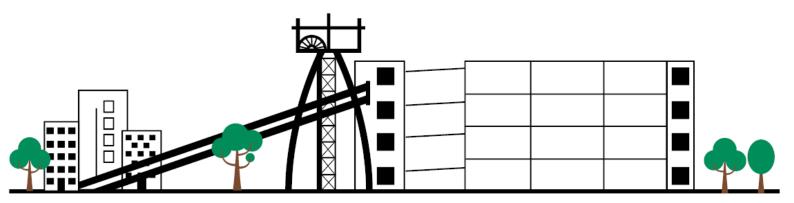
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM 1 JANUARY UNTIL 31 DECEMBER 2021



THE LUBELSKI WĘGIEL BOGDANKA GROUP



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Assets Non-current assets Property, plant and equipment Intangible assets Right-of-use asset	5 6 7.1	AS AT 31 DECEMBER 2021 3,440,342	AS AT 31 DECEMBER 2020
Non-current assets Property, plant and equipment Intangible assets Right-of-use asset	6	3,440,342	
Non-current assets Property, plant and equipment Intangible assets Right-of-use asset	6	3,440,342	
Property, plant and equipment Intangible assets Right-of-use asset	6	3,440,342	
Intangible assets Right-of-use asset			3,531,565
9	7.1	55,989	59,175
· ·		26,205	25,288
Investment properties	8	2,886	3,044
Deferred tax assets	26.3	2,243	2,089
Trade and other receivables	9	1,092	1,193
Cash and cash equivalents	11	147,671	141,591
Total non-current assets		3,676,428	3,763,945
Current assets			
Inventories	10	99,744	91,124
Trade and other receivables	9	325,697	268,260
Overpaid income tax		· -	10,324
Cash and cash equivalents	11	600,175	241,610
Current assets not designated for sale		1,025,616	611,318
Total current assets		1,025,616	611,318
TOTAL ASSETS		4,702,044	4,375,263
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		591,671	367,665
Equity attributable to shareholders of the Parent		3,583,441	3,289,385
Non-controlling interests		10,268	10,442
Total equity		3,593,709	3,299,827
Liabilities		-,,	
Non-current liabilities			
Loans and borrowings	16	4,822	7,858
<u> </u>	26.3	227,251	248,187
Provisions for employee benefits	18	168,857	178,671
Provisions for other liabilities and charges	19	130,402	212,456
Grants	15	11,282	11,871
Lease liabilities	7.1	20,622	22,914
Trade and other liabilities	14	29,575	33,093
Total non-current liabilities		592,811	715,050
Current liabilities			
Loans and borrowings	16	3,120	3,150
Provisions for employee benefits	18	41,778	36,656
Provisions for other liabilities and charges	19	25,186	7,314
Grants	15	493	469
Lease liabilities	7.1	6,784	3,005
Current income tax liabilities		1,215	-
Financial liabilities on account of measurement of derivative instruments	17	4,240	-
Trade and other liabilities	14	423,004	308,463
Liabilities under contracts with customers		9,704	1,329
Current liabilities not designated for sale		515,524	360,386
Total current liabilities		515,524	360,386
Total liabilities		1,108,335	1,075,436
TOTAL EQUITY AND LIABILITIES		4,702,044	4,375,263



CONSOLIDATED 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	20	2,371,280	1,822,112
Cost of products, goods and materials sold	21	(1,828,167)	(1,573,417)
Gross profit		543,113	248,695
Selling costs	21	(39,714)	(31,669)
Administrative expenses	21	(134,947)	(120,307)
Other income	22	5,223	7,737
Other expenses	23	(1,128)	(1,894)
Other net loss	24	(5,749)	(7,321)
Profit on operating activities		366,798	95,241
Finance income	25	675	7,537
Finance costs	25	(8,345)	(9,588)
Profit before taxation		359,128	93,190
Income tax	26.2	(70,862)	(20,228)
Profit on continuing operations		288,266	72,962
Net profit for the reporting period		288,266	72,962
including profit attributable to: - shareholders of the Parent - non-controlling interests		288,354 (88)	72,876 86

EARNINGS PER SHARE

ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT 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		8.48	2.14
- basic earnings per share on discontinued operations		-	-
Basic earnings per share	27	8.48	2.14
- diluted earnings per share on continuing operations		8.48	2.14
- diluted earnings per share on discontinued operations		-	-
Diluted earnings per share	27	8.48	2.14



CONSOLIDATED 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		288,266	72,962
Other comprehensive income/(loss) for the reporting period Items which will never be subject to reclassification to profit or loss for the current period:			
Actuarial gains/(losses) of defined benefit schemes	18	7,039	(2,021)
Total other gain/(loss) not to be reclassified to profit or loss, before taxation		7,039	(2,021)
Total other gain/(loss) to be reclassified to profit or loss, before taxation		-	-
Total other gain/(loss), before taxation		7,039	(2,021)
Income tax relating to non-transferrable items	26.1	(1,337)	384
Other comprehensive net income/(loss) for the reporting period		5,702	(1,637)
Other net comprehensive income for the reporting period – total		293,968	71,325
including comprehensive income attributable to:			
- shareholders of the Parent		294,056	71,242
- non-controlling interests		(88)	83



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTE	ORDINARY SHARES	SUPPLEMENTARY CAPITAL	OTHER CAPITAL RESERVES	RETAINED PROFITS	TOTAL EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As at 1 January 2021		301,158	702,549	1,918,013	367,665	3,289,385	10,442	3,299,827
Total net comprehensive income for the reporting period:		-	-	-	294,056	294,056	(88)	293,968
- Net profit		-	-	-	288,354	288,354	(88)	288,266
- Other comprehensive income		-	-	-	5,702	5,702	-	5,702
Dividend		-	-	-	-	-	(86)	(86)
Transfer of the result from previous year	28	-	-	70,050	(70,050)	-	-	-
Change in equity in the period		-	=	70,050	224,006	294,056	(174)	293,882
As at 31 December 2021		301,158	702,549	1,988,063	591,671	3,583,441	10,268	3,593,709

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



CONSOLIDATED CASH FLOW STATEMENT

	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		288,266	72,962
Adjustments:			
Income tax in the consolidated income statement		70,862	20,228
Depreciation/amortisation		430,151	364,686
Loss on sale and liquidation of property, plant and equipment		36,335	30,808
Creating and using impairment losses of property, plant and equipment	5.3	652	6,240
Interest income		(177)	(1,986)
Interest expense		1,112	471
Valuation of derivative financial instruments	17	4,240	-
Other flows		9,493	4,061
Changes in working capital:			
Change in provisions for employee benefits liabilities		2,347	21,341
Changes in provisions		20,568	(7,680)
Change in inventories		(8,620)	13,124
Change in trade and other receivables		(57,336)	(23,969)
Change in trade and other liabilities	29	57,401	(10,343)
Total adjustments		567,028	416,981
Operating cash inflow		855,294	489,943
Income tax paid and received		(92,482)	(12,983)
Net cash flow from (used in) operating activities		762,812	476,960
Cash flow from (used in) investing activities			
Acquisition of property, plant and equipment	29	(378,952)	(603,476)
Acquisition of intangible assets	29	(9,595)	(2,654)
Inflow from the sale of property, plant and equipment		96	136
Interest received		178	2,557
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		(394,353)	(611,029)
Cash flow from (used in) financing activities			
Lease payments		(6,363)	(3,494)
Repayments of loans and borrowings	16	(3,036)	(3,036)
Interest and commissions paid regarding financing activities	16	(409)	(531)
Dividend paid		(86)	-
Net cash flow from (used in) financing activities		(9,894)	(7,061)
Net increase / (decrease) in cash and cash equivalents before the consequences of the exchange rate changes	e	358,565	(141,130)
Net increase / (decrease) in cash and cash equivalents		358,565	(141,130)
Cash and cash equivalents at beginning of period		241,610	382,740
Cash and cash equivalents at end of period		600,175	241,610

1.

GENERAL INFORMATION

Name of the reporting entity: Lubelski Węgiel Bogdanka S.A.

Registered office: The Republic of Poland, Bogdanka

Legal Form: Joint-stock company

Country of registration: The Republic of Poland

Entity's registered address: Bogdanka, 21-013 Puchaczów

Basic place of conducting business: The Republic of Poland

Description of the nature and key scope of the business: extraction of hard coal

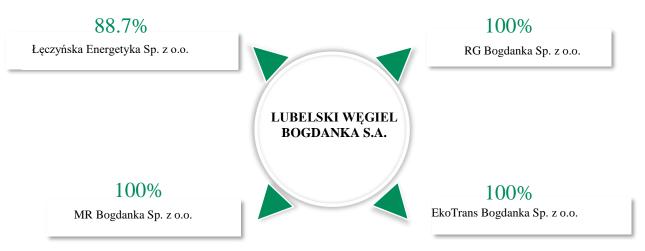
Parent's name: Enea S.A.

Name of the Group's ultimate-level parent entity:

State Treasury

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

The Lubelski Węgiel Bogdanka Group:



% of votes at the Shareholders Meeting in Subsidiaries

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

THE PARENT

Lubelski Wegiel Bogdanka S.A., with registered office in Bogdanka, 21-013 Puchaczów.

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

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

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



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

Subsidiaries



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

As at 31 December 2021, the Parent held 88.7% of shares in the capital of the subsidiary Łęczyńska Energetyka Sp. z o.o.

Łęczyńska Energetyka Sp. z o.o. provides services to the mine involving supplying heat energy and conducts water/wastewater management. In addition, the company supplies heat energy to third parties like housing estates and other facilities in Łęczna. The Company also conducts activities involving the construction and refurbishment of heat-generating, water supply and sewage disposal installations.

The company prepares its balance sheet as at 31 December.



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

As at 31 December 2021, the Parent held 100.0% of shares in the capital of the subsidiary EkoTRANS Bogdanka Sp. z o.o.

EkoTRANS Bogdanka Sp. z o.o. provides services to the mine with respect to transport, utilisation and management of spoil created during coal output cleaning and washing as well as reclamation services.

The company prepares its balance sheet as at 31 December.



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

As at 31 December 2021, the Parent held 100.0% of shares in the capital of the subsidiary RG Bogdanka Sp. z o.o.

RG Bogdanka Sp. z o.o. provides services to the mine mainly with respect to the mining works, auxiliary works and run-of-mine services.

The company prepares its balance sheet as at 31 December.



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

As at 31 December 2021, the Parent held 100.0% of shares in the capital of the subsidiary MR Bogdanka Sp. z o.o.

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

The Company prepares its balance sheet as at 31 December.

A breakdown characterising, as at the balance-sheet date, the Group's subsidiaries is presented below:

_	,,			•	-	
NAME OF THE SUBSIDIARY	BALANCE-SHEET TOTAL [PLN '000]	EQUITY [PLN '000]	% OF SHARES HELD	NON-CONTROLLING INTERESTS RESTRICTIONS IN CONTROL: RESTRICTIONS IN CONSOLIDATED ASSETS AND EQUITY & LIABILITIES		CONSOLIDATION METHOD
COMPANIES S	UBJECT TO	CONSOLI	DATION I	N THE CURRENT AND PREVIOU	JS PERIODS:	
ŁĘCZYŃSKA ENERGETYKA Sp. z o.o.	109,601	90,841	88.7	Non-controlling interests amount to 11.30% and are held by: - Łęczna Municipality 11.29% - Puchaczów Commune 0.01%	none	full
RG Bogdanka Sp. z o.o.	22,297	5,935	100.0	none	none	full
EkoTRANS Bogdanka Sp. z o.o.	3,546	700	100.0	none	none	full
MR Bogdanka Sp. z o.o.	8,139	4,880	100.0	none	none	full

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

Compared to the previous year, during 2021 no changes were made to the Parent's name and the names of subsidiaries making up the Group, or any changes to other identification data.



The Group in the structure of the ENEA Group



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



The ultimate controlling entity is the State Treasury.

1.2. Assumption of going concern

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

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

DESCRIPTION OF KEY ACCOUNTING PRINCIPLES (POLICIES) APPLIED

2.1. Basis for preparation

These consolidated financial statements of the Group were prepared in compliance with the International Financial Reporting Standards as well as the related interpretations published in the form of regulations of the European Commission, as endorsed by the European Union ("EU IFRS").

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

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

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



Impact of climactic factors on consolidated financial statements

While preparing these consolidated financial statements the Group analyzed risks (risk factors) related to climate changes. 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 Group considered the impact of climactic risks (risk factors) on consolidated financial statements and included them, 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 consolidated financial statements were prepared using the same accounting principles for the current and comparative periods; the consolidated financial statements follow the same accounting principles (policies) and calculating methods as the latest approved annual consolidated financial statements.

2.1.2. 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 Parent as the Issuer is obliged to prepare consolidated financial statements in compliance with the European Single Electronic Format (ESEF) for the financial year starting on 1 January 2020. At the moment this obligation 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 the Parent – the issuers must embed XBRL tags into these statements; currently the tagging requirement refers to basic components of the financial statements, i.e. statement of financial position, profit and loss account and the statement of comprehensive income, statement of changes in equity and statement of cash flows. Considering the above, the annual consolidated financial statements of the Lubelski Wegiel Bogdanka Group for 2021 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 the consolidated financial statements on the basis of the International Financial Reporting Standards and in accordance with the accounting policies.

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

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

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



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

	VALUE OF THE I TO THE ESTIM IN PLN	IATE MADE,	ACCOUNTING POLICY	DETAILS OF THE ASSUMPTIONS AND CALCULATIONS OF THE MATERIAL ESTIMATE
	2021	2020		
Property, plant and equipment	3,440,342	3,531,565	note 2.4 and 2.8	note 5
Provision for employee benefits	210,635	215,327	note 2.18	note 18
Intangible assets	55,989	59,175	note 2.5 and 2.8	note 6
Provision for mine closure and land reclamation	130,402	212,456	note 2.19	note 19
Deferred tax assets	2,243	2,089	note 2.17	note 26.3
Deferred income tax liability	227,251	248,187	note 2.17	note 26.3

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

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

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

- > final and binding mining licences and permits to carry out business, held by the Parent;
- plans of the Parent's Management Board with respect to the manner of carrying out extraction of its deposits;
- ▶ formal documents in the form of approved plans, strategy of the Parent;
- current economic situation in Poland and worldwide, which has impact on the mining sector and day-to-day business operations of the Parent and its plans concerning future mining;
- economic and financial model (forecast) indicating a theoretic period in which the Parent will have enough resources to conduct mining as per the assumed average annual extraction (production) level.

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

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

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

Currently the estimated life of the mine reaches 2051 and it has not changed comparing to the most recent annual consolidated financial statements for 2020. The actual date of mine closure may however differ from that estimated by the Parent. This follows from the fact that the length of the mine's life has been estimated using the current coal reserves only, available as at the reporting date. A possible drop in demand for the Parent's coal will cause a decrease in mining below its production capacity, which will translate into extending the mine's life.



The Parent is aware of works pending on the restructuring of the Polish mining industry, as announced in the Poland's Energy Policy until 2040 ("PEP 2040") 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 Parent remains directly unaffected by the aforementioned regulations, particularly due to financial results and operating efficiency. At the same time, the Parent undertakes measures with a view to diversifying the Group's 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 18. 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

	DEVIATIONS							
PROVISION	CARRYING —	FINANCIAL DISC	COUNT RATE	PLANNED INCREA	PLANNED INCREASES IN BASES			
	AMOUNT	-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.			
Pays upon retirement due to old age	61,276	5,879	(5,116)	(3,961)	4,440			
Pays upon retirement due to disability	922	72	(64)	(47)	51			
Long-service award	128,038	9,075	(8,050)	(7,133)	7,859			
Death benefits	4,044	334	(294)	(253)	281			
TOTAL	194,280	15,360	(13,524)	(11,394)	12,631			



As at 31 December 2020

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

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*	8,771	83	16,236	333	25,423
2023	2,042	77	10,646	321	13,086
2024	2,014	75	10,346	317	12,752
2025	2,012	71	9,398	309	11,790
2026	2,028	68	9,632	290	12,018
Remainder	44,409	548	71,780	2,474	119,211
TOTAL	61,276	922	128,038	4,044	194,280

^{*} 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 Group 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 Group).

If the adopted inflation rates departed from the Parent's Management Board's estimates by 1 p.p., the carrying amount of provisions would be 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

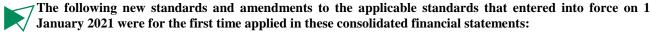
As at 31 December 2020

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 1 p.p., the provision for the costs of mine closure and land reclamation is lower 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 consolidated financial statements for 2020.

2.1.4. New standards and interpretations



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 consolidated financial statements of the Group.

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 a possibility of early application.

The application of the above amendments did not materially affect the consolidated financial statements of the Group.

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

Amendments to IAS 1 "Presentation of Financial Statements"

The Board published amendments to IAS 1 which explain the matter of presenting liabilities as non-current and current. The published amendments are applicable to financial statements for periods beginning on or after 1 January 2023.

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

- 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 consolidated 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 consolidated 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 consolidated 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 these consolidated financial statements, the endorsement of this amendment has been postponed by the European Union.

The Group currently analyses the impact of the new standards, amendments to standards and interpretations on the consolidated financial statements. In the Group's assessment, the consolidated financial 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 consolidated 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 consolidated financial statements, but the Group believes that their impact should be relatively small.

2.2. Principles of consolidation

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

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

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

- the volume of voting rights package held in comparison to the volume of shares and the extent of dispersion of voting rights held by other shareholders;
- potential voting rights held by the Company, other shareholders or other parties;
- rights under other contractual arrangements; and



additional circumstances which may prove that the Company has the ability or not to direct relevant activities at the time of decision making, including voting patterns observed at previous general shareholders meetings.

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

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

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

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

Consolidation adjustments

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

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

Loss of control

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

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

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

Acquisition of entities

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

The Group recognises goodwill at the acquisition date as:

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

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

Cost associated with acquisition, other than costs of issuing debt or equity instruments, which are incurred by the Group in connection with business combinations, are expensed in the period when incurred. For each acquisition



the Group recognises non-controlling interests in the acquiree at fair value or at the non-controlling interests' proportionate share of identifiable net assets of the acquiree measured at fair value.

2.3. Measurement of items expressed in foreign currencies



Functional currency and presentation currency

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



Transactions and balances

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

As at the balance-sheet date:

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

2.4. Property, plant and equipment (Note 5)

Property, plant and equipment are non-current assets:

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

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

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

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

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



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

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

Land is not depreciated.

Depreciation of an item of non-current assets starts when that item is available to be placed in service. 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 balancesheet 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 2.8).

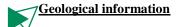
The value of a non-current asset includes costs of regular, major inspections (including certification inspections) which are considered necessary.

Borrowing costs, including interest, fees and commissions on account of liabilities, as well as currency exchange differences arising in relation to borrowings and loans in foreign currencies, to the extent they are recognised as an adjustment of interest expense, which may be directly attributed to acquisition, construction or production of an adapted item of non-current assets, are 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 consolidated income statement at the time of their use.

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

2.5. Intangible assets (Note 6)





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 is capitalised in the amount of the fee paid. The capitalised cost is amortised over the period for which the agreement for mining use has been concluded.

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



Other intangible assets

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

2.6. Lease (Note 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 consolidated financial statements, the Group, as the lessee, discloses lease agreements as the right to use the underlying asset in the purchase price which covers the value of the lease liability increased by all payments made upon or before the conclusion of the agreement, initial direct costs related to the conclusion of the agreement, estimated disassembly costs and removal of the asset, costs of refurbishing the place where the asset was stored, costs of restoring the asset to the condition in which it must be returned under the agreement unless these costs have been incurred for producing inventories. The value so calculated is decreased by value of receivables due to the incentives granted by the lessor. After the initial recognition the Group 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.

2.7. Investment properties (Note 8)

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

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

Buildings 25-40 years

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



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

2.9. Financial assets (Note 17)

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

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

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

- inancial assets held for trading (including derivative instruments for which hedge accounting is not applied),
- financial assets voluntarily classified to this category,
- inancial 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,
- inancial 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 Group measures the given financial asset which is subject to classification for the purposes of valuation at its fair value. An exception to this rule are trade receivables without a material financial component, which are measured at transaction price.

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

2.10. Inventories (Note 10)

Materials are disclosed in the purchase price, less possible impairment losses resulting from lengthy storage in warehouse. Goods are valued in the purchase price, which however does not exceed the net 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 Group for retirement are disclosed under inventories.

2.11. 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. midexchange rate quoted by the National Bank of Poland for the transaction date, while as at the balance-sheet date they are measured at the mid-exchange rate quoted by the National Bank of Poland for that day.

Impairment loss of receivables is determined on the basis of the expected credit losses. Expected credit losses are credit losses weighted with a risk of default. A credit loss is the difference between all contractual cash flows due to the Group under the contract and all cash flows that the Group expects to receive, with due account for the result of change in money value over time. The Group estimates the expected losses at a level of:

- 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 consolidated income statement, under selling costs. When trade receivables become uncollectible, they are written off against the provision for trade receivables. Subsequent collection of amounts previously written off is credited against "Selling cost" (as a decrease in costs) in the consolidated income statement.

2.12. Cash and cash equivalents (Note 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 consolidated statement of financial position as an item of current loans and borrowings under current liabilities.

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

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

2.13. Non-current assets held for sale

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



2.14. Share capital (Note 12)

Ordinary shares are classified as the equity.

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

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

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

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

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

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

- financial liabilities meeting the definition of financial liabilities held for trading, including derivatives not used in hedge accounting,
- inancial liabilities voluntarily classified by the Group 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 Group measures the given financial liability which is subject to classification for the purposes of valuation at its fair value.

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

Balance-sheet valuation and recognition of revaluations

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

- Financial liabilities measured at fair value through profit or loss
 - Financial liabilities classified to the category of financial liabilities measured at fair value through profit or loss are measured as at each balance-sheet day at fair value. The fair value 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.

2.16. Financial derivatives (Note 17)

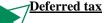
The Group may enter into derivative contracts in order to manage its currency exchange risk. They include forward contracts. Derivatives are initially recognised at fair value as at the date of concluding the respective contract, and subsequently re-measured to fair value at the end of each reporting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

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





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



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

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

2.18. Provisions for employee benefits (Note 18)

Retirement and other employee benefits

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

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

As at the balance-sheet date, the Group recognises liabilities under the above stated benefits in the consolidated statement of financial position at the current value of the liability, taking into account actuarial gains or losses. The Group's liability under 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 Group is obliged to pay out to a given employee under internal rules, particularly under the Company Collective Bargaining Agreements, as well as applicable provisions of law.

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

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

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

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

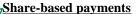
Actuarial gains and losses are charged or credited to other comprehensive income (retirement benefits) or expenses (other non-current benefits) in the consolidated statement of comprehensive income in the period in which they arise.

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

Profit-sharing programmes and bonus programmes

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





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

2.19. Provisions (Note 19)

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

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

Provision for mine closure and land reclamation

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

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

The amount of 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".

2.20. Recognition of revenue (Note 20)

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

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

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

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

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

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

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

Moment of revenue recognition

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

PRODUCT TYPE	GROUP OF PRODUCTS	MOMENT OF REVENUE RECOGNITION	MEASUREMENT METHOD	MEASUREMENT METHOD	ACTIVATING FACTOR
Permanently provided services – consumption	Hook place Use of bath Water and heat supply	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 Group reduces its carrying amount to recoverable value which is equal to estimated future cash flows discounted at the instrument's original effective interest rate; subsequently, the discounted amount is gradually charged to the interest income. Interest income on impaired loans advanced is recognised at the original effective interest rate.



2.21. Recognition of government grants (Note 15)

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

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

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

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

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

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

2.22. Dividend payment (Note 28)

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

3.

INFORMATION ON BUSINESS SEGMENTS

Key reporting structure – industry segments

The Group's core business is production and sale of coal. In 2021, revenue on sales of other products and services amounted to PLN 59,772,000 (in 2020: PLN 46,524,000), representing 2.5% in 2021 and 2.6% in 2020, respectively, of total consolidated sales revenue.

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



Supplementary reporting structure – geographical segments

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

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

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



Division into mining fields

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



Key coal customers

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



	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
ENEA Wytwarzanie Sp. z o.o.	66%	73%
ENEA Elektrownia Połaniec S.A.	11%	11%

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 consolidated sales revenue. This has no significant effect on operating and financing activities of the Group.



5.

PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDINGS AND STRUCTURES TOTAL	BUILDINGS AND STRUCTURES INCLUDING WORKINGS	PLANT AND EQUIPMENT	VEHICLES	OTHER PROPERTY, PLANT AND EQUIPMENT	CONSTRUCTI ON IN PROGRESS	TOTAL
As at 1 January 2021	44.400	2.50.452	2 444 545	2 5 7 1 2 5 2	100 515	20.255	250,020	5 727 7 22
Cost or assessed value Accumulated depreciation	11,408	3,560,462 (1,459,775)	2,411,645 (1,002,668)	2,754,872 (1,646,893)	108,746 (64,814)	30,275 (22,746)	260,030	6,725,793 (3,194,228)
Net book value	11,408	2,100,687	1,408,977	1,107,979	43,932	7,529	260,030	3,531,565
As at 31 December 2021								
Net book value at beginning of year	11,408	2,100,687	1,408,977	1,107,979	43,932	7,529	260,030	3,531,565
Increases	220	277.054	252 195	102 142	22.049	1,441	449,775	451,216
Transfer from construction in progress	239	277,054	252,185	192,143	23,948	1,125	(494,509)	(125 106)
Decreases	-	(120,938)	(35,988)	(480)	(49)	(2.010)	(3,729)	(125,196)
Depreciation	(81)	(255,815) 211	(229,864)	(155,573)	(6,221)	(2,818)	2.062	(420,427)
Impairment loss	(61)	211	<u>-</u>	(8)	<u>-</u>		3,062	3,184
Net book value	11,566	2,001,199	1,395,310	1,144,061	61,610	7,277	214,629	3,440,342
As at 31 December 2021								
Cost or assessed value	11,566	3,577,390	2,491,148	2,933,656	132,019	30,360	214,629	6,899,620
Accumulated depreciation	-	(1,576,191)	(1,095,838)	(1,789,595)	(70,409)	(23,083)	-	(3,459,278)
Net book value	11,566	2,001,199	1,395,310	1,144,061	61,610	7,277	214,629	3,440,342
As at 1 January 2020 Cost or assessed value Accumulated depreciation	11,507	3,405,599 (1,397,613)	2,296,594 (967,366)	2,501,385 (1,508,448)	107,201 (63,230)	28,669 (20,985)	218,364	6,272,725 (2,990,276)
*	_						210.241	
Net book value	11,507	2,007,986	1,329,228	992,937	43,971	7,684	218,364	3,282,449
As at 31 December 2020								
Net book value at beginning of year	11,507	2,007,986	1,329,228	992,937	43,971	7,684	218,364	3,282,449
Increases	-	31,123	-	-		2,142	611,356	644,621
Transfer from construction in progress	12	288,753	279,922	268,811	5,440	1,140	(564,156)	-
Decreases	(111)	(30,589)	(30,580)	(308)	(89)	(8)	(33)	(31,138)
Depreciation	-	(196,375)	(169,593)	(152,933)	(5,390)	(3,429)	(5.501)	(358,127)
Impairment loss	-	(211)		(528)			(5,501)	(6,240)
Net book value	11,408	2,100,687	1,408,977	1,107,979	43,932	7,529	260,030	3,531,565
As at 31 December 2020								
Cost or assessed value	11,408	3,560,462	2,411,645	2,754,872	108,746	30,275	260,030	6,725,793
Accumulated depreciation	-	(1,459,775)	(1,002,668)	(1,646,893)	(64,814)	(22,746)	-	(3,194,228)
Net book value	11,408	2,100,687	1,408,977	1,107,979	43,932	7,529	260,030	3,531,565

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.

Depreciation of non-current assets is disclosed in the consolidated 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	(412,229)	(348,386)
Selling costs	(294)	(322)
Administrative expenses	(7,904)	(9,419)
As at 31 December	(420,427)	(358,127)

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,	26	29.702	400 427	(252 512)	146.024	710/
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	1,684,138	(587,506)	1,096,632	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	2,491,148	(1,095,838)	1,395,310	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	1,600,999	(531,162)	1,069,837	33%
Other items, depreciated according to useful life (shafts, shaft towers, dams, reservoirs and other)	30	-	304,812	(150,596)	154,216	49%
Total as at 31 December 2020	302	124,114	2,411,645	(1,002,668)	1,408,977	42%

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	9,654	20,823
As at 31 December	214,629	260,030

5.3. Impairment losses on the property, plant and equipment

Impairment test for 2021

When preparing the consolidated financial statements of the Group, the Management Board of the Parent makes a periodic assessment of the premises indicating a possible impairment of assets, as instructed in IAS 36 "Impairment of assets". 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 Parent's Management Board has to demonstrate particular attention.

The analysis of indicators carried out as 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 Parent'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 consolidated financial statements of the Group as at 31 December 2021, the Management Board of the Parent 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 Parent'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 Parent. The coronavirus pandemic, continuing from the beginning of 2020, affects current operations of the Group 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 Group increased production in an attempt to take benefit of the period of higher coal demand. Nevertheless, previous indicators continue to apply, hence the Group is obliged to carry out a test for impairment for cash flow 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 Parent.

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 Parent'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 Parent as at the balance-sheet date (available for use with the employment of the existing as at the balance-sheet date infrastructure, mainly with respect to shafts). Beginning from 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;
- 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 Parent's 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 Group 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 Parent'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:

RECOVERABLE VALUE
OF ASSETS SUBJECT TO THE
TEST

NET BALANCE-SHEET VALUE OF THE ASSETS SUBJECT TO THE TEST



Results of the impairment test 3,269,264 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

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	13,519	21,839
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	10,457	18,655
As at 1 January 2020	4,394	-	3,187	8,018	15,599
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	13,519	21,839

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



5. INTANGIBLE ASSETS

	COMPUTER SOFTWARE	FEES, LICENCES	GEOLOGICAL INFORMATION	OTHER	TOTAL
As at 1 January 2021					
Cost or assessed value	8,464	21,285	54,343	8,557	92,649
Accumulated amortisation	(5,470)	(5,285)	(14,927)	(7,792)	(33,474)
Net book value	2,994	16,000	39,416	765	59,175
As at 31 December 2021					
Net book value at beginning of year	2,994	16,000	39,416	765	59,175
Increases	-	305	-	9,290	9,595
Decreases	(22)	-	-	(9,413)	(9,435)
Amortisation	(587)	(1,042)	(1,360)	(357)	(3,346)
Net book value	2,385	15,263	38,056	285	55,989
As at 31 December 2021					
Cost or assessed value	8,066	21,444	54,343	10,109	93,962
Accumulated amortisation	(5,681)	(6,181)	(16,287)	(9,824)	(37,973)
Net book value	2,385	15,263	38,056	285	55,989
As at 1 January 2020					
Cost or assessed value	8,296	20,496	54,343	10,550	93,685
Accumulated amortisation	(4,838)	(4,263)	(13,567)	(7,341)	(30,009)
Net book value	3,458	16,233	40,776	3,209	63,676
As at 31 December 2020					
Net book value at beginning of year	3,458	16,233	40,776	3,209	63,676
Increases	167	797	-	1,694	2,658
Decreases	-	-	-	(3,901)	(3,901)
Amortisation	(631)	(1,030)	(1,360)	(237)	(3,258)
Net book value	2,994	16,000	39,416	765	59,175
As at 31 December 2020					
Cost or assessed value	8,464	21,285	54,343	8,557	92,649
Accumulated amortisation	(5,470)	(5,285)	(14,927)	(7,792)	(33,474)
Net book value	2,994	16,000	39,416	765	59,175

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

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Cost of products, goods and materials sold	(3,281)	(3,169)
Selling costs	(2)	(3)
Administrative expenses	(63)	(86)
Total	(3,346)	(3,258)



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

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

	GEOLOGICAL INFORMATION	TOTAL
As at 1 January 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.

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	PLANT AND EQUIPMENT	VEHICLES	TOTAL
As at 1 January 2021				
Cost or assessed value	17,596	-	14,112	31,708
Accumulated depreciation	(992)	-	(5,428)	(6,420)
Net book value	16,604	-	8,684	25,288
As at 31 December 2021				
Net book value at beginning of year	16,604	-	8,684	25,288
Increases	728	6,419	-	7,147
Decreases	-	-	(35)	(35)
Depreciation	(496)	(2,715)	(2,984)	(6,195)
Net book value	16,836	3,704	5,665	26,205
As at 31 December 2021				
Cost or assessed value	18,324	6,419	14,098	38,841
Accumulated depreciation	(1,488)	(2,715)	(8,433)	(12,636)
Net book value	16,836	3,704	5,665	26,205
As at 1 January 2020				_
Cost or assessed value	17,596	-	3,812	21,408
Accumulated depreciation	(496)	-	(2,818)	(3,314)
Net book value	17,100	-	994	18,094
As at 31 December 2020				
Net book value at beginning of year	17,100	-	994	18,094
Increases	-	-	10,356	10,356
Decreases	-	-	(34)	(34)
Depreciation	(496)	-	(2,632)	(3,128)
Net book value	16,604	-	8,684	25,288
As at 31 December 2020				
Cost or assessed value	17,596	-	14,112	31,708
Accumulated depreciation	(992)	=	(5,428)	(6,420)
Net book value	16,604	-	8,684	25,288



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

	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	6,195	3,128
Finance costs	745	544
Total	6,940	3,672

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	25,919	18,547
Increases	7,147	10,356
Decreases	(35)	(34)
Principal instalment under financial lease agreements	(5,625)	(2,950)
As at 31 December	27,406	25,919

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	6,784	3,005
From 1 year to 2 years	2,631	3,089
From 2 to 5 years	283	2,812
More than 5 years	17,708	17,013
Total	27,406	25,919

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	271	252
From 1 year to 2 years	99	184
From 2 to 5 years	-	92
Minimum future payments	370	528

The Group 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.



INVESTMENT PROPERTIES

	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	3,044	3,140
Purchase	42	77
Liquidation	(17)	-
Depreciation	(183)	(173)
Total	2,886	3,044

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

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Revenue on investment properties	126	126
Operating expenses related to investment properties	(264)	(268)

The fair value of the investment properties estimated as at the balance-sheet date is higher than their net book value and amounts to approx. PLN 5,370,000. It was calculated by an independent expert by comparing to market prices of transactions covering similar real properties.

TRADE AND OTHER RECEIVABLES

9.

Non-current Total trade and other receivables	1,092 326,789	1,193 269,453
Non overent	1.002	1 102
Other receivables	466	455
Accruals and deferrals	626	738
Current	325,697	268,260
Other receivables	174	9,702
Accruals and deferrals	27,262	35,713
Net trade receivables	298,261	222,845
Write-downs of receivables	(7,714)	(5,186)
Trade receivables	305,975	228,031
	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020

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

All receivables of the Group are expressed in PLN.

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
As at 1 January	5,186	6,286
Creation of impairment loss	2,557	962



Receivables written down during the year as uncollectible Reversal of unused amounts	(1) (28)	(128) (1,934)
Total	7,714	5,186

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

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

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Up to 1 month Above 12 months	-	1
Above 12 months	7,714	5,185
Total	7,714	5,186

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	85	489
1 to 3 months	28	56
3 to 6 months	110	212
6 to 12 months	65	71
Above 12 months	2	138
Total	290	966

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

INVENTORIES

10.

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Materials	95,988	66,106
Revaluation write-off due to impairment of value	-	(138)
Finished goods	3,756	25,156
Total	99,744	91,124

Cost of inventories in the consolidated income statement was disclosed under "Cost of products, goods and materials sold" totalling PLN 1,828,167,000 in 2021 (2020: PLN 1,573,417,000).



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)	<u> </u>
Total	-	138

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

No collateral was established on inventories held by the Group.

. CASH AND CASH EQUIVALENTS

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Cash in banks	72,895	190,385
Bank deposits	674,951	192,816
Total	747,846	383,201
Including:		
- Non-current*	147,671	141,591
- Current	600,175	241,610
Total	747,846	383,201

^{*} cash with restricted liquidity

As at 31 December 2021 the value of cash with restricted liquidity amounted to PLN 167,219,000 (31 December 2020: PLN 161,898,000) 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 Group is denominated in PLN.

Effective interest rates of short-term bank deposits are close to nominal interest rates, and the fair value of the short-term bank deposits does not differ materially from their carrying amount.

Interest rates are based on WIBID rates and were as follows:

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 Parent have been fully paid up.



OTHER CAPITALS

Pursuant to the Articles of Association, the Parent 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 reserve 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 Parent's Supervisory Board dated 30 September 2013, for the period 2013-2017. In Q3 2018 the Parent 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 consolidated 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. In 2021 and 2020 the Group held no financial instruments hedging cash flows.



Non-controlling interests

Non-controlling interests relate exclusively to the subsidiary Łęczyńska Energetyka Sp. z o.o., and are owned by the Łęczna Municipality (11.29%) and by the Puchaczów Commune (0.01%) - 11.30% in total. In 2021 total loss attributable to non-controlling interests amounted to PLN 88,000 (in 2020 total income attributable to non-controlling interests was PLN 83,000).



Retained profits

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



Components of equity not subject to distribution

Under Article 396.1 of the Commercial Companies Code applicable to the Parent and its subsidiaries, a supplementary fund must be created to cover possible losses; at least 8% of profit for the given financial year must be transferred to the supplementary fund until it amounts to at least a third of the share capital. This portion of the supplementary fund is not available for distribution for the benefit of shareholders. As at 31 December 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	122,859	117,798
Other liabilities, including:	244,683	153,732
- Company Social Benefits Fund	571	1,162
- Liabilities on security deposit	4,550	7,561
- Investment liabilities	140,832	69,625
- Salaries payable	66,485	52,948
- Other liabilities	32,245	22,436
Total financial liabilities	367,542	271,530
Liabilities – social security and other tax payable	85,037	70,026
Trade and other liabilities	452,579	341,556
Including:		
- Non-current	29,575	33,093
- Current	423,004	308,463
Total	452,579	341,556

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

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 Parent 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 2.21.



16.

LOANS AND BORROWINGS

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Long-term:	4,822	7,858
Special purpose loans	4,822	7,858
- Regional Environmental Protection Fund in Lublin	4,822	7,858
Short-term:	3,120	3,150
Special purpose loans	3,120	3,150
- Regional Environmental Protection Fund in Lublin	3,120	3,150
Total	7,942	11,008

In 2014 the subsidiary Łęczyńska Energetyka received from the Regional Environmental Protection Fund in Lublin a special purpose loan intended for financing an investment "Construction of a water treatment facility in Bogdanka along with technological connections". The loan has been repaid in equal monthly instalments since November 2015. The due date for payment of the last instalment is 31 March 2024. The loan bears interest of 0.7 of the rediscount rate of bills of exchange set by the Monetary Policy Council (however not less than 4% annually). The loan is secured with a blank promissory note to the amount of PLN 34,554,000 as well as assignment of receivables under a heat sale agreement concluded with the Parent. In 2021 Łęczyńska Energetyka, with respect to the above loan, repaid a principal amount of PLN 3,036,000.

As at 31 December 2021 the Parent 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 was originally scheduled for repayment until 12 May 2021. On 11 May 2021, the Parent concluded the Annex to the said agreement with BGK; it prolongs the facility expiry date for another 12 months and is scheduled for repayment by 12 May 2022. Interest on the loan is based on WIBOR 1M and bank's fixed margin.

As at the balance-sheet date the facility was not used. Statement of submission to execution and authorization to all Parent's bank accounts kept with BGK constitute collateral for the facility.

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

Changes to the balance of liabilities under loans and the status as at 31 December 2021 and 31 December 2020 are presented in the table below:

	REGIONAL ENVIRONMENTAL PROTECTION FUND IN LUBLIN	TOTAL
As at 1 January 2021	11,008	11,008
Repayment of principal installments	(3,036)	(3,036)
Accrued interest	379	379
Interest paid	(409)	(409)
As at 31 December 2021	7,942	7,942
As at 1 January 2020	14,076	14,076
Repayment of principal instalments	(3,036)	(3,036)
Accrued interest	499	499
Interest paid	(531)	(531)
As at 31 December 2020	11,008	11,008

FINANCIAL INSTRUMENTS

17.1. Financial instruments by category

	FINANCIAL ASSETS MEASURED AT AMORTISED COST	TOTAL
Assets as disclosed in the statement of financial position		
Trade receivables	298,261	298,261
Cash and cash equivalents	747,846	747,846
As at 31 December 2021	1,046,107	1,046,107

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

	LIABILITIES MEASURED AT AMORTISED COST	LIABILITIES MEASURED AT FAIR VALUE	TOTAL
Liabilities as disclosed in the statement of financial			
position Loans and borrowings	7.942	-	7,942
Trade and other financial liabilities as well as liabilities under contracts with customers	273,395	4,240	277,635
Lease liabilities	27,406	-	27,406
As at 31 December 2021	308,743	4,240	312,983
Interest and commissions paid			
Interest	1,154	-	1,154
Total	1,154	-	1,154

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

17.2. Hierarchy of financial instruments

Hierarchy of financial instruments measured at fair value.

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

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



As at 31 December 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).

17.3. Financial risk factors

The Group is exposed to various types of financial risks connected with its activities, such as market risk (including cash flow risk resulting from change in interest rates), credit risk, currency risk, and liquidity risk. The Group's general programme for risk management primarily focuses on ensuring the Group's safety (securing the conducted operations), ensuring efficiency of decisions made, designed to maximise profits at an admissible level of risk, and ensuring sufficient liquidity to enable the Group 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 Group, and to minimise finance costs.

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

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

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

The assets exposed to the risk of change in interest rates are: cash in deposits and non-current cash referring to the Mine Closure Fund. In 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 Group to the risk of change of cash flows as a result of changes of interest rates.

Both in 2021 and in 2020 the Group used external financing in the form of loans, denominated in PLN. The Group is also a party to a revolving overdraft facility agreement with a limit of PLN 150 million, but during 2021 the credit limit was not used.

The total debt of the Group as at 31 December 2021 amounts to PLN 7.9 million (as at 31 December 2020 – PLN 11 million) and results from loans only. Based on simulations, it was determined that a 1 p.p. change in interest rates would increase or decrease, as applicable, the Company's gross profit by an amount lower or equal to PLN 79,000 (as at 31 December 2020: PLN 110,000) and increase or decrease, as applicable, the net profit by an amount lower or equal to PLN 64,000 (as at 31 December 2020 PLN 89,000).

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 Group's financial result should improve.

Based on the 2021 and 2020 data concerning the Group's interest-bearing assets, the sensitivity of the finance income changes to changes in interest rates has been assessed. The value of assets exposed to the interest rate risk as at 31 December 2021 with respect to bank deposits of free cash amounts to PLN 600,175,000 (as at 31 December 2020 – PLN 241,61,000), 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	(6,002)	(3,001)	3,001	6,002



Impact of changes of interest rates on finance income from deposits as at 31 December 2020:

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

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

17.3.2. Currency risk

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

Simultaneously the Group 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 Group 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.

17.3.3. Credit risk

The Group is exposed to credit risk in connection with cash and cash equivalents, deposits at banks and financial institutions, as well as credit exposures of the Group's customers. When selecting banks and financial institutions, the Group only accepts highly credible entities (rated with at least an investment rating). In addition, the Group pursues a policy limiting credit exposure connected with particular financial institutions. As far as customers are concerned, the Group mainly sells its products to regular customers whose credibility is based on the experience gained in the course of mutual cooperation. It must be noted that given the situation resulting from the Covid-19 pandemic, the customers must be checked even more carefully, and the previous experience from the past cooperation is now of lower significance.



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

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Cash in hand and bank deposits Current trade receivables	747,846 298,261	383,201 222,845
Total exposure to credit risk	1,046,107	606,046
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)	97%	93%
Cash deposited at Bank Millenium S.A. (expressed as % of total cash and bank deposits)	Less than 1%	2%
Cash deposited at Bank Ochrony Środowiska S.A. (expressed as % of total cash and bank deposits)	Less than 1%	2%
Cash deposited at PEKAO S.A. (expressed as % of total cash and bank deposits)	less than 1%	less than 1%
Cash deposited at PKO Bank Polski S.A. (expressed as % of total cash and bank deposits)	Less than 1%	Less than 1%
Cash deposited at Alior Bank S.A. (expressed as % of total cash and bank deposits)	Less than 1%	Less than 1%
Cash deposited at mBank S.A. (expressed as % of total cash and bank deposits)	less than 1%	2%

The ability of the Group's main customers to make payments for goods is good, therefore the credit risk is assessed as low. The Group has worked with these customers for quite a long time and to date no problems with payments have occurred. 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 Group places its cash and deposits have been awarded the following ratings (data as at the date of these consolidated financial statements):

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

17.3.4. Liquidity risk

Conservative management of liquidity risk consists in, inter alia, maintaining appropriate amounts of cash and ensuring availability of financing through securing credit facilities of appropriate size. The Parent's Management Board monitors the current forecasts concerning the Group's liquid assets (comprising available credit facilities,



when applicable, as well as cash and cash equivalents) based on estimated cash flows. By making this forecast, deviations between actual cash flow and the demand for cash are eliminated.

As at 31 December 2021 the Parent was a party to a revolving overdraft facility agreement with a limit of PLN 150 million (concluded with Bank Gospodarstwa Krajowego). As at the balance-sheet date the limit was not used.

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

AS AT 31 DECEMBER 2021	LESS THAN 1 YEAR	1 UP TO 2 YEARS	FROM 2 TO 5 YEARS	MORE THAN 5 YEARS
Loans and borrowings	3,378	3,173	1,810	-
Trade and other liabilities	244,557	5,065	14,280	21,032
Financial liabilities on account of measurement of derivative instruments	4,240	-	-	-
Lease liabilities	7,412	3,164	1,772	38,435
Total	259,587	11,402	17,862	59,467

AS AT 31 DECEMBER 2020	LESS THAN I YEAR	1 UP TO 2 YEARS	FROM 2 TO 5 YEARS	MORE THAN 5 YEARS
Loans and borrowings	3,530	3,294	4,983	-
Trade and other liabilities	156,397	5,106	14,003	25,664
Lease liabilities	3,685	3,686	4,275	37,271
Total	163,612	12,086	23,261	62,935

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

17.3.5. Sensitivity analysis of the financial result with respect to coal prices changes
Based on the 2021 data concerning the Group's core business, the sensitivity of the financial result to changes in market risk factors (price of coal) has been assessed.

The assessment indicates that a 1% increase in the unit price of coal (translating into a 1% increase in revenues from the sale of coal) results in a rise of the result on sales (gross profit – administrative expenses – selling costs) by 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	-56.4%	-37.6%	-18.8%	-7.5%	-3.8%	-	3.8%	7.5%	18.8%	37.6%	56.4%

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

17.4. Managing capital risk

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

In order to maintain or adjust the capital structure, the Group may change the amount of dividend declared to be paid to shareholders, refund capital to shareholders, issue new shares or dispose of assets with a view to reducing indebtedness. The above actions may currently be affected by the situation related to the Covid-19 pandemic, nevertheless in the middle- and long-term perspective the Parent intends to remain a dividend company.



In the area of capital management, the Group 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 Group had contracted loans for the financing of current operations and investment activities.

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

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Liabilities on account of loans and borrowings	7,942	11,008
Financial liabilities on account of measurement of derivative instruments	4,240	-
Lease liabilities	27,406	25,919
Net of cash and cash equivalents	(747,846)	(383,201)
Net debt	(708,258)	(346,274)
Total equity	3,593,709	3,299,827
Employed capital	2,885,451	2,953,553

PROVISIONS FOR EMPLOYEE BENEFITS

18.

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Provisions as disclosed in the consolidated statement of financial position:		
Retirement and disability benefits	62,198	65,457
Long-service awards Other benefits for employees (unused holidays, salaries and wages, death	128,038	131,066
benefits etc.)	20,399	18,804
Total	210,635	215,327

	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 consolidated income statement:		
Retirement and disability benefits	6,442	6,390
Long-service awards	10,756	27,955
Other benefits for employees (unused holidays, salaries and wages, death benefits etc.)	32,879	12,048
Total	50,077	46,393

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Gains/losses recognised in the consolidated statement of comprehensive		
income:		
Retirement and disability benefits	(6,498)	2,244
Other benefits for employees (death benefits)	(541)	(223)
Total	(7,039)	2,021

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	215,327	191,965



Costs of current employment (including unused holidays, salaries and wages, death benefits and other)	52,153	30,107
Interest expense	2,680	3,425
Actuarial gains/(losses) as recognised in the consolidated income statement	(4,756)	12,861
Actuarial gains/(losses) as recognised in the consolidated statement of comprehensive income	(7,039)	2,021
Recognised in the comprehensive income, total	43,038	48,414
Benefits paid	(47,730)	(25,052)
As at 31 December	210,635	215,327
Including:		
- Non-current	168,857	178,671
- Current	41,778	36,656

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

	BENEFITS DURING EMPLOYMENT	POST- EMPLOYMENT BENEFITS	TOTAL
Liabilities as at 1 January	145,662	69,665	215,327
Costs of current employment (including unused holidays, salaries and wages, death benefits and other)	46,158	5,995	52,153
Interest expense	1,768	912	2,680
Actuarial gains as recognised in the consolidated income statement	(4,756)	-	(4,756)
Actuarial gains as recognised in the consolidated statement of comprehensive income	-	(7,039)	(7,039)
Recognised in the consolidated statement of comprehensive income, total	43,170	(132)	43,038



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

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

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Cost of products, goods and materials sold	42,643	38,812
Selling costs	265	241
Administrative expenses	4,489	3,915
Finance costs	2,680	3,425
Recognised in the consolidated income statement, total:	50,077	46,393
Actuarial (gains)/losses as recognised in the consolidated statement of comprehensive income	(7,039)	2,021
${\bf Recognised\ in\ the\ consolidated\ statement\ of\ comprehensive\ income,\ total}$	43,038	48,414

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	12.04	13.53
Long-service awards	9.50	10.80
Death benefits	7.65	8.64



PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	OVISION FOR MINE LOSURE AND LAND RECLAMATION	MINING DAMAGE	LEGAL CLAIMS	REAL PROPERTY TAX	OTHER	TOTAL
As at 1 January 2021	212,456	2,579	4,368	-	367	219,770
Including:						
Non-current	212,456	-	-	-	-	212,456
Current	-	2,579	4,368	-	367	7,314
Recognition in the consolidated statement of financia position	1					
- Update of the provision created	(83,674)	-	-	-	-	(83,674)
Recognition in the consolidated income statement:						
- Creation of additional provisions	_	5,482	1,232	_	13,495	20,209
- Use of the created provision	_	(1,679)	· -	_	(658)	(2,337)
- 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	-	13,204	155,588
Including:						
Non-current	130,402	_	_	_	_	130,402
Current	-	6,382	5,600	_	13,204	25,186
As at 1 January 2020	171,635	2,149	12,034	10,306	203	196,327
•	171,000	2,219	12,001	10,000	-00	1,0,02.
Including:	171 625					171 636
Non-current	171,635	2.140	12.024	10.206	202	171,635
Current	-	2,149	12,034	10,306	203	24,692
Recognition in the consolidated statement of financia position:	1					
- Update of the provision created	34.986					34.986
Recognition in the consolidated income statement:	34,900	-	-	-	-	34,900
- Creation of additional provisions	2.145	1.871	129		367	4,512
- Creation of daditional provisions - Use of the created provision	2,143	(1,441)	(450)	(10,306)	(203)	(12,400
- Use of the created provision - Release of the unused provision	-		' '	(10,300)	(203)	(7,345)
- Release of the unusea provision - Discount settlement	3.690	-	(7,345)	-	-	3,690
- Discount settlement	3,090		-	-	-	3,090
As at 31 December 2020	212,456	2,579	4,368	-	367	219,770
Including:						
Non-current	212,456	-	-	-	-	212,456
Current	-	2,579	4,368	-	367	7,314





Mine closure and land reclamation

The Group creates a provision for costs of mine closure and land reclamation, which it is obliged to incur under current laws. The 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 consolidated income statement under "Finance cost", a decrease resulting from updated provision for land reclamation totaling PLN 1,567,000 was recognised in the consolidated 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 consolidated 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 Group 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).



Legal claims

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

20.

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	2,311,508	1,775,588
Other activities	40,959	34,249
Sale of goods and materials	18,813	12,275
Total sales revenue	2,371,280	1,822,112

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

- Contracts for the sale of coal, relating to the core activities of the Group; those contracts may be of two types with transport service (where the Parent arranges transport for the customer) or without the service.
- Contracts for the sale of goods and materials, relating mainly to the sale of scrap; revenue from such sales accounts for a slight share in the total consolidated revenue. The total value of all revenue on that account during 2021 amounted to PLN 18,813,000 (PLN 12,275,000 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 Parent's subcontractors (providing services within the scope of mining works), whose employees are required to use the bath under occupational and safety regulations. The total value of consolidated revenue from renting bath space during 2021 amounted to PLN 6,456,000 (PLN 7,442,000 in the same period of the previous year).



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	430,151	364,686
Materials and energy consumption	457,269	485,991
Outsourced services	412,439	405,737
Employee benefits	776,642	706,437
Entertainment and advertising costs	10,392	7,868
Taxes, fees and charges	55,258	55,281
Other expenses by type	24,844	2,535
Total costs by type	2,166,995	2,028,535
Activities for own needs	(192,632)	(281,270)
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	59,286	13,746
Total production cost	1,963,853	1,707,044
Change in products	21,325	6,436
Costs of goods and materials sold	17,650	11.913
Own cost of sales, including:	2,002,828	1,725,393
- Cost of products, goods and materials sold	1,828,167	1,573,417
- Selling costs	39,714	31,669
- Administrative expenses	134,947	120,307

22. 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	2,679	1,334
Release of the provision for possible PEMUG claims	-	4,206
Other, including:	2,544	2,197
- Release of other provisions for liabilities	1,721	216
- Release of impairment losses	236	231
- Return of the excise tax	-	1,411
- Other income	587	339
Total other income	5,223	7,737

23. 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	(824)	(1,135)
Enforcement fees and penalties	(125)	(435)
Compensation	-	(197)
Other	(179)	(127)
Total other expenses	(1,128)	(1,894)

OTHER NET LOSS

24.

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Profit/(loss) on sale of non-current assets	28	(82)
Currency exchange differences	1,036	(6)



Impairment losses due to impairment of non-current assets	(652)	(6,240)
Valuation of derivative financial instruments	(4,240)	-
Profit/(loss) on liquidation of non-current assets	(375)	(154)
Other	(1,546)	(839)
Total other net loss	(5,749)	(7,321)

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	214	1,508
Other income, including:	461	6,029
- 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	198	230
Total finance income	675	7,537
Interest and commissions on bank credits and loans	(378)	(500)
Interest expense on valuation of employee benefits	(2,680)	(3,425)
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	(745)	(544)
Other costs	(871)	(986)
Total finance costs	(8,345)	(9,588)

26.

INCOME TAX

26.1. 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	93,289	10,333
Deferred tax charged to financial result	(22,427)	9,895
Deferred tax charged to other comprehensive income:	1,337	(384)
- from actuarial losses as recognised in the consolidated statement of comprehensive income	1,337	(384)
Total	72,199	19,844



26.2. 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	359,128	93,190
Tax calculated at the rate of 19%	68,234	17,706
Correction of income tax for previous years	(1,123)	18
Tax effect of income permanently excluded from the taxable base, including:	(48)	(468)
- Hypothetical interest on retained capital	(48)	(48)
- Other	-	(420)
Tax effect of costs permanently excluded from the taxable base:	3,799	2,972
- Payment to the National Fund for the Disabled	1,648	1,508
- Donations	146	215
- Other interest	58	228
- Amortisation/depreciation	500	532
- Additional financing	28	329
- Other	1,419	160
Decrease in financial result by the income tax	70,862	20,228
Effective tax rate	20%	22%

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

26.3. Deferred income tax

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

	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Deferred income tax assets		
- to be realised after 12 months	34,645	35,829
- to be realised within 12 months	20,782	12,651
Total deferred income tax assets	55,427	48,480
Deferred income tax liability		
- to be realised after 12 months	276,376	289,343
- to be realised within 12 months	4,059	5,235
Total deferred income tax liabilities	280,435	294,578
Deferred income tax assets (net)	2,243	2,089
Deferred income tax liabilities (net)	227,251	248,187

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	OTHER BALANCE- SHEET PROVISIONS	PROVISION FOR MINING DAMAGE	OTHER	TOTAL
As at 1 January 2021	40,803	4,867	-	831	490	1,489	48,480
(Decrease in)/recognition of comprehensive income, including:	(1,139)	5,686	-	(831)	723	2,508	6,947
- recognised in the consolidated income statement	198	5,686	-	(831)	723	2,508	8,284
- recognised in the consolidated statement of other comprehensive income	(1,337)	-	-	-	-	-	(1,337)
As at 31 December 2021	39,664	10,553	-	-	1,213	3,997	55,427
As at 1 January 2020	36,486	4,647	1,440	6,306	408	1,880	51,167
(Decrease in)/recognition of comprehensive income, including:	4,317	220	(1,440)	(5,475)	82	(391)	(2,687)
- recognised in the consolidated income statement	3,933	220	(1,440)	(5,475)	82	(391)	(3,071)
- recognised in the consolidated statement of other comprehensive income	384	-	-	-	-	-	384
As at 31 December 2020	40,803	4,867	-	831	490	1,489	48,480

Projections prepared for the Group 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 tax assets recognised in these consolidated financial statements.

Change in deferred income tax liability

DEFERRED INCOME TAX LIABILITY	VALUATIO N OF NON- CURRENT ASSETS	COSTS OF PANEL STRENGTHE NING	PROVISION FOR MINE CLOSURE AND LAND RECLAMATION, NET*	REAL PROPERTY TAX RECEIVABLE	OTHER	TOTAL
As at 1 January 2021	280,788	4,761	8,387	133	509	294,578
Decrease in/(recognition) of comprehensive income, including:	(11,141)	(2,103)	(1,682)	(133)	916	(14,143)
- recognised in the consolidated income statement	(11,141)	(2,103)	(1,682)	(133)	916	(14,143)
As at 31 December 2021	269,647	2,658	6,705	-	1.425	280.435
As at 1 January 2020	274,638	3,430	8,690	133	863	287,754
Decrease in/(recognition) of comprehensive income, including:	6,150	1,331	(303)	-	(354)	6,824
 recognised in the consolidated income statement 	6,150	1,331	(303)	-	(354)	6,824
As at 31 December 2020	280,788	4,761	8,387	133	509	294,578

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



26.4. Current income tax – receivables and liabilities

Receivables related to the overpayment of current income tax for 2020 as disclosed in the consolidated statement of financial position as at the end of the previous year (PLN 10,324,000) was in 2021 set off with current liabilities on account of other taxes.

27.

EARNINGS PER SHARE

<u>Basic</u>

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
Earnings attributable to shareholders of the Parent	288,354	72,876
Weighted average number of ordinary shares ('000)	34,014	34,014
Basic earnings per share (in PLN)	8.48	2.14



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

28.

DIVIDEND PER SHARE

The dividend rate per share is calculated as the quotient of the dividend attributable to shareholders of the Parent 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 Parent adopted a resolution on the distribution of profit for 2020, under which the entire net profit of the Parent 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 Parent did not pay any dividend to the Shareholders in 2021 or in 2020.

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



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		118,833	(9,345)
Set-off of income tax overpaid with other taxes payable Change in investment liabilities		10,731 (72,163)	9,058 (10,056)
Change in liabilities for the purposes of the consolidated statement of cash flows		57,401	(10,343)
Increase in non-current assets	5	451,216	644,621
Increase resulting from revaluation of capitalised costs of liquidating non-current assets		-	(31,123)
Other non-cash adjustments		(101)	34
Change in investment liabilities		(72,163)	(10,056)
Acquisition of property, plant and equipment		378,952	603,476
Increase in intangible assets Other non-cash adjustments	6	9,595	2,658 (4)
Acquisition of intangible assets		9,595	2,654

30.

CONTINGENT ITEMS

The Group 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

Considering that the real property tax regarding the mining excavations was settled in the portion deemed probable by the Parent, the Group has discontinued to disclose the provision for real property tax. Nevertheless possible contingent liability may primarily result from the existing discrepancies between the position of the Group and the position of tax authorities with respect to the subject of that tax. The issue revolves around the question of whether there are any other structures in the Parent's mining excavations (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 such liability 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 Parent fom which the Parent 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 Parent and the co-inventors of inventions covered with the abovementioned patents. The value of the possible liability as at the day of publishing these financial statements amounts to PLN 48 million. The Parent estimated a provision for fee for co-inventors to the best of its knowledge and in line with principles so far applied at the Parent when calculating remunerations for inventors. The item provisions for legal claims shows a provision for legal claims regarding remuneration for co-inventors of inventions covered by patents No. 206048 and 209043, used at the Parent. The amount of remuneration will be subject to analysis of court experts or experts accepted by both parties, to be made upon drafting a technical opinion regarding the patented inventions.

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

31.

FUTURE CONTRACTUAL LIABILITIES



Investment liabilities

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

	AS AT 31 DECEMBER 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).

32.

TRANSACTIONS WITH RELATED ENTITIES

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

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

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

Key sale transactions include revenue on sales of thermal coal to the following companies: Zakłady Azotowe w Puławach S.A. (Azoty Group), PGE Energia Ciepła S.A., 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 sales to the above entities and the Group'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	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 Group'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 purchases from the ENEA Group companies and the Group'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 sales to the ENEA Group companies and the Group'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

33.

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

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

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

34.

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

On 24 March 2021, the Parent's 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 Parent's financial statements and the Group's consolidated financial statements for the first halves of 2021 and 2022,
- audit the Parent'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 Group 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 the Group's XBRL consolidated financial statements for 2020; tax advisory regarding, for example, excise tax; reviewing the correctness of Excise Ratio calculations made by the Parent; works related to checking whether the electricity consumption ratio for 2017-2020 was calculated correctly;



and an assessment of the Report on remuneration paid to the Management Board and the Supervisory Board of the Parent.

The remuneration for the auditor auditing the financial statements (of the Parent and the subsidiaries) 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	364	380
Including:		
- Audit of the annual financial statements	250	252
- 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

35.

THE INFLUENCE OF COVID-19 AS AN UNUSUAL EVENT ON THE GROUP'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 consolidated financial statements, the circumstances described above did not affect the Group's operations and financial results to such an extent 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.

Bearing in mind the risks posed by Covid-19, the Group continues to apply proper security and other measures to counteract the negative impact of Covid-19 on the Group's 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.

36.

EVENTS AFTER THE BALANCE-SHEET DATE

On 27 January 2022 the Parent 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 Parent. The Parent 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 the Group's consolidated 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 Group.

Based on information available as at the date of drawing up these consolidated financial statements, the Management Board of the Parent 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 Group's consolidated 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 Group believes the current demand for power coal to be sufficient (for instance due to lower production in Poland and obstacles to import) for the Group 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 prices 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 Group, 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 Group's operations and financial result.
- The Group has not employed Ukrainians thus far, hence the event does not directly affect personnel to a significant degree.

Given the above and considering the development of the situation, the event should not materially impact the Group'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 Group's knowledge, no other material events occurred, which could affect the financial result as at 31 December 2021, and were not disclosed in the consolidated financial statements.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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



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

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