular a practical simplification for modification of agreements required under the reform, which shall be included by updating the effective interest rate, exemption from ceasing to apply hedge accounting, temporary exemption from the obligation to identify a risk component, as well as obligation of additional disclosures.
  The application of the above amendments did not materially affect the Company's financial statements.
- Amendments to IFRS 16 "Leases"
  In 2020, in relation to the coronavirus (Covid-19) pandemic, an amendment to IFRS 16 was introduced. It enables to apply a simplification in assessing whether lease agreement amendments introduced during the pandemic constitute a lease modification. As a result, lessees may apply the simplification involving not adhering to IFRS 16 policies concerning lease agreement modifications. As the amendments concerned a reduction of lease payments due until 30 June 2021 and before, in March 2021 the Board extended the availability of a practical solution related to lease payment relief until June 2022. The amendment is applicable from 1 April 2021 with possibility of early application.
  The application of the above amendments did not materially affect the Company's financial statements.

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

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

- 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 financial statements, the amendment has not been yet endorsed by the European Union.

- 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.

- 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 recognise 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.

- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
  The amendments to IAS 37 provide clarification with respect to costs recognised 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.

- 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". The revisions include clarifications and make the guidelines in the standards regarding recognition and measurement more clarified.

- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Board guidelines concerning the practical aspect of disclosures in relation to accounting policies.
  The amendment to IAS 1 introduces a requirement to disclose material information concerning accounting principles defined in the standard. The amendment clarifies that information on accounting principles is material if their lack renders it impossible for the users of financial statements to understand vital information included therein. Moreover, Board guidelines concerning the application of the concept of materiality were also significantly amended in order to ensure directives for practical application of the idea of materiality to disclosures concerning accounting principles.

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

- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

  In February 2021, the Board issued an amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in terms of defining estimates. The amendment to IAS 8 explains how entities are to differentiate between changes in accounting principles and changes in estimates.

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

- Amendments to IAS 12 "Income Taxes"
  The amendments to IAS 12 clarify how to settle deferred tax on transactions such as leases and liabilities concerning withdrawal from mining. Prior to the amendment to the standard it was unclear whether the exemption from recognising deferred tax recognised for the first time was applicable to such transactions (for which both assets and deferred tax liabilities are considered). The amendments to IAS 12 clarify that the exemption does not apply and that entities are obliged to recognise deferred tax on such transactions. The amendments impose an obligation

to recognise deferred tax on transactions which, when first recognised, trigger equal temporary differences subject to taxation and settlement. The amendment is applicable to financial statements for periods beginning on or after 1 January 2023.

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

- Amendments to IFRS 10 and IAS 28 regarding sale or contribution of assets between an investor and its associate or joint venture
  The 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. The amendments were published on 11 September 2014.

  As at the date of drawing up the these financial statements, the endorsement of this amendment has been postponed by the European Union.

The Company currently analyses the impact of the new standards, amendments to standards and interpretations on the financial statements. In the Company's assessment, the financial statements will be mainly affected by the amendments to IAS 16 "Property, Plant and Equipment" with respect to including the value of coal obtained while drilling excavations in the cost of drilling. Starting on 1 January 2022, the revenue on sales of coal obtained while drilling excavations will not decrease the initial value of excavations, however it will be necessary to adjust expenses incurred while drilling excavations by the portion of expenses relating to production of coal obtained while drilling. The amendment will be applied retrospectively in relation to plant, property and equipment (excavations) which are adapted to the place and conditions necessary for operating as planned by the management as at or after the date initiating the earliest of the periods presented in the financial statements (that is as at 1 January 2021) and cumulative result of the first-time application of the said amendment will be recognised as an adjustment to the opening balance of retained earnings. The application of the aforementioned amendment as at 1 January 2022 will result in an increase in the value of plant, property and equipment (indicated as "excavations") by PLN 29,733,000, an increase in deferred income tax liabilities by PLN 5,649,000 and an increase in retained earnings by PLN 24,084,000.

Other amendments (to IAS 1, IFRS 3, IAS 37, annual improvements to IFRS 2018-2020, amendments to IAS 8, IFRS 10 and IAS 28) will affect the financial statements, but the Company believes that their impact should be relatively small.

2.2. Measurement of items expressed in foreign currencies

Functional currency and presentation currency

These financial statements have been prepared in Polish zloty (PLN). Polish zloty is the Company's functional and reporting currency. Data in the 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 original transaction date (exchange rate at the bank used 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 income statement, with the foreign exchange differences related to operating activity being 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.

2.3. Property, plant and equipment (Note 5)

Property, plant and equipment are non-current assets:

- which are held by the Company 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 Company 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 Company in future and the value of that item can be measured reliably. Any other outlays on repair and maintenance are recognised in the 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. 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 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 amount of an item of non-current assets exceeds its estimated recoverable value, then the carrying amount of that asset is reduced to its recoverable value (Note 2.7).

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 capitalised as a portion of the purchase price or cost of production of that asset. The amount of borrowing costs, which is subject to capitalisation, 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 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 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 from sale with their carrying amount, and is recognised in the income statement under “Other profit/(loss) - net.”

2.4. Intangible assets (Note 6)

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

Fees, licences

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

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

2.5. Leases (Note 7)

An agreement is a lease agreement if it covers an identified asset which may be either expressly specified in the agreement or indirectly specified at 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 financial statements, the Company, 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 Company measures the right to use an asset at the purchase price less depreciation and permanent impairment of value. Depreciation period starts with the start of the agreement and ends either at 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.

2.6. Non-current investments (Note 8)

Shares and equity interests in subsidiary and associated undertakings are measured at acquisition cost less impairment charges.

Gain or loss on sale of investments is calculated by comparing the revenue from sale with their carrying amount, and is recognised in the income statement under “Finance income/costs.”

2.7. Impairment of non-financial assets (Note 5.3)

Assets with indefinite useful lives are not depreciated, but tested for possible impairment each year. Depreciated 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 flow generating units). 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, release and use of impairment losses of non-financial non-current assets is disclosed in the 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”.

2.8. Financial assets (Note 16)

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

- financial assets measured at fair value through profit or 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 trading (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 through 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 trading 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 both 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 Company 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 at fair value through profit or loss are increased by transaction costs which may be directly allocated to the purchase/acquisition of those assets.

2.9. Inventories (Note 10)

Materials are disclosed at the purchase price, less possible impairment losses resulting from lengthy storage in warehouse. Goods are valued at the purchase price, which however does not exceed the net selling price possible to obtain. Finished goods are valued at production cost, which however does not exceed the net selling 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 Company for retirement are disclosed under inventories.

2.10. Trade receivables (Note 9)

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 the initial value of a receivable and its 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 Company under the contract and all cash flows that the Company expects to receive, with due account for the result of change in money value over time. The Company estimates the expected credit losses at a level of:

- credit losses expected 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 to costs disclosed in the 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 income statement.

2.11. Cash and cash equivalents (Note 11)

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 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 at each balance-sheet date (in the nominal/initial value increased by interest accrued until the balance-sheet date, adjusted by a loss allowance for expected credit losses).

The Company 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 Company) 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.

2.12. 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 Company's Management Board intends to make the sale transaction within one year from the date of changing classification. The entity 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.

2.13. Share capital (Note 12)

Ordinary shares are classified as the equity.

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

2.14. Financial liabilities (Notes 14 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 or 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 Company as measured at fair value through profit or loss.

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

Initial measurement of financial liabilities

At initial recognition the Company 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 determined 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.

2.15. Financial derivatives (Note 16)

The Company 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.

2.16. 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 Company operates and generates taxable income. The 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 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.

2.17. 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 Company pays the following key benefits:

- pays upon retirement due to old age or disability,
- long-service awards,

- death benefits.

As at the balance-sheet date, the Company recognises liabilities under the above stated benefits in the statement of financial position at the current value of the liability, taking into account actuarial gains or losses. The Company's liability under the above 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 Company is obliged to pay out to a given employee under internal rules, particularly under the Company's 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 Company'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 Company 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 Company 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 Company'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 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 statement of comprehensive income.

Profit-sharing programmes and bonus programmes

The Company recognises liabilities and expenses related to awards and bonuses as well as profit-sharing 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.

2.18. Provisions (Note 18)

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

A provision for legal claims, other claims and removal of mining damage is recognised when the Company 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 closure 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".

2.19. Recognition of revenue (Note 19)

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

- identification of the agreement,
- identification of the performance obligation,
- determination of a transaction price,
- matching the transaction price with the performance obligation,
- recognition of revenue.

The Company connects two or more agreements concluded with one client at the same time (or nearly the same time) and recognises them as one agreement, if at least one of the following criteria is met:

- the agreements are negotiated as a package and concern the same trade objective;
- remuneration due under one agreement depends on the price or performance of another agreement;
- goods or services covered by the agreements (or some goods or services covered by each of the agreements) constitute a single performance obligation.

The recognition of revenue is performed upon (or during) fulfilment 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 Company 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 Company fulfils its performance obligation in a defined moment. In order to define the moment when the customer gains control over the promised asset, and the Company fulfils its performance obligation, the Company takes account of the requirements regarding control. Furthermore, the Company takes account of circumstances indicating that the control was transferred in the following cases (without limitation):

- the Company is at the given moment entitled to receive payment for the asset,
- the customer holds a legal title to the asset,
- the Company 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 Company 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 using the effective interest rate method. Whenever a receivable is impaired, the Company 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.

Dividend income

The dividend due is recognised in financial income as at the day when a relevant Company's body adopts a resolution on profit distribution, unless the resolution sets another dividend date.

2.20. Recognition of government grants (Note 15)

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

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

Whether a grant will be disclosed in the 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 statement of financial position (balance sheet) under “Liabilities” and “Grants”.
- The above grants are accounted for in the 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 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 all related contingent liabilities or contingent assets.

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

2.21. Dividend payment (Note 27)

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

3. INFORMATION ON BUSINESS SEGMENTS

Key reporting structure – industry segments

The Company's core business is production and sale of coal. In 2021, revenue on sales of other products and services amounted to PLN 47,583,000 (in 2020: PLN 36,737,000), representing both in 2021 and in 2020 less than 2.0% of total revenue.

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

Supplementary reporting structure – geographical segments

The Company operates primarily in Poland. In 2021, revenue on foreign sale of coal totalled PLN 130,731,000 (in 2020: PLN 22,000), representing 5.5% of sales revenue (while in 2020 it accounted for less than 0.01 % of sales revenue). The Company does not hold the related assets or liabilities outside Poland.

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

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

Division into mining fields

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

Key coal customers

In 2021 and 2020 key customers for the Company's coal, whose share in sales exceeded 10% of the total revenue, were:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
ENEA Wytwarzanie Sp. z o.o.	67%	73%
ENEA Elektrownia Połaniec S.A.	11%	11%

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN ‘000)

4. INFORMATION CONCERNING SEASONALITY

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

5. PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDINGS AND STRUCTURES		PLANT AND EQUIPMENT	VEHICLES	OTHER PROPERTY, PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
		TOTAL	INCLUDING WORKINGS					
As at 1 January 2021								
Cost or assessed value	11,101	3,454,751	2,412,394	2,684,551	107,660	28,058	259,433	6,545,554
Accumulated depreciation	-	(1,405,808)	(1,003,097)	(1,606,937)	(64,270)	(20,992)	-	(3,098,007)
Net book value	**11,101**	**2,048,943**	**1,409,297**	**1,077,614**	**43,390**	**7,066**	**259,433**	**3,447,547**
As at 31 December 2021								
Net book value at beginning of year	11,101	2,048,943	1,409,297	1,077,614	43,390	7,066	259,433	3,447,547
Increases	-	-	-	-	-	1,441	445,502	446,943
Transfer from construction in progress	239	273,907	252,598	189,365	23,938	996	(488,445)	-
Decreases	-	(120,938)	(35,988)	(468)	(49)	-	(3,725)	(125,180)
Depreciation	-	(252,561)	(229,864)	(149,024)	(6,085)	(2,690)	-	(410,360)
Impairment loss	(81)	211	-	(8)	-	-	3,062	3,184
Net book value	11,259	1,949,562	1,396,043	1,117,479	61,194	6,813	215,827	3,362,134
As at 31 December 2021								
Cost or assessed value	11,259	3,468,396	2,492,310	2,860,779	130,923	28,093	215,827	6,715,277
Accumulated depreciation	-	(1,518,834)	(1,096,267)	(1,743,300)	(69,729)	(21,280)	-	(3,353,143)
Net book value	**11,259**	**1,949,562**	**1,396,043**	**1,117,479**	**61,194**	**6,813**	**215,827**	**3,362,134**
As at 1 January 2020								
Cost or assessed value	11,200	3,302,541	2,297,226	2,434,466	106,281	26,566	216,935	6,097,989
Accumulated depreciation	-	(1,347,236)	(967,481)	(1,474,761)	(62,807)	(19,378)	-	(2,904,182)
Net book value	**11,200**	**1,955,305**	**1,329,745**	**959,705**	**43,474**	**7,188**	**216,935**	**3,193,807**
As at 31 December 2020								
Net book value at beginning of year	11,200	1,955,305	1,329,745	959,705	43,474	7,188	216,935	3,193,807
Increases	-	31,123	-	-	-	2,142	605,721	638,986
Transfer from construction in progress	12	286,195	280,039	265,181	5,274	1,027	(557,689)	-
Decreases	(111)	(30,589)	(30,580)	(260)	(89)	(8)	(33)	(31,090)
Depreciation	-	(192,880)	(169,907)	(146,484)	(5,269)	(3,283)	-	(347,916)
Impairment loss	-	(211)	-	(528)	-	-	(5,501)	(6,240)
Net book value	11,101	2,048,943	1,409,297	1,077,614	43,390	7,066	259,433	3,447,547
As at 31 December 2020								
Cost or assessed value	11,101	3,454,751	2,412,394	2,684,551	107,660	28,058	259,433	6,545,554
Accumulated depreciation	-	(1,405,808)	(1,003,097)	(1,606,937)	(64,270)	(20,992)	-	(3,098,007)
Net book value	**11,101**	**2,048,943**	**1,409,297**	**1,077,614**	**43,390**	**7,066**	**259,433**	**3,447,547**

In 2021 and 2020 the borrowing costs, which would be subject to capitalisation in the value of property, plant and equipment, were not incurred.

No collateral was established on property, plant and equipment.

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Cost of products, goods and materials sold	(402,358)	(338,453)
Selling costs	(287)	(313)
Administrative expenses	(7,715)	(9,150)
As at 31 December	**(410,360)**	**(347,916)**

5.1. Property, plant and equipment – workings

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

As at 31 December 2021:

	QUANTITY [items]	LENGTH [m]	INITIAL VALUE	ACCUMULATED DEPRECIATION	NET VALUE AS AT THE BALANCE-SHEET DATE	DEPRECIATION LEVEL IN THE GIVEN GROUP
Walls disclosed under non-current assets, depreciated with the cost-of-production method, including:	26	28,792	499,437	(352,513)	146,924	71%
- depreciated until December 2021	*8*	*7,683*	*177,711*	*(140,123)*	*37,588*	*79%*
Galleries disclosed under non-current assets, depreciated according to useful life	246	95,997	1,685,300	(587,935)	1,097,365	35%
Other items, depreciated according to useful life (shafts, shaft towers, dams, reservoirs and other)	30	-	307,573	(155,819)	151,754	51%
Total as at 31 December 2021	**302**	**124,789**	**2,492,310**	**(1,096,267)**	**1,396,043**	**44%**

As at 31 December 2020

	QUANTITY [items]	LENGTH [m]	INITIAL VALUE	ACCUMULATED DEPRECIATION	NET VALUE AS AT THE BALANCE-SHEET DATE	DEPRECIATION LEVEL IN THE GIVEN GROUP
Walls disclosed under 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	1,601,748	(531,591)	1,070,157	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**	**2,412,394**	**(1,003,097)**	**1,409,297**	**42%**

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

5.2. Property, plant and equipment – construction in progress

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Excavations (galleries)	125,843	172,540
Expansion of the waste storage yard in Bogdanka	9,428	9,245
Construction of new mining fields	1,378	454
Modernisation of the central air conditioning system in Stefanów	-	24,335
Reinforcement of shaft 1.3 lining	6,578	6,171
Purchase of belt conveyors	1,709	16,289
Purchase of a ploughing complex	60,039	-
Overhaul of mechanical miners and heading machines	-	10,173
Other	10,852	20,226
As at 31 December	**215,827**	**259,433**

5.3. Impairment losses on the property, plant and equipment

Impairment test for 2021

When preparing the financial statements of the Company, the Management Board makes a periodic assessment of the premises indicating a possible impairment of assets, as instructed in IAS 36 "Impairment of assets". Such an analysis is even more significant in light of the ongoing Covid-19 pandemic ("coronavirus"), causing companies to operate in volatile, non-standard and unprecedented conditions. Therefore, the Management Board has to demonstrate particular attention.

The analysis of indicators carried out at the end of the previous financial year confirmed the necessity of performing the impairment test, mainly due to the accumulation of factors, such as the value of the Company's market capitalisation remaining lower than balance-sheet value of net assets as well as the pandemic. While repeating the analysis of indicators for the purpose of drawing up the financial statements of the Company as at 31 December 2021, the Management Board did not identify new premises indicating impairment, it was however noted that market capitalisation continues to be lower than balance-sheet value of net assets. The Company's Management Board believes this situation is still primarily a result of factors beyond its control, such as political reasons and the EU's climate policy, limited trust in mining sector companies, and partially low liquidity of shares and low free float.

It should, however, be noted that 2021 saw a significant increase (over 60%) in share price of the Company. The coronavirus pandemic, continuing from the beginning of 2020, affects current operations of the Company and its market environment to a lower extent than originally anticipated. Thanks to the intense work of employees and optimized wall run system and timetable the Company increased production in an attempt to take benefit of the period of higher coal demand. Nevertheless, previous indicators continue to apply, hence the Company is obliged to carry out a test for impairment for cashflow generating units for 2021.

Considering that it was not possible to determine the fair value for a very large group of assets for which no active market exists, neither are comparable transactions available, the recoverable value of the tested assets was determined in the process of estimating their value in use by employing the discounted cash flow method on the basis of financial projections for the period between 2022 and 2051 prepared by the Company.

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

- Given that individual departments and the internal mine organisation are interrelated, all Company's assets were deemed as one CGU;
- The forecast period from 2022 to 2051 was estimated on the basis of current coal resources, held by the Company as at the balance-sheet date (available for use with the employment of the existing – as at the balance-sheet date – infrastructure, mainly with respect to shafts). Beginning from 2044 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;

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

- The average level of coal production and sales volume was determined to amount to 9.2 million tonnes in 2022-2030; In 2025 production of type 34 coal will commence (according to the current production plan);
- Available operating coal resources increased by approx. 17 million tonnes, as compared to 2020. This comes as a result of additional walls being included in the model, for instance after the production plan was extended to take into account deposit 377 in the Bogdanka field, extended mining in fields K6, K7 and Ostrów (available for use thanks to current infrastructure) as well as areas neighboring mining shafts;
- Coal prices in 2022-2027 were set on the basis of materials prepared for own needs of LWB S.A.; the average price of coal in the period was estimated at a level of PLN 11.45/GJ, assuming the side trend in the +/- 3% range; Coal prices in 2028-2049 were accepted on the basis of the average weighted sale price from 2022-2027;
- The whole model is non-inflationary;
- Real increase in remunerations was assumed for the whole forecast period at a level reflecting best possible estimate of the Management Board, as at the date when the test was made;
- WACC of 6.57% during the whole period of the forecast, estimated on the basis of the latest economic data (with the risk-free rate of 3.31% and beta 1.16) was taken as a discount rate before taxation;
- The average annual level of CAPEX during the whole forecast period of PLN 351,094,000, including on average PLN 465,256,000 in 2022-2035.
- The model used in the impairment test (cash flows and value of assets subject to testing arising therefrom) was prepared as at 30 September 2021. In the past the models were prepared by the Company as at 31 December, however, the period was changed in order to ensure consistency at all consolidation levels throughout the Lubelski Węgiel Bogdanka Group and the Enea Group. The Company's Management Board analysed the fourth quarter of 2021 to identify events which could indicate new premises of impairment as well as material one-off events of potentially significant impact on test results, which would have to be recognised in the model. No such premises or one-off events were identified.

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

AS AT 31 DECEMBER 2021	RECOVERABLE VALUE OF ASSETS SUBJECT TO THE TEST	NET BALANCE-SHEET VALUE OF ASSETS SUBJECT TO TEST
Results of the impairment test	3,269,264	2,781,049

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 units include discount rate and thermal coal price and sales volume. The results of the analysis of model sensitivity (change in recoverable value) to the change of key assumptions is presented in the tables below:

Impact of the change in the financial discount rate (base value 6.57%):

CHANGE OF ASSUMPTIONS	-0.5 p.p.	BASE VALUE	+0.5 p.p.
Changes in recoverable value	222,117	3,269,264	(206,205)

Impact of the change in coal price:

CHANGE OF ASSUMPTIONS	-0.5 p.p.	BASE VALUE	+0.5 p.p.
Changes in recoverable value	(117,826)	3,269,264	117,877

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

Impact of the change of real increase in remunerations:

CHANGE OF ASSUMPTIONS	-0.5 p.p.	BASE VALUE	+0.5 p.p.
Changes in recoverable value	280,067	3,269,264	(300,489)

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 2021	**4,394**	**211**	**3,715**	**11,409**	**19,729**
Creation of impairment loss	81	-	8	563	652
Use of impairment loss	-	(211)	-	(3,625)	(3,836)
As at 31 December 2021	**4,475**	**-**	**3,723**	**8,347**	**16,545**
As at 1 January 2020	**4,394**	**-**	**3,187**	**5,908**	**13,489**
Creation of impairment loss	-	211	528	6,551	7,290
Release of impairment loss	-	-	-	(1,050)	(1,050)
As at 31 December 2020	**4,394**	**211**	**3,715**	**11,409**	**19,729**

The creation and release of the impairment losses in relation to construction in progress was disclosed in the income statement under “Other net loss”.

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN ‘000)

6. INTANGIBLE ASSETS

	COMPUTER SOFTWARE	FEES, LICENCES	GEOLOGICAL INFORMATION	TOTAL
As at 1 January 2021				
Cost or assessed value	8,178	21,285	54,343	83,806
Accumulated amortisation	(5,236)	(5,285)	(14,927)	(25,448)
Net book value	**2,942**	**16,000**	**39,416**	**58,358**
As at 31 December 2021				
Net book value at beginning of year	2,942	16,000	39,416	58,358
Increases	-	305	-	305
Decreases	(22)	-	-	(22)
Amortisation	(565)	(1,042)	(1,360)	(2,967)
Net book value	2,355	15,263	38,056	55,674
As at 31 December 2021				
Cost or assessed value	7,810	21,436	54,343	83,589
Accumulated amortisation	(5,455)	(6,173)	(16,287)	(27,915)
Net book value	**2,355**	**15,263**	**38,056**	**55,674**

As at 1 January 2020				
Cost or assessed value	8,038	20,488	54,343	82,869
Accumulated amortisation	(4,631)	(4,255)	(13,567)	(22,453)
Net book value	**3,407**	**16,233**	**40,776**	**60,416**
As at 31 December 2020				
Net book value at beginning of year	3,407	16,233	40,776	60,416
Increases	139	797	-	936
Amortisation	(604)	(1,030)	(1,360)	(2,994)
Net book value	2,942	16,000	39,416	58,358
As at 31 December 2020				
Cost or assessed value	8,178	21,285	54,343	83,806
Accumulated amortisation	(5,236)	(5,285)	(14,927)	(25,448)
Net book value	**2,942**	**16,000**	**39,416**	**58,358**

No collateral was established on intangible assets. Both in 2021 and 2020 the Company did not produce intangible assets on its own.

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Cost of products, goods and materials sold	(2,909)	(2,912)
Selling costs	(2)	(3)
Administrative expenses	(56)	(79)
Total	**(2,967)**	**(2,994)**

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

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

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

	GEOLOGICAL INFORMATION	TOTAL
As at 1 January 2021	**1,780**	**1,780**
As at 31 December 2021	**1,780**	**1,780**
As at 1 January 2020	**1,780**	**1,780**
As at 31 December 2020	**1,780**	**1,780**

Both in 2021 and in 2020 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 5.3.

7. LEASES

7.1. 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 2021			
Cost or assessed value	15,314	14,051	29,365
Accumulated depreciation	(928)	(5,412)	(6,340)
Net book value	**14,386**	**8,639**	**23,025**
As at 31 December 2021			
Net book value at beginning of year	14,386	8,639	23,025
Increases	728	-	728
Decreases	-	(35)	(35)
Depreciation	(464)	(2,962)	(3,426)
Net book value	14,650	5,642	20,292
As at 31 December 2021			
Cost or assessed value	16,042	14,016	30,058
Accumulated depreciation	(1,392)	(8,374)	(9,766)
Net book value	**14,650**	**5,642**	**20,292**
As at 1 January 2020			
Cost or assessed value	15,314	3,729	19,043
Accumulated depreciation	(464)	(2,797)	(3,261)
Net book value	**14,850**	**932**	**15,782**
As at 31 December 2020			
Net book value at beginning of year	14,850	932	15,782
Increases	-	10,356	10,356
Decreases	-	(34)	(34)
Depreciation	(464)	(2,615)	(3,079)
Net book value	14,386	8,639	23,025
As at 31 December 2020			
Cost or assessed value	15,314	14,051	29,365
Accumulated depreciation	(928)	(5,412)	(6,340)
Net book value	**14,386**	**8,639**	**23,025**

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

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Depreciation of the right-of-use assets	3,426	3,079
Finance costs	667	472
Total	**4,093**	**3,551**

Changes in lease liabilities and the balance as at 31 December 2021 are presented in the table below:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
As at 1 January	**23,610**	**16,212**
Increases	728	10,356
Decreases	(35)	(34)
Principal instalment under financial lease agreements	(2,878)	(2,924)
As at 31 December	**21,425**	**23,610**

Maturity structure of lease liabilities as at 31 December 2021 is presented in the table below:

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Less than 1 year	3,048	2,974
From 1 year to 2 years	2,621	3,056
From 2 to 5 years	251	2,781
More than 5 years	15,505	14,799
Total	**21,425**	**23,610**

7.2. Minimum future payments on operating lease agreements which cannot be revoked

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

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Less than 1 year	220	206
From 1 year to 2 years	99	184
From 2 to 5 years	-	92
Minimum future payments	**319**	**482**

The Company is 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.

8. NON-CURRENT INVESTMENTS

	SHARES	TOTAL

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN ‘000)

As at 31 December 2021		
Net book value at beginning of year	75,601	75,601
Net book value at end of year	**75,601**	**75,601**

As at 31 December 2020		
Net book value at beginning of year	75,601	75,601
Net book value at end of year	**75,601**	**75,601**

Non-current investments are the shares held in subsidiaries.

The Company holds shares in the following companies: 88.7% shares in Łęczyńska Energetyka Sp. z o.o.; 100% shares in EkoTRANS Bogdanka Sp. z o.o.; 100% shares in RG Bogdanka Sp. z o.o.; and 100% shares in MR Bogdanka sp. z o.o.

In 2021 the Company did not make any new non-current investments.

9. TRADE AND OTHER RECEIVABLES

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Trade receivables	303,955	226,737
Write-downs of receivables	(7,613)	(5,085)
Net trade receivables	296,342	221,652
Accruals and deferrals	27,104	35,582
Other receivables	122	9,688
Current	323,568	266,922
Accruals and deferrals	123	200
Non-current	123	200
Total trade and other receivables	**323,691**	**267,122**

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

All receivables of the Company are expressed in PLN.

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
As at 1 January	**5,085**	5,965
Creation of impairment loss	2,556	920
Receivables written down during the year as uncollectible	(1)	(29)
Reversal of unused amounts	(27)	(1,771)
As at 31 December	**7,613**	**5,085**

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

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

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN ‘000)

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Up to 1 month	-	1
Above 12 months	7,613	5,084
Total	**7,613**	**5,085**

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 2021	AS AT 31 DECEMBER 2020
Up to 1 month	29	288
1 to 3 months	-	24
3 to 6 months	-	83
Total	**29**	**395**

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

10. INVENTORIES

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Materials	91,665	63,653
Revaluation write-off due to impairment of value	-	(138)
Finished goods	3,756	25,042
Total	**95,421**	**88,557**

Cost of inventories in the income statement was disclosed under "Cost of products, goods and materials sold" totalling PLN 1,825,300,000 in 2021 (2020: PLN 1,574,215,000).

Changes in the impairment losses of inventories are presented below:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
As at 1 January	**138**	**-**
Creation of impairment losses of inventories	-	138
Use of write-off	(138)	-
Total	**-**	**138**

The creation and release of impairment losses of inventories was presented in the income statement in "Other net profits/(losses)."

No collateral was established on inventories.

11. CASH AND CASH EQUIVALENTS

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Cash in banks	53,280	165,557

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

Bank deposits	674,951	192,816
Total	**728,231**	**358,373**
Including:		
*- Non-current**	*147,671*	*141,591*
- Current	*580,560*	*216,782*
Total	**728,231**	**358,373**

** cash with restricted liquidity*

As at 31 December 2021 the value of cash with restricted liquidity amounted to PLN 165,842,000 (31 December 2020: PLN 150,687,000) including PLN 147,671,000 (31 December 2020: PLN 141,591,000) of funds deposited in the Mine Closure Fund for the coverage of the costs of mine closure, and the remainder refers to funds collected on separate VAT accounts and collaterals received. Cash held by the Company 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:
2021 – 0.01% - 0.9%
2020 – approx. 0.1%

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

12. SHARE CAPITAL

	NUMBER OF SHARES ('000)	ORDINARY SHARES – PAR VALUE	HYPERINFLATION ADJUSTMENT	TOTAL
As at 1 January 2021	34,014	170,068	131,090	301,158
As at 31 December 2021	34,014	170,068	131,090	301,158
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

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

13. OTHER CAPITALS

Pursuant to the Articles of Association, the Company can create supplementary capital (fund) 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 refers to the Management Options Scheme adopted by a resolution of the Supervisory Board dated 30 September 2013, for the period 2013-2017. In Q3 2018 the Company and all beneficiaries of the Scheme (the persons to whom options 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.

Capital from valuation of cash flow hedges

Other capitals may include also derivatives used as cash flow hedges (in the part deemed the efficient hedge) after tax effect. During 2021 and 2020 the Company held no financial instruments hedging cash flows.

Retained profits

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

Components of equity not subject to distribution

Under Article 396.1 of the Commercial Companies Code applicable to the Company, a supplementary fund must be created to cover possible losses; at least 8% of profit for the given financial year must be transferred to the supplementary fund until it amounts to at least a third of the share capital. This portion of the supplementary fund is not available for distribution for the benefit of shareholders. As at 31 December 2021 and 31 December 2020, 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.

14. TRADE AND OTHER LIABILITIES

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Trade liabilities	134,767	125,932
Other liabilities, including:	239,089	148,617
- Company Social Benefits Fund	*327*	*307*
- Liabilities on security deposit	*4,524*	*7,548*
- Investment liabilities	*140,204*	*69,136*
- Salaries payable	*63,178*	*49,988*
- Other liabilities	*30,856*	*21,638*
Total financial liabilities	373,856	274,549
Liabilities – social security and other tax payable	77,163	63,740
Trade and other liabilities	**451,019**	**338,289**
Including:		
- Non-current	*28,838*	*32,354*
- Current	*422,181*	*305,935*
Total	**451,019**	**338,289**

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

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

15. GRANTS

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
As at 1 January	**12,340**	**12,693**
Including:		
- Non-current	*11,871*	*12,224*
- Current	*469*	*469*
Grants received	107	199
Grants settled during a year	(672)	(552)
As at 31 December	**11,775**	**12,340**
Including:		
- Non-current	*11,282*	*11,871*
- Current	*493*	*469*

The grants received for the purpose of research and development projects are settled proportionally to costs incurred by the Company in relation to performance of these projects. The remaining portion of the grants refers to non-current assets and should be settled in the full amount at the moment when it is amortised in full, sold or if an asset financed with that grant is liquidated. The manner of disclosure of the grants is described in Note 2.20.

16. FINANCIAL INSTRUMENTS

16.1. Financial instruments by category

	FINANCIAL ASSETS MEASURED AT AMORTISED COST	TOTAL
Assets as disclosed in the statement of financial position		
Trade receivables	296,342	296,342
Cash and cash equivalents	728,231	728,231
As at 31 December 2021	**1,024,573**	**1,024,573**

	FINANCIAL ASSETS MEASURED AT AMORTISED COST	TOTAL
Assets as disclosed in the statement of financial position		
Trade receivables	221,652	221,652
Cash and cash equivalents	358,373	358,373
As at 31 December 2020	**580,025**	**580,025**

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

	LIABILITIES MEASURED AT AMORTISED COST	LIABILITIES MEASURED AT FAIR VALUE	TOTAL
Liabilities as disclosed in the statement of financial position			
Trade and other financial liabilities as well as liabilities under contracts with customers	284,675	4,240	288,915
Lease liabilities	21,425	-	21,425
As at 31 December 2021	**306,100**	**4,240**	**310,340**
Interest and commissions paid			
Interest	667	-	667
Total	667	-	667

	LIABILITIES MEASURED AT AMORTISED COST	LIABILITIES MEASURED AT FAIR VALUE	TOTAL
Liabilities as disclosed in the statement of financial position			
Trade and other financial liabilities as well as liabilities under contracts with customers	196,397	-	196,397
Lease liabilities	23,610	-	23,610
As at 31 December 2020	**220,007**	**-**	**220,007**
Interest and commissions paid			
Interest	472	-	472
Total	472	-	472

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 2021, a USD/PLN currency forward (liability amounting to PLN 4,240,000) was the only financial instrument measured at fair value – Level 2 (there were no financial instruments measured at fair value at the end of the analogous period of 2020).

16.3. Financial risk factors

The Company 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 Company's general programme for risk management primarily focuses on ensuring the Company’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 Company to implement its investment projects. 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 Company, 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 Company holds a significant amount of interest-bearing assets, the Company's revenue and cash flows from operating activities are affected by changes in market interest rates.

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN ‘000)

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 the case of liabilities the interest rate risk may particularly be connected with current and non-current debt instruments and variable-rate loans, as they may expose the Company to the risk of change of cash flows as a result of changes of interest rates. It should be noted that as at the end of 2021 and 2020 the Company did not use a third-party financing.

The Company has an open overdraft facility agreement with a limit of up to PLN 150 million.

It should be noted that as a result of Covid-19 pandemics and due to actions undertaken by institutions responsible for shaping the country's monetary policy, the level of interest rates has maintained a historic low through the majority of 2021. By the end on 2021 and at the beginning of 2022 the Monetary Policy Council increased interest rates multiple times. On one hand this translates into a significant rise in interest income on assets held, but on the other it results in higher costs of debt servicing.

It should be expected in the future that interest rates will continue to rise, however, considering the relation of interest-bearing assets to interest-bearing liabilities, the Company's financial result should improve.

Based on the 2021 and 2020 data concerning the Company'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 2021 with respect to bank deposits of free cash amounts to PLN 580,560,000 (as at 31 December 2020 – PLN 216,782,000), and with respect to Mine Closure Fund assets – PLN 147,671,000 (as at 31 December 2020 – PLN 141,591,000).

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 2021:

CHANGE IN INTEREST RATE	-1 p. p.	-0.5 p. p.	+0.5 p. p.	+1 p. p.
Estimated impact	(5,806)	(2,903)	2,903	5,806

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	(2,168)	(1,084)	1,084	2,168

The value of assets relating to Mine Closure Fund exposed to interest rate risk amounts to PLN 147,671,000 as at 31 December 2021 (PLN 141,591,000 as at 31 December 2020).

Impact of changes in interest rates on finance income under funds deposited to the Mine Closure Fund as at 31 December 2021:

CHANGE IN INTEREST RATE	-1 p. p.	-0.5 p. p.	+0.5 p. p.	+1 p. p.
Estimated impact	(1,477)	(738)	738	1,477

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

16.3.2. Currency risk

The Company enters into specific transactions denominated in foreign currencies, which brings about a risk of exchange rate fluctuations. The Company is exposed mostly to a risk of changes in EUR/PLN and USD/PLN exchange rates. Given the growing export sales to Ukraine, sales of coal, denominated in USD, constituted the most significant transaction bearing currency risk. The Company works on mitigating the risk by means of currency agreements.

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

Simultaneously the Company does not exclude the possibility of future purchase of specialised plant and equipment should machinery require renewal (specialised plant and equipment used in mining). Such transactions may also bear currency risk as purchases are frequently denominated in EUR.

As at 31 December 2021 the Company had financial assets exposed to the currency risk in the amount of PLN 309,000 (as at the end of 2020: PLN 329,000). Financial liabilities exposed to the currency risk as at 31 December 2021 amounted to PLN 4,660,000 (as at 31 December 2020 PLN 233,000) 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 pre-tax earnings in any manner.

16.3.3. Credit risk

The Company 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 Company'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 Company pursues a policy limiting credit exposure connected with particular financial institutions. As far as customers are concerned, the Company 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 2021	AS AT 31 DECEMBER 2020
Cash in hand and bank deposits	728,231	358,373
Current trade receivables	296,342	221,652
Total exposure to credit risk	**1,024,573**	**580,025**
Receivables from 7 key customers	284,967	218,306
Concentration of credit risk under receivables from 7 key customers	96%	98%
Cash deposited at Bank Gospodarstwa Krajowego S.A. (expressed as % of total cash and bank deposits)	99.7%	98%
Cash deposited at Bank Millenium S.A. (expressed as % of total cash and bank deposits)	less than 0.1%	1%
Cash deposited at PEKAO S.A. (expressed as % of total cash and bank deposits)	less than 0.1%	less than 1%
Cash deposited at PKO Bank Polski S.A. (expressed as % of total cash and bank deposits)	Less than 0.1%	Less than 0.1%
Cash deposited at mBank S.A. (expressed as % of total cash and bank deposits)	0.2%	less than 1%

The ability of the Company's main customers to make payments for goods is good, therefore the credit risk is assessed as low. The Company has worked with these customers for quite a long time and to date no problems with payments have occurred. Even in the context of the Covid-19 pandemic payments were not delayed and no problems occurred in relation to recovering the Company’s receivables. 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 Company places its cash and deposits have been awarded the following ratings (data as at the date of these financial statements):

- Bank Millennium S.A. – long-term Fitch rating: BBB- (negative)

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN ‘000)

- Bank PEKAO S.A. – long-term Fitch rating: BBB+ (stable)
- Bank Gospodarstwa Krajowego – long-term Fitch rating: A- (stable)
- Bank PKO BP S.A. – long-term Moody's rating: A2 (stable)
- mBank S.A. - long-term Fitch rating: BBB- (negative)

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 Company'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 2021 the Company was a party to a revolving overdraft facility agreement with a limit of PLN 150 million. The facility agreement was concluded with Bank Gospodarstwa Krajowego ("BGK") and is scheduled for repayment by 12 May 2022. Interest on the loan is based on WIBOR 1M and bank's fixed margin. Statement of submission to execution and authorization to all Company's bank accounts kept with BGK constitute collateral for the overdraft. As at the balance-sheet date the limit was not used.

The table below presents an analysis of the Company's financial liabilities by remaining contractual maturity as at 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 2021	LESS THAN 1 YEAR	1 UP TO 2 YEARS	FROM 2 TO 5 YEARS	MORE THAN 5 YEARS
Trade and other liabilities	255,837	5,065	14,280	21,032
Financial liabilities on account of measurement of derivative instruments	4,240	-	-	-
Lease liabilities	3,594	3,084	1,530	33,354
Total	**263,671**	**8,149**	**15,810**	**54,386**

AS AT 31 DECEMBER 2020	LESS THAN 1 YEAR	1 UP TO 2 YEARS	FROM 2 TO 5 YEARS	MORE THAN 5 YEARS
Trade and other liabilities	169,148	5,106	14,003	25,664
Lease liabilities	3,580	3,580	4,033	32,110
Total	**172,728**	**8,686**	**18,036**	**57,774**

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 2021 data concerning the Company'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 3.8%. Similarly, a 1% decrease in the coal price reduces the result on sales (gross financial result – administrative expenses – selling costs) by 3.8%.

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	-57.1%	-38.1%	-19.0%	-7.6%	-3.8%	- %	3.8%	7.6%	19.0%	38.1%	57.1%

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

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

16.4. Managing capital risk

The Company's objective in the area of managing capital/financial risk is to protect the Company'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 Company'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 Company 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 Company focuses on managing cash and cash equivalents, and possible debts resulting from lease liabilities, contracted loans as well as those which may in future result from bond issue.

As at the end of 2021 and 2020 the Company had no financial liabilities in the form of loans, borrowings or bonds.

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

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Financial liabilities on account of measurement of derivative instruments	4,240	-
Lease liabilities	21,425	23,610
Net of cash and cash equivalents	(728,231)	(358,373)
Net debt	**(702,566)**	**(334,763)**
Total equity	3,572,614	3,275,367
Employed capital	2,870,048	2,940,604

17. PROVISIONS FOR EMPLOYEE BENEFITS

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Provisions as disclosed in the statement of financial position:		
Retirement and disability benefits	61,063	64,332
Long-service awards	125,519	128,495
Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	18,105	16,753
Total	**204,687**	**209,580**

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Costs recognised in the income statement:		
Retirement and disability benefits	6,342	6,299
Long-service awards	10,497	27,467
Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	32,123	10,820
Total	**48,962**	**44,586**

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Gains/costs recognised in the statement of comprehensive income:		
Retirement and disability benefits	(6,471)	2,140
Other benefits for employees (death benefits)	(507)	(223)
Total	**(6,978)**	**1,917**

Change in provisions for employee benefits liabilities:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
As at 1 January	**209,580**	**187,230**
Costs of current employment (including unused holidays, salaries and wages, death benefits and other)	51,101	28,621
Interest expense	2,628	3,357
Actuarial (gains)/losses as recognised in the income statement	(4,767)	12,608
Actuarial (gains)/losses as recognised in the statement of comprehensive income	(6,978)	1,917
Recognised in the comprehensive income, total	41,984	46,503
Benefits paid	(46,877)	(24,153)
As at 31 December	**204,687**	**209,580**
Including:		
- Non-current	165,447	*175,227*
- Current	39,240	*34,353*

Amounts disclosed in the income statement and in the statement of comprehensive income in 2021 are as follows:

	BENEFITS DURING EMPLOYMENT	POST-EMPLOYMENT BENEFITS	TOTAL
Liabilities as at 1 January	**141,209**	**68,371**	**209,580**
Costs of current employment (including unused holidays, salaries and wages, death benefits and other)	45,217	5,884	51,101
Interest expense	1,734	894	2,628
Actuarial gains as recognised in the income statement	(4,767)	-	(4,767)
Actuarial gains as recognised in the statement of comprehensive income	-	(6,978)	(6,978)
Total, as recognised in the statement of comprehensive income	**42,184**	**(200)**	**41,984**

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

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN ‘000)

	BENEFITS DURING EMPLOYMENT	POST-EMPLOYMENT BENEFITS	TOTAL
Liabilities as at 1 January	**124,320**	**62,910**	**187,230**
Costs of current employment (including unused holidays, salaries and wages, death benefits and other)	23,030	5,591	28,621
Interest expense	2,197	1,160	3,357
Actuarial losses as recognised in the income statement	12,608	-	12,608
Actuarial losses as recognised in the statement of comprehensive income	-	1,917	1,917
Total, as recognised in the statement of comprehensive income	**37,835**	**8,668**	**46,503**

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Cost of products, goods and materials sold	41,687	37,242
Selling costs	259	231
Administrative expenses	4,388	3,756
Finance costs	2,628	3,357
Total, as recognised in the income statement	**48,962**	**44,586**
Actuarial (gains)/losses as recognised in the statement of comprehensive income	(6,978)	1,917
Total, as recognised in the statement of comprehensive income	**41,984**	**46,503**

Key actuarial assumptions used in the valuation:

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Discount rate	3.70%	1.50%
Employee mobility	0.66%	0.70%
Increase in salaries and wages in the subsequent year	7.50%	1.80%
Increase in salaries and wages in 2023 (2020: in 2022)	4.05%	2.45%
Increase in salaries and wages in 2024 (2020: in 2023)	2.70%	2.50%
Increase in salaries and wages from 2025 (2020: from 2024)	2.50%	2.50%

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 2021	AS AT 31 DECEMBER 2020
Men	14.64	15.95
Women	23.22	24.21

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

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Retirement and disability benefits	12.08	13.56
Long-service awards	9.50	10.80
Death benefits	7.58	8.55

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	PROVISION FOR MINE CLOSURE AND LAND RECLAMATION	MINING DAMAGE	LEGAL CLAIMS	REAL PROPERTY TAX	OTHER	TOTAL
As at 1 January 2021	**212,456**	**2,579**	**4,368**	**-**	**119**	**219,522**
Including:						
Non-current	*212,456*	*-*	*-*	*-*	*-*	*212,456*
Current	*-*	*2,579*	*4,368*	*-*	*119*	*7,066*
Recognition in the statement of financial position:						
- Update of the created provision	*(83,674)*	*-*	*-*	*-*	*-*	*(83,674)*
Recognition in the income statement:						
- Creation of additional provisions	*-*	*5,482*	*1,232*	*-*	*13,103*	*19,817*
- Use of the created provision	*-*	*(1,679)*	*-*	*-*	*(119)*	*(1.798)*
- Release of the unused provision	*(1,567)*	*-*	*-*	*-*	*-*	*(1,567)*
- Discount settlement	*3,187*	*-*	*-*	*-*	*-*	*3,187*
As at 31 December 2021	**130,402**	**6,382**	**5,600**	**-**	**13,103**	**155,487**
Including:						
Non-current	*130,402*	*-*	*-*	*-*	*-*	*130,402*
Current	*-*	*6,382*	*5,600*	*-*	*13,103*	*25,085*

As at 1 January 2020	**171,635**	**2,149**	**12,034**	**10,306**	**174**	**196,298**
Including:						
Non-current	*171,635*	*-*	*-*	*-*	*-*	*171,635*
Current	*-*	*2,149*	*12,034*	*10,306*	*174*	*24,663*
Recognition in the statement of financial position:						
- Update of the created provision	*34,986*	*-*	*-*	*-*	*-*	*34,986*
Recognition in the income statement:						
- Creation of additional provisions	*2,145*	*1,871*	*129*	*-*	*119*	*4,264*
- Use of the created provision	*-*	*(1,441)*	*(450)*	*(10,306)*	*(174)*	*(12,371)*
- Release of the unused provision	*-*	*-*	*(7,345)*	*-*	*-*	*(7,345)*
- Discount settlement	*3,690*	*-*	*-*	*-*	*-*	*3,690*
As at 31 December 2020	**212,456**	**2,579**	**4,368**	**-**	**119**	**219,522**
Including:						
Non-current	*212,456*	*-*	*-*	*-*	*-*	*212,456*
Current	*-*	*2,579*	*4,368*	*-*	*119*	*7,066*

Mine closure and land reclamation

The Company creates a provision for the costs of mine closure and land reclamation, which it is obliged to incur under current laws. The costs of mine closure and land reclamation calculated as at 31 December 2021 amount to PLN 130,402,000 including a provision for mine closure of PLN 120,810,000 and a provision for land reclamation of PLN 9,592,000. The change in provision compared to 31 December 2020 is PLN (82,054,000); an increase resulting from the reversal of the discount write-off of PLN 3,187,000 was recognised in the income statement under “Finance cost”, a decrease resulting from updated provision for land reclamation totalling PLN 1,567,000 was recognised in the income statement under “Other income”, while a decrease caused by update of assumptions, amounting in total to PLN 83,674,000, was recognised in the statement of financial position as a decrease in “Property, plant and equipment”.

Removing mining damage

Given the need of removing damage resulting from mining activities, the Company creates a provision for mining damage. The estimated value of works necessary to remove damage as at 31 December 2021 amounts to PLN 6,382,000, and covers predominantly planned costs which will have to be incurred in connection with securing buildings, removal of damage in buildings and roads as well as compensations for damage to agricultural land. In 2021 the amount of the used provision totalled PLN 1,679,000 (PLN 1,441,000 in the whole 2020).

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN ‘000)

Legal claims

The amount disclosed constitutes a provision for certain legal claims filed against the Company by customers and suppliers. The value of made/released provisions in the current period is disclosed in the income statement under other income/expenses. In the opinion of the Company's Management Board, 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 2021.

Other

Other provisions refer primarily to a provision, created by the Company as at 31 December 2021, for the cost of purchase of green certificates in the amount of PLN 12,944,000, which were necessary for filing for redemption in relation to the purchase and use of electrical energy in 2021.

19. SALES REVENUE

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Sale of coal	2,318,479	1,781,806
Other activities	28,795	24,508
Sale of goods and materials	18,788	12,229
Total sales revenue	**2,366,062**	**1,818,543**

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

- Contracts for the sale of coal, relating to the core activities of the Company; those contracts may be of two types – with transport service (where the Company arranges transport for the customer) or without 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 revenue. The total value of all revenue on that account during 2021 amounted to PLN 18,788,000 (PLN 12,229,000 in the same period of the previous year).
- Contracts relating to the sale of other services, in which the largest portion relates to revenue from renting space in the bath – the so called hook places and closets. The service is provided almost exclusively to the Company's subcontractors (providing services within the scope of mining works to the Company), whose employees are required to use the bath under occupational and safety regulations. The total value of revenue from renting bath space in 2021 amounted to PLN 9,690,000 (PLN 10,036,000 in the same period of the previous year).

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

20. COSTS BY TYPE

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Depreciation/amortisation	416,753	353,990
Materials and energy consumption	474,751	501,940
Outsourced services	467,561	462,016
Employee benefits	726,203	651,888
Entertainment and advertising costs	10,266	7,804
Taxes, fees and charges	52,836	52,802
Other expenses by type	24,452	2,394
Total costs by type	**2,172,822**	**2,032,834**
Activities for own needs	(191,692)	(279,952)
Accruals and deferrals	8,122	1,104
Value of coal obtained from excavations	(77,918)	(55,071)
Provisions and other presentation adjustments between costs by type and by function	49,890	9,850
Total production cost	**1,961,224**	**1,708,765**
Change in products	21,286	6,324
Costs of goods and materials sold	17,644	11,888
Own cost of sales, including:	**2,000,154**	**1,726,977**
- Cost of products, goods and materials sold	*1,825,300*	*1,574,215*
- Selling costs	*40,040*	*31,886*
- Administrative expenses	*134,814*	*120,876*

21. OTHER INCOME

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Compensations and damages received	2,585	1,286
Release of the provision for possible PEMUG claims	-	4,206
Other,	2,154	1,804
including:		
- Release of other provisions for liabilities	*1,721*	*216*
- Release of impairment losses	*235*	*11*
- Return of the excise tax	*-*	*1,411*
- Other income	*198*	*166*
Total other income	**4,739**	**7,296**

22. OTHER EXPENSES

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Donations	(766)	(1,132)
Enforcement fees and penalties	(125)	(435)
Compensation	-	(197)
Other	(124)	(141)
Total other expenses	**(1,015)**	**(1,905)**

23. OTHER NET LOSS

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

Profit/(loss) on sale of non-current assets	60	(67)
Currency exchange differences	1,036	(6)
Profit/(loss) on liquidation of non-current assets	(375)	(154)
Impairment losses due to impairment of non-current assets	(652)	(6,240)
Valuation of derivative financial instruments	(4,240)	-
Other	(1,545)	(806)
Total other net loss	**(5,716)**	**(7,273)**

24. FINANCE INCOME AND EXPENSES

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Interest income on short-term bank deposits	210	1,418
Dividend received	4,509	945
Other income, including:	457	5,979
- Interest regarding the Mine Closure Fund	*263*	*967*
- Release of the provision for interest on possible PEMUG claims	*-*	*3,139*
- Profit/(loss) on the settlement of interest on real property tax	*-*	*1,693*
- Other	*194*	*180*
Total finance income	**5,176**	**8,342**
Interest expense on valuation of employee benefits	(2,628)	(3,357)
Settlement of discount regarding provision for the Mine Closure Fund and land reclamation	(3,187)	(3,690)
Creation of a provision and impairment losses of interest	(484)	(443)
Interest expense of the lease of non-current assets	(667)	(472)
Other costs	(878)	(966)
Total finance costs	**(7,844)**	**(8,928)**

25. INCOME TAX

25.1. Tax burden

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Current tax	91,902	8,953
Deferred tax charged to financial result	(22,249)	10,095
Deferred tax charged to other comprehensive income:	1,326	(364)
- from actuarial gains/(losses) as recognised in the statement of comprehensive income	*1,326*	*(364)*
Total	**70,979**	**18,684**

25.2. Reconciliation of an effective tax rate

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Profit before taxation	361,248	89,098
Tax calculated at the rate of 19%	68,637	16,929
Correction of income tax for previous years	(1,125)	(23)
Tax effect of income permanently excluded from the taxable base, including:	(905)	(647)
- Dividend received from subsidiaries	*(857)*	*(179)*
- Hypothetical interest on retained capital	*(48)*	*(48)*
- Other	*-*	*(420)*
Tax effect of costs permanently excluded from the taxable base:	3,046	2,789

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

- Payment to the National Fund for the Disabled	*1,393*	*1,295*
- Donations	*146*	*215*
- Other interest	*58*	*228*
- Amortisation/depreciation	*500*	*532*
- Additional financing	*28*	*329*
- Other	*921*	*190*
Decrease in financial result by the income tax	**69,653**	**19,048**
Effective tax rate	**19%**	**21%**

Income tax in the financial statements was determined with the application of nominal interest rate for 2021 amounting to 19.0% (2020: 19.0%).

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

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

25.3. Deferred income tax

Assets and liabilities regarding the deferred income tax mutually set-off if the Company 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 financial statements:

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Deferred income tax assets		
- to be realised after 12 months	*32,279*	*33,462*
- to be realised within 12 months	*19,398*	*11,642*
Total deferred income tax assets	**51,677**	**45,104**
Deferred income tax liability		
- to be realised after 12 months	*274,846*	*288,021*
- to be realised within 12 months	*4,060*	*5,235*
Total deferred income tax liabilities	**278,906**	**293,256**
Deferred income tax liabilities (net)	**227,229**	**248,152**

Changes in deferred income tax assets and liabilities during the year (before taking into account their set-off under one legal jurisdiction) are as follows:

Change in deferred income tax assets

DEFERRED INCOME TAX ASSETS	PROVISION FOR EMPLOYEE BENEFITS AND SIMILAR	UNPAID REMUNERATION AND OTHER BENEFITS	PROVISION FOR REAL PROPERTY TAX	PROVISION FOR MINING DAMAGE	OTHER	TOTAL
As at 1 January 2021	**39,880**	**3,792**	**-**	**490**	**942**	**45,104**
(Decrease in)/recognition of comprehensive income, including:	(989)	6,033	-	723	806	6,573
- recognised in the income statement	*337*	*6,033*	*-*	*723*	*806*	*7,899*

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

- recognised in the statement of other comprehensive income	*(1,326)*	*-*	*-*	*-*	*-*	*(1,326)*
As at 31 December 2021	**38,891**	**9,825**	**-**	**1,213**	**1,748**	**51,677**
As at 1 January 2020	**35,633**	**3,825**	**1,440**	**408**	**6,823**	**48,129**
(Decrease in)/recognition of comprehensive income, including:	4,247	(33)	(1,440)	82	(5,881)	(3,025)
- recognised in the income statement	*3,883*	*(33)*	*(1,440)*	*82*	*(5,881)*	*(3,389)*
- recognised in the statement of other comprehensive income	*364*	*-*	*-*	*-*	*-*	*364*
As at 31 December 2020	**39,880**	**3,792**	**-**	**490**	**942**	**45,104**

Projections prepared for the Company suggest that tax income will be generated in 2022 and in the subsequent years. Based on these projections, it was concluded that there is no risk of failure to realise deferred income tax assets disclosed in these financial statements.

Change in deferred income tax liability

DEFERRED INCOME TAX LIABILITY	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 2021	**279,500**	**4,761**	**8,387**	**133**	**475**	**293,256**
Decrease in/(recognition) of comprehensive income, including:	(11,359)	(2,103)	(1,682)	(133)	927	(14,350)
- recognised in the income statement	*(11,359)*	*(2,103)*	*(1,682)*	*(133)*	*927*	*(14,350)*
As at 31 December 2021	**268,141**	**2,658**	**6,705**	**-**	**1,402**	**278,906**
As at 1 January 2020	**274,269**	**3,430**	**8,690**	**133**	**28**	**286,550**
Decrease in/(recognition) of comprehensive income, including:	5,231	1,331	(303)	-	447	6,706
- recognised in the income statement	*5,231*	*1,331*	*(303)*	*-*	*447*	*6,706*
As at 31 December 2020	**279,500**	**4,761**	**8,387**	**133**	**475**	**293,256**

**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 for 2020 as disclosed in the statement of financial position as at the end of the previous year (PLN 9,606,000) was in 2021 set off with current liabilities on account of other taxes.

26. EARNINGS PER SHARE

Basic

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Earnings attributable to shareholders of the Company	291,595	70,050
Weighted average number of ordinary shares ('000)	34,014	34,014

Basic earnings per share (in PLN)	**8.57**	**2.06**

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 2021, the Company did not have instruments causing dilution of potential ordinary shares.

27. DIVIDEND PER SHARE

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

At the Annual General Shareholders Meeting on 24 June 2021, the Shareholders of the Company adopted a resolution on the distribution of profit for 2020, under which the entire net profit of the Company amounting to PLN 70,050,000 was allocated for reserve capital. An analogous resolution was adopted by the Shareholders in 2020 in relation to profit for 2019.

Therefore, the Company did not pay any dividend to the Shareholders in 2021 or in 2020.

The Management Board of the Company is analysing the possibility of paying the dividend for 2021. On the date of these financial statements, the decision on the distribution of profit for 2021 was not yet taken. Recommendation of the Company's Management Board regarding profit distribution for 2021 is expected to be issued in the middle of the second quarter 2022.

28. ADDITIONAL NOTES TO OPERATING CASH FLOWS

	NOTE	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Balance-sheet change in liabilities, liabilities under contracts with customers and grants		120,540	(11,394)
Set-off of income tax overpaid with other taxes payable		10,731	9,058
Change in investment liabilities		(72,025)	(10,187)
Change in liabilities for the purposes of the statement of cash flows		**59,246**	**(12,523)**
Increase in non-current assets	5	446,943	638,986
Increase resulting from revaluation of capitalised costs of liquidating non-current assets relating to mining activities		-	(31,123)
Other non-cash adjustments		(101)	(33)
Change in investment liabilities		(72,025)	(10,187)
Acquisition of property, plant and equipment		**374,817**	**597,643**
Increase in intangible assets	6	305	936
Other non-cash adjustments		(1)	1
Acquisition of intangible assets		**304**	**937**

29. CONTINGENT ITEMS

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

Real property tax

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

Considering that the real property tax regarding the mining excavations was settled in the portion deemed probable by the Company, the Company has discontinued to disclose the provision for real property tax. Nevertheless possible contingent liability may primarily result from the existing discrepancies between the position of the Company and the position of tax authorities with respect to the subject of that tax. The issue revolves around the question of whether there are in the Company's 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 determined that the facilities are subject to the real property tax. The extent of liability defined above has not changed significantly compared to the end of the prior financial year (31 December 2020).

Patent claims

The contingent liability for legal claims related to the fee for co-inventors of inventions covered with patents no. 206048 and 209043 functioning at the Company from which the Company does not create any provision may primarily result from impossibility to assess whether the claim in question is justified and different positions taken by the Company and the co-inventors of inventions covered with the abovementioned patents. The value of the possible liability as at the day of publishing these financial statements amounts to PLN 48 million. The Company estimated a provision for remuneration for co-inventors to the best of its knowledge and in line with principles so far applied at the Company when calculating remunerations for inventors. The item provisions for legal claims shows a provision for legal claims regarding remuneration for co-inventors of inventions covered by patents No. 206048 and 209043, used at the Company. The amount of remuneration will be subject to analysis of court experts or experts accepted by both parties, to be made upon drafting a technical opinion regarding the patented inventions.

At the end of 2021 an opinion regarding the inventions was drawn at the AGH University of Science and Technology in Kraków. The parties were given the opportunity to provide their reservations to the opinion. On 8 February 2022 a hearing, during which all claimants testified, was held. At present the parties are awaiting the date of another hearing, during which a representative of the Company’s Management Board would testify.

Further actions will depend on the assessment of the opinions. The extent of liability defined above has not changed significantly compared to the end of the prior financial year (31 December 2020).

Claims regarding a price collusion

Contingent assets resulting from a lawsuit instigated by the Company 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 Company 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 still 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 statement of financial position, amount to:

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Property, plant and equipment	242,950	89,425
Investment liabilities	**242,950**	**89,425**

Future contractual liabilities include mainly agreements for mining works and the purchase of plant and machinery and depend on the amount of scheduled preparatory works (drilling excavations).

31. TRANSACTIONS WITH RELATED ENTITIES

All transactions with related entities are concluded in the ordinary course of business carried on by the Company and are performed on an arms’ length basis.

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN ‘000)

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

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

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

In the reporting periods ending on 31 December 2021 and 31 December 2020, the value of trade on account of sales to the above entities and the Company' total receivables from those entities were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Sales in period	272,190	207,354
Total receivables at end of period including VAT	34,682	30,871

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

In the reporting periods ending on 31 December 2021 and 31 December 2020, the value of purchases from the above entities and the Company's total liabilities to those entities were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Purchases in period	122,872	110,577
Total liabilities at end of period including VAT	12,981	12,295

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 2021 and 31 December 2020, the value of trade on account of purchases from the ENEA Group companies and the Company's total liabilities to those entities were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Purchases in period	85,297	97,754
Total liabilities at end of period including VAT	17,693	21,908

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.

In the reporting periods ending on 31 December 2021 and 31 December 2020, the value of trade on account of sale with the ENEA Group companies and the Company's total receivables from those entities were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Sales in period	1,886,441	1,545,731
Total receivables at end of period including VAT	246,790	183,710

Transactions of the Company with the subsidiary companies of the Lubelski Węgiel Bogdanka Group

The Company's revenue resulting from the co-operation with its subsidiary, Łęczyńska EnergetykaSp. z o.o., is in the most part generated through sale of coal, lease of premises, telecommunications services, investor supervision, and re-invoicing of electricity costs.

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

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

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

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

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

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

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

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

In the reporting periods ending on 31 December 2021 and 31 December 2020, the value of trade on account of purchases from subsidiaries making the Lubelski Węgiel Bogdanka Group and the Company's total liabilities to those entities were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Purchases in period, including:	148,702	121,792
- Purchases of services capitalised on the value of property, plant and equipment	*33,735*	*11,470*
Total liabilities at end of period including VAT	17,485	13,398

In the reporting periods ending on 31 December 2021 and 31 December 2020, the value of trade on account of sales to subsidiaries making the Lubelski Węgiel Bogdanka Group and the Company's total receivables from those entities were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Sales in period	13,761	12,431
Total receivables at end of period including VAT	2,208	2,154

In the reporting periods ending on 31 December 2021 and 31 December 2020 the value of dividends due and received from subsidiaries making the Lubelski Węgiel Bogdanka Group were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Dividend received from the LW BOGDANKA Group companies	4,509	945

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Remuneration of the Management Board members and commercial proxies	**5,916**	**5,760**
Including:		
- Annual award	*1,558*	*1,395*
Remuneration of the Supervisory Board members	**529**	**493**

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

Apart from the standard remuneration on account of managerial contracts, appointment or employment relationship, no other transactions with key personnel took place in 2021 and in the same period of the previous year.

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

On 24 March 2021, the Supervisory Board adopted a resolution on appointing PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. with registered office in Warsaw, as an entity authorised to:

- review the Company's financial statements and the Group's consolidated financial statements for the first halves of 2021 and 2022,
- audit the Company's financial statements and the Group's consolidated financial statements for 2021 and 2022.

Since 16 February 1995 PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. 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 Company used the services of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. and PwC entities in the past. The services covered, inter alia, review and audit of separate and consolidated financial statements, including verification of XBRL consolidated financial statements for 2020; tax advisory regarding, for example, excise tax; reviewing the correctness of Excise Ratio calculations made by the Company; works related to checking whether the electricity consumption ratio was calculated correctly; and an assessment of the Report on remuneration paid to the Management Board and the Supervisory Board of the Company.

The remuneration for the auditor auditing the financial statements of the Company as well as for the PricewaterhouseCoopers entities for all services provided in 2021 and 2020 is as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Auditor's fee	**264**	**298**
Including:		
- Audit of the annual financial statements	*150*	*170*
- Review of the financial statements	*50*	*40*
- Review of the Report on remuneration and the XBRL consolidated financial statements	*55*	*62*
- Other certification services (review od indicators)	*9*	*26*

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

The coronavirus (SARS-Cov-2) epidemic continuing from 2020 and causing Covid-19 still has a significant impact on the economy, both in Poland and internationally. It is still necessary for the government to take measures counteracting the epidemic and introduce other restrictions which affect the condition of the economy. The said measures and influences may be observed on the example of the third wave of the coronavirus, which took place in Q1 and at the beginning of Q2 2021 as well as on the example of the fourth wave experienced in Q4 2021. Since the beginning of 2022 we may once more observe a rising number of cases and patients admitted to hospitals, in particular due to new coronavirus variant – Omnicron. As it spreads easily, the fourth wave smoothly transitioned into the fifth wave.

However, as at the date of drawing up these statements, the circumstances described above did not impact the Company's operations and financial results as severely as in 2020. Moreover, record high production results which translated into the financial result for 2021 were achieved thanks to efforts aimed at best possible use of production capacity, such as the intense work of employees and optimized wall run system and timetable in the period of higher coal demand.

FOR 12 MONTHS ENDED 31 DECEMBER 2021 (IN PLN '000)

Bearing in mind the risks posed by Covid-19, the Company continues to apply proper security and other measures to counteract the negative impact of Covid-19 on its operations and financial results. These measures include, in particular, personal protection equipment, keeping distance, proper work organisation, use of shift work or home office where possible, and suitable technical resources facilitating prophylaxis.

35. EVENTS AFTER THE BALANCE-SHEET DATE

On 27 January 2022 the Company entered into an agreement with the employees with respect to wage policy for 2022. One of the provisions – effective from 1 February 2022 – shortens the period of the employment guarantee from 5 years to 2.5 years and decreases maximum severance pay to 12 multiple of average monthly remuneration at the Company. The Company believes that employment guarantees introduced under the agreement made with the employees, both as concluded initially and considering the guarantee period shortened under the agreement dated 27 January 2022, will not have a material impact on its financial statements or its financial results.

On 24 February 2022 the army of the Russian Federation, stationed near the Ukrainian border, attacked Ukraine thus triggering an armed conflict. Currently the event has a material impact on social and economic situation, affecting global economies as well as the Company and the Lubelski Węgiel Bogdanka Group.

Based on information available as at the date of drawing up these financial statements, the Management Board of the Company assessed the influence of the above event on several key areas:

- Export sales, developed recently and covering mainly coal sold to Ukraine, accounted for 5.5% of the Company's sales revenue for 2021. In 2022 sale of coal to Ukraine may be significantly hindered due to the armed conflict, damage to infrastructure and increased risk related to supplies. At present it is impossible to foresee the exact scale of hindrances and their duration, but the Company believes the current demand for power coal to be sufficient (for instance due to lower production in Poland and obstacles to import) for the Company to allocate coal originally dedicated to Ukrainian markets domestically and internationally.
- The risk and uncertainty resulting from the event described above has a material impact on price of raw materials used for power production (crude oil, natural gas, power coal, renewable sources) globally. High demand for gas and uncertainty with respect to supply of raw materials (i.e. due to limited import of raw materials from the East) translate into high demand for electric energy from coal power plants.
- The event also affects prices and availability of other raw materials significant to the Company, in particular steel. At present the risk is mitigated thanks to concluded long-term agreements for supplies and stocks of key materials made in advance (also for heading casing elements). In the long term the event may have an adverse effect on the Company's operations and financial result.
- Neither the Company nor its subsidiaries making part of the Lubelski Węgiel Bogdanka Group have employed Ukrainians thus far, hence the event does not directly affect the Company's or Lubelski Węgiel Bogdanka Group's personnel to a significant degree.

Given the above and considering the development of the situation, the event should not materially impact the Company's operations and financial situation in the short term. It may, however, in the long term.

After the balance-sheet date, to the best of the Company's knowledge, no other material events occurred, which could affect the financial result as at 31 December 2021, and were not disclosed in the financial statements.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The Management Board of Lubelski Węgiel Bogdanka S.A. declares that as of 22 March 2022, it approves these financial statements of the Company for the period from 1 January to 31 December 2021, for publication.

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

ARTUR WASIL President of the Management Board	…………………………………………………………………………
ARTUR WASILEWSKI Vice-President of the Management Board, Economic and Financial Affairs	…………………………………………………………………………
DARIUSZ DUMKIEWICZ Vice-President of the Management Board, Development	…………………………………………………………………………
ADAM PARTYKA Vice-President of the Management Board, Employee and Social Affairs	…………………………………………………………………………
KASJAN WYLIGAŁA Vice-President of the Management Board, Operations	…………………………………………………………………………
URSZULA PIĄTEK Chief Accountant	…………………………………………………………………………