CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM 1 JANUARY UNTIL 31 DECEMBER 2022

The Lubelski Węgiel Bogdanka Group

Bogdanka, March 2023

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	NOTE	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021 restated*
Assets			
Non-current assets			
Property, plant and equipment	4	3,637,525	3,469,838
Intangible assets	5	59,554	55,989
Right-of-use asset	6.1	21,851	26,205
Investment property	7	2,702	2,886
Deferred tax assets	25.3	2,256	2,243
Trade and other receivables	8	8,716	1,092
Cash and cash equivalents	10	147,924	147,671
Total non-current assets		3,880,528	3,705,924
Current assets			
Inventory	9	195,860	99,744
Trade and other receivables	8	203,658	325,697
Surplus of income tax paid		63,604	-
Cash and cash equivalents	10	475,059	600,175
Current assets not held for sale		938,181	1,025,616
Total current assets		938,181	1,025,616
TOTAL ASSETS		**4,818,709**	**4,731,540**
Equity			
Common equity	11	301,158	301,158
Supplementary capital		702,549	702,549
Other reserve capital		2,194,624	1,988,063
Retained earnings		498,774	615,563
Equity attributable to shareholders of the Parent Company		3,697,105	3,607,333
Non-controlling interests		10,559	10,268
Total equity		3,707,664	3,617,601
Liabilities			
Non-current liabilities			
Loans and borrowings	15	1,786	4,822
Deferred tax liabilities	25.3	263,381	232,855
Provisions for employee benefits	17	179,958	168,857
Provisions for other liabilities and charges	18	155,452	130,402
Subsidies	14	10,732	11,282
Lease liabilities	6.1	18,314	20,622
Trade and other liabilities	13	32,265	29,575
Total non-current liabilities		661,888	598,415
Current liabilities			
Loans and borrowings	15	3,099	3,120
Provisions for employee benefits	17	49,855	41,778
Provisions for other liabilities and charges	18	12,746	25,186
Subsidies	14	488	493
Lease liabilities	6.1	5,179	6,784
Current income tax liabilities		-	1,215
Financial liabilities due to measurement of derivatives	16	-	4,240
Trade and other liabilities	13	377,398	423,004
Liabilities from contracts with customers		392	9,704
Current liabilities not held for sale		449,157	515,524
Total current liabilities		449,157	515,524
Total liabilities		1,111,045	1,113,939
TOTAL EQUITY AND LIABILITIES		**4,818,709**	**4,731,540**

*explanation provided in Note 2.1.1

FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2022 (PLN 000s)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTE	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 restated*
Continuing operations			
Sales revenues	19	2,451,715	2,449,198
Cost of products, merchandise and materials sold	20	(2,043,310)	(1,883,002)
Profit before tax		408,405	566,196
Selling costs	20	(49,196)	(39,714)
Administrative costs	20	(149,963)	(134,947)
Other revenues	21	3,340	5,223
Other costs	22	(2,271)	(1,128)
Other losses - net	23	(9,996)	(5,749)
Earnings Before Interest and Taxes – operating profit		200,319	389,881
Financial income	24	32,936	675
Financial expenses	24	(13,573)	(8,345)
Pre-tax profit		219,682	382,211
Income tax	25.2	(44,046)	(75,248)
Profit on continuing operations		175,636	306,963
Net profit for the financial period		**175,636**	**306,963**
of which profit attributable to:			
- *shareholders of the Parent Company*		*175,342*	*307,051*
- *non-controlling interests*		*294*	*(88)*

*explanation provided in Note 2.1.1

EARNINGS PER SHARE

EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY IN THE YEAR (IN PLN PER SHARE)	NOTE	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 restated*
- basic earnings per share from continuing operations		5.15	9.03
- basic earnings per share from discontinued operations		-	-
Basic earnings per share	26	**5.15**	**9.03**
- diluted earnings per share from continuing operations		5.15	9.03
- diluted earnings per share from discontinued operations		-	-
Diluted earnings per share	26	**5.15**	**9.03**

*explanation provided in Note 2.1.1

FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2022 (PLN 000s)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 restated*
Net profit for the financial period		**175,636**	**306,963**
Other comprehensive income/(loss) for the period Items never to be reclassified to current period profit or loss: Actuarial gains/(losses) from defined benefit plans	17	(666)	7,039
Other comprehensive income/(loss) that will not be reclassified to profit or loss, before tax		(666)	7,039
Other comprehensive income/(loss) to be reclassified to profit or loss, before tax		-	-
Other comprehensive income/(loss), before tax		(666)	7,039
Income tax on the items not to be transferred	25.1	127	(1,337)
Other net comprehensive income/(loss) for the period		(539)	5,702
Net comprehensive income for the period – total		**175.097**	**312,665**
of which comprehensive income attributable to:			
- shareholders of the Parent Company		*174,806*	*312,753*
- non-controlling interests		*291*	*(88)*

*explanation provided in Note 2.1.1

FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2022 (PLN 000s)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTE	COMMON EQUITY	SUPPLEMENTARY CAPITAL	OTHER RESERVE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As at 1 January 2022 **		**301,158**	**702,549**	**1,988,063**	**615,563**	**3,607,333**	**10,268**	**3,617,601**
Total net comprehensive income for the period:		-	-	-	174,806	**174,806**	291	**175,097**
- net profit		-	-	-	*175,342*	***175,342***	*294*	***175,636***
- other comprehensive loss		-	-	-	*(536)*	***(536)***	*(3)*	***(539)***
Dividend	27	-	-	-	(85,034)	**(85,034)**	-	**(85,034)**
Transfer of the previous year's result	27	-	-	206,561	(206,561)	**-**	-	**-**
Change in equity in the period		-	-	206,561	(116,789)	**89,772**	291	**90,063**
As at 31 December 2022		**301,158**	**702,549**	**2,194,624**	**498,774**	**3,697,105**	**10,559**	**3,707,664**

**Restated

	NOTE	COMMON EQUITY	SUPPLEMENTARY CAPITAL	OTHER RESERVE CAPITAL	RETAINED EARNINGS	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**
Adjustment due to changes in accounting policy**		**-**	**-**	**-**	**5,195**	**5,195**	**-**	**5,195**
As at 1 January 2021 after adjustments		**301,158**	**702,549**	**1,918,013**	**372,860**	**3,294,580**	**10,442**	**3,305,022**
Total net comprehensive income for the period:		-	-	-	312,753	**312,753**	(88)	**312,665**
- net profit		-	-	-	*307,051*	***307,051***	*(88)*	***306,963***
- other comprehensive income		-	-	-	*5,702*	***5,702***	-	***5,702***
Dividend		-	-	-	-	**-**	(86)	**(86)**
Transfer of the previous year's result		-	-	70,050	(70,050)	**-**	-	**-**
Change in equity in the period		-	-	70,050	242,703	**312,753**	(174)	**312,579**
As at 31 December 2021		**301,158**	**702,549**	**1,988,063**	**615,563**	**3,607,333**	**10,268**	**3,617,601**

** explanation provided in Note 2.1.1

FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2022 (PLN 000s)

CONSOLIDATED CASH FLOW STATEMENT

	NOTE	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 Restated*
Cash flow on operating activity			
Net profit		175,636	306,963
Adjustments:			
Income tax in the consolidated statement of profit or loss		44,046	75,248
Depreciation and amortization		398,471	430,151
Loss on the sale and liquidation of property, plant and equipment		49,160	36,335
Use and recognition of impairment allowances for property, plant and equipment	4.3	11,181	652
Interest income		(31,411)	(177)
Interest expenses		623	1,112
Measurement of financial derivatives		-	4,240
Other cash flows		1,067	9,493
Changes in working capital:			
Change in provisions for employee benefits		18,512	2,347
Movement in provisions		(7,249)	20,568
Change in inventories		(96,116)	(8,620)
Movement in trade and other receivables		114,415	(57,336)
Movement in trade and other liabilities	28	19,560	57,401
Total adjustments		522,259	571,414
Cash inflows on operating activity		697,895	878,377
Income tax paid		(73,520)	(92,482)
Net cash flows from operating activities		**624,375**	**785,895**
Cash flows from investing activities			
Acquisition of property, plant and equipment	28	(664,665)	(402,035)
Acquisition of intangible assets	28	(18,533)	(9,595)
Proceeds on the sale of property, plant and equipment		409	96
Interest received		29,391	178
Expenditures for other short-term investments		(250,000)	(68,155)
Proceeds from other current investments		252,268	68,155
Outflows from cash collected in the Mine Closure Fund’s bank account		(253)	(6,080)
Net cash flows from investing activities		**(651,383)**	**(417,436)**
Cash flows from financing activities			
Payment of lease liabilities		(9,741)	(6,363)
Repayments of loans and borrowings	15	(3,036)	(3,036)
Payments of interest and commissions related to financing activities	15	(297)	(409)
Dividends paid		(85,034)	(86)
Net cash flows from financing activities		**(98,108)**	**(9,894)**
Net increase/(decrease) in cash and cash equivalents before effects of FX rate changes		(125,116)	358,565
Increase/(Decrease) in the net balance of cash and cash equivalents		(125,116)	358,565
Cash and cash equivalents at the beginning of the period		600,175	241,610
Cash and cash equivalents at the end of the period		**475,059**	**600,175**

*explanation provided in Note 2.1.1

FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2022 (PLN 000s)

1. GENERAL INFORMATION

Name of the reporting unit: Lubelski Węgiel "Bogdanka" S.A.

Registered office: Bogdanka, Republic of Poland

Legal form: Joint stock company (spółka akcyjna)

Country of registration: Republic of Poland

Registered office address: Bogdanka, 21-013 Puchaczów

Primary place of business: Republic of Poland

Primary line of business: hard coal mining

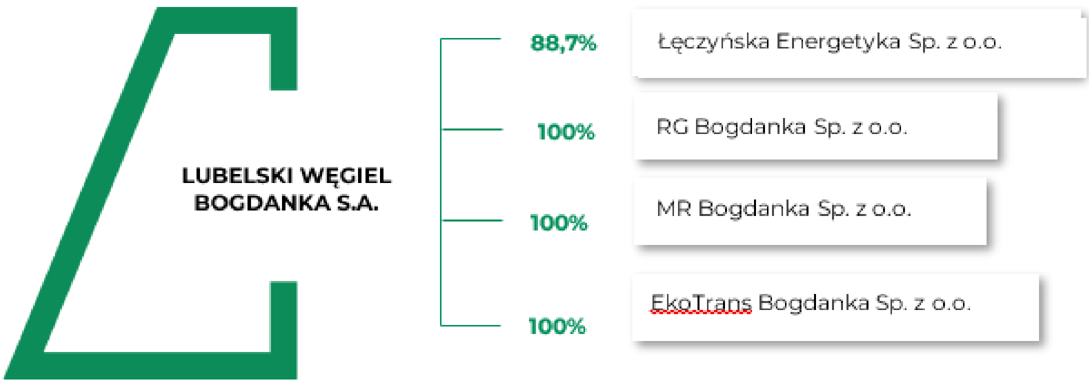
Parent company: Enea S.A.

Top-level parent in the Group: State Treasury

The consolidated financial statements have been prepared for the 12-month period ended 31 December 2022, in Polish zloty (PLN), while data are presented in thousands of PLN, unless otherwise stated.

1.1 Composition of the Group and its primary line of business

Lubelski Węgiel Bogdanka Group:



% liczba głosów na WZ w Spółkach Zależnych

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

<u>Parent Company</u>

Lubelski Węgiel „Bogdanka" S.A. with its registered office in Bogdanka, 21-013 Puchaczów.

Lubelski Węgiel „Bogdanka" S.A. is a joint stock company operating on the basis of the law of Poland. The Company was created through transformation of a state-owned enterprise Kopalnia Węgla Kamiennego "Bogdanka" with its registered office in Bogdanka, on the basis of the State Enterprise Privatization Act of 13 July 1990.

On 26 March 2001, Lubelski Węgiel "Bogdanka" Spółka Akcyjna was registered in the Register of Commercial Undertakings KRS under file number 0000004549. At present, this register is maintained by the District Court Lublin-East in Lublin, Branch in Świdnik, 6th Commercial Division of the National Court Register.

The shares of Lubelski Węgiel "Bogdanka" S.A. are listed on the Warsaw Stock Exchange (WSE).

The Company's primary line of business, according to the Polish Classification of Business Activity, is hard coal mining (PKD 0510Z).

Subsidiaries

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

As at 31 December 2022, the Parent Company held 88.7% shares in the capital of the "Łęczyńska Energetyka" Sp. z o.o. subsidiary.

"Łęczyńska Energetyka" Sp. z o.o. supplies heat to the mine and provides water and sewage management services. The company also supplies heat to external entities, such as housing estates and other facilities in Łęczna. The Company also builds and repairs heating, water and sewage systems.

The Company's balance sheet date is December 31st.

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

As at 31 December 2022, the Parent Company held 100.0% shares in the capital of EkoTRANS Bogdanka Sp. z o.o.

EkoTRANS Bogdanka Sp. z o.o. provides the mine with services entailing transportation, disposal and management of waste created during the washing and purification of coal winnings, as well as land reclamation services.

The Company's balance sheet date is December 31st.

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

As at 31 December 2022, the Parent Company held 100.0% shares in the capital of RG "Bogdanka" Sp. z o.o.

RG "Bogdanka" Sp. z o.o. provides services to the mine, including primarily mining works, auxiliary work and the handling of coal haulage

The Company's balance sheet date is December 31st.

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

As at 31 December 2022, the Parent Company held 100.0% shares in the capital of MR Bogdanka Sp. z o.o.

MR Bogdanka Sp. z o.o. provides the mine with services including renovation, construction services, work performed in underground machinery divisions, refurbishment and production of steel structures.

The Company's balance sheet date is December 31st.

The summary list of subsidiaries comprising the Group as at the balance sheet date is presented in the table below:

NAME OF THE SUBSIDIARY	BALANCE SHEET TOTAL [PLN 000s]	EQUITY [PLN 000s]	% SHARES HELD	NON-CONTROLLING INTERESTS	LIMITATIONS OF CONTROL; RESTRICTIONS ON CONSOLIDATED ASSETS AND LIABILITIES	CONSOLIDATION METHOD
ENTITIES CONSOLIDATED IN THE CURRENT PERIOD AND IN PREVIOUS PERIODS:						
"ŁĘCZYŃSKA ENERGETYKA" Sp. z o.o.	112,325	93,414	88.7	Non-controlling interests are 11.30% and belong to: - Łęczna Township 11.29% - Puchaczów Township 0.01%	none	full
RG "BOGDANKA" Sp. z o.o.	22,535	3,506	100.0	none	none	full
EkoTRANS BOGDANKA Sp. z o.o.	4,253	1,239	100.0	none	none	full
MR BOGDANKA Sp. z o.o.	9,855	6,073	100.0	none	none	full

All entities were consolidated in the current period and in previous periods

During 2022, there were no changes in the name of the Parent Company and the subsidiaries comprising the Group, as well as no changes in other identification data, compared to the previous year.

Group in the ENEA Group's structure

On 14 September 2015, ENEA S.A. announced a takeover bid for shares of Lubelski Węgiel "Bogdanka" S.A., the Parent Company, stating that it intended to acquire up to 64.57% of all votes at the Shareholder Meeting of Lubelski Węgiel "Bogdanka" S.A. The transaction was settled on 29 October 2015. As a result of the transaction, ENEA S.A. and its subsidiary acquired in total 66% of shares in Lubelski Węgiel "Bogdanka" S.A. and consequently Lubelski Węgiel "Bogdanka" S.A. and its subsidiaries became part of the ENEA Group with ENEA S.A. in Poznań as its parent company. As a result of a disposal by a subsidiary of ENEA S.A. of the Parent Company's shares in Q2 2022, as at 31 December 2022, ENEA S.A. held in total 64.57% of shares in the Parent Company.

In addition, on 18 June 2022, a letter of intent was signed in the Parent Company's headquarters regarding the sale of shares in Lubelski Węgiel "Bogdanka" S.A. by ENEA S.A. to the State Treasury. According to its contents, ENEA and the Ministry of State Assets will cooperate in the preparation and execution of the share purchase transaction. The letter of intent assumes that the State Treasury will purchase from ENEA S.A. a total of 21,962,189 shares in the Parent Company by the end of 2023.

The State Treasury is the ultimate controlling entity.

1.2 Going concern assumption

The consolidated financial statements have been prepared based on the assumption that the Company will continue its business activity as a going concern in the foreseeable future and that there are no circumstances indicating a treat to the Group continuing as a going concern.

In addition, as the value of the Parent Company's market capitalization has long remained below the carrying value of its net assets, an impairment test was performed. As a result of the test, no impairment was found, and there was no threat to the Group's going concern. A detailed description of the test is provided in Note 4.3.

2. DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES APPLIED

2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared on the basis of International Financial Reporting Standards and related interpretations promulgated as regulations of the European Commission, as approved by the European Union ("EU IFRS").

The consolidated financial statements have been drawn up in accordance with the historical cost principle, except for derivative financial instruments measured at fair value.

Historical cost is generally determined based on the fair value of the payment made for goods or services.

Fair value is understood to be the price that may be obtained upon the sale of an asset or the price paid to transfer a liability in a common transaction on the main (or the most favorable) market on the measurement date and in the current market conditions, irrespective of whether the price is directly observable or estimated using a different measurement technique. In its fair value measurement of an asset or a liability, the Group considers the characteristics of the asset or liability if market players consider these features when measuring assets or liabilities as at the valuation date. For measurement and/or disclosure purposes in the consolidated financial statements of the Group, fair value is determined as described above, except for share-based payments, which are subject to IFRS 2, leases, which are subject to IFRS 16, as well the measurements that are similar to fair value but are not fair value, such as net selling price under IAS 2 or value in use under IAS 36.

Impact of climate and geological factors on the consolidated financial statements

In preparing the consolidated financial statements, the Group analyzed the risks (factors) related to climate change and geological factors. An abbreviated description of the impact of geological problems that occurred during the year is presented in Note 34. Detailed information on climate and geological factors and risks, in turn, is included in the Management Board Report on the Activities of LW Bogdanka S.A. and the LW Bogdanka Group for 2022 (the "Activity Report"), including in particular within the Non-Financial Statement of LW Bogdanka Group and LW Bogdanka S.A., which is a separate part of this Activity Report.

The Group considered the impact of climate risks (factors) on the consolidated financial statements and included them, among other things, in the impairment test of non-financial assets or in the calculation of provisions for other liabilities and other charges.

2.1.1 New accounting policy

As of 1 January 2022, the Group applied for the first time the Amendments to IAS 16 *Property, Plant and Equipment*, which prohibit an entity from adjusting the cost of property, plant and equipment for amounts received from the sale of items produced in the period when the property, plant and equipment is prepared for the commencement of operations as intended by management. Instead, the entity must recognize the above revenue from sales and related costs directly in the statement of profit or loss. This change is critical in terms of capturing the value of coal extracted during the excavation of roadways in the roadway excavation cost.

Accordingly, as of 1 January 2022, consolidated revenue from sales of coal obtained during the excavation of roadways does not reduce the initial value of the roadways, but the costs incurred for the excavation of roadways must be adjusted for the part of the costs that is related to the production of coal obtained during the excavation process. This amendment was applied retroactively in respect to the property, plant and equipment (roadways) that were adapted to the location and the conditions necessary for them to function as intended by the management, on or after the commencement date of the earliest period presented in these consolidated financial statements (i.e. as at 1 January 2021). The total net effect of the first application of this amendment was PLN 23,892 thousand (of which PLN 18,697 thousand relates to the result of 2021 and PLN 5,195 thousand relates to the results of earlier years) and was recognized as an adjustment to the opening balance of retained earnings as at 1 January 2022. The key drivers contributing to this amount was: an increase in the net value of property, plant and equipment by PLN 29,496 thousand (including

PLN 23,083 thousand for 2021), adjusted by the tax effect, i.e. a PLN 5,604 thousand increase in the deferred tax liability (including PLN 4,386 thousand for 2021).

The table below presents the effect of the application of this amendment as at 1 January 2022.

Effect of application of the Amendment to IAS 16 Property, plant and equipment on the Group's consolidated statement of financial position	31 December 2021	Impact exerted by the amendment	1 January 2022
Property, plant and equipment	3,440,342	29,496	3,469,838
Equity, including:	3,593,709	23,892	3,617,601
Retained earnings	*591,671*	*23,892*	*615,563*
Deferred tax liabilities	227,251	5,604	232,855

At the same time, in order to maintain comparability of data, the numbers for 2021 were restated. The total effect of this adjustment on the period result as at 31 December 2021 was PLN 18,697 thousand.

<u>Effect of application of the Amendment to IAS 16 Property, Plant and Equipment on the Group's consolidated financial statements</u>

The effect of application of the Amendment to IAS 16 property, plant and equipment on the Group's consolidated statement of financial position as at 31 December 2021 and the Consolidated statement of profit or loss, the consolidated statement of comprehensive income and the interim consolidated statement of cash flows for 2021 is presented in the tables below:

FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2022 (PLN 000s)

Consolidated statement of financial position as at 31 December 2021

	AS AT 31 DECEMBER 2021 approved data	Adjustment due to application of the Amendment to IAS 16	AS AT 31 DECEMBER 2021 restated*
Assets			
Non-current assets			
Property, plant and equipment	3,440,342	29,496	3,469,838
Intangible assets	55,989	-	55,989
Right-of-use asset	26,205	-	26,205
Investment property	2,886	-	2,886
Deferred tax assets	2,243	-	2,243
Trade and other receivables	1,092	-	1,092
Cash and cash equivalents	147,671	-	147,671
Total non-current assets	3,676,428	29,496	3,705,924
Current assets			
Inventories	99,744	-	99,744
Trade and other receivables	325,697	-	325,697
Cash and cash equivalents	600,175	-	600,175
Current assets not held for sale	1,025,616	-	1,025,616
Total current assets	1,025,616	-	1,025,616
TOTAL ASSETS	**4,702,044**	**29,496**	**4,731,540**
Equity			
Common equity	301,158	-	301,158
Supplementary capital	702,549	-	702,549
Other reserve capital	1,988,063	-	1,988,063
Retained earnings	591,671	23,892	615,563
Equity attributable to shareholders of the Parent Company	3,583,441	23,892	3,607,333
Non-controlling interests	10,268	-	10,268
Total equity	3,593,709	23,892	3,617,601
Liabilities			
Non-current liabilities			
Loans and borrowings	4,822	-	4,822
Deferred tax liabilities	227,251	5,604	232,855
Provisions for employee benefits	168,857	-	168,857
Provisions for other liabilities and charges	130,402	-	130,402
Subsidies	11,282	-	11,282
Lease liabilities	20,622	-	20,622
Trade and other liabilities	29,575	-	29,575
Total non-current liabilities	592,811	5,604	598,415
Current liabilities			
Loans and borrowings	3,120	-	3,120
Provisions for employee benefits	41,778	-	41,778
Provisions for other liabilities and charges	25,186	-	25,186
Subsidies	493	-	493
Lease liabilities	6,784	-	6,784
Current income tax liabilities	1,215	-	1,215
Financial liabilities due to measurement of derivatives	4,240	-	4,240
Trade and other liabilities	423,004	-	423,004
Liabilities from contracts with customers	9,704	-	9,704
Current liabilities not held for sale	515,524	-	515,524
Total current liabilities	515,524	-	515,524
Total liabilities	1,108,335	5,604	1,113,939
TOTAL EQUITY AND LIABILITIES	**4,702,044**	**29,496**	**4,731,540**

FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2022 (PLN 000s)

Consolidated statement of profit or loss for 2021

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 approved data	Adjustment due to application of the Amendment to IAS 16	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 restated*
Continuing operations			
Sales revenues	2,371,280	77,918	2,449,198
Cost of products, merchandise and materials sold	(1,828,167)	(54,835)	(1,883,002)
Profit before tax	543,113	23,083	566,196
Selling costs	(39,714)	-	(39,714)
Administrative costs	(134,947)	-	(134,947)
Other revenues	5,223	-	5,223
Other costs	(1,128)	-	(1,128)
Other losses - net	(5,749)	-	(5,749)
Earnings Before Interest and Taxes – operating profit	366,798	23,083	389,881
Financial income	675	-	675
Financial expenses	(8,345)	-	(8,345)
Pre-tax profit	359,128	23,083	382,211
Income tax	(70,862)	(4,386)	(75,248)
Profit on continuing operations	**288,266**	**18,697**	**306,963**
Net profit for the financial period	288,266	18,697	306,963
of which profit attributable to:			
- shareholders of the Parent Company	*288,354*	*18,697*	*307,051*
- non-controlling interests	*(88)*	-	*(88)*

Consolidated statement of comprehensive income for 2021

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 approved data	Adjustment due to application of the Amendment to IAS 16	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 restated*
Net profit for the financial period	**288,266**	**18,697**	**306,963**
Other comprehensive loss for the period			
Items never to be reclassified to current period profit or loss:			
Actuarial losses from defined benefit plans	7,039	-	7,039
Other comprehensive loss that will not be reclassified to profit or loss, before tax	7,039	-	7,039
Other comprehensive income/(loss) to be reclassified to profit or loss, before tax	-	-	-
Other comprehensive loss, before tax	7,039	-	7,039
Income tax on the items not to be transferred	(1,337)	-	(1,337)
Other comprehensive net loss for the period	5,702	-	5,702
Net comprehensive income for the period – total	**293,968**	**18,697**	**312,665**
of which profit attributable to:			
- shareholders of the Parent Company	294,056	18,697	312,753
- non-controlling interests	(88)	-	(88)

FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2022 (PLN 000s)

Consolidated cash flow statement for 2021

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 approved data	Adjustment due to application of the Amendment to IAS 16	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 restated*
Cash flow on operating activity			
Net profit	288,266	18,697	306,963
Adjustments:			
Income tax in the consolidated statement of profit or loss	70,862	4,386	75,248
Depreciation and amortization	430,151	-	430,151
Loss on the sale and liquidation of property, plant and equipment	36,335	-	36,335
Use and recognition of impairment allowances for property, plant and equipment	652	-	652
Interest income	(177)	-	(177)
Interest expenses	1,112	-	1,112
Measurement of financial derivatives	4,240	-	4,240
Other cash flows	9,493	-	9,493
Changes in working capital:			
Change in provisions for employee benefits	2,347	-	2,347
Change in other provisions	20,568	-	20,568
Change in inventories	(8,620)	-	(8,620)
Movement in trade and other receivables	(57,336)	-	(57,336)
Movement in trade and other liabilities	57,401	-	57,401
Total adjustments	567,028	4,386	571,414
Cash inflows on operating activity	855,294	23,083	878,377
Income tax paid	(92,482)	-	(92,482)
Net cash flows from operating activities	**762,812**	**23,083**	**785,895**
Cash flows from investing activities			
Acquisition of property, plant and equipment	(378,952)	(23,083)	(402,035)
Acquisition of intangible assets	(9,595)	-	(9,595)
Proceeds on the sale of property, plant and equipment	96	-	96
Interest received	178	-	178
Expenditures for other short-term investments	(68,155)	-	(68,155)
Proceeds from other current investments	68,155	-	68,155
Outflows from cash collected in the Mine Closure Fund's bank account	(6,080)	-	(6,080)
Net cash flows from investing activities	**(394,353)**	**(23,083)**	**(417,436)**
Cash flows from financing activities			
Payment of lease liabilities	(6,363)	-	(6,363)
Repayments of loans and borrowings	(3,036)	-	(3,036)
Payments of interest and commissions related to financing activities	(409)	-	(409)
Dividends paid	(86)	-	(86)
Net cash flows from financing activities	**(9,894)**	**-**	**(9,894)**
Net increase in cash and cash equivalents before effects of FX rate changes	358,565	-	358,565
Increase in the net balance of cash and cash equivalents	358,565	-	358,565
Cash and cash equivalents at the beginning of the period	241,610	-	241,610
Cash and cash equivalents at the end of the period	**600,175**	**-**	**600,175**

Except for the amendments described above, the consolidated financial statements for the current and comparative period have been prepared using the same accounting policies and the same accounting policy and calculation methods were used as in the most recent annual financial statements for 2021.

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

FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2022 (PLN 000s)

Pursuant to the provisions of Directive 2004/109/EC of the European Parliament and of the Council 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 (the "Issuer") and with reference to European Commission Regulation No. 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format, the Parent Company, as the Issuer, is required to prepare consolidated financial statements in accordance with the Single European Electronic Format (ESEF) for the financial year beginning 1 January 2020. This obligation currently applies to consolidated financial statements, and the first report required to be prepared in accordance with ESEF requirements is the annual consolidated financial statements of the Lubelski Węgiel Bogdanka Group for 2020.

Under the aforementioned regulations, issuers are required to prepare annual financial statements in XHTML format, and where annual financial statements include consolidated financial statements prepared in accordance with IFRS - which is the case for the Parent Company - issuers must mark (otherwise tag) them using XBRL. In view of the above, the consolidated financial statements for 2022 of the Lubelski Węgiel Bogdanka Group have been prepared in accordance with the requirements of the ESEF.

2.1.3 Significant values based on professional judgment and estimates

Preparation of the consolidated financial statements on the basis of the International Financial Reporting Standards and in accordance with the accounting policy requires that, in additional to accounting estimates, professional judgment of the Management Board is also used regarding current and future events in the individual areas.

Important accounting estimates and judgments are based on past experience and other factors, including anticipated future events that seem reasonable in the current situation. Accounting estimations and judgments are subject to regular evaluation.

The Group makes estimations and adopts assumptions concerning the future. By definition, the resulting accounting estimations will rarely match the actual performance. The estimations and assumptions which carry a significant risk of making significant adjustment of the carrying amount of assets and liabilities during the next financial year are discussed in this note.

Detailed information about the adopted assumptions are presented in pertinent notes to these consolidated financial statements, as shown in the table below.

Items in the consolidated financial statements which are associated with a risk of adjusting the carrying amounts of assets and liabilities are shown below.

	VALUE OF THE ITEM TO WHICH THE ESTIMATE RELATES PLN 000s		DESCRIPTION OF ACCOUNTING POLICY	DETAILS OF THE ASSUMPTIONS MADE AND THE CALCULATION OF THE SIGNIFICANT ESTIMATE
	2022	2021 restated*		
Property, plant and equipment	3,637,525	3,469,838	Note 2.4 and 2.8	Note 4
Reserve for employee benefits	229,813	210,635	Note 2.18	Note 17
Intangible assets	59,554	55,989	Note 2.5 and 2.8	Note 5
Provision for mine closure costs and reclamation of land	155,452	130,402	Note 2.19	Note 18
Deferred tax assets	2,256	2,243	Note 2.17	Note 25.3
Deferred tax liabilities	263,381	232,855	Note 2.17	Note 25.3

*explanation provided in Note 2.1.1

Estimation of the mine life and coal reserves

The life of a mine is the period up to which, in the judgment of the Management Board, the Parent Company is able to operate and conduct mining operations on the basis of the resources currently available for use by the Group. The life of a mine is one of the key judgments affecting the consolidated financial statements as a whole and the valuation of key assets and liabilities items.

When determining the life of a mine, the following considerations (factors) are primarily taken into account:

- valid mining concessions and operating permits held by the Group;
- plans of the Parent Company's Management Board regarding the manner in which it will mine its deposits;
- formal documents in the form of approved plans and strategies of the Parent Company;
- corporate approvals, when required, e.g. Supervisory Board approval, Shareholder Meeting approval;
- the current economic situation in the country and the world, which affects the mining sector and the Parent Company's current operations, as well as plans for future mining;
- an economic and financial model (forecast) that determines the theoretical period for which the Parent Company will have enough resources of the deposits to conduct production in accordance with the assumed average annual level of production (output).

Evaluation of the validity of the adopted mine life is carried out annually, on the same date as the verification of the useful life of property, plant and equipment carried out in accordance with IAS "16 Property, Plant and Equipment."

A change in the existing life of the mine - shortening the period or extending it - is made only if there are significant changes in the premises listed above, i.e. in particular when:

- the Parent Company acquires new concessions for new mining areas and includes these areas in its plan of operations;
- in the case of obtaining concessions for new mining areas, the investment plan drawn up by the Parent Company demonstrates the economic justification of the project and the high probability of being able to obtain project financing for its implementation;
- the Parent Company obtains the necessary corporate approvals to enter these areas or change the scope of its operations;
- the economic and financial model prepared and updated by the Parent Company, based on the current projected average annual production level at the time of the forecast, indicates a significant (i.e. by at least 3 years or 10% of the length of the remaining period) reduction or extension of the life of the mine;

- The Management Board of the Parent Company is determined to implement the presented plan as intended (its implementation is more likely than less likely), whereby the above determination is understood to mean, in particular, the adoption of relevant resolutions, the public announcement of the plan, and the launch of operational and investment activities.

Currently, the life of the mine is estimated at 2051, and this has not changed compared to the last annual consolidated financial statements for 2021. However, the actual mine decommissioning date may differ from the Parent Company's estimate. This is due to the fact that only the recoverable coal reserves available as of the reporting date were included in the calculation of the estimated mine life. Any decrease in demand for the Parent Company's coal may result in a reduction in output below capacity, which will affect the life of the mine.

The Parent Company is mindful of the ongoing work on the restructuring of the mining sector, announced in the Energy Policy of Poland until 2040 ("PEP 2040") as well as the termination of hard coal mining in Poland by 2049 anticipated in the "Social Agreement on the Transformation of the Hard Coal Mining Sector and Selected Processes of Transformation of the Silesian Voivodeship". However, due to a significant change in the geopolitical and economic situation in 2022, work is currently underway on updating the PEP. At the same time, the Group is taking steps to diversify its business areas.

Valuation of provisions for employee benefits

- Assumptions regarding actuarial valuation of the provisions for employee benefits

The present value of employee benefit liabilities depends on a number of factors that are determined using actuarial methods, with several assumptions. The assumptions used to determine the provision for and costs of employee benefits include the discount rate assumption and the growth rate of the base of the benefit. The main assumptions for provisions for employee benefits are disclosed in Note 17. Any changes to these assumptions affect the carrying amount of the provision for employee benefits.

As at 31 December 2022 and 31 December 2021 a sensitivity analysis of the valuation results to a change in the financial discount rate and to changes in planned increases in fundamentals in the range of -1 p.p./+1 p.p. was carried out.

The tables below show the carrying amount of each provision title and how the carrying amount would change under other assumptions:

As at 31 December 2022

PROVISION TITLE	CARRYING AMOUNT	VARIATIONS			
		FINANCIAL DISCOUNT RATE		PLANNED INCREASES IN THE BASES	
		-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.
Retirement severance pays	65,324	5,379	(4,749)	(3,490)	3,868
Disability severance pays	1,176	78	(70)	(48)	51
Jubilee award	136,093	8,451	(7,595)	(6,683)	7,286
Death benefits	4,526	322	(288)	(242)	266
TOTAL	207,119	14,230	(12,702)	(10,463)	11,471

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As at 31 December 2021

PROVISION TITLE	CARRYING AMOUNT	VARIATIONS			
		FINANCIAL DISCOUNT RATE		PLANNED INCREASES IN THE BASES	
		-1 p.p.	+1 p.p.	-1 p.p.	+1 p.p.
Retirement severance pays	61,276	5,879	(5,116)	(3,961)	4,440
Disability severance pays	922	72	(64)	(47)	51
Jubilee 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

The following table shows the results of the balance sheet valuation as AT 31 December 2022 by maturity:

DISBURSEMENT PERIOD	RETIREMENT SEVERANCE PAYS	DISABILITY SEVERANCE PAYS	JUBILEE AWARDS	DEATH BENEFITS	TOTAL
2023*	10,277	118	16,392	423	27,210
2024	2,639	114	13,544	414	16,711
2025	2,420	112	11,919	411	14,862
2026	2,457	104	12,447	380	15,388
2027	2,430	98	12,042	360	14,930
Remaining part	45,101	630	69,749	2,538	118,018
TOTAL	65,324	1,176	136,093	4,526	207,119

**The value of benefits to be paid in 2023 takes into account payments resulting from vested pension rights and jubilee awards for those who have reached retirement age and who remain in employment.*

Provision for mine closure costs and reclamation of land

The Group recognizes a provision for mine closure and reclamation of land as required by the applicable provisions of law.

The calculation of decommissioning costs relates to surface and underground infrastructure facilities that can be decommissioned as of the balance sheet date. The calculation also includes facilities that are investments in progress. The estimated decommissioning costs do not take into account expected revenues from decommissioning, such as the sale of scrap metal or the sale of buildings and equipment. In addition, decommissioning costs do not include overheads, costs of reclamation and removal of mining damage, and costs of decommissioning facilities for which there is no legal obligation to decommission. It should also be noted that the estimation of the decommissioning costs does not include the cost of any severance payments to employees laid off in groups.

The unit costs used by PAS, in calculating the costs of mine closure and land reclamation - including, in particular, the costs of decommissioning shafts (along with the dismantling of equipment), the costs of decommissioning underground workings, as well as the costs of maintaining underground and surface facilities necessary to ensure the safety of mine operations - are taken from the documentation of the Upper Silesian Coal Basin (GZW) mines that have been decommissioned in recent years, as well as data from the Industrial Development Agency. The main assumptions made when determining the cost of mine closure and land reclamation include the assumptions with regards to the life of a mine, anticipated inflation and long-term discounting rates. Any changes to these assumptions affect the carrying amount of the provision.

- Sensitivity to change in mine life

FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2022 (PLN 000s)

Assumptions about the life of the mine are described above. If the mine life assumed as at 31 December 2022 was extended by 1 year, the carrying amount of the provision for mine closure and land reclamation costs would be lower by PLN 1,799 thousand, while if the mine life was extended by 10 years, the carrying amount of the provision would be lower by PLN 17,081 thousand. At the same time, if the life of the mine were shortened by 1 year, the carrying amount of the provision for mine closure and land reclamation costs would be higher by PLN 1,819 thousand, while if the life of the mine were shortened by 10 years, the carrying amount of the provision would be higher by PLN 19,189 thousand.

- Sensitivity to change in inflation and discount rate

The inflation rates used to calculate the provision for 2023-2051 are as follows: 13.3% for 2023, 7.75% for 2024, 3.1% for 2025, and 2.5% for 2026-2051 (as of 31 December 2021, the inflation rate was 7.5% for 2022, 4.05% for 2023, 2.7% for 2024, and 2.5% for 2025-2051).

The calculation of the provision was significantly influenced by the discount rate, which reflects the change in the time value of money. The assumptions use a discount rate based mainly on Treasury bond yields, and as of 31 December 2022, it was set at: 6.5% in 2023-2025, i.e. during periods of high projected inflation, and 3.7% in subsequent years, when projected inflation should return to the NBP's inflation target (as of 31 December 2021: the discount rate was 3.7%).

If the assumed inflation rates had differed from the Parent Company's Management Board's estimates by 1 p.p., it is estimated that the carrying amount of the provisions would be PLN 50,253 thousand higher (in the case of inflation rates higher by 1 p.p.) or PLN 38,297 thousand lower (in the case of inflation rates lower by 1 p.p.).

The impact of the change in the financial discount rate on the carrying amount of provisions for mine closure and land reclamation costs as of 31 December 2022 and 31 December 2021 is shown in the following tables:

As at 31 December 2022

CHANGE OF THE FINANCIAL DISCOUNT RATE	-1 p.p.	-0.5 p.p.	0 p.p.	+0.5 p.p.	+1 p.p.
Value of the provision for mine closure costs and reclamation of land	205,733	178,774	155,452	135,263	117,774

As at 31 December 2021

CHANGE OF THE FINANCIAL DISCOUNT RATE	-1 p.p.	-0.5 p.p.	0 p.p.	+0.5 p.p.	+1 p.p.
Value of the provision for mine closure costs and reclamation of land	174,395	150,750	130,402	112,880	97,779

The analysis shows that an increase in the financial discount rate as of 31 December 2022 by 0.5 p.p. results in a decrease in the value of the provision for mine closure and land reclamation costs by PLN 20,189 thousand, and an increase in the financial discount rate by 1 p.p. results in a decrease in the value of the provision for mine closure and land reclamation costs by PLN 37,678 thousand. A decrease in the financial discount rate as of 31 December 2022 by 0.5 p.p. results in an increase in the value of the provision for mine closure and land reclamation costs by PLN 23,322 thousand, and a decrease in the financial discount rate by 1 p.p. results in an increase in the value of the provision for mine closure and land reclamation costs by PLN 50,281 thousand.

Other significant estimates and judgments have not changed since the publication of the 2021 annual consolidated financial statements.

2.1.4 New standards and interpretations

In these consolidated financial statements, the Group applied for the first time the following new standards and amendments to the existing standards, which came into force as of 1 January 2022:

- Amendments to IFRS 3 “Business Combinations”

  The amendments to the standard published in May 2020 are aimed at updating the relevant references to the IFRS Conceptual Framework without making any substantive changes to the accounting for business combinations.

  Application of the above amendments had no significant effect on the Group’s consolidated financial statements.

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- Amendments to IAS 16 "Property, Plant and Equipment"

  Amendments to IAS 16 "Property, Plant and Equipment" regulate the cost of property, plant and equipment and amounts received from the sale of items produced during their testing. The revised standard requires that revenues from the sale of test production and related expenses be recognized in the statement of profit or loss, eliminating the possibility of adjusting the value of constructed fixed assets by these amounts.

  The impact of application of the above amendment was presented in detail in note 2.1.1.

- Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

  The amendments to IAS 37 provide clarification on which costs should be considered when assessing whether a contract will be loss-making and constitutes an onerous contract.

  Application of the above amendments had no significant effect on the Group's consolidated financial statements.

- Program of Annual Improvements to IFRS 2018-2020

  The "Annual Improvements to IFRSs 2018-2020" introduces amendments to: IFRS 1 "First-time adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and illustrative examples to IFRS 16 "Leases". The improvements contain clarifications and refine the guidance of the standards with regard to recognition and measurement.

  Application of the above amendments had no significant effect on the Group's consolidated financial statements.

With respect to these consolidated financial statements, the Group has not chosen early application of the following published standards, interpretations or amendments to the existing standards before their effective date:

- Amendments to IAS 1 "Presentation of Financial Statements" and guidance of International Accounting Standards Board regarding accounting policy disclosures

  The amendment to IAS 1 requires disclosure of material information regarding the accounting policies defined in the standard. The amendment clarifies that information on accounting policies is material if, in its absence, users of financial statements would not be able to understand other material information contained in the financial statements. Moreover, the Board's guidance on applying in practice the concept of materiality has also been modified to provide guidance on applying the concept of materiality to disclosures of accounting policies.

  The amendment comes into effect as of 1 January 2023.

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

  In 2021 the Board published an amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" concerning the definition of estimates. The amendment to IAS 8 explains how entities should differentiate changes of accounting policies from changes in estimates.

  The amendment comes into effect as of 1 January 2023.

- Amendments to IAS 12 "Income Taxes"

  The amendments to IAS 12 clarify how to account for deferred taxes on transactions such as leases and asset retirement obligations. Prior to the amendment to the standard, there was ambiguity as to whether the recognition of equal amounts of an asset and a liability for accounting purposes (e.g. the initial recognition of a lease) that has no impact on current tax settlements triggers the recognition of deferred tax balances, or whether the so-called initial recognition exemption applies, which says that deferred tax balances are not recognized if the recognition of an asset or liability has no impact on accounting or tax results at the time of that recognition. The amended IAS 12 addresses this issue by requiring recognition of deferred taxes in the above situation through an additional provision that the exemption from initial recognition does not apply if an entity simultaneously recognizes an asset and an equivalent liability and each creates temporary differences.

  The amendment is applicable to financial statements for the periods beginning on or after 1 January 2023.

- Amendment to IFRS 16 "Leases"

  In September 2022, the Board amended IFRS 16 "Leases" by supplementing the requirements for subsequent measurement of the lease obligation for sale and leaseback transactions when the criteria of IFRS 15 are met and the transaction should be recognized as a sale.

  The amendment requires the seller-lessee to subsequently measure its lease obligations under sale-leasebacks in such a way that no gain or loss related to the retained right-of-use is recognized. The new requirement is particularly relevant when sale-leasebacks include variable lease payments that do not depend on an index or rate, as these payments are excluded from "lease payments" under IFRS 16. The revised standard includes a new example that illustrates the application of the new requirement in this regard. The amendment comes into effect as of 1 January 2024.

  At the time of preparing these interim condensed consolidated financial statements, the amendment has not yet been approved by the European Union.

- Changes to IAS 1 “Presentation of financial statements”

  In 2020 the Board has published amendments to IAS 1, which clarify the issue of presentation of liabilities as non-current and current. In October 2022, the Board issued further amendments to IAS 1, which addresses the classification of liabilities as non-current and current, for which an entity is required to meet certain contractual requirements known as covenants. The revised IAS 1 standard states that liabilities are classified as either non-current or current depending on the rights that exist at the end of the reporting period. Neither the entity's expectations nor events after the reporting date (for example, abandonment or violation of covenants) affect the classification.

  The amendment is applicable to financial statements for the periods beginning on or after 1 January 2024.

  At the time of preparing these interim condensed consolidated financial statements, the amendments have not yet been approved by the European Union.

- Amendments to IFRS 10 and IAS 28 concerning the sale or contribution of assets between an investor and its associates or joint ventures

  The amendments resolve the existing inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether non-cash assets that are sold or contributed to an associate or joint venture constitute a “business.”

  If the non-cash assets constitute a “business” then the investor reports the full gain or loss on the transaction. If however the assets do not meet the definition of a business then the investor recognizes a gain or loss only from the portion representing the interests of other investors.

  The amendments were published on 11 September 2014. At the time of preparing these consolidated financial statements, the approval of this amendment has been deferred by the European Union.

The Group is in the course of analyzing the impact that the new standards will exert on the consolidated financial statements. The above standards will affect the consolidated financial statements, however the Group believes the impact will be relatively insignificant.

2.2 Consolidation rules

The consolidated financial statements include the financial statements of Lubelski Węgiel "Bogdanka" S.A. and its controlled entities. The Parent Company has control if:

- it has authority over the entity in question,
- it is subject to exposure to variable returns or has rights to variable returns from its exposure to the entity,
- it has the ability to use power to shape the level of returns generated.

If Lubelski Węgiel "Bogdanka" S.A. holds less than a majority of the voting rights in an entity, but the voting rights it holds are sufficient to enable it to unilaterally direct the significant activities of that entity, it means that it exercises authority over that entity. When assessing whether the voting rights of an entity are sufficient to provide power, the Company analyzes all relevant circumstances, including:

- the size of the voting rights holding compared to the size of the shares and the degree 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 that may prove that the Company does or does not have the ability to direct significant actions at decision-making moments, including voting patterns observed at previous shareholder meetings.

Additional information on subsidiaries included in the consolidated financial statements is included in Note 1.1.

Consolidation of a subsidiary begins when the Company obtains control over it and ends when it loses such control. Revenues and expenses of a subsidiary acquired or disposed of during the year are recognized in the consolidated statement of profit or loss and in the consolidated statement of other comprehensive income in the period from the date the Company acquired control until the date it lost control of that subsidiary. The financial result and all components of other comprehensive income are attributed to the Company's owners and non-controlling interests. Comprehensive income of subsidiaries is attributed to the Company's owners and non-controlling interests, even if this results in a deficit on the non-controlling interest side.

The duration of the individual entities in the Group is unspecified. The financial statements of all subsidiaries were prepared for the same reporting period as the Parent Company's financial statements, using consistent accounting policies.

The financial year of the Parent Company and Group companies is the calendar year.

Consolidation adjustments

If necessary, the financial statements of subsidiaries are adjusted to match their accounting policies with those of the Group. During consolidation, all intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are fully eliminated.

Unrealized losses are excluded from the consolidated financial statements on the same basis as unrealized gains, but only if there is no indication of impairment.

Loss of control

Changes in the Group's interest in the capital of subsidiaries that do not cause the Group to lose control of those entities are accounted for as equity transactions. The carrying amount of the Group's shares and non-controlling interests are adjusted to reflect changes in the share of the subsidiaries concerned. Differences between the amount of adjustment of non-controlling interests and the fair value of the consideration paid or received are recognized directly in equity and attributed to the owners of the Company.

Upon loss of control, the Group ceases to recognize the subsidiary's assets and liabilities, non-controlling interests and other components of capital related to the subsidiary. Any surplus or deficit arising from loss of control is recognized in profit or loss of the current period. If the Group retains any interest in an existing subsidiary, it is measured at fair value as of the date control is lost. After initial recognition, they are treated as investments accounted for using the equity method or as financial assets held for sale, depending on the level of revenue retained by the Group for the operations of that entity.

Non-controlling interests include the Group's non-controlling interests in Łęczyńska Energetyka. The shares belong to the Łęczna Municipality and the Puchaczów Municipality.

Acquisition of entities

Acquisitions of other entities are accounted for using the acquisition method as of the acquisition date, which is the date on which the Group obtains control of the acquired entity.

The Group recognizes goodwill at the date of acquisition as:

- the fair value of the payment made; plus
- accounting for pre-existing relationships and
- recognized value of non-controlling interest in the acquired entity; plus fair value
- the previously held capital in the acquired entity, if the merger takes place in stages; less
- recognized net value (fair value) of identifiable assets acquired and liabilities assumed.

When the difference becomes negative, the gain on a bargain acquisition is recognized in profit or loss of the current period as of the acquisition date.

Acquisition-related costs, other than those relating to the issuance of debt or equity instruments, that the Group incurs in connection with a business combination are accounted for as an expense in the period in which they are incurred. For each acquisition, the Group recognizes non-controlling interests in the acquired entity at fair value or at the non-controlling interest's proportionate share of the acquired entity's identifiable net assets measured at fair value.

2.3 Measurement of items in foreign currencies

Functional currency and reporting currency

The consolidated financial statements were prepared in Polish zloty (PLN). The Polish zloty is the Group's functional and reporting currency. The data in the consolidated financial statements are shown in thousands of zlotys, unless in specific situations they are given with greater precision.

Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at initial recognition using the exchange rate prevailing at the date of the transaction.

As at the balance sheet date:

- cash items are converted using the closing rate (the closing rate is the average rate set for the currency by the National Bank of Poland on that date),
- non-cash items measured at historical cost in a foreign currency are converted using the exchange rate on the date of the original transaction (the rate of the bank used by the entity), and
- non-cash items at fair value in a foreign currency are converted using the exchange rate from the date the fair value is determined.

Exchange rate differences arising from translation are recognized in the consolidated statement of profit or loss, as appropriate, with exchange rate differences relating to operating activities recognized in "Other profits/(losses) - net" and those relating to financing activities recognized in "Financial income/expenses" or, in cases prescribed by accounting principles (policies), in equity when they qualify for recognition as cash flow hedges and shares in net assets.

2.4 Property, plant and equipment (Note 4)

Property, plant and equipment are non-current assets:

- which are held by the Group in order to be used in the production process, in deliveries of goods and provision of services and for administrative purposes,
- which are expected to be used for a period longer than one year,
- for which it is probable that the entity will obtain economic benefits associated with the asset in the future, and
- the value of which may be reliably determined.

As at the initial recording date, property, plant and equipment is measured at the purchase price (manufacturing cost).

At the time of initial recognition, the purchase price (cost of production) of fixed assets includes the cost of underground mining pits ("capital" and expensable pits) and longwall workings performed in mining fields, less the cost of coal extracted during the production of these workings.

Upon initial recording, the purchase price (production cost) of fixed assets includes the expected cost of dismantling and removing them and restoring the place where the asset component is located to its initial state; the obligation to perform those actions arises upon installation or use of the asset component. In particular, the initial value of fixed assets incorporates the discounted liquidation cost of fixed assets related to underground mining activity and other facilities which according to the current mining law must be liquidated after the operations are discontinued.

The mine liquidation costs recognized in the initial value of fixed assets are depreciated with the depreciation method used for depreciation of the fixed assets to which they are related, starting from the moment the given fixed asset is commissioned for use, throughout the period set in the liquidation plan of facility groups being part of the anticipated mine decommissioning schedule.

As of the balance sheet date, property, plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditures are included in the carrying amount of the fixed asset or recognized as a separate fixed asset (where appropriate) only when it is probable that future economic benefits will flow to the Group from the item, and the cost of the item can be measured reliably. All other expenditures towards repairs and maintenance are posted in the consolidated statement of profit or loss in the financial period in which they are incurred.

Land is not depreciated.

Depreciation begins when a fixed asset is available for use. Depreciation of fixed assets is calculated using the straight-line method as of the month following commissioning, or using the natural method to spread their initial values or revalued values, less residual values, over their useful lives, which for individual groups of fixed assets are:

	DEPRECIATION PERIOD
Buildings and structures	25-40 years, but no longer than the expected date of mine decommissioning
Structures (mining pits)	Depreciation by the natural method based on the length of the mined longwalls (calculated in running meters)
Technical equipment and machinery	5-20 years, but no longer than the expected date of mine decommissioning
Means of transportation	3-30 years, but no longer than the expected date of mine decommissioning
Other fixed assets	3-20 years, but no longer than the expected date of mine decommissioning

Depreciation is discontinued on the earlier of the following dates: when the fixed asset item is classified as held for sale (or included in the group to be sold classified as held for sale) in accordance with IFRS 5 "Non-Current Assets Held For Sale And Discontinued Operations" or removed from the accounting records as a result of its liquidation, sale or retirement.

Certain significant constituent parts of fixed assets (components) the useful life of which differs from the useful life of the whole fixed asset and the purchase price (manufacturing cost) of which is significant as compared to the purchase price (manufacturing cost) of the whole property, plant and equipment item are depreciated separately, using the depreciation rates reflecting the expected period of their use.

The verification of the residual value and useful lives of fixed assets and any change in them is carried out at each balance sheet date.

If the carrying amount of a fixed asset exceeds its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount (Note 2.8).

The value of the fixed asset includes the costs of regular and material inspections (including certification inspections) which are mandatory.

The cost of external funding, which includes interest and fees and commissions on incurred liabilities and FX differences resulting from loans and borrowings in foreign currencies to the extent to which they are recognized as adjustment of the interest expense which can be directly ascribed to acquisition, construction or production of an adjusted asset, are capitalized as part of the purchase price or production cost of such asset. The amount of costs of external funding subject to capitalization is determined pursuant to IAS 23 "Borrowing costs."

Specialized spare parts with significant initial value, the use of which is expected after a period longer than one year, are classified as property, plant and equipment. The same approach is adopted for those maintenance-related spare parts and equipment which may only be used for specific items of property, plant and equipment. Other maintenance-related spare parts of insignificant value are classified as inventories and recognized in the consolidated statement of profit or loss upon their utilization.

Profits and losses on the sale of fixed assets are determined by comparing proceeds on the sale with their carrying amount and recognized in the consolidated statement of profit or loss, in the "Other net profits/(losses)" item.

2.5 Intangible assets (Note 5)

Geologic information

Purchased geological information is recognized in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources" at the value resulting from the contract with the Ministry of Climate and Environment (formerly the Ministry of Environment). Until the concession is received, it is not subject to depreciation. The capitalized costs are then written off over the life of the concession.

Software

Purchased software licenses are capitalized at the amount of expenses incurred for the purchase and preparation for use of specific computer software. The capitalized costs are written off over the estimated useful life of the software (2-5 years).

Fees and licenses

The fee for the establishment of the mining usufruct of space, for the purpose of coal mining, is capitalized in the amount of the fee incurred. The capitalized costs are written off over the term of the mining usufruct contract.

Amortization of intangible assets is calculated using the straight-line method from the month following commissioning. As of the balance sheet date, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Other intangible assets

Other intangible assets include, in particular, CO2 emission rights, as well as other intangible assets not classified in any of the above categories. Acquired CO2 emission rights are reported at cost. These rights are not subject to depreciation, but are subject to periodic evaluation for impairment under the general rules. CO2 emission rights are depreciated in proportion to the amount of the rights used in the reporting period - they are shown directly as a reduction in the table of intangible asset movements.

2.6 Leases (Note 6)

An agreement contains a lease if it relates to an identified asset that can be either explicitly specified in the agreement or implicitly specified when it is made available for use to the customer and the lessee receives substantially all of the economic benefits of the asset over its useful life and has the right to determine the use of the identified asset. The Group, as a lessee, recognizes leases in its consolidated financial statements as the right to use an asset at cost, which includes the value of the lease liability plus all payments made at or before the date of the agreement, initial direct costs associated with entering into the agreement, estimated costs of dismantling and removing the asset, costs of renovating the site where the asset was located, costs of bringing the leased asset to the condition in which it is to be returned under the agreement unless these costs were incurred to produce inventory. The value determined in this way is reduced by receivables from incentives provided by the lessor. After initial recognition, the Group measures the right to use an asset at cost less depreciation, amortization and impairment. The depreciation period covers the period from the beginning of the contract to the earlier of: the end of the asset's economic life or the end of the lease. The lease liability is the sum of the present value of the lease payments and the present value of the expected payments at the end of the lease.

2.7 Investment property (Note 7)

Investment properties are properties from which the Group derives benefits from rental income, appreciation in value, or both, capital appreciation (also includes properties under construction for investment purposes). These properties are initially measured at cost, including transaction cost. After initial recognition, investment properties are measured according to the purchase price (manufacturing cost) model.

Investments in real property are depreciated using the linear method. Depreciation begins when the investment property is accepted for use. The estimated useful life is as follows:

Buildings - 25-40 years

Rental income from investment properties is recognized in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.

2.8 Impairment of non-financial assets (Note 4.3)

Assets with unspecified useful lives are not depreciated, but are tested annually for possible impairment. The assets that are subject to depreciation and amortization are analyzed for impairment any time any events or changes in circumstances indicate that their carrying amount may not be realized. Impairment loss is recognized at the surplus of the asset's carrying amount over its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of sale, or value in use. For the purpose of the impairment analysis, assets are grouped at the lowest level where there are identifiable separate cash flows (cash flow centers). Non-financial assets previously found to be impaired are evaluated at each balance sheet date for indications that the impairment loss may be reversed.

The establishment, reversal and utilization of an impairment loss on non-financial assets are recognized in the consolidated statement of profit or loss in the expenses by function, according to the function to which the fixed asset item has been assigned (i.e., in the items "Cost of products, goods and materials sold", "Selling expenses" and "Administrative expenses") or in the item "Other net profits/(losses) - net".

2.9 Financial assets (Note 16)

The Group classifies financial assets upon initial recognition into the following categories:

- financial assets carried at fair value through profit or loss,
- equity instruments measured through other comprehensive income,
- financial assets carried at amortized cost,
- financial assets carried at fair value, through other comprehensive income.

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

- financial assets held for trading (among others, derivatives for which hedge accounting is not applied),
- financial assets voluntarily assigned to this category,
- financial assets that do not meet the requirements of the definition of an underlying loan agreement, including equity instruments such as stocks and shares, except those designated as equity instruments through other comprehensive income,
- financial assets that meet the requirements of the definition of an ordinary loan agreement, which are not held in accordance with the business model for the realization of cash flows or for the realization of cash flows or sales.

Equity instruments measured through other comprehensive income include investments in equity instruments classified voluntarily and irrevocably at initial recognition. Equity instruments that meet the criteria of being held for trading and that meet the criteria of contingent consideration recognized by the acquiring company in a business combination may not be subject to such classification.

Financial assets measured at amortized cost are financial assets held in accordance with a business model whose purpose is to hold financial assets to earn contractual cash flows and whose contractual terms meet the criteria of the underlying loan agreement.

Financial assets measured at fair value through other comprehensive income are financial assets held in accordance with a business model whose purpose is to both receive contractual cash flows and sell financial assets; and whose contractual terms meet the criteria of an underlying loan agreement.

Upon initial recognition, the Group measures a financial asset subject to classification for the purpose of measurement at its fair value. An exception to this rule is trade receivables without a significant financial component, which are measured at the transaction price.

The fair value of financial assets not carried at fair value through profit or loss is increased by transaction costs directly attributable to the purchase/acquisition of these assets.

2.10 Inventory (Note 9)

Materials are reported at the purchase price, less any allowance for inventory backlog. Goods are valued at cost, but not higher than the net realizable sales price. Finished goods are measured at cost, not higher than the net realizable sales price. The value of material and goods consumption is determined using the weighted average method. Finished goods, in turn, are measured at average annual cost. The cost of finished goods and production in progress comprises direct labor, auxiliary materials, other direct costs and pertinent general production costs (based on normal production capacity)but does not include borrowing costs. The net sales price is the estimate sales price in normal course of business, minus pertinent variable costs of sales.

Within inventories, the Group reports energy certificates of origin acquired for redemption.

2.11 Trade receivables (Note 8)

Trade receivables are initially recognized at the transaction price and subsequently measured at amortized cost using the effective interest rate, including impairment losses. In a situation where there are no differences between the initial value of the receivable and the amount at maturity (payment), there is no interest calculated at the effective rate.

Receivables expressed in foreign currencies during the financial year are measured at the historical exchange rate, i.e. the average exchange rate of the National Bank of Poland as of the date of the operation, while as of the balance sheet date, receivables are measured at the average exchange rate of the National Bank of Poland as of that date.

The impairment loss for receivables is determined on the basis of expected credit losses. Expected credit losses are credit losses weighted by the risk of default. 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, taking into account the effect of changes in the value of money over time. The Group estimates expected credit losses at:

- 12-month expected credit losses, or
- expected credit losses over the entire lifecycle.

Expected credit losses take into account both counterparty default events that have already occurred, as well as potential estimated credit losses. The allowance is recognized as an expense in the consolidated statement of profit or loss in “Selling costs.” If trade receivables are uncollectible, they are written off in the trade receivables provision account. Subsequent repayments of previously written-off receivables are recognized as a reduction of expenses under “Selling costs” in the consolidated statement of profit or loss.

2.12 Cash and cash equivalents (Note 10)

Cash and cash equivalents comprise cash in bank, call deposits in banks, other short-term investments with high liquidity and original maturity up to 3 months. Current account overdrafts are presented in the consolidated statement of financial position as a component of short-term loans and borrowings within current liabilities.

Cash and cash equivalents accumulated in a separate account of the Mine Closure Fund, as well as restricted cash with a restriction for a period of at least 12 months from the balance sheet date, are classified as long-term.

Cash on bank account, demand deposits and other short-term investments with original maturities of 3 months or less and high liquidity are carried at amortized cost at each balance sheet date (at par/original value plus accrued interest to the balance sheet date, adjusted for an allowance for expected credit losses).

The Group makes investments in debt instruments and invests cash only in securities or banks with an investment rating of not less than BBB-. This ensures that the risk of default (failure to return the funds invested by the Group) is negligible. Therefore, it is not necessary to analyze expected credit losses over the life of the instrument (lifetime expected credit losses) but the potential write-down should only be considered for 12-month expected credit losses.

2.13 Non-current assets held for sale

Non-current assets held for sale are classified if their carrying value will be recovered through a disposal transaction rather than through their continued use. This condition is considered to be met only if the disposal transaction is highly probable and the asset is available for immediate disposal in its present condition (in accordance with generally accepted commercial terms). Classification of an asset as held for sale assumes that the Group Management Board intends to complete the disposal transaction within one year of the reclassification. The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less sales cost.

2.14 Share capital (Note 11)

Ordinary shares are included in equity.

The costs incurred directly in connection with the issue of new shares and options are presented in the equity as decrease, after tax, of proceeds from the issue.

2.15 Financial liabilities (Note 13, 15 and 16)

Financial liabilities comprising trade and other liabilities are recognized initially at fair value, less transaction costs incurred.

Financial liabilities comprising loans and borrowings and debt securities are classified at initial recognition into the following categories:

- Financial liabilities carried at fair value through profit or loss,
- Financial liabilities carried at amortized cost.

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

- financial liabilities that meet the definition of held for trading, including derivatives not used in hedge accounting,
- financial liabilities voluntarily designated by the Group as carried at fair value through profit or loss.

Financial liabilities carried at amortized cost include all financial liabilities subject to classification for measurement purposes, not classified as financial liabilities carried at fair value through profit or loss.

Initial measurement of financial liabilities

Upon initial recognition, the Group measures a financial liability subject to classification for measurement purposes at its fair value.

The fair value of a financial liability not carried at fair value through profit or loss is reduced by transaction costs directly attributable to the issuance (incurrence/creation) of the liability.

Balance sheet measurement and recognition of revaluations

Balance sheet measurement of a financial liability and recognition of revaluations depend on the classification of the item into the appropriate category for measurement purposes.

- Financial liabilities at fair value through profit or loss
- Financial liabilities, classified as financial liabilities carried at fair value through profit or loss, are measured at fair value at each balance sheet date. The fair value determined as at the balance sheet date is not adjusted for transaction costs that would have to be incurred to settle the item. Revaluations to fair value are recognized in the financial result of the period.
- Financial liabilities carried at amortized cost
- Financial liabilities, included in the category of financial liabilities carried at amortized cost, are measured at amortized cost as at each balance sheet date.

2.16 Financial derivatives (Note 16)

The Group may enter into derivative contracts through which it manages foreign exchange risk. These contracts include forward contracts. Derivatives are initially recognized at fair value on the date the relevant contracts are signed and are subsequently remeasured to fair value at the end of each reporting period.

2.17 Current and deferred income tax (Note 25)

Current tax

The current income tax liability is calculated on the basis of the applicable tax regulations or actually introduced at the balance sheet date in the country where the Group operates and generates taxable income. The Group's Management Board periodically reviews the calculation of tax liabilities with reference to situations in which pertinent tax regulations are subject to interpretation, recognizing provisions, if any, for the amounts due to tax authorities.

Deferred tax

The deferred income tax liability resulting from temporary differences between the tax value of assets and liabilities and their carrying value in the consolidated financial statements – is recognized in the full amount, using the balance sheet method. However, if the deferred income tax results from original recognition of an asset or liability in a transaction other than combination of business entities, which does not influence the financial result or the income tax (tax loss) it is not presented. Deferred income tax is determined by applying the tax rates (and regulations) legally or actually applicable as at the balance sheet date which, in accordance with the expectations, will apply as at the time of realization of the pertinent deferred income tax assets or the settlement of the deferred tax liability.

Deferred income tax assets are recognized if it is probable that in the future taxable income will be generated which will make it possible to use the temporary differences.

2.18 Provisions for employee benefits (Note 17)

Pension liabilities and other employee benefits

In accordance with the Company Collective Bargaining Agreement (CBA) and relevant laws, Group companies pay benefits under the following main titles:

- retirement and disability severance pays,
- jubilee awards
- death benefits.

The Group recognizes the liability for the payment of the above benefits in the consolidated statement of financial position at the present value of the liability at the balance sheet date, including actuarial gains and losses. The liability for the above benefits is calculated by an independent actuarial consulting firm using the Projected Unit Credit Method.

Provisions are calculated using the individual method, separately for each employee. The calculation of the provisions for the employee is based on the anticipated amount of the respective benefit that the Group undertakes to pay out on the basis of internal regulations, in particular the CBA, and pertinent provisions of law.

The projected amount of the benefit is calculated taking into account, among other things, the projected amount of the assessment base for this benefit, the projected increase in the assessment base until the employee becomes entitled to this benefit, and a percentage factor based on the employee's length of service.

The amount calculated is subject to actuarial discounting as at the balance sheet date and then decreased by actuarially discounted amounts of annual provision charges, as at the same day, which the Group makes to increase the provision of the respective employee. The actuarial discount means the product of the financial discount and probability of survival of the respective employee as a Group employee until the time of receipt of the benefit. The financial discount rate corresponds to the market yield on long-term government bonds at the time of the valuation.

The aforementioned probability is determined based on the Multiple Decrement Model method, taking into account the possibility of an employee's dismissal, the risk of total disability and the risk of death.

The possibility of an employee's dismissal is determined using a probability distribution and taking into account Group statistics. The risk of total disability and the risk of death of an employee are determined using statistical data.

Actuarial gains and losses increase or decrease other comprehensive income (pension benefits) or expense (other long-term benefits) in the consolidated statement of comprehensive income in the period in which they arise.

Costs of past employment arising from the change in the program are recognized in the consolidated statement of comprehensive income immediately.

Profit sharing and bonus programs

The Group recognizes liabilities and expenses for rewards and bonuses and profit-sharing programs if it is subject to a contractual obligation or if past practice has given rise to a usual expected obligation.

Share-based payments

The fair value of share purchase options granted is recognized as compensation expense in correspondence with an increase in equity. The fair value is determined as of the date of grant of share purchase options by employees and spread over the period during which employees will unconditionally acquire the right to exercise the options (since the fair value of employee benefits cannot be directly assessed, their value is determined based on the fair value of the equity instruments granted). The amount charged to expense is adjusted to reflect the current number of options granted for which service and non-market vesting conditions are met.

2.19 Provisions (Note 18)

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

The provision for legal claims, other claims and for removal of mining damage is recognized when the Group has the legal or customary obligation resulting from past events and it is probable that fulfillment of the obligation will cause the necessity to pay out funds, and its size has been reliably estimated. Provisions are not created for future operating losses.

Provision for mine closure costs and reclamation of land

The provision for future costs associated with mine losing and reclamation of land is established on the basis of the obligations following from the Geological and Mining Law Act imposing on mining enterprises an obligation to decommission mining plants upon completion of operation, in the amount of anticipated costs associated with:

- securing or decommissioning of mining workings and facilities and mining plant equipment;
- securing the unused part of the mineral deposit;
- securing the neighboring mineral deposits;

- securing the workings of neighboring mining plants;
- undertaking necessary measures to protect the environment and reclaim the land and develop the sites left after mining operations.

The costs of mine closure and land reclamation are calculated by an independent consulting firm (Mineral Raw Materials Management Institute at the Polish Academy of Sciences) using historical data on the costs of decommissioning coal mines in Poland.

The provision amounts are presented in the present value of the expenditures which are expected to be required to fulfill the obligation. The interest rate before tax is then used, which reflects the current assessment of the market regarding the value of money over time and the risk associated specifically with the given liability. Increase of the provisions associated with elapse of time is recognized as interest expenses. Changes in the amount of provisions related to the updating of the estimates relating to them (inflation rate, expected nominal value of mine closure expenditures) with respect to the provision for mine closures are recognized as an adjustment to the value of non-current assets subject to decommissioning, while with respect to the provision for land reclamation as "Cost of sales."

2.20 Recognition of revenues (Note 19)

Contracts with customers are analyzed and recognized by the Group according to the model indicated in IFRS 15 "Revenue from Contracts with Customers." Recognition of revenue from a given contract follows the steps listed below:

- identification of the contract,
- identification of performance obligations,
- determination of the transaction price,
- assignment of the transaction price to performance obligations,
- recognition of revenue.

The Group combines two or more contracts that were entered into simultaneously or almost simultaneously with the same customer and recognizes them as a single contract if at least one of the following criteria is met:

- the contracts are negotiated as a package and are for the same commercial purpose,
- the amount of the remuneration due under one contract depends on the price or performance of another contract, or
- the goods or services promised in the contracts (or some of the goods or services promised in each contract) constitute a single performance obligation.

Revenue recognition occurs when the performance obligation is fulfilled (or in the process of being fulfilled) by transferring the promised good or service (i.e. asset) to the customer. The transfer of an asset occurs when the customer obtains control of the asset.

The Group transfers control of the good or service over time and thereby satisfies the performance obligation and recognizes revenue over time if one of the following conditions is met:

- criterion 1: The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or
- criterion 2: The entity's performance creates or enhances an asset (for example, work in process) that the customer controls as the asset is created or enhanced; or
- criterion 3: The entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date.

If the performance obligation is not fulfilled over time in accordance with the provision indicated above, the Group fulfills the performance obligation at the specified time. In order to determine when the customer obtains control over the promised asset and the Group fulfills its performance obligation, the Group considers the control requirements. In addition, the Group takes into account circumstances indicating that a transfer of control has occurred, including when:

- the Group has a current right to payment for the asset,
- the customer holds the legal title to the asset,
- the Group physically transferred the asset,
- the customer bears significant risks and obtains significant benefits from the ownership of the asset,
- the customer accepted the asset.

The timing of sales revenue recognition

The following table summarizes each group of products offered by the Group, along with the corresponding timing of sales revenue recognition:

PRODUCT TYPE	PRODUCT GROUP	TIMING OF REVENUE RECOGNITION	MEASURE MENT METHOD	MEASURE MENT METHOD	TRIGGER
Continuous services - consumption	“Hook space” Use of the shower room Water and heat supply	Over Time	Perform ance Slide	Consump tion	Start of performance of the services
Delivery of products or services settled at a specific point in time	Coal Scrap Materials	Point in Time	n/a	Event	Delivery/compl etion of services
Continuous services - elapsed time	Investor supervision	Over Time	Perform ance Slide	Elapsed Time	Start of performance of the services

Interest income

Interest income is recognized pro rata to the elapse of time, using the effective interest rate method. When a receivable becomes impaired, the Group reduces its carrying amount to its recoverable amount, equal to the estimated future cash flows discounted at the instrument's original effective interest rate, and then gradually settles the discount amount against interest income. Interest income on impaired loans is recognized at the original effective interest rate.

2.21 Recognition of grants (Note 14)

The IAS 20 standard "Accounting for Government Grants and Disclosure of Government Assistance" is used in accounting for and disclosing government grants.

According to IAS 20.3, asset grants are government grants that are intended to finance non-current assets. According to IAS 20, government grants are recognized in profit or loss on a systematic basis in the respective periods in which the entity recognizes the related costs that the grants are intended to compensate.

Recognition of grants in the consolidated financial statements depends on the purpose of the funding received:

- Grants received and earmarked for the acquisition or production of non-current assets are reported in the consolidated statement of financial position (balance sheet) under "Liabilities" and " Grants".
- The consolidated statement of profit or loss shows the settlement of the above grants in proportion to the depreciation of fixed assets for the financing of which the subsidy was granted.
- Grants for purposes other than those indicated above are recognized in the consolidated statement of profit or loss as "Other operating income."

Recognition of a grant in the accounts triggers the application of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" to all related contingent liabilities or assets. An asset grant received should be settled in full upon total depreciation, sale or liquidation of an asset financed by it.

2.22 Dividend payment (Note 27)

Dividend payments to shareholders of the Parent Company are recognized as liability in the consolidated financial statements in the period when they are approved by the shareholders of the Parent Company.

3. SEGMENT INFORMATION

Basic reporting layout – industry segments

The Group focuses its activity mainly on the production and sales of coal. Revenue from sales of other products and services in 2022 amounted to PLN 72,889 thousand (PLN 59,772 thousand last year), representing 3.0% of total consolidated sales revenues in 2022 (2.4% last year).

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

Supplementary reporting layout – geographic segments

The Group conducts its operations mainly in the territory of Poland. In 2022, revenues from the sale of coal outside Poland amounted to PLN 76,406 thousand (2021: PLN 130,731 thousand), which accounted for 3.1% of total consolidated sales revenues (in 2021, this share accounted for 5.3% of sales revenues). The Group also has no related assets and liabilities located outside of the territory of Poland.

Accordingly, the Group does not present its operating results broken down by geographic segments.

In carrying out its tasks, the Management Board of the Parent Company analyzes financial data that are consistent with the consolidated financial statements prepared in accordance with the EU IFRS.

Breakdown into mining fields

The Parent Company conducts its business in the area of three mining fields: Bogdanka, Nadrybie and Stefanów. Production assets are concentrated at the location of the Parent Company's registered office, at the center of the Bogdanka field and they are linked to the other locations; this is why the Nadrybie and Stefanów fields cannot function independently. Because of these interrelations between the individual fields, departments and because of the organization in effect in the mine, all of the Parent Company's assets are treated as a single CGU (Cash Generating Unit).

Main buyers of coal

In 2022 and 2021, the Group's key buyers with the share in sales exceeding 10% of revenue from sales, included:

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
ENEA Wytwarzanie Sp. z o.o.	52%	66%
ENEA Elektrownia Połaniec S.A.	17%	11%

FOR THE PERIOD OF 12 MONTHS ENDED 31 DECEMBER 2022 (PLN 000s)

4. PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDINGS AND STRUCTURES ** TOTAL	BUILDINGS AND STRUCTURES INCLUDING ROADWAYS	TECHNICAL EQUIPMENT AND MACHINERY	MEANS OF TRANSPORTATION	OTHER FIXED ASSETS	FIXED ASSETS UNDER CONSTRUCTION	TOTAL
As at 1 January 2022								
Cost or value derived from valuation	11,566	3,600,663	2,514,421	2,933,656	132,019	30,360	220,852	6,929,116
Accumulated depreciation	-	(1,576,191)	(1,095,838)	(1,789,595)	(70,409)	(23,083)	-	(3,459,278)
Net book value	11,566	2,024,472	1,418,583	1,144,061	61,610	7,277	220,852	3,469,838
As at 31 December 2022								
Net book value at the beginning of the year	11,566	2,024,472	1,418,583	1,144,061	61,610	7,277	220,852	3,469,838
Increases	-	19,859	-	-	-	1,386	591,970	613,215
Transfers from fixed assets under construction	1,171	322,140	309,994	117,761	11,111	2,051	(454,234)	-
Decreases	-	(48,540)	(48,540)	(1,978)	(46)	(1)	(134)	(50,699)
Depreciation and amortization	-	(205,268)	(177,845)	(170,162)	(6,109)	(2,676)	-	(384,215)
Revaluation charge	(334)	-	-	(10,280)	-	-	-	(10,614)
Net book value	12,403	2,112,663	1,502,192	1,079,402	66,566	8,037	358,454	3,637,525
As at 31 December 2022								
Cost or value derived from valuation	12,403	3,730,544	2,612,199	3,022,521	142,512	31,914	358,454	7,298,348
Accumulated depreciation	-	(1,617,881)	(1,110,007)	(1,943,119)	(75,946)	(23,877)	-	(3,660,823)
Net book value	12,403	2,112,663	1,502,192	1,079,402	66,566	8,037	358,454	3,637,525
As at 1 January 2021								
Cost or value derived from valuation	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
As at 31 December 2021								
Net book value at the beginning of the year	11,408	2,100,687	1,408,977	1,107,979	43,932	7,529	260,030	3,531,565
Adjustment due to application of the Amendment to IAS 16**	-	-	-	-	-	-	6,413	6,413
Increases	-	-	-	-	-	1,441	472,858	474,299
Transfers from fixed assets under construction	239	300,327	275,458	192,143	23,948	1,125	(517,782)	-
Decreases	-	(120,938)	(35,988)	(480)	(49)	-	(3,729)	(125,196)
Depreciation and amortization	-	(255,815)	(229,864)	(155,573)	(6,221)	(2,818)	-	(420,427)
Revaluation charge	(81)	211	-	(8)	-	-	3,062	3,184
Net book value	11,566	2,024,472	1,418,583	1,144,061	61,610	7,277	220,852	3,469,838
As at 31 December 2021								
Cost or value derived from valuation	11,566	3,600,663	2,514,421	2,933,656	132,019	30,360	220,852	6,929,116
Accumulated depreciation	-	(1,576,191)	(1,095,838)	(1,789,595)	(70,409)	(23,083)	-	(3,459,278)

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Net book value	11,566	2,024,472	1,418,583	1,144,061	61,610	7,277	220,852	3,469,838

** restated - explanation provided in Note 2.1.1

In 2022 and 2021, there were no borrowing costs to be capitalized in the value of property, plant and equipment.

No collateral has been established on property, plant and equipment.

Depreciation and amortization of fixed assets is included in the consolidated statement of profit or loss in the following items:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Cost of products, merchandise and materials sold	(370,998)	(412,229)
Selling costs	(307)	(294)
Administrative costs	(12,910)	(7,904)
As at 31 December	(384,215)	(420,427)

4.1 Property, plant and equipment – roadways

The following tables present a brief description of the roadways and other items of property, plant and equipment reported under the heading "roadways".

As at 31 December 2022:

	QUANTITY [pcs]	LENGTH [m]	OPENING BALANCE	ACCUMULATED DEPRECIATION	NET VALUE AS AT THE BALANCE SHEET DATE	LEVEL OF ACCUMULATED DEPRECIATION IN THE GROUP
Roadways recognized as fixed assets, depreciated using the natural method, of which:	23	30,626	533,773	(298,975)	234,798	56%
- amortized until December 2022	10	15,283	224,354	(110,065)	114,289	49%
Roadways recognized as fixed assets, depreciated based on useful lives	254	98,110	1,763,850	(649,878)	1,113,972	37%
Others items depreciated based on useful lives (shafts, shaft towers, stoppings, storage tanks and other)	31	-	314,576	(161,154)	153,422	51%
Total as at 31 December 2021	308	128,736	2,612,199	(1,110,007)	1,502,192	42%

As at 31 December 2021:

	QUANTITY [pcs]	LENGTH [m]	OPENING BALANCE	ACCUMULATED DEPRECIATION	NET VALUE AS AT THE BALANCE SHEET DATE	LEVEL OF ACCUMULATED DEPRECIATION IN THE GROUP
Roadways recognized as fixed assets, depreciated using the natural method, of which:	26	28,792	522,710	(352,513)	170,197	67%
- amortized until December 2021	*8*	*7,683*	*177,711*	*(140,123)*	*37,588*	*79%*
Roadways recognized as fixed assets, depreciated based on useful lives	246	95,997	1,684,138	(587,506)	1,096,632	35%
Others items depreciated based on useful lives (shafts, shaft towers, stoppings, storage tanks and other)	30	-	307,573	(155,819)	151,754	51%
Total as at 31 December 2021	302	124,789	2,514,421	(1,095,838)	1,418,583	44%

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4.2 Property, plant and equipment - fixed assets under construction

The table below shows the most significant investment tasks included under “fixed assets under construction”:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021 restated*
Roadways	266,030	132,066
Modernization of ZPMW (Coal Mechanical Processing Plant) facilities	22,396	3,417
Expansion of the Bogdanka landfill site	16,584	9,428
Purchase of belt conveyors	11,497	1,709
Construction of a pumping station on the ditch - water drainage	10,379	-
Reinforcement of shaft 1.3 casing	7,213	6,578
Modernization of 6kV switching station	5,363	-
Construction of new mining fields	2,092	1,378
Purchase of a shearer system	-	60,039
Other	16,900	6,237
As at 31 December	358,454	220,852

*explanation provided in Note 2.1.1

4.3 Impairment losses property, plant and equipment

Impairment test for 2022

In preparing the Group’s consolidated financial statements, the Parent Company’s Management Board periodically evaluates indications of possible impairment of fixed assets, in accordance with the guidelines of IAS 36 “Impairment of Assets”. Such analysis is all the more important in a situation where companies must operate in volatile, completely non-standard and unprecedented conditions. In such a situation, the Management Board of the Parent Company must act very cautiously.

In the course of the analysis of indications performed at the end of 2021, the need to perform an impairment test was identified, mainly because the market capitalization of the Parent Company was below the carrying value of its net assets.

When repeating the analysis of the indications for the purposes of the consolidated financial statements as at 31 December 2022, the Management Board of the Parent Company identified again that the market capitalization of the Parent Company has remained below the carrying amount of its net assets, which, in the opinion of the Parent Company’s Management Board, is still mainly due to factors beyond its control, such as political factors and the EU climate policy, limited confidence in companies in the mining sector, and also, partially, low liquidity of its shares a low level of free float. It must be noted, however, that during 2022 the price of the Parent Company’s shares increased by over 50%. Also, the ongoing war in Ukraine and the lower supply of raw materials worldwide are causing high demand for the Parent Company’s coal. Therefore, the Group is taking action to take advantage of the period of elevated demand for coal.

Despite this, the existing rationale still formally applies, so that the Group is also obliged to perform an impairment test for cash-generating units for 2022. An increase in market interest rates (an increase in the discount factor) was also noted.

Due to the impossibility of determining the fair value for a very large group of assets for which there is no active market, as well as the lack of comparable transactions, the recoverable amount of the tested assets was determined by estimating their value in use using the discounted cash flow method based on financial projections prepared by the Parent Company from 2022 to 2051.

When estimating the value in use of the tested assets on the basis of the constructed model, climate factors and risks were also taken into account, which could have a significant impact on the value of the obtained discounted cash flows (the issue of climate risks is further described in Note 2.1). In turn, the key assumptions under which the value in use of the tested assets was estimated are presented below:

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- because of these interrelations between the individual departments and because of the organization in effect in the mine, all of the Parent Company's assets are treated as a single CGU;
- the forecast period from 2023 to 2051 - has been estimated on the basis of the Group's recoverable coal reserves as of the balance sheet date (available for use with the current (i.e. existing as at the balance sheet date) infrastructure, mainly shafts). Since 2044, the average annual production level has been decreasing, as a result of the depletion of deposits in the "Bogdanka" field and the adopted assumption of using only the currently available infrastructure;
- the average volume of coal production and sales in 2023-2030 was set at 9.0 million tons;
- coal prices in 2023 were adopted on the basis of contracts signed as of the date of the analysis; in 2024-2049, prices were adopted on the basis of studies made for LWB S.A.'s own needs and those of the entire Enea Group;
- the entire model does not take into account inflation;
- real wage growth over the entire forecast period was assumed at a level reflecting the best possible estimate of the Parent Company's Management Board as of the test date;
- a weighted average cost of capital (WACC) of 10.55% over the entire forecast period, estimated on the basis of the latest economic data (with a risk-free rate of 6.24% and a beta factor of 1.39), was used as the pre-tax discount rate;
- the average annual level of capital expenditures over the entire forecast period of PLN 476,023 thousand, including an average of PLN 612,847 thousand in 2023-2035;
- as was the case last year, the model used for the impairment test (including the resulting cash flows and the value of the assets under test) was prepared as of 30 September 2022, in accordance with a consistent approach at all levels of consolidation within the Lubelski Węgiel Bogdanka Group and the Enea Group. The Management Board of the Parent Company analyzed the last quarter of 2022 for events that could point to new indications of impairment, as well as for material non-recurring events that would require recognition in the model and could have a material impact on the test results. Such non-recurring events and new indications were not identified.

The results of the test conducted are shown in the table below:

AS AT 30 SEPTEMBER 2022	RECOVERABLE AMOUNT OF ASSETS UNDER TEST	NET CARRYING AMOUNT OF ASSETS UNDER TEST
Result of the conducted impairment test	8,488,449	2,838,920

Sensitivity analysis of the model to a change in key assumptions

The sensitivity analysis conducted indicates that significant factors affecting the estimates of the recoverable amount of cash-generating units include the discount rate, the price of steam coal and the volume of sales. The results of the sensitivity analysis of the model (change in recoverable amount) to a change in key assumptions are shown in the tables below.

Impact of the change in the financial discount rate (base value 10.55%):

CHANGE OF ASSUMPTIONS	-0.5 p.p.	BASE VALUE	+0.5 p.p.
Change of the recoverable amount	154,996	8,488,449	(152,204)

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Impact of the change in the price of coal:

CHANGE OF ASSUMPTIONS	-5 p.p.	-1 p.p.	-0.5 p.p.	BASE VALUE	+0.5 p.p.	+1 p.p.	+5 p.p.
Change of the recoverable amount	(1,575,891)	(315,718)	(157,589)	8,488,449	157,589	314,346	1,565,210

Given the high sensitivity of the model itself to a change in price, as well as the potentially wide possible range of changes in the price of coal, the sensitivity analysis was performed for three levels of price change: a change of +/- 0.5 p.p.; a change of +/- 1 p.p.; and a change of +/- 5 p.p.

The impact of changes in real wage growth:

CHANGE OF ASSUMPTIONS	-0.5 p.p.	BASE VALUE	+0.5 p.p.
Change of the recoverable amount	317,295	8,488,449	(343,033)

Other impairment losses

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

	LAND	BUILDINGS AND STRUCTURES	TECHNICAL EQUIPMENT AND MACHINERY	FIXED ASSETS UNDER CONSTRUCTION	TOTAL
As at 1 January 2022	4,475	-	3,723	10,457	18,655
Recognition of impairment loss allowance	334	-	10,847	-	11,181
Utilization of impairment loss allowance	-	-	(567)	-	(567)
As at 31 December 2022	4,809	-	14,003	10,457	29,269
As at 1 January 2021	4,394	211	3,715	13,519	21,839
Recognition of impairment loss allowance	81	-	8	563	652
Utilization of impairment loss allowance	-	(211)	-	(3,625)	(3,836)
As at 31 December 2021	4,475	-	3,723	10,457	18,655

The impairment loss allowance for property, plant and equipment was recognized and reversed in the consolidated statement of profit or loss in the “Other net loss” item.

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5. INTANGIBLE ASSETS

	SOFTWARE	FEES, LICENSES	GEOLOGIC INFORMATION	OTHER	TOTAL
As at 1 January 2022					
Cost or value derived from valuation	8,066	21,444	54,343	10,109	93,962
Accumulated depreciation	(5,681)	(6,181)	(16,287)	(9,824)	(37,973)
Net book value	2,385	15,263	38,056	285	55,989
As at 31 December 2022					
Net book value at the beginning of the year	2,385	15,263	38,056	285	55,989
Increases	183	1,889	-	16,461	18,533
Decreases	-	(11)	-	(11,186)	(11,197)
Depreciation and amortization	(616)	(1,421)	(1,360)	(374)	(3,771)
Net book value	1,952	15,720	36,696	5,186	59,554
As at 31 December 2022					
Cost or value derived from valuation	8,214	23,239	54,343	16,877	102,673
Accumulated depreciation	(6,262)	(7,519)	(17,647)	(11,691)	(43,119)
Net book value	1,952	15,720	36,696	5,186	59,554
As at 1 January 2021					
Cost or value derived from valuation	8,464	21,285	54,343	8,557	92,649
Accumulated depreciation	(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 the beginning of the year	2,994	16,000	39,416	765	59,175
Increases	-	305	-	9,290	9,595
Decreases	(22)	-	-	(9,413)	(9,435)
Depreciation and amortization	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 value derived from valuation	8,066	21,444	54,343	10,109	93,962
Accumulated depreciation	(5,681)	(6,181)	(16,287)	(9,824)	(37,973)
Net book value	2,385	15,263	38,056	285	55,989

No security has been established on intangible assets. In both 2022 and 2021, the Group did not generate intangible assets in-house.

Depreciation and amortization of intangible assets is included in the consolidated statement of profit or loss in the following items:

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Cost of products, merchandise and materials sold	(3,641)	(3,281)
Selling costs	(3)	(2)
Administrative costs	(127)	(63)
Total	(3,771)	(3,346)

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Impairment losses on intangible assets are recognized when there are indications that the Group will not obtain future economic benefits from its intangible assets.

The balance of impairment losses for intangible assets is shown in the table below:

	GEOLOGIC INFORMATION	TOTAL
As at 1 January 2022	1,780	1,780
As at 31 December 2022	1,780	1,780
As at 1 January 2021	1,780	1,780
As at 31 December 2021	1,780	1,780

There were no movements related to the impairment loss for intangible assets in either 2022 or 2021.

A detailed description of the impairment test of non-current assets, including intangible assets, is presented in Note 4.3.

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6. LEASE

6.1 Right-of-use asset

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

	RIGHT OF PERPETUAL USUFRUCT OF LAND	TECHNICAL EQUIPMENT AND MACHINERY	MEANS OF TRANSPORTATION	TOTAL
As at 1 January 2022				
Cost or value derived from valuation	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 31 December 2022				
Net book value at the beginning of the year	16,836	3,704	5,665	26,205
Increases	-	5,881	130	6,011
Decreases	-	-	(63)	(63)
Depreciation and amortization	(521)	(6,790)	(2,991)	(10,302)
Net book value	16,315	2,795	2,741	21,851
As at 31 December 2022				
Cost or value derived from valuation	18,324	9,585	14,107	42,016
Accumulated depreciation	(2,009)	(6,790)	(11,366)	(20,165)
Net book value	16,315	2,795	2,741	21,851
As at 1 January 2021				
Cost or value derived from valuation	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 the beginning of the year	16,604	-	8,684	25,288
Increases	728	6,419	-	7,147
Decreases	-	-	(35)	(35)
Depreciation and amortization	(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 value derived from valuation	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

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Amortization of the right-of-use asset	10,302	6,195
Financial expenses	603	745
Total	10,905	6,940

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Change in lease liabilities and balance as at 31 December 2022 are presented in the table below:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
As at 1 January	27,406	25,919
increase	6,011	7,147
Decrease	(63)	(35)
Principal installment under financial lease agreements	(9,861)	(5,625)
As at 31 December	23,493	27,406

The maturity structure of lease liabilities as at 31 December 2022 is presented in the table below:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Less than 1 year	5,179	6,784
From 1 to 2 years	379	2,631
From 2 to 5 years	328	283
Over 5 years	17,607	17,708
Total	23,493	27,406

6.2 Minimum future payments under irrevocable lease agreements

The minimum future payments under irrevocable lease agreements that are not covered by the scope of IFRS 16 “Leases” are as follows:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Less than 1 year	184	271
From 1 to 2 years	-	99
Minimum future payments	184	370

The Group is a party to lease agreements for specialist machinery and equipment and means of transportation that do not meet the criteria for recognizing them as finance leases. Lease agreements are concluded for terms of different length. In part, they are short-term contracts to verify the quality of workmanship and suitability of the machines and equipment in the production process. Agreements concluded for a period longer than 2 years contain a clause offering an option to index the rate by the price index of goods and services.

Selected short-term agreements are not covered by the scope of IFRS 16 “Leases” and as such are not presented in the balance sheet as right-of-use assets.

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7. INVESTMENT PROPERTY

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
As at 1 January	2,886	3,044
Purchase	-	42
Winding up	(1)	(17)
Depreciation and amortization	(183)	(183)
Total	2,702	2,886

Investment property refers to the Kalnica holiday resort located in Bieszczady and owned by the subsidiary "Łęczyńska Energetyka" Sp. z o.o.

The table below presents revenues and costs associated with investment property:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Revenues from investment property	122	126
Costs associated with investment property	(284)	(264)

The fair value of investment property estimated as of the balance sheet date is higher than the net carrying amount and is approx. PLN 5,370 thousand. The value was calculated by an independent appraiser by comparing it to market transaction prices for similar properties.

8. TRADE AND OTHER RECEIVABLES

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Trade receivables	170,359	305,975
Revaluation charge for receivables	(6,819)	(7,714)
Net trade receivables	163,540	298,261
Prepayments and accruals	37,295	27,262
Other receivables	2,823	174
Short-term part	203,658	325,697
Prepayments and accruals	8,235	626
Other receivables	481	466
Long-term part	8,716	1,092
Total trade and other receivables	212,374	326,789

The fair value of trade and other receivables is not significantly different from their carrying amount.

All of the Group's receivables are denominated in Polish zloty.

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Changes in the balance of revaluation charge for trade receivables are presented in the following table:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
At 1 January	7,714	5,186
Recognition of a charge	224	2,557
Receivables written off during the year as uncollectible	(1,076)	(1)
Reversal of unused amounts	(43)	(28)
Total	6,819	7,714

The impairment loss allowance for receivables was recognized and reversed in the consolidated statement of profit or loss in the "Selling costs" item. Other categories of trade and other receivables contain no items with impaired value.

The age structure of impaired receivables is presented in the table below:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Up to 1 month	37	-
Above 12 months	6,782	7,714
Total	6,819	7,714

The age structure of overdue receivables which do not show signs of impairment is presented in the table below:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Up to 1 month	554	85
From 1 to 3 months	517	28
From 3 to 6 months	13	110
From 6 to 12 months	187	65
Above 12 months	2	2
Total	1,273	290

The maximum exposure to credit risk as at the reporting date is the fair value of each category of receivables listed above.

9. INVENTORIES

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Materials	190,997	95,988
Impairment loss allowance for materials	(104)	-
Finished products	4,967	3,756
Total	195,860	99,744

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Due to the nature of the Group's operations, it is extremely important to ensure the continuity of the mining process and minimize downtime caused by breakdowns and maintenance. Therefore, the Parent Company maintains a stockpile of key materials and spare parts, in particular, such as roadway supports, ropes for hoisting (shaft) machines and consumable parts for roadheaders and longwall shearer systems.

The cost of inventories in the consolidated statement of profit or loss was recognized in the "Costs of products, goods and materials sold" item, in which the total value in 2022 was PLN 2,043,310 thousand (PLN 1,883,002 thousand in 2021).

Changes in the impairment loss for inventories are presented in the table below:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
At 1 January	-	138
Recognition of impairment loss for inventories	104	-
Utilization of the impairment loss	-	(138)
Total	104	-

The impairment loss allowance for inventories is recognized in the consolidated statement of profit or loss in the "Other net profits/losses" item.

No security has been established on the inventories held by the Group.

10. CASH AND CASH EQUIVALENTS

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Cash in the bank	41,463	72,895
Bank deposits	581,520	674,951
Total	622,983	747,846
Of which:		
*- the non-current portion****	147,924	*147,671*
- the current portion	475,059	*600,175*
Total	622,983	747,846

*** restricted cash

The value of restricted cash amounted to PLN 175,030 thousand on 31 December 2022 (31 December 2021: PLN 167,219 thousand), of which PLN 147,924 thousand represented funds accumulated in the Mine Closure Fund to cover the costs of mine closures (31 December 2021: PLN 147,671 thousand), while the remaining amount relates to cash accumulated in separate VAT accounts and collateral received.

The cash held by the Group is denominated in PLN.

The effective interest rates on short-term bank deposits approximate nominal interest rates, and the fair value of short-term bank deposits is not materially different from their carrying amount.

Interest rates are based on WIBID rates, which were at the following levels:

2022: 0.99%-6.90%; 2021: 0,01%-0,9%.

The maximum exposure to credit risk as at the reporting date is the fair value of each category of cash listed above.

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11. SHARE CAPITAL

	NUMBER OF SHARES (000s)	PAR VALUE OF ORDINARY SHARES	HYPERINFLATION ADJUSTMENT	TOTAL
As at 1 January 2022	34,014	170,068	131,090	301,158
As at 31 December 2022	34,014	170,068	131,090	301,158
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

All shares issued by the Parent Company have been paid up in full.

12. OTHER CAPITAL

According to the Articles of Association, the Parent Company may create supplementary capital and other reserve capital, the purpose of which is stipulated by law and resolutions of the governing bodies. Other capitals include, among others, reserve capital from the issue of Management Options and capital from the valuation of cash flow hedges (in the part considered to be effective hedging).

Other capital on account of the Management Option Issue Program

Other capitals from the Management Option Issue Program are related to the Management Option Program adopted by resolution of the Parent Company's Supervisory Board on 30 September 2013 for the years 2013-2017. In Q3 2018, agreements were signed between the Parent Company and all beneficiaries of the Program (the individuals to whom the options may potentially be awarded), according to which the beneficiaries' agreements on participation in the Program were terminated. Compensation of PLN 1 was paid to each beneficiary. With the conclusion of the aforementioned agreements, the Executive Option Program was ultimately closed. The amount of PLN 3,839 thousand relating to the Program recognized in the consolidated statement of changes in equity under "Other reserve capital" may be transferred to retained earnings.

Capital on revaluation of cash flow hedges

Other capital may also include derivative financial instruments constituting cash flow hedges (in the portion considered to be an effective hedge) after taking into account the tax effect. In 2022 and 2021, the Group did not hold any cash flow hedging financial instruments.

Non-controlling interests

Non-controlling interests pertain solely to the subsidiary "Łęczyńska Energetyka" Sp. z o.o. and are owned by the Łęczna Township (11.29%) and the Puchaczów Township (0.01%, adding up to 11.30%). During 2022, total income attributable to non-controlling interests amounted to PLN 291 thousand (in 2021, non-controlling interests had a total loss of PLN 88 thousand).

Retained earnings

The amount of retained earnings consists of, in addition to the current year's net result attributable to Parent Company's shareholders, also retained earnings from prior years, non-transferable actuarial gains/(losses) on account of defined benefit plans attributable to Parent Company shareholders, and capitals arising from the valuation of property, plant and equipment at fair value as of the date when IAS/IFRS was first applied.

Non-distributable equity components

Pursuant to Article 396 § 1 of the Commercial Company Code, which is applicable to the Parent Company and its subsidiaries, supplementary capital must be established to cover potential losses and at least 8% of the profit for the fiscal year is allocated to the supplementary capital until the capital reaches at least one-third of the share capital. This part of the supplementary capital is not available for distribution to shareholders. As at 31 December 2022 and 31 December 2021, this value was PLN 100,386 thousand.

Actuarial gains and losses relating to provisions for post-employment benefits recognized through other comprehensive income are also excluded from distribution.

13. TRADE AND OTHER LIABILITIES

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Trade liabilities	158,325	122,859
Other liabilities, including:	187,494	244,683
- Company Social Benefit Fund	*762*	*571*
- bid deposit liabilities	*3,407*	*4,550*
- investment commitments	*66,898*	*140,832*
- salary liabilities	*59,286*	*66,485*
- other liabilities	*57,141*	*32,245*
Total financial liabilities	345,819	367,542
Liabilities for social security contributions and other taxes	63,844	85,037
Trade and other liabilities	409,663	452,579
Of which:		
- the non-current portion	*32,265*	*29,575*
- the current portion	*377,398*	*423,004*
Total	409,663	452,579

The fair value of trade and other payables is not significantly different from their carrying amount.

14. SUBSIDIES

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
As at 1 January	11,775	12,340
Of which:		
- the non-current portion	11,282	*11,871*
- the current portion	493	*469*
Receipt of capital grant	77	107
Subsidies settled during the year	632	672
As at 31 December	11,220	11,775
Of which:		
- the non-current portion	10,732	*11,282*
- the current portion	488	*493*

Subsidies to research and development projects received are settled pro rata to the costs of these projects incurred by the Parent Company, while the remaining part of the subsidy, relating to non-current assets, should be settled in full upon total depreciation, sale or liquidation of an asset financed by it. The presentation of the subsidy settlement is included in Note 2.21.

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15. LOANS AND BORROWINGS

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Long-term:	1,786	4,822
Special-purpose borrowings	1,786	4,822
- WFOŚ in Lublin	1,786	4,822
Short-term:	3,099	3,120
Special-purpose borrowings	3,099	3,120
- WFOŚ in Lublin	3,099	3,120
Total	4,885	7,942

In 2014, the Łęczyńska Energetyka subsidiary received a special-purpose borrowing from the Voivodeship Environmental Protection Fund in Lublin to finance the investment project entitled "Construction of a water treatment station in Bogdanka, including technical connections". Repayment of this loan in equal monthly installments started in November 2015. The repayment date of the last installment is 31 March 2024. Interest rate on the loan is 0.7 times the bill of exchange rediscounting rate set by the Monetary Policy Council (but no less than 4% per year); The loan is secured with a blank promissory note with a promissory note amount of PLN 34,554 thousand, as well with an assignment of receivables on account of heat sales agreement with the Parent Company. In 2022, "Łęczyńska Energetyka" repaid the principal of the loan in the amount of PLN 3,036 thousand.

Until 12 May 2022, the Parent Company was a party to a current account overdraft agreement with in Bank Gospodarstwa Krajowego ("BGK") with a limit up to PLN 150 million. The facility was originally to be repaid in full by 12 May 2021, then the deadline was extended by Annex No. 1 to 12 May 2022. The agreement was not renewed for another period.

The fair value of borrowings is not significantly different from their carrying amount. The loans received by the Group are denominated in Polish zloty.

Changes in the balance of borrowing liabilities and the balances as at 31 December 2022 and 31 December 2021 are presented in the table below:

	WFOŚ IN LUBLIN	TOTAL
As at 1 January 2022	7,942	7,942
Repayment of principal installments	(3,036)	(3,036)
Accrued interest	276	276
Interest paid	(297)	(297)
As at 31 December 2022	4,885	4,885
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

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16. FINANCIAL INSTRUMENTS

16.1 Financial instruments by category

	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	TOTAL
Assets according to the statement of financial position		
Trade receivables	163,540	163,540
Cash and cash equivalents	622,983	622,983
As at 31 December 2022	786,523	786,523

	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	TOTAL
Assets according to 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

	LIABILITY MEASURED AT AMORTIZED COST	LIABILITY MEASURED AT FAIR VALUE	TOTAL
Liabilities according to the statement of financial position			
Loans and borrowings	4,885	-	4,885
Trade and other financial liabilities and liabilities from contracts with customers	225,615	-	225,615
Lease liabilities	23,493	-	23,493
As at 31 December 2022	253,993	-	253,993
Interest and commission paid			
Interest	900	-	900
Total	900	-	900

	LIABILITY MEASURED AT AMORTIZED COST	LIABILITY MEASURED AT FAIR VALUE	TOTAL
Liabilities according to the statement of financial position			
Loans and borrowings	7,942	-	7,942
Trade and other financial liabilities and liabilities from 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 commission paid			
Interest	1,154	-	1,154
Total	1,154	-	1,154

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16.2 Hierarchy of financial instruments

Hierarchy of financial instruments carried at fair value.

Financial assets carried at fair value may be classified as belonging to the following valuation models:

- Level 1: quoted (unadjusted) prices on active markets for identical assets and liabilities,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g. as prices) or indirectly (as derived from provisions),
- Level 3: inputs that are not based on unobservable market prices (unobservable inputs).

As at 31 December 2022, the Group had no financial instruments carried at fair value.

16.3 Financial risk factors

The Group's operations expose it to a variety of financial risks: market risk (including: cash flow risk due to changes in interest rates), credit risk, currency risk and liquidity risk. The Group's overall risk management program focuses primarily on ensuring the Group's security (safeguarding its operations), ensuring the effectiveness of its decisions aimed at maximizing profits at an acceptable level of risk, and ensuring adequate liquidity to meet the investment tasks set for the Group. The objective of interest rate risk management is to limit the adverse effects of changes in market interest rates on cash flows to a level acceptable to the Group and to minimize financing costs.

There is a significant concentration of risk only in the case of credit risk. In the case of other risks, there is no such concentration.

16.3.1 Cash flow volatility risk caused by changes in interest rates

Since the Group has a significant level of interest-bearing assets, the Group's income and its cash flow from operating activities are dependent on changes in market interest rates.

Assets exposed to the risk of changes in interest rates include cash held on deposit as well as long-term cash relating to the Mine Closure Fund. In the case of liabilities, the risk of changes in interest rates may be associated in particular with short-term and long-term debt instruments and loans with variable interest rates as they may expose the Group to the risk of changes in cash flows as a result of interest rate changes.

In both 2022 and 2021 the Group used external financing in the form of a loan, denominated in Polish zloty. The Group was also party to a current account overdraft agreement with a limit of up to PLN 150 million, but the overdraft limit was not used by the Group.

The Group's total debt as at 31 December 2022 is PLN 4.9 million (31 December 2021: PLN 7.9 million) and relates to loans only. Based on the simulations, it was determined that the impact of a 1 percentage point change in interest rates would be an increase or decrease in gross profit by no more than PLN 49 thousand (as at 31 December 2021: PLN 79 thousand, respectively) and an increase or decrease in net profit by no more than PLN 39 thousand (as at 31 December 2021: PLN 64 thousand, respectively).

It should be noted that as a result of the COVID-19 pandemic and the actions taken by the institutions responsible for shaping the state monetary policy, the level of interest rates was at historically low levels for most of 2021. It was not until the end of 2021, and to a much greater extent already during 2022, that there was a cycle of interest rate hikes from the Monetary Policy Council. Due to the significant cash balance, this translated into an increase in interest income from assets held.

Currently, the interest rate hike cycle has slowed down and it is expected that interest rates should fall in the future.

Based on data for 2022 and 2021 on the Group's interest-bearing assets, the sensitivity of changes in financial income to changes in interest rates was estimated. The value of assets exposed to interest rate risk as at 31 December 2022 on account of bank deposits of free funds is PLN 475,059 thousand (31 December 2021: PLN 600,175 thousand) and on account of assets of the Mine Closure Fund PLN 147,924 thousand (31 December 2021: PLN 147,671 thousand).

The change in the result in financial income is shown in the following tables:

Impact of interest rate changes on financial income from deposits as at 31 December 2022:

INTEREST RATE CHANGE	-1 p.p.	-0.5 p.p.	+0.5 p.p.	+1 p.p.
Estimated impact	(4,751)	(2,375)	2,375	4,751

Impact of interest rate changes on financial income from deposits as at 31 December 2021:

INTEREST RATE CHANGE	-1 p.p.	-0.5 p.p.	+0.5 p.p.	+1 p.p.
Estimated impact	(6,002)	(3,001)	3,001	6,002

The value of assets of the Mine Closure Fund exposed to interest rate risk as at 31 December 2022 is PLN 147,924 thousand (31 December 2021: PLN 147,671 thousand).

Impact of interest rate changes on financial income from the collection of funds for the Mine Closure Fund as at 31 December 2022:

INTEREST RATE CHANGE	-1 p.p.	-0.5 p.p.	+0.5 p.p.	+1 p.p.
Estimated impact	(1,479)	(740)	740	1,479

Impact of interest rate changes on financial income from the collection of funds for the Mine Closure Fund as at 31 December 2021:

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

16.3.2 Foreign exchange risk

The Group enters into certain transactions denominated in foreign currencies, and therefore there is a risk of exchange rate fluctuations. The Group is primarily exposed to the risk of changes in the EUR/PLN and USD/PLN exchange rates.

As of the end of 2022, there were no significant foreign exchange transactions, nevertheless the Group does not rule out that in the future there may again be transactions related to the purchase of specialized equipment and machinery due to the need to renew its machinery (specialized equipment and machinery used in mining operations), which may also be subject to foreign exchange risk, as these purchases are often denominated in EUR.

As at 31 December 2022, the Group had financial assets exposed to foreign currency risk in the amount of PLN 1,003 thousand (31 December 2021: PLN 309 thousand). Financial liabilities exposed to foreign currency risk as at 31 December 2022, in turn, amounted to PLN 47 thousand (31 December 2021: PLN 4,660 thousand) and related to liabilities for the purchase of materials. A 1% increase or decrease in the exchange rate would not result in any material impact on the financial result before tax.

16.3.3 Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to the Group's customers. In the case of banks and financial institutions, only entities with high credibility (having at least an investment grade rating) are accepted. In addition, the Group has a policy limiting excessive credit exposure to individual financial institutions. With regard to customers, the Group sells mainly to regular customers whose reliability is based on past cooperation experience. However, it should be noted that due to the situation caused by the war in Ukraine or the COVID-19 pandemic, the verification of customers must be more meticulous and relying on past cooperation experience is now less important.

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The value of credit risk exposure and the concentration of this risk are shown in the table below:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Cash & deposits banking	622,983	747,846
Short-term trade receivables	163,540	298,261
Total exposure to credit risk	786,523	1,046,107
Receivables from 7 main customers	144,610	284,967
Concentration of credit risk on receivables from 7 main customers	88%	96%
Cash deposited with Bank Gospodarstwa Krajowego (as a percentage of the total balance of cash and bank deposits)	95.5%	97%
Cash deposited with Bank Millennium S.A. (as a percentage of the total balance of cash and bank deposits)	below 1%	below 1%
Cash deposited with Bank Ochrony Środowiska S.A. (as a percentage of the total balance of cash and bank deposits)	below 1%	below 1%
Cash deposited with bank PEKAO S.A. (as a percentage of the total balance of cash and bank deposits)	below 0.1%	below 1%
Cash deposited with PKO Bank Polski S.A. (as a percentage of the total balance of cash and bank deposits)	below 0.3%	below 1%
Cash deposited with Alior Bank S.A. (as a percentage of the total balance of cash and bank deposits)	below 0.2%	below 1%
Cash deposited with mBank S.A. (as a percentage of the total balance of cash and bank deposits)	2.0%	below 1%

The payment situation of the Group's main customers is assessed as good, hence credit risk is rated as low. The Group has been working with these customers for a long time, and there are no problems in receiving payments. In turn, sales to new customers are made on a prepayment basis. Receivables from other customers do not account for a significant share of total trade receivables.

The banks where the Group's cash and deposits are concentrated have the following ratings (data current as of the date of these consolidated financial statements):

The banks where the Group's cash and deposits are concentrated have the following ratings (data current as of the date of these financial statements):

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

16.3.4 Liquidity risk

Prudent management of liquidity risk requires, among others, maintenance of an appropriate level of cash and available credit through a sufficient amount of granted credit facilities. The Parent Company's Management Board monitors the Group's current liquidity forecasts (consisting of unused credit limits - when applicable - and cash and cash equivalents) based on expected cash flows. By making this forecast, deviations between actual cash flow and cash requirements are eliminated.

The table below contains an analysis of the Group's financial liabilities in respective age groups, distributed according to time to contractual maturity on the balance sheet date. The amounts presented in the table represent undiscounted contractual cash flows. The balance to be repaid within 12 months is posted at carrying amounts plus interest, if any.

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BALANCE AS AT 31 DECEMBER 2022	BELOW 1 YEAR	FROM TO 2 YEARS	FROM 2 TO 5 YEARS	OVER 5 YEARS
Loans and borrowings	3,262	1,815	-	-
Trade and other liabilities	203,409	5,080	10,068	20,299
Lease liabilities	5,781	886	1,814	37,843
Total	212,452	7,781	11,882	58,142

BALANCE AS AT 31 DECEMBER 2021	BELOW 1 YEAR	FROM TO 2 YEARS	FROM 2 TO 5 YEARS	OVER 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 due to measurement of derivatives	4,240	-	-	-
Lease liabilities	7,412	3,164	1,772	38,435
Total	259,587	11,402	17,862	59,467

Liabilities due less than 1 year are mostly payable within 3 months of the balance sheet date.

16.3.5 Sensitivity analysis of the financial result to a change in coal prices

Based on 2022 data for the Group's core business, the sensitivity of the financial result to changes in factors arising from market risks (coal price) was estimated.

The analysis shows that a 1% increase in the unit price of coal (which translates into a 1% increase in coal sales revenue) results in a 7.6% increase in profit on sales (gross profit – administrative expenses – selling costs). By the same token, a 1% decrease in the price of coal results in a 7.6% decrease in the result on sales.

The change in the result in the other analyzed ranges (assuming that the other factors are constant) is shown in the table below:

PRICE CHANGE	-15%	-10%	-5%	-2%	-1%	0%	1%	2%	5%	10%	15%
Change in the result	-113.3%	-75.5%	-37.8%	-15.1%	-7.6%	-%	7.6%	15.1%	37.8%	75.5%	113.3%

The Group mitigates the risk of energy commodity prices to some extent by signing long-term commercial contracts with major steam coal buyers.

16.4 Capital risk management

The Group's goal in capital/financial risk management is to protect the Group's ability to continue as a going concern (in particular, to provide financing for the investments it makes) as well as to ensure adequate funds for current operations, enabling it to pay its maturing liabilities on time. The Group's goal in managing financial risk is also to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust its capital structure, the Group may change the amount of dividends declared to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As part of its capital management, the Group focuses on managing cash and cash equivalents, as well as potential indebtedness arising from lease obligations, loans and borrowings, as well as those that may arise in the future from bond issues.

At the end of 2022 and 2021, the Group had loans to finance current and investment activities.

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The ratio of net debt to capital employed is shown in the table below:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021 restated*
Liabilities on credits and loans	4,885	7,942
Financial liabilities due to measurement of derivatives	-	4,240
Lease liabilities	23,493	27,406
minus: cash and cash equivalents	(622,983)	(747,846)
Net debt	(594,605)	(708,258)
Total equity	3,707,664	3,617,601
Capital employed	3,113,059	2,909,343

*explanation provided in Note 2.1.1

17. PROVISIONS FOR EMPLOYEE BENEFITS

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Provisions recognized in the consolidated statement of financial position:		
Retirement and disability benefits	66,500	62,198
Jubilee awards	136,093	128,038
Other employee benefits (unused holiday leaves, salaries, death benefits and others)	27,220	20,399
Total	229,813	210,635

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Expenses recognized in the consolidated statement of profit or loss:		
Retirement and disability benefits	6,835	6,442
Jubilee awards	27,075	10,756
Other employee benefits (unused holiday leaves, salaries, death benefits and others)	24,840	32,879
Total	58,750	50,077

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Gains/losses recognized in the consolidated statement of comprehensive income:		
Retirement and disability benefits	463	(6,498)
Other employee benefits (death benefits)	203	(541)
Total	666	(7,039)

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Change in provisions for employee benefits:

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
As at 1 January	210,635	215,327
Current employment costs (including unused holiday leaves, salaries, death benefits and others)	41,976	52,153
Interest cost	6,248	2,680
Actuarial (gains)/losses recognized in the consolidated statement of profit or loss	10,526	(4,756)
Actuarial (gains)/losses recognized in the consolidated statement of comprehensive income	666	(7,039)
Total recognized in comprehensive income	59,416	43,038
Benefits paid out	(40,238)	(47,730)
As at 31 December	229,813	210,635
of which:		
- non-current part	*179,958*	*168,857*
- current part	*49,855*	*41,778*

The amounts recognized in the consolidated statement of profit or loss and the consolidated statement of comprehensive income in 2022 are as follows:

	BENEFITS DURING EMPLOYMENT	POST-EMPLOYMENT BENEFITS	TOTAL
Balance of liabilities as at 1 January	144,393	66,242	210,635
Current employment costs (including unused holiday leaves, salaries, death benefits and others)	36,747	5,229	41,976
Interest cost	4,136	2,112	6,248
Actuarial gains recognized in the consolidated statement of profit or loss	10,526	-	10,526
Actuarial gains recognized in the consolidated statement of comprehensive income	-	666	666
Total recognized in the consolidated statement of comprehensive income	51,409	8,007	59,416

The amounts recognized in the consolidated statement of profit or loss and the consolidated statement of comprehensive income in 2021 are as follows:

	BENEFITS DURING EMPLOYMENT	POST-EMPLOYMENT BENEFITS	TOTAL
Balance of liabilities as at 1 January	145,662	69,665	215,327
Current employment costs (including unused holiday leaves, salaries, death benefits and others)	46,158	5,995	52,153
Interest cost	1,768	912	2,680
Actuarial gains recognized in the consolidated statement of profit or loss	(4,756)	-	(4,756)
Actuarial gains recognized in the consolidated statement of comprehensive income	-	(7,039)	(7,039)
Total recognized in the consolidated statement of comprehensive income	43,170	(132)	43,038

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Employee benefit costs were captured in the following line items of the consolidated statement of profit or loss and in the consolidated statement of comprehensive income:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Cost of products, merchandise and materials sold	47,037	42,643
Selling costs	262	265
Administrative costs	5,203	4,489
Financial expenses	6,248	2,680
Total recognized in the consolidated statement of profit or loss	58,750	50,077
Actuarial (gains)/losses recognized in the consolidated statement of comprehensive income	666	(7,039)
Total recognized in the consolidated statement of comprehensive income	59,416	43,038

Key actuarial assumptions used in the valuation:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Discount rate	6.50%	3.70%
Employee mobility ratio	0.47%	0.66%
Salary growth in the next year	15.00%	7.50%
Salary growth in 2024 (2021: in 2023)	7.75%	4.05%
Salary growth in 2025 (2021: in 2024)	3.10%	2.70%
Salary growth in 2026 (2021: in 2025)	2.50%	2.50%

The assumptions regarding future mortality are established based on opinions, published statistics and experience in the area. Average life expectancy (in years) of retirees as of the balance sheet date:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Males	14.05	14.64
Women	22.38	23.22

Weighted average duration of the defined benefit plans liability (in years):

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Retirement and disability benefits	10.60	12.04
Jubilee awards	8.41	9.50
Death benefits	6.74	7.65

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18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	PROVISION FOR MINE CLOSURE COSTS AND RECLAMATION OF LAND	MINING DAMAGE	LITIGATION	OTHER	TOTAL
As at 1 January 2022	130,402	6,382	5,600	13,204	155,588
Including:					
Long-term	130,402	-	-	-	130,402
Short-term	-	6,382	5,600	13,204	25,186
Recognized in the consolidated statement of financial position:					
- Existing provision updated	21,683	-	-	-	21,683
Recognized in the consolidated statement of profit or loss:					
- Additional provisions created	-	2,394	-	596	2,990
- Existing provision used	-	(1,932)	-	(13,418)	(15,350)
- Unused provisions reversed	(1,458)	-	(80)	-	(1,538)
- Settlement of a discount	4,825	-	-	-	4,825
As at 31 December 2022	155,452	6,844	5,520	382	168,198
Including:					
Long-term	155,452	-	-	-	155,452
Short-term	-	6,844	5,520	382	12,746
As at 1 January 2021	212,456	2,579	4,368	367	219,770
Including:					
Long-term	212,456	-	-	-	212,456
Short-term	-	2,579	4,368	367	7,314
Recognized in the consolidated statement of financial position:					
- Existing provision updated	(83,674)	-	-	-	(83,674)
Recognized in the consolidated statement of profit or loss:					
- Additional provisions created	-	5,482	1,232	13,495	20,209
- Existing provision used	-	(1,679)	-	(658)	(2,337)
- Unused provisions reversed	(1,567)	-	-	-	(1,567)
- Settlement of a discount	3,187	-	-	-	3,187
As at 31 December 2021	130,402	6,382	5,600	13,204	155,588
Including:					
Long-term	130,402	-	-	-	130,402
Short-term	-	6,382	5,600	13,204	25,186

Mine closure and reclamation of land

The Group recognizes a provision for mine closure and reclamation of land as required by the applicable provisions of law. The calculated level of cost of mine closure and reclamation of land as at 31 December 2022 is PLN 155,452 thousand, of which the provision for mine closure of PLN 146,963 thousand and the provision for reclamation of land of PLN 8,489 thousand. The change in the provision compared to the balance as at 31 December 2021 amounted to PLN 25,050 thousand, with the increase resulting from the reversal of the discount allowance in the amount of PLN 4,825 thousand being recognized in the consolidated statement of profit or loss as an increase in the item

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“Financial expenses”, the decrease resulting from the update of the provision for land reclamation in the amount of PLN 1,458 thousand was recognized under “Other revenues” while an increase resulting from the updating of assumptions, in the total amount of PLN 21,683 thousand was recognized in the consolidated statement of financial position as an increase in the item “Property, plant and equipment.”

Removal of mining damages

Due to the need to remedy the damage resulting from its operations, the Group recognizes a provision for mining damage. The estimated value of the work required to repair the damage as at 31 December 2022 is PLN 6,844 thousand, with the amount primarily related to the planned costs that will have to be incurred in connection with securing buildings, repairing damage to buildings and roads, and in connection with compensation for damage to agricultural land. The amount of the provision used in 2022 was in total PLN 1.932 thousand (PLN 1.679 thousand in the previous year).

Litigation

The stated amounts represent a provision for certain legal claims brought against the Group by its clients and suppliers. The amount of provisions recognized/reversed in the current period is recognized in the consolidated statement of profit or loss as other revenues/costs. According to the judgment of the Parent Company’s Management Board, supported by relevant legal opinions, the reporting of these claims will not cause any significant losses in amounts exceeding the amount of provisions recognized as at 31 December 2022.

Other

Other provisions include mainly the provisions created by the Parent Company for the cost of purchases of green certificates. In connection with the submission of an appropriate application to the President of the Energy Regulatory Office to for the cancellation of green certificates (in connection with electricity purchased and consumed in 2021), the provision created at the end of the previous year in the amount of PLN 12,944 thousand was used in 2022.

19. SALES REVENUES

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 restated*
Coal sales	2,378,826	2,389,426
Other operations	52,389	40,959
Sales of merchandise and materials	20,500	18,813
Total sales revenues	2,451,715	2,449,198

*explanation provided in Note 2.1.1

The main categories of contracts in the above revenue types include:

- Coal sales contracts relating to the Group’s core business; there are two types of these contracts – with the transport service (in which the Parent Company organizes transport to the customer) or without the service.
- Contracts relating to the sale of goods and materials, mainly scrap metal; revenues from such contracts represent a small percentage of all consolidated revenue from sales. The total amount of all revenues on this account in 2022 was PLN 20,500 thousand (PLN 18,813 thousand in the previous year).
- Contracts relating to sales of other services, with the highest amounts being revenues from the rental of space in shower rooms (hooks and lockers). This service is provided almost exclusively to the Parent Company’s sub-contractors (providing mining services to the Parent Company) whose employees are obliged by OHS regulations to use shower rooms. The total amount of consolidated revenue from sales from the rental of shower room space in 2022 was PLN 6,334 thousand (PLN 6,456 thousand in the previous year).

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20.COSTS BY NATURE

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 restated*
Depreciation and amortization	398,471	430,151
Materials and energy used	710,884	444,943
External services	491,067	406,840
Employee benefits	892,717	771,484
Cost of representation and advertising	14,660	10,392
Taxes and fees	54,619	55,258
Other costs by nature	32,945	24,844
Total costs by nature	2,595,363	2,143,912
Cost of performances produced for own use	(413,430)	(192,632)
Prepayments and accruals	(9,393)	8,122
Provisions and other presentation adjustments between expense by nature and by function	51,980	59,286
Total production costs	2,224,520	2,018,688
Movement in products	(1,323)	21,325
Sales of goods and materials	19,272	17,650
Cost of goods sold, including:	2,242,469	2,057,663
- Cost of sales	*2,043,310*	*1,883,002*
- Selling and distribution expenses	*49,196*	*39,714*
- Administrative expenses	*149,963*	*134,947*

*explanation provided in Note 2.1.1

21. OTHER REVENUES

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Indemnification received	539	2,679
Others, including:	2,801	2,544
- Reversal of other provisions for liabilities	*1,628*	*1,721*
- Reversal of impairment loss allowances	*304*	*236*
Excise tax refund	*298*	-
- Other revenues	*571*	*587*
Total other income	3,340	5,223

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22. OTHER COSTS

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Donations	(1,164)	824
Enforcement fees and penalties	270	125
Indemnities	136	-
Other	701	179
Total other costs	(2,271)	(1,128)

23. OTHER LOSSES - NET

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Profit/(loss) on the sale of fixed assets	(422)	28
FX gains and losses	29	1,036
Impairment loss for fixed assets	(11,181)	(652)
Measurement of financial derivatives	-	(4,240)
Result on the liquidation of fixed assets	(226)	(375)
Other profits/(losses)	1,834	(1,546)
Total other losses - net	(9,966)	(5,749)

The amount of PLN (11,181) thousand relating to the impairment of fixed assets is primarily due to the event that occurred in September 2022 in longwall 3/VII/385 (which is further described in Note 34).

24. FINANCE INCOME AND COSTS

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Interest income on short-term bank deposits	28,144	214
Other revenues, including	4,792	461
- *Interest on the Mine Closure Fund*	*4,454*	*263*
- *Others*	*338*	*198*
Total financial income	32,936	675
Interest and fees on loans and borrowings	(276)	(378)
Interest expense on the valuation of employee benefits	(6,248)	(2,680)
Settlement of a discount relating to the provision for the Mine Closure Fund and for land reclamation	(4,825)	(3,187)
Recognition of a provision and impairment loss allowances for interest	827	484
Interest expense related to the lease of fixed assets	603	745
Other expenses	794	871
Total financial costs	(13,573)	(8,345)

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25. INCOME TAX

25.1 Tax liability

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 restated*
Current tax	13,406	93,289
Deferred tax recognized in profit or loss	30,640	(18,041)
Deferred tax recognized in other comprehensive income:	(127)	1,337
- on account of actuarial losses recognized in the consolidated statement of comprehensive income	*(127)*	*1,337*
Total	43,919	76,585

*explanation provided in Note 2.1.1

25.2 Reconciliation of effective tax rate

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 restated*
Pre-tax profit	219,682	382,211
Tax calculated at the rate of 19%	41,740	72,620
Correction of income tax for previous years	(993)	(1,123)
Tax effect of revenues permanently excluded from the tax base, of which:	(69)	(48)
- hypothetical interest on retained capital	(48)	(48)
- others	*(21)*	-
Tax effect of costs permanently excluded from the tax base:	3,368	3,799
- payment to the PFRON disabled persons fund	*1,828*	*1,648*
- donations	*80*	*146*
- other interest	-	*58*
- depreciation	*398*	*500*
- co-financing	*27*	*28*
- others	*1,035*	*1,419*
Income tax charges to the financial result	44,046	75,248
Effective tax rate	20%	20%

*explanation provided in Note 2.1.1

Income tax in these consolidated financial statements is calculated using the effective tax rate for 2022 of 19.0% (19.0% in 2021).

The regulations governing VAT, property tax, corporate income tax, personal income tax, or social security contributions are frequently amended, as a result of which there is often no reference to established regulations or legal precedents. The current regulations also contain ambiguous provisions that result in differences of opinion about the legal interpretation of tax regulations both between various state authorities and between state authorities and businesses.

Tax and other (e.g. customs or foreign exchange) settlements may be audited by authorities, which may levy significant penalties; any additional liabilities determined as a result of the audit must be paid with high interest. Consequently, tax risk in Poland is higher than in countries with better developed tax systems. Tax settlements can be audited for a period of five years. Consequently, the amounts stated in the consolidated financial statements may change at a later time, upon their final determination by tax authorities.

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25.3 Deferred income tax

Deferred income tax assets and liabilities are offset against each other if the Group has an enforceable legal right to offset current tax assets and liabilities and if the deferred income taxes are subject to the same tax authorities. After the offsetting, the following amounts are shown in the consolidated financial statements:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021 restated*
Deferred tax assets		
– to be realized after the period of 12 months	*36,737*	*34,645*
– to be realized within the period of 12 months	*16,105*	*20,782*
Total deferred tax assets	52,842	55,427
Deferred tax liabilities		
– to be realized after the period of 12 months	*311,984*	*281,980*
– to be realized within the period of 12 months	*1,983*	*4,059*
Total deferred tax liabilities	313,967	286,039
Deferred income tax assets (net amount)	2,256	2,243
Deferred tax liabilities (net)	263,381	232,855

*explanation provided in Note 2.1.1

Changes in deferred tax assets and liabilities during the year (before taking into account their offsetting within one legal jurisdiction) are as follows:

<u>Change in the balance of deferred tax assets</u>

	PROVISION FOR EMPLOYEE AND SIMILAR BENEFITS	UNPAID REMUNERATION AND OTHER BENEFITS	OTHER BALANCE SHEET PROVISIONS	PROVISION FOR MINING DAMAGE	OTHER	TOTAL
As at 1 January 2022	39,664	10,553	-	1,213	3,997	55,427
(Charged)/credited to comprehensive income, including:	3,397	(5,157)	-	87	(912)	(2,585)
- recognized in the consolidated statement of profit or loss	3,270	(5,157)	-	87	(912)	(2,712)
- recognized in the consolidated statement of other comprehensive income	127	-	-	-	-	127
As at 31 December 2022	43,061	5,396	-	1,300	3,085	52,842
As at 1 January 2021	40,803	4,867	831	490	1,489	48,480
(Charged)/credited to comprehensive income, including:	(1,139)	5,686	(831)	723	2,508	6,947
- recognized in the consolidated statement of profit or loss	198	5,686	(831)	723	2,508	8,284
- recognized 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

Based on the projections made for the Group, which anticipate earning tax income in 2023 and beyond, it was determined that there is no risk of not realizing the deferred tax asset reported in these consolidated financial statements.

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Change in deferred tax liabilities

	MEASUREMENT OF FIXED ASSETS	LONGWALL REINFORCEMENT COSTS	PROVISION FOR MINE CLOSURE COSTS AND RECLAMATION OF LAND NET****	RECEIVABLES ON ACCOUNT OF TAX ON REAL ESTATE	OTHER	TOTAL
As at 1 January 2022	275,251	2,658	6,705	-	1,425	286,039
Charged/(credited) to comprehensive income, including:	29,150	(757)	868	-	(1,333)	27,928
- recognized in the consolidated statement of profit or loss	29,150	(757)	868	-	(1,333)	27,928
As at 31 December 2022	304,401	1,901	7,573	-	92	313,967
As at 1 January 2021	280,788	4,761	8,387	133	509	294,578
Adjustment due to application of the amendment to IAS 16**	1,218	-	-	-	-	1,218
Charged/(credited) to comprehensive income, including:	(6,755)	(2,103)	(1,682)	133	916	(9,757)
- recognized in the consolidated statement of profit or loss	(6,755)	(2,103)	(1,682)	133	916	(9,757)
As at 31 December 2021	275,251	2,658	6,705	-	1,425	286,039

**explanation provided in Note 2.1.1

****The item includes the total value of non-current assets and provisions, related to the decommissioning of the mine and land reclamation.

25.4 Current income tax receivables and liabilities

The current income tax overpayment receivable relates entirely to 2022. At the end of the previous year, the Group reported a liability on this account, in the amount of PLN 1,215 thousand.

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26. EARNINGS PER SHARE (IN PLN)

Basic

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

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 restated*
Profit attributable to shareholders of the Parent Company	175,342	307,051
Weighted average number of common shares (000s)	34,014	34,014
Basic earnings per share (in PLN)	5.15	9.03

*explanation provided in Note 2.1.1

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in a manner allowing for a potential complete conversion into ordinary shares causing dilution. As at 31 December 2022 The Parent Company had no outstanding instruments that might potentially cause dilution of ordinary shares.

27. DIVIDEND PER SHARE

The dividend per share ratio is calculated as the quotient of the dividend payable to shareholders of the Parent Company and the number of ordinary shares outstanding as at the dividend record date.

On 23 June 2022, the Ordinary General Meeting of the Parent Company was held, at which the Shareholders adopted a resolution on the distribution of the 2021 profit, according to which the net profit of the Parent Company in the amount of PLN 291,595 thousand was allocated as follows:

- The amount of PLN 85,034 thousand was allocated for dividends,
- The remaining amount, i.e. PLN 206,561 thousand, was allocated to the Parent Company's reserve capital.

The resulting ratios measuring dividends due to Parent Company's shareholders are presented in the below:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Dividend due and paid out	85,034	-
Number of common shares as at the dividend record date (000s)	34,014	34,014
Dividend per share (in PLN)	2.50	-

The Parent Company's Management Board its analyzing whether the dividend for 2022 can be paid out and, as at the date of these consolidated financial statements, the decision on the distribution of the 2022 profit has not been made. A recommendation from the Parent Company's Management Board regarding the distribution of the 2022 profit is expected in the middle of Q2 2023.

28. ADDITIONAL INFORMATION FOR RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	NOTE	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Balance sheet change in liabilities, liabilities from contracts with customers and subsidies		(52,779)	118,833
Offsetting income tax overpayments against payables for other taxes		899	10,731
Movement in investment liabilities		71,440	(72,163)
Change in liabilities for the purposes of the consolidated statement of cash flows		19,560	57,401
Increases of fixed assets	4	613,215	474,299
Increase resulting from an update of capitalized costs of decommissioning of fixed assets		(19,859)	-
Other non-cash adjustments		(131)	(101)
Movement in investment liabilities		71,440	(72,163)
Acquisition of property, plant and equipment		664,665	402,035
Increases in intangible assets	5	18,533	9,595
Acquisition of intangible assets		18,533	9,595

29. CONTINGENT ITEMS

The Group has conditional liabilities on account of property tax as well as conditional liabilities and assets on account of legal claims arising in the regular course of business.

Property tax

In connection with the settlement of property tax on underground roadways, in the part deemed probable by the Parent Company, the Parent Company no longer recognizes a provision for property tax. Still, the potential contingent liability may arise mainly from the existing differences between the Parent Company's position and the position of tax authorities regarding the subject of this tax. The differences are related to the issue whether the underground roadways of the Parent Company contain other structures (in addition to those already declared) within the meaning of the provisions of the Act on Local Taxes and Charges that are taxable with this tax; other differences may also relate to the value of individual structures if it is determined that they are indeed subject to property tax. The scope of the above liability did not change materially as compared to the end of the previous financial year (31 December 2021).

Legal claims relating to patents

The contingent liability for legal claims relating to the fee for co-creators of the inventions covered by Patents Nos. 206048 and 209043 and functioning in the Parent Company, for which the Parent Company does not recognize a provision, may result mainly from the inability to assess the grounds for the amount of the claim in question and the difference between the Parent Company's position and the position of the co-creators of the inventions covered by the above patents. The value of the potential liability as of the date of publication of these consolidated financial statements is PLN 48 million. The Parent Company estimated the provision for the fee for the co-creators according to the best of its knowledge and the principles used by the Parent Company to date in calculating fees for creators of inventions. The item of provisions for legal claims shows a provision for claims related to the fee for co-creators of the inventions covered by patent Nos. 206048 and 209043 functioning in the Parent Company. In the opinion of the Parent Company's Management Board, the question of the amount of the fee should be related to the results of the work of court or other experts recognized by both parties, made after drawing up a technical opinion on the inventions covered by the patent.

At the end of 2021, the AGH University of Science and Technology in Kraków issued an opinion, to which the parties were able to file their objections, which was followed by a hearing on 8 February

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2022 when all plaintiffs were heard. Taking into account the aforementioned opinion, the possible amount of the fee for the co-authors determined by the experts that should be awarded to the Plaintiffs falls within the amount of the provision established by the Parent Company.

On 30 September 2022, a judgment was handed down before the Regional Court in Lublin in a case involving legal claims regarding patent 206048, which recognizes part of the plaintiffs' claims against the Parent Company. The judgment is not final. With the Court extending the deadline several times, the reasons for the judgment were delivered to the Parent Company as late as 24 January 2023. On 14 February 2023, the Parent Company filed an appeal against the aforementioned judgment. The Management Board of the Parent Company completely disagrees with the aforementioned judgment, as in its opinion it was issued in violation of a number of substantive laws and procedural rules. The Management Board of the Parent Company does not see at this stage the need to increase the provisions recognized for this case in previous periods.

Price collusion claims

Contingent assets resulting from the action brought by the Parent Company on 30 December 2020 against "A. Weber" Sp. z o.o., Minova Ekochem S.A. and "DSI Schaum Chemie" Sp. z o.o. for payment of the amount of PLN 23,124 thousand (principal amount plus interest) as compensation for damage caused as a result of violation of competition law (unlawful anti-competitive arrangements, including price collusion, market sharing and collusive bidding in the purchase of mining chemical products, including polyurethane adhesives). Damage to the Parent Company resulted from having to pay inflated prices due to the prohibited agreements in 2006-2010 (following the decision of the President of UOKiK of 16 December 2013). The case is still at an early stage and at the moment it is not possible to assess the potential settlement.

30. FUTURE CONTRACTUAL LIABILITIES

Investment commitments

Contractual investment commitment incurred as at the balance sheet date but not yet recognized in the consolidated statement of financial position:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Property, plant and equipment	316,639	242,950
Investment commitments	316,639	242,950

Future contractual obligations arise mainly under concluded contracts for mining work and for the purchase of mining machinery and equipment, which depend on the amount of preparatory work (excavation of roadways) planned.

31. RELATED PARTY TRANSACTIONS

All transactions concluded with related parties are concluded in the ordinary course of business and on an arm's length basis.

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

The Group enters into commercial transactions with state and local administration authorities and with subsidiaries of the State Treasury of the Republic of Poland.

Major sales transactions pertain to the revenue from sales of steam coal to: Zakłady Azotowe w Puławach S.A. (Azoty Group), PGE Energia Ciepła S.A., Energa Elektrownie Ostrołęka S.A., PGNiG Termika Energetyka Przemyśl Sp. z o.o., Grupa Azoty Koltar Sp. z o.o. and Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Chełm.

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In the reporting periods ended 31 December 2022 and 31 December 2021, the revenue from sales to the above entities and the balance of the Group's receivables from these entities were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Sales in the period	266,319	272,190
Balance of receivables at the end of the period, including VAT	30,139	34,682

Major purchase transactions include: the purchase of materials (roof supports) from Huta Łabędy S.A., purchase of transportation services from PKP Cargo S.A., purchase of electricity distribution services from PGE Dystrybucja S.A., purchase of fuel from Orlen Paliwa Sp. z o.o. and fees arising from mining and exploration concessions.

In the reporting periods ended 31 December 2022 and 31 December 2021, the turnover resulting from purchases from the above entities and the amounts payable by the Group to these entities were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Purchases in the period	270,970	122,872
Balance of payables as at the end of the period, including VAT	23,054	12,981

Transaction with ENEA Group companies

Purchase transactions include primarily the purchase of electricity from ENEA S.A., purchase of materials from ENEA Logistyka Sp. z o.o. and purchase of services from Enea Centrum Sp. z o.o.

In the reporting periods ended 31 December 2022 and 31 December 2021, the turnover resulting from purchases from ENEA Group companies and the amounts payable by the Group to these entities were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Purchases in the period	114,105	85,297
Balance of payables as at the end of the period, including VAT	18,458	17,693

Sales transactions concerned primarily sales of steam coal to ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A. and ENEA Ciepło Sp. z o.o.

In the reporting periods ended 31 December 2022 and 31 December 2021, the revenue from sales to ENEA Group companies and the balance of the Group's receivables from these entities were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Sales in the period	1,710,337	1,886,441
Balance of receivables at the end of the period, including VAT	105,481	246,790

In the reporting periods ended 31 December 2022 and 31 December 2021, the values of dividends paid to ENEA Group companies were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Dividends paid to ENEA Group companies	54,905	-

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32. REPORT ON REMUNERATION OF THE PARENT COMPANY'S MANAGEMENT BOARD MEMBERS, SUPERVISORY BOARD MEMBERS AND COMMERCIAL PROXIES

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Remuneration of Management Board members and commercial proxies	6,738	5,916
of which:		
- *Annual bonus*	1,370	1,558
Remuneration of Supervisory Board Members	507	529

In addition to the standard remuneration under management contracts, appointments or employment, in 2022, as well as in the corresponding period last year, there were no other transactions with the key personnel of the Parent Company.

33. INFORMATION ABOUT THE AUDITOR OF THE FINANCIAL STATEMENTS AND HIS FEES

On 24 March 2021, the Parent Company's Supervisory Board adopted a resolution to select PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. with its registered office in Warsaw, as the entity authorized to:

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

PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. is entered since 16 February 1995 in the list of entities authorized to audit financial statements maintained by the National Chamber of Statutory Auditors, under registration number 144.

The Grupa has previously used the services of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. and entities within the PwC network, among others, in the following areas: review and audit of standalone and consolidated financial statements, including review of the Group's consolidated financial statements for 2021-2020, prepared in XBRL format; tax consulting in the area of, among other things, excise taxes; verification of the correctness of the Parent Company's calculation of the Excise Ratio; work related to verification of the calculation of the Electricity Intensity Ratio; and evaluation of the Parent Company's Management and Supervisory Board Remuneration Report.

The fees of the auditor of the financial statements (of the Parent Company and its subsidiaries) and of other entities in the PricewaterhouseCoopers network, for all services rendered for 2022 and 2021, are as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
Auditor's fees	389	364
Including:		
- Audit of the annual financial statements	275	250
- Audit of the financial statements	50	50
- Review of the consolidated XBRL financial statements	25	25
- Verification of the remuneration statement	30	30
- Other assurance services (review of ratios)	9	9

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34. IMPACT OF EXTRAORDIANRY EVENTS DURING 2022 AFFECTING THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

The extraordinary event that occurred during 2022 and continues until the date of these consolidated financial statements is the armed conflict resulting from the attack of Russian Federation's armed forces on Ukraine on 24 February 2022. This event has had an immense impact on the social and economic condition and its economic impact is global. The event also affects the Group.

The following areas should be considered in order to present the impact of this event on the Group:

- Export sales, the vast majority of which were sales of coal to Ukraine, amounted to PLN 76,406 thousand in 2022 which represented approximately 3.1% of the consolidated revenue from sales (PLN 130,731 thousand in 2021, which represented approx. 5.3% of the consolidated sales revenues). As a result of the military conflict, coal sales to Ukraine have been significantly hindered. Due to the strong demand for steam coal, the Group redirected the coal originally intended for the Ukrainian market to domestic buyers.
- This event has a quite significant impact on the global prices of energy commodities (crude oil, natural gas, steam coal and renewables). The high demand for gas and uncertainty in the supply of raw materials (including restrictions in raw material imports from the East, suspension of natural gas deliveries from Russia on 26 April 2022) contribute to high demand for electricity from coal-fired power generation.
- On 16 April 2022, the Act of 13 April 2022 on special solutions to counteract the support of aggression against Ukraine and to protect national security came into effect. With a view to the existing threat to national security, Article 8 of the Act forbids to bring coal originating from Russia and Belarus into the territory of the Republic of Poland and to transport it between two countries through the territory of the Republic of Poland. Also, Article 13 of the Act imposes an obligation on entities bringing coal into the territory of the Republic of Poland (including domestic mines) to have documentation indicating the country of origin of the coal and to issue statements to coal buyers indicating the country of origin of the coal. This Act directly contributes to the further increase in demand for domestic coal.
- The above event also affects prices and availability of other raw materials that are important for the Group's activities, in particular steel. For the time being, however, this risk is limited due to the active long-term supply contracts and inventories of key materials (including roadway supports), which were built up in advance. In the longer term, however, this event may have an adverse effect on the Group's operations and financial performance.
- The above event has no material direct impact on the Group's current staffing situation.

Given the above facts as well as the past developments, the Management Board of the Parent Company believes that this event has had no significant effect on the operating activity and financial performance of the Group in 2022. However, a significant impact on the prices of energy commodities (including the prices of coal sold by the Parent Company) and on the purchase prices of other inputs is currently visible.

The second major extraordinary event affecting the Group's operations and results is that in September 2022, while mining one of the longwalls, the Group encountered a sudden and unforeseen impediment to mining. A sudden and unexpected increase in operating pressure occurred in longwall 3/VII/385, resulting in a squeeze. The Parent Company has taken measures to free the clamped sections and resume mining, however, these measures are technically and organizationally complex. This resulted in the need to update the production plan for 2022, setting it at approx. 8.3 million tons of commercial coal. Thanks to the efforts undertaken, the plan was exceeded and production was eventually realized at 8.4 million tons. At the same time, due to the above event, the Parent Company updated its production target for 2023 to approx. 8.3 million tons of commercial coal.

35. EVENTS AFTER THE BALANCE SHEET DATE

In February 2023, after completing the necessary measures to free the previously clamped sections to make it possible to resume mining, another event occurred during the trial start-up of longwall 3/VII/385, consisting of a sudden and unexpected outpouring of groundwater into the underground workings, as a result of which mining on this longwall had to be halted. At the moment, advanced hydrogeological analyses are being carried out and orders for independent expert opinions are being prepared to develop the best option for action and to determine the risks associated with further mining and technical work in the area. In the Group's opinion, longwall 3/VII/385 is still prospective and its future mining is possible.

The exact magnitude of the aforementioned event and its impact on the consolidated operating and financial results are still unknown, but the Group's assessment is that the production plan set for 2023 is unthreatened. The Group continues to mine the longwalls in the Bogdanka Field and the Nadrybie Field with full efficiency, while more longwalls are planned to be launched in the Stefanów Field.

According to our knowledge, there were no other material events after the balance sheet date that could affect the Group's consolidated financial results as at 31 December 2022 but have not been captured in the consolidated financial statements.

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby represents that on 21 March 2023 it approved these consolidated financial statements of the Group for the period from 1 January to 31 December 2022.

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

KASJAN WYLIGAŁA President of the Management Board of the Parent Company	....
ARTUR WASILEWSKI Vice-President of the Management Board of the Parent Company, Economic and Financial Affairs	....
DARIUSZ DUMKIEWICZ Vice-President of the Management Board of the Parent Company for Sales and Investments	....
ADAM PARTYKA Vice-President of the Management Board of the Parent Company, Labor and Social Affairs	....
URSZULA PIĄTEK Chief Accountant of the Parent Company	....