INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE

Lubelski Węgiel Bogdanka S.A.

Bogdanka, September 2023

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INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	NOTE	AS AT 30 JUNE 2023	AS AT 31 DECEMBER 2022
Assets			
Non-current assets			
Property, plant and equipment	5	3,604,749	3,564,767
Intangible assets	6	53,147	54,347
Non-current investments		75,601	75,601
Right-of-use asset	7.1	15,115	16,797
Trade and other receivables	8	33	7,766
Cash and cash equivalents	10	155,204	147,924
Total non-current assets		3,903,849	3,867,202
Current assets			
Inventories	9	291,607	191,094
Trade and other receivables	8	402,334	202,478
Income tax overpaid		-	62,475
Cash and cash equivalents	10	609,976	454,487
Total current assets		1,303,917	910,534
TOTAL ASSETS		**5,207,766**	**4,777,736**
Equity			
Common equity	11	301,158	301,158
Supplementary capital		702,549	702,549
Other reserve capital		2,282,626	2,194,624
Retained earnings		537,522	488,376
Total equity		3,823,855	3,686,707
Liabilities			
Non-current liabilities			
Deferred tax liabilities		247,121	263,371
Provisions for employee benefits	16	192,748	176,412
Provisions for other liabilities and charges	17	155,621	155,452
Subsidies	14	10,462	10,732
Lease liabilities	7.1	15,674	15,753
Trade and other liabilities	13	21,801	31,650
Total non-current liabilities		643,427	653,370
Current liabilities			
Provisions for employee benefits	16	130,305	45,923
Provisions for other liabilities and charges	17	11,174	12,524
Subsidies	14	486	488
Lease liabilities	7.1	1,107	2,615
Trade and other liabilities	13	504,244	375,713
Liabilities from contracts with customers		598	392
Dividend liabilities		87,759	4
Current income tax liabilities		4,811	-
Total current liabilities		740,484	437,659
Total liabilities		1,383,911	1,091,029
TOTAL EQUITY AND LIABILITIES		**5,207,766**	**4,777,736**

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

INTERIM STATEMENT OF PROFIT OR LOSS

	NOTE	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Continuing operations			
Sales revenues	18	1,825,071	1,459,533
Cost of sales		(1,374,337)	(958,539)
Profit before tax		450,734	500,994
Selling and distribution expenses		(25,616)	(21,708)
Administrative expenses		(94,170)	(68,913)
Other revenues	19	1,137	853
Other costs	20	(5,763)	(891)
Other losses - net	21	(54,472)	(2,938)
Operating profit		271,850	407,397
Financial income	22	20,187	12,791
Financial costs	22	(12,097)	(6,546)
Profit before tax		279,940	413,642
Income tax	23.2	(52,545)	(77,546)
Profit on continuing operations		227,395	336,096
Net profit for the period		**227,395**	**336,096**

EARNINGS PER SHARE

EARNINGS PER SHARE ATTRIBUTABLE TO COMPANY SHAREHOLDERS DURING THE PERIOD (IN PLN PER SHARE)	NOTE	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
- basic earnings per share from continuing operations		6.69	9.88
- basic earnings per share from discontinued operations		-	-
Basic earnings per share	24	**6.69**	**9.88**
- diluted earnings per share from continuing operations		6.69	9.88
- diluted earnings per share from discontinued operations		-	-
Diluted earnings per share	24	**6.69**	**9.88**

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

	NOTE	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Net profit for the period		**227,395**	**336,096**
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	16	(3,077)	10,404
Other comprehensive income/(loss) that will not be reclassified to profit or loss, before tax		(3,077)	10,404
Other comprehensive income/(loss) to be reclassified to profit or loss, before tax		-	-
Other comprehensive income/(loss), before tax		(3,077)	10,404
Income tax on the items not to be transferred	23.1	585	(1,977)
Other net comprehensive income/(loss) for the period		(2,492)	8,427
Net comprehensive income for the period – total		**224,903**	**344,523**

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

INTERIM STATEMENT OF CHANGES IN EQUITY

	NOTE	COMMON EQUITY	SUPPLEMENTARY CAPITAL	OTHER RESERVE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2023		**301,158**	**702,549**	**2,194,624**	**488,376**	**3,686,707**
Total net comprehensive income for the period:		-	-	-	224,903	**224,903**
- net profit		-	-	-	*227,395*	**227,395**
- other comprehensive loss		-	-	-	*(2,492)*	**(2,492)**
Dividend for 2022	25	-	-	-	(87,755)	**(87,755)**
Transfer of the previous year's result	25	-	-	88,002	(88,002)	**-**
Change in equity in the period		-	-	88,002	49,146	**137,148**
As at 30 June 2023		**301,158**	**702,549**	**2,282,626**	**537,522**	**3,823,855**

*For a detailed explanation of the change in accounting policy, see the Company's 2022 standalone financial

	NOTE	COMMON EQUITY	SUPPLEMENTARY CAPITAL	OTHER RESERVE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2022		301,158	702,549	1,988,063	580,844	3,572,614
Adjustment due to changes in accounting policy*		-	-	-	23,892	23,892
As at 1 January 2022 after adjustments		**301,158**	**702,549**	**1,988,063**	**604,736**	**3,596,506**
Total net comprehensive income for the period:		-	-	-	344,523	**344,523**
- net profit		-	-	-	*336,096*	***336,096***
- other comprehensive income		-	-	-	*8,427*	***8,427***
Dividend for 2021	*25*	-	-	-	(85,034)	**(85,034)**
Transfer of the previous year's result		-	-	206,561	(206,561)	**-**
Change in equity in the period		-	-	206,561	52,928	**259,489**
As at 30 June 2022		**301,158**	**702,549**	**2,194,624**	**657,664**	**3,855,995**

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BOGDANKA

INTERIM STATEMENT OF CASH FLOWS

	NOTE	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Cash flows on operating activity			
Net profit		227,395	336,096
Adjustments:			
Income tax in the interim statement of profit or loss		52,545	77,546
Depreciation and amortization		199,567	190,517
Loss on the sale and liquidation of property, plant and equipment		43,780	24,209
Recognition and reversal of an impairment loss for property, plant and equipment	5.2	50,370	4,314
Interest income		(17,185)	(8,335)
Dividends received and receivable		(3,443)	(3,452)
Interest expense		456	478
Other cash flows		91	(8,614)
Changes in working capital:			
Change in provisions for employee benefits		97,641	17,211
Change in provisions		4,241	(10,644)
Change in inventories		(100,513)	(82,486)
Change in trade and other receivables		(190,984)	51,316
Change in trade and other liabilities	26	163,219	52,000
Total adjustments		299,785	304,060
Cash from operating activities		527,180	640,156
Income tax paid and received		(45,117)	(61,968)
Net cash flows from operating activities		**482,063**	**578,188**
Cash flow on investing activity			
Acquisition of property, plant and equipment	26	(336,834)	(351,104)
Acquisition of intangible assets		(517)	(1,827)
Proceeds on the sale of property, plant and equipment		611	318
Interest received		17,185	6,066
Dividends received		2,304	-
Expenditures for other short-term investments		-	(250,000)
Outflows from cash collected in the Mine Closure Fund's bank account		(7,279)	1,920
Net cash flows from investing activities		**(324,530)**	**(594,627)**
Cash flow on financing activity			
Payment of lease liabilities		(2,044)	(2,032)
Net cash flow on financing activity		**(2,044)**	**(2,032)**
Net increase/(decrease) in cash and cash equivalents before effects of FX rate changes		155,489	(18,471)
Increase/(decrease) in the net balance of cash and cash equivalents		155,489	(18,471)
Cash and cash equivalents at the beginning of the period		454,487	580,560
Cash and cash equivalents at the end of the period		**609,976**	**562,089**

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

1. GENERAL INFORMATION

1.1 Information about the Company

Lubelski Węgiel "Bogdanka" S.A. is a joint stock company operating under the laws of Poland. The Company was created 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).

The Company is the Parent Company in the Lubelski Węgiel Bogdanka Group. The Group prepares interim condensed consolidated financial statements in accordance with the IFRS for the period from 1 January to 30 June 2023. In order to fully appreciate the financial standing and performance of the Company, these interim condensed financial statements should be read in conjunction with the interim condensed consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the period ended 30 June 2023 as well as the audited standalone financial statements of Lubelski Węgiel "Bogdanka" S.A. for the financial year ended 31 December 2022. The reports and statements mentioned above are available on the Company's website at www.ri.lw.com.pl.

Company in the ENEA Group's structure

On 14 September 2015, ENEA S.A. announced a takeover bid for the Company's shares, stating that it intended to acquire up to 64.57% of all votes at the Shareholder Meeting. 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 the Company and consequently the Company became a member 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 Company's shares in Q2 2022, as at 30 June 2023, ENEA S.A. held in total 64.57% of shares in the Company.

In addition, on 18 June 2022, a letter of intent was signed in the 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 S.A. 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 Company. The acquisition of the Company's shares by the State Treasury is planned for the end of Q3 2023.

The State Treasury is the ultimate parent

1.2 Going concern assumption

These interim condensed 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 Company continuing as a going concern.

2. DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES APPLIED

2.1 Basis of preparation

These interim condensed financial statements of LW "Bogdanka" S.A. for H1 2023 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as approved by the European Union.

The interim condensed 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 Company considers the characteristics of the asset or liability if market players consider these features when measuring assets or liabilities as at the valuation date. Fair value for measurement and/or disclosure purposes in the Company's financial statements 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.

2.1.1 New accounting principles

The interim condensed 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 2022.

2.1.2 Significant values based on professional judgment and estimates

Preparation of the interim condensed 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 significant estimations and judgments have not changed since the publication of the annual financial statements for 2022.

2.1.3 New standards and interpretations

In these interim condensed 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 2023:

- 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.

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

- 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.

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

- 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.

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

- Amendments to IAS 12 "Income Taxes": global minimum income tax (Pillar Two)

  In May 2023, the Board issued amendments to IAS 12, "Income Taxes," in response to the Pillar Two global minimum income tax regulations issued by the Organization for Economic Cooperation and Development (OECD) in connection with the international tax reform. The amendment to IAS 12 provides a temporary exemption from the requirement to recognize deferred taxes resulting from enacted tax laws that implement the Pillar Two model rules. While companies can apply the guidance of the revised IAS 12 standard immediately, certain disclosures are required for annual periods beginning on or after 1 January 2023.

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

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

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

- Amendments 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 financial statements, the amendments have not yet been approved by the European Union.

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Disclosure of supplier finance arrangements

  In May 2023, the Board issued amendments to IAS 7, Statement of Cash Flows, and IFRS 7, Financial Instruments: Disclosures. The amendments to the standards introduce disclosure requirements for supplier finance arrangements. The amendments require specific disclosures regarding the entity's financial contracts with suppliers to enable users of financial statements to assess the impact of these contracts on the entity's liabilities and cash flows and the entity's exposure to liquidity risk. These amendments are intended to increase the transparency of disclosures about arrangements made with suppliers. The amendments do not affect recognition and measurement principles, only disclosure requirements.

  The new disclosure obligations will be effective for annual reporting periods beginning on or after 1 January 2024.

  At the time of preparing these interim condensed 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 financial statements, the approval of this amendment has been deferred by the European Union.

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

3. SEGMENT INFORMATION

Basic reporting layout – industry segments

The Company focuses its activity mainly on the production and sales of coal. Revenue from sales of other products and services in the period from 1 January to 30 June 2023 amounted to PLN 33,841 thousand (PLN 31,100 thousand in the corresponding period last year), representing 1.9% of total sales revenues in 2023 (2.1% in the same period last year).

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

Supplementary reporting layout – geographic segments

The Company's operations are focused predominantly on Poland. In the period from 1 January to 30 June 2023, there were no revenue from sales of coal outside Poland (in the corresponding period of last year this revenue amounted to PLN 76,372 thousand, which was 5.2% of sales revenues). The Company has no related assets and liabilities located outside of the territory of Poland.

Accordingly, the Company does not present its operating results broken down by geographic region.

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

Breakdown into mining fields

The Company conducts its business in the area of three mining fields: Bogdanka, Nadrybie and Stefanów. Production assets are concentrated at the location of the 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 Company's assets are treated as a single CGU (Cash Generating Unit).

Main buyers of coal

During the 6 months of 2023 and 2022, the Company's key buyers with the share in sales exceeding 10% of revenue from sales, included:

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
ENEA Wytwarzanie Sp. z o.o.	72%	52%
ENEA Elektrownia Połaniec S.A.	13%	17%

4. SEASONALITY INFORMATION

There is no seasonality in production, while seasonality of retail sales can be observed at the coal sales outlet. Sales to individual clients represented less than 0.1% of the total revenue from sales. Accordingly, this has no significant impact on the Company's operating and financing activities.

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

5. PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDINGS AND STRUCTURES		TECHNICAL EQUIPMENT AND MACHINERY	MEANS OF TRANSPORTATION	OTHER FIXED ASSETS	FIXED ASSETS UNDER CONSTRUCTION	TOTAL
		TOTAL	INCLUDING ROADWAYS					
As at 1 January 2023								
Cost or valuation	12,096	3,617,757	2,613,763	2,948,564	141,193	29,429	360,962	7,110,001
Accumulated depreciation	-	(1,556,718)	(1,110,436)	(1,891,338)	(75,170)	(22,008)	-	(3,545,234)
Net book value	12,096	2,061,039	1,503,327	1,057,226	66,023	7,421	360,962	3,564,767
As at 30 June 2023								
Net carrying amount at the beginning of the year	12,096	2,061,039	1,503,327	1,057,226	66,023	7,421	360,962	3,564,767
Addition	-	-	-	-	-	742	335,681	336,423
Transfers from fixed assets under construction	1,029	210,206	183,137	36,214	7,005	1,404	(255,858)	-
Reduction	-	(49,193)	(43,766)	(4,698)	(29)	-	(1,342)	(55,262)
Depreciation and amortization	-	(111,025)	(98,416)	(80,685)	(3,067)	(1,395)	-	(196,172)
Impairment loss	(586)	(21,701)	(21,701)	(24,062)	-	-	1,342	(45,007)
Net book value	12,539	2,089,326	1,522,581	983,995	69,932	8,172	440,785	3,604,749
As at 30 June 2023								
Cost or valuation	12,539	3,673,189	2,647,568	2,911,783	147,392	30,151	440,785	7,215,839
Accumulated depreciation	-	(1,583,863)	(1,124,987)	(1,927,788)	(77,460)	(21,979)	-	(3,611,090)
Net book value	12,539	2,089,326	1,522,581	983,995	69,932	8,172	440,785	3,604,749

As at 1 January 2022								
Cost or valuation	11,259	3,468,396	2,492,310	2,860,779	130,923	28,093	215,827	6,715,277
Accumulated depreciation	-	(1,518,834)	(1,096,267)	(1,743,300)	(69,729)	(21,280)	-	(3,353,143)
Net book value	11,259	1,949,562	1,396,043	1,117,479	61,194	6,813	215,827	3,362,134
As at 30 June 2022								
Net carrying amount at the beginning of the year	11,259	1,949,562	1,396,043	1,117,479	61,194	6,813	215,827	3,362,134
Adjustment due to application of the Amendment to IAS 16*	-	23,273	23,273	-	-	-	6,223	29,496
Addition	-	-	-	-	-	872	258,566	259,438
Transfers from fixed assets under construction	750	45,469	44,515	79,981	8,093	332	(134,625)	-
Reduction	-	(27,475)	(24,348)	(777)	(45)	-	(105)	(28,402)
Depreciation and amortization	-	(101,955)	(90,223)	(80,771)	(2,960)	(1,441)	-	(187,127)
Impairment loss	(50)	-	-	(3,737)	-	-	-	(3,787)
Net book value	11,959	1,888,874	1,349,260	1,112,175	66,282	6,576	345,886	3,431,752
As at 30 June 2022								
Cost or valuation	11,959	3,384,339	2,410,427	2,927,735	138,400	27,637	345,886	6,835,956
Accumulated depreciation	-	(1,495,465)	(1,061,167)	(1,815,560)	(72,118)	(21,061)	-	(3,404,204)

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Net book value	11,959	1,888,874	1,349,260	1,112,175	66,282	6,576	345,886	3,431,752

*For a detailed explanation, see the Company's 2022 standalone financial statements

5.1 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 30 June 2023:

	QUANTITY [pcs]	LENGTH [m]	INITIAL VALUE	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	28,545	514,397	(289,861)	224,536	56%
- depreciated until June 2023	10	13,172	197,153	(90,267)	106,886	46%
Roadways recognized as fixed assets, depreciated based on useful lives	256	98,741	1,818,595	(671,193)	1,147,402	37%
Others items depreciated based on useful lives (shafts, shaft towers, stoppings, storage tanks and other)	31	-	314,576	(163,933)	150,643	52%
Total as at 30 June 2023	313	127,286	2,647,568	(1,124,987)	1,522,581	42%

As at 30 June 2022:

	QUANTITY [pcs]	LENGTH [m]	INITIAL VALUE	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:	27	21,462	425,749	(287,714)	138,035	68%
- depreciated until June 2022	8	5,611	127,503	(90,939)	36,564	71%
Roadways recognized as fixed assets, depreciated based on useful lives	248	94,903	1,677,105	(614,976)	1,062,129	37%
Others items depreciated based on useful lives (shafts, shaft towers, stoppings, storage tanks and other)	30	-	307,573	(158,477)	149,096	52%
As at 30 June 2022	305	116,365	2,410,427	(1,061,167)	1,349,260	44%

5.2 Analysis of indications of a possible impairment of property, plant and equipment

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

In preparing the Company’s financial statements, the Management Board periodically evaluates indications of possible impairment of non-current 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 Company must act very cautiously.

In the course of the analysis of indications performed at the end of 2022, the need to perform an impairment test was identified, mainly because the market capitalization of the Company was below the carrying value of its net assets. No impairment was found as a result of the test and the details of the test and the key assumptions adopted for the test are described broadly in the Company's annual financial statements for 2022.

When repeating the analysis of the indications for the purposes of the interim financial statements as at 30 June 2023 and up to the date of these financial statements, the Management Board of the Company did not identify any new indications pointing to the need to repeat the impairment test during the financial year. Due to the changes in hard coal prices on global markets, the test conducted at the end of 2022 was analyzed for sensitivity to changes in key assumptions, including, in particular, changes in hard coal sales prices assumed for the test. The analysis showed no impairment of non-current assets.

As at the end of previous periods, it was noted that the market capitalization of the Company has remained below the carrying amount of its net assets, which, in the opinion of the 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.

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 2023	4,809	-	14,003	8,347	27,159
Recognition of impairment loss allowance	586	21,701	28,170	-	50,457
Utilization of impairment loss allowance	-	-	(4,021)	(1,342)	(5,363)
Decrease	-	-	(87)	-	(87)
As at 30 June 2023	5,395	21,701	38,065	7,005	72,166
As at 1 January 2022	4,475	-	3,723	8,347	16,545
Recognition of impairment loss allowance	50	-	4,264	-	4,314
Utilization of impairment loss allowance	-	-	(527)	-	(527)
As at 30 June 2022	4,525	-	7,460	8,347	20,332

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

The high amount of the impairment loss on property, plant and equipment recognized in H1 2023 is due to the event of a sudden and unexpected groundwater spill into the underground workings, which occurred in February 2023 in longwall 3/VII/385. This event is described in more detail in Note 31.

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6. INTANGIBLE ASSETS

	SOFTWARE	FEES, LICENSES	GEOLOGIC INFORMATION	TOTAL
As at 1 January 2023				
Cost or valuation	7,958	23,231	54,343	85,532
Accumulated depreciation	(6,027)	(7,511)	(17,647)	(31,185)
Net book value	1,931	15,720	36,696	54,347
As at 30 June 2023				
Net carrying amount at the beginning of the year	1,931	15,720	36,696	54,347
Addition	-	517	-	517
Reduction	-	(4)	-	(4)
Depreciation and amortization	(296)	(737)	(680)	(1,713)
Net book value	1,635	15,496	36,016	53,147
As at 30 June 2023				
Cost or valuation	7,914	23,461	54,343	85,718
Accumulated depreciation	(6,279)	(7,965)	(18,327)	(32,571)
Net book value	1,635	15,496	36,016	53,147

As at 1 January 2022				
Cost or valuation	7,810	21,436	54,343	83,589
Accumulated depreciation	(5,455)	(6,173)	(16,287)	(27,915)
Net book value	2,355	15,263	38,056	55,674
As at 30 June 2022				
Net carrying amount at the beginning of the year	2,355	15,263	38,056	55,674
Addition	183	1,645	-	1,828
Reduction	-	(11)	-	(11)
Depreciation and amortization	(287)	(707)	(680)	(1,674)
Net book value	2,251	16,190	37,376	55,817
As at 30 June 2022				
Cost or valuation	7,962	22,996	54,343	85,301
Accumulated depreciation	(5,711)	(6,806)	(16,967)	(29,484)
Net book value	2,251	16,190	37,376	55,817

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7. LEASE

7.1 Right-of-use asset

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

	RIGHT OF PERPETUAL USUFRUCT OF LAND	MEANS OF TRANSPORTATION	TOTAL
As at 1 January 2023			
Cost or valuation	16,042	13,953	29,995
Accumulated depreciation	(1,881)	(11,317)	(13,198)
Net book value	14,161	2,636	16,797
As at 30 June 2023			
Net carrying amount at the beginning of the year	14,161	2,636	16,797
Reduction	-	-	-
Depreciation and amortization	(244)	(1,438)	(1,682)
Net book value	13,917	1,198	15,115
As at 30 June 2023			
Cost or valuation	16,042	13,953	29,995
Accumulated depreciation	(2,125)	(12,755)	(14,880)
Net book value	13,917	1,198	15,115
As at 1 January 2022			
Cost or valuation	16,042	14,016	30,058
Accumulated depreciation	(1,392)	(8,374)	(9,766)
Net book value	14,650	5,642	20,292
As at 30 June 2022			
Net carrying amount at the beginning of the year	14,650	5,642	20,292
Depreciation and amortization	(244)	(1,472)	(1,716)
Net book value	14,406	4,170	18,576
As at 30 June 2022			
Cost or valuation	16,042	14,016	30,058
Accumulated depreciation	(1,636)	(9,846)	(11,482)
Net book value	14,406	4,170	18,576

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

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Amortization of the right-of-use asset	1,682	1,716
Financial costs	457	476
Total	2,139	2,192

Change in lease liabilities and balance as at 30 June 2023 is presented in the table below:

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
As at 1 January	18,368	21,425
Principal installment under financial lease agreements	(1,587)	(1,556)
Total	16,781	19,869

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7.2 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 30 JUNE 2023	AS AT 31 DECEMBER 2022
Less than 1 year	721	131
From 1 to 2 years	18	-
From 2 to 5 years	17	-
Minimum future payments	756	131

The Company 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".

8. TRADE AND OTHER RECEIVABLES

	AS AT 30 JUNE 2023	AS AT 31 DECEMBER 2022
Trade receivables	323,675	168,412
Impairment losses for receivables	(6,870)	(6,718)
Net trade receivables	316,805	161,694
Accruals	85,258	36,828
Other receivables	271	3,956
Current part	402,334	202,478
Accruals	33	7,766
Non-current part	33	7,766
Total trade and other receivables	402,367	210,244

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

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

The table below depicts the changes in the impairment loss for trade receivables:

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
As at 1 January	6,718	7,613
Impairment loss recognized	335	79
Receivables written off during the year as uncollectible	(99)	(1)
Reversal of unused amounts	(84)	(7)
Total	6,870	7,684

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

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

	AS AT 30 JUNE 2023	AS AT 31 DECEMBER 2022
Up to 1 month	2	37
Above 12 months	6,868	6,681
Total	6,870	6,718

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

	AS AT 30 JUNE 2023	AS AT 31 DECEMBER 2022
Up to 1 month	2,370	499
From 1 to 3 months	-	480
Total	2,370	979

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 30 JUNE 2023	AS AT 31 DECEMBER 2022
Materials	201,119	186,231
Impairment loss allowance for materials	(102)	(104)
Finished products	90,590	4,967
Total	291,607	191,094

The cost of inventories in the interim statement of profit or loss was recognized in the "Costs of products, goods and materials sold" item, in which the total value over the first 6 months of 2023 was PLN 1,374,337 thousand (PLN 958,539 thousand in the corresponding period of 2022).

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

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
As at 1 January	104	-
Recognition of impairment loss for inventories	-	9
Impairment loss used	(2)	-
Total	102	9

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

No security has been established on the inventories.

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10. CASH AND CASH EQUIVALENTS

	AS AT 30 JUNE 2023	AS AT 31 DECEMBER 2022
Cash in bank	31,571	26,331
Bank deposits	733,609	576,080
Total	765,180	602,411
Of which:		
- the non-current portion**	155,204	147,924
- the current portion	609,976	454,487
Total	765,180	602,411

**Restricted cash

The value of restricted cash amounted to PLN 182,349 thousand on 30 June 2023 (31 December 2022: PLN 170,322 thousand), of which PLN 155,204 thousand represented funds accumulated in the Mine Closure Fund to cover the costs of mine closures (31 December 2022: PLN 147,924 thousand), while the remaining amount relates to cash accumulated in separate VAT accounts and collateral received.

The cash held by the Company is denominated in PLN.

11. SHARE CAPITAL

	NUMBER OF SHARES (000s)	COMMON EQUITY PAR VALUE	HYPERINFLATION ADJUSTMENT	TOTAL
As at 1 January 2023	34,014	170,068	131,090	301,158
As at 30 June 2023	34,014	170,068	131,090	301,158
As at 1 January 2022	34,014	170,068	131,090	301,158
As at 30 June 2022	34,014	170,068	131,090	301,158

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

12. OTHER CAPITAL

According to the Articles of Association, the Company may create supplementary capital and other reserve capital, the purpose of which is stipulated by law and resolutions of the governing bodies. Other reserve capital 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 Company's Supervisory Board on 30 September 2013 for the years 2013-2017. In Q3 2018, agreements were signed between the Company and all beneficiaries of the Program (the individuals to whom the options could 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 interim 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. During the first 6 months of 2023 and 2022, the Company did not hold any financial instruments designated as cash flow hedges.

Retained earnings

The amount of retained earnings consists of, in addition to the current year's net result, also retained earnings from prior years, non-transferable actuarial gains/losses on account of defined benefit plans 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 Company, 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 30 June 2023 and 31 December 2022, 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 30 JUNE 2023	AS AT 31 DECEMBER 2022
Trade liabilities	250,443	170,472
Other liabilities, including:	227,653	181,278
- Company Social Benefit Fund	3,407	377
- bid deposit liabilities	3,729	3,374
- investment liabilities	63,551	66,312
- salary liabilities	34,268	55,336
- other liabilities	122,698	55,879
Total financial liabilities	478,096	351,750
Liabilities for social security contributions and other taxes	47,949	55,613
Trade and other liabilities	526,045	407,363
Of which:		
- the non-current portion	21,801	31,650
- the current portion	504,244	375,713
Total	526,045	407,363

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

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14. SUBSIDIES

	AS AT 30 JUNE 2023	AS AT 31 DECEMBER 2022
As at 1 January	11,220	11,775
Of which:		
- the non-current portion	10,732	11,282
- the current portion	488	493
Subsidies received	-	77
Subsidies settled during the year	(272)	(632)
Total subsidies at the end of the period	10,948	11,220
Of which:		
- the non-current portion	10,462	10,732
- the current portion	486	488

Grants to research and development projects received are settled pro rata to the costs of these projects incurred by the 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.

15. FINANCIAL INSTRUMENTS

Hierarchy of financial instruments carried at fair value.

Financial instruments 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 30 June 2023, the Company had no financial instruments carried at fair value.

16. PROVISION FOR EMPLOYEE BENEFITS

	AS AT 30 JUNE 2023	AS AT 31 DECEMBER 2022
Provisions recognized in the interim statement of financial position:		
Retirement and disability benefits	70,474	65,252
Jubilee awards	147,085	133,487
Other employee benefits (unused holiday leaves, salaries, death benefits and others)	105,494	23,596
Total	323,053	222,335

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Expenses recognized in the interim statement of profit or loss:		
Retirement and disability benefits	4,161	3,359
Jubilee awards	22,320	(4,767)
Other employee benefits (unused holiday leaves, salaries, death benefits and others)	94,778	42,125
Total	121,259	40,717

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
(Gains)/losses recognized in the interim statement of comprehensive income:		
Retirement and disability benefits	2,978	(9,730)
Other employee benefits (death benefits)	99	(674)
Total	3,077	(10,404)

Change in provisions for employee benefits:

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
As at 1 January	222,335	204,687
Current employment costs (including unused holiday leaves, salaries, death benefits and others)	103,268	50,560
Interest cost	5,733	3,061
Actuarial (gains)/losses recognized in the interim statement of profit or loss	12,258	(12,904)
Actuarial (gains)/losses recognized in the interim statement of comprehensive income	3,077	(10,404)
Total recognized in comprehensive income	124,336	30,313
Benefits paid out	(23,618)	(23,506)
As at 30 June	323,053	211,494
including:		
- non-current part	192,748	144,462
- current part	130,305	67,032

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

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Cost of sales	105,025	34,286
Selling and distribution expenses	520	177
Administrative expenses	9,981	3,193
Financial costs	5,733	3,061
Total recognized in the interim statement of profit or loss	121,259	40,717
Actuarial (gains)/losses recognized in the interim statement of comprehensive income	3,077	(10,404)
Total recognized in the interim statement of comprehensive income	124,336	30,313

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17. PROVISION FOR OTHER LIABILITIES AND CHARGES

	PROVISION FOR MINE CLOSURE COSTS AND RECLAMATION OF LAND	MINING DAMAGE	LITIGATION	OTHER	TOTAL
As at 1 January 2023	155,452	6,844	5,520	160	167,976
Including:					
Long-term	155,452	-	-	-	155,452
Short-term	-	6,844	5,520	160	12,524
Recognized in the interim statement of financial position:					
- Existing provision updated	(4,607)	-	-	-	(4,607)
Recognized in the interim statement of profit or loss:					
- Additional provisions created	-	-	3,133	195	3,328
- Existing provision used	-	(4,518)	-	(160)	(4,678)
- Settlement of a discount	4,776	-	-	-	4,776
As at 30 June 2023	155,621	2,326	8,653	195	166,795
Including:					
Long-term	155,621	-	-	-	155,621
Short-term	-	2,326	8,653	195	11,174
As at 1 January 2022	130,402	6,382	5,600	13,103	155,487
Including:					
Long-term	130,402	-	-	-	130,402
Short-term	-	6,382	5,600	13,103	25,085
Recognized in the interim statement of financial position:					
- Existing provision updated	*(2,643)*	-	-	-	*(2,643)*
Recognized in the interim statement of profit or loss:					
- Additional provisions created	-	-	*421*	*153*	*574*
- Existing provision used	-	*(833)*	-	*(13,103)*	*(13,936)*
- Settlement of a discount	*2,235*	-	-	-	*2,235*
As at 30 June 2022	129,994	5,549	6,021	153	141,717
Including:					
Long-term	*129,994*	-	-	-	*129,994*
Short-term	-	*5,549*	*6,021*	*153*	*11,723*

Mine closure and reclamation of land

The Company 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 30 June 2023 is PLN 155,621 thousand, of which the provision for mine closure of PLN 147,132 thousand and the provision for reclamation of land of PLN 8,489 thousand. The change in the provision as compared to 31 December 2022 was PLN 169 thousand and the increase resulting from the reversal of the discount written off in the amount of PLN 4,776 thousand was captured in the statement of profit or loss as “Finance costs”, while the decrease resulting from the update of assumptions in the total amount of PLN 4,607 thousand was recognized in the statement of financial position as a decrease in the “Property, plant and equipment” item.

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Removal of mining damages

Due to the need to remedy the damage resulting from its operations, the Company recognizes a provision for mining damage. The estimated value of the work required to repair the damage as at 30 June 2023 is PLN 2,326 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 provision used during the first 6 months of 2023 was in total PLN 4,518 thousand (PLN 833 thousand in the corresponding period of the previous year).

Litigation

The stated amounts represent a provision for certain legal claims brought against the Company by its clients and suppliers. The amount of provisions recognized/reversed in the current period is recognized in the interim statement of profit or loss as other revenues/costs. According to the judgment of the 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 30 June 2023.

Other

Other provisions include mainly the provisions created by the 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 2021 in the amount of PLN 12,944 thousand was used in 2022.

18. SALES REVENUES

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Sales of coal	1,791,230	1,428,433
Other business	27,186	19,002
Sales of goods and materials	6,655	12,098
Total sales revenues	1,825,071	1,459,533

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

- Coal sales contracts relating to the Company's core business; there are two types of these contracts – with the transport service (in which the 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 revenue from sales. The total amount of all revenues on this account during the first 6 months of 2023 was PLN 6,655 thousand (PLN 12,098 thousand in the corresponding period of 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 Company's sub-contractors (providing mining services to the Company) whose employees are obliged by OHS regulations to use shower rooms. The total amount of revenue from sales from the rental of shower room space during the first 6 months of 2023 was PLN 6,228 thousand (PLN 4,750 thousand in the corresponding period of the previous year).

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

19. OTHER REVENUES

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Indemnities received	852	148
Excise tax refund	98	298
Other,	187	407
of which:		
- Reversal of other provisions for liabilities	123	109
- Reversal of impairment loss allowances	16	193
- Other revenues	48	105
Total other income	1,137	853

20. OTHER COSTS

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Donations	(4,865)	(730)
Enforcement fees and penalties	(353)	(79)
Indemnities	(147)	(19)
Other	(398)	(63)
Total other costs	(5,763)	(891)

21. OTHER NET LOSSES

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Profit/(loss) on the sale of fixed assets	160	(455)
FX gains and losses	(15)	71
Result on the liquidation of fixed assets	(174)	594
Impairment loss for fixed assets	(50,370)	(4,314)
Other gains/(losses)	(4,073)	1,166
Total other losses - net	(54,472)	(2,938)

22. FINANCIAL INCOME AND COSTS

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Interest income on short-term bank deposits	12,069	8,323
Dividends receivable and received	3,443	3,452
Other revenues, including	4,675	1,016
- Interest on the Mine Closure Fund	4,394	912
- Other	281	104
Total financial income	20,187	12,791
Interest expense on the valuation of employee benefits	(5,733)	(3,061)
Settlement of a discount relating to the provision for the Mine Closure Fund and for land reclamation	(4,776)	(2,235)
Recognition of a provision and impairment loss allowances for interest	(773)	(369)
Interest expense related to the lease of fixed assets	(457)	(476)
Other expenses	(358)	(405)
Total financial costs	(12,097)	(6,546)

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

23. INCOME TAX

23.1 Tax liability

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Current tax	68,210	68,846
Deferred tax recognized in profit or loss	(15,665)	8,700
Deferred tax recognized in other comprehensive income/(loss):	(585)	1,977
- on account of actuarial gains/(losses) recognized in the interim statement of comprehensive income	(585)	1,977
Total	51,960	79,523

23.2 Reconciliation of effective tax rate

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Profit before tax	279,940	413,642
Tax calculated at the rate of 19%	53,189	78,592
Correction of income tax for previous years	(559)	(896)
Tax effect of revenues permanently excluded from the tax base, of which:	(825)	(960)
- dividend from subsidiaries	(654)	(656)
- other	(171)	(304)
Tax effect of costs permanently excluded from the tax base:	740	810
- payment to the PFRON disabled persons fund	709	757
- donations	31	53
Income tax liability	52,545	77,546
Effective tax rate	19%	19%

Income tax in these interim condensed financial statements is calculated using the effective tax rate for 2023 of 19.0% (19.0% in 2022).

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 may be audited for a period of five years. As a result, the amounts stated in the financial statements may change at a later date after the final determination of their amounts by the tax authorities.

23.3 Current income tax receivables and liabilities

The current income tax liability relates entirely to 2023. At the same time, at the end of the previous year, the Company reported a current income tax overpayment receivable in the amount of PLN 62,475 thousand. This amount was settled with current public liabilities (income tax and other taxes) during 2023.

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

24. EARNINGS PER SHARE

Basic

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

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Profit attributable to shareholders of the Company	227,395	336,096
Weighted average number of common shares (000s)	34,014	34,014
Basic earnings per share (in PLN)	6.69	9.88

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 30 June 2023, the Company had no outstanding instruments that might potentially cause dilution of ordinary shares.

25. DIVIDEND PER SHARE

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

On 29 June 2023, the Ordinary General Meeting of the Company was held, at which the Shareholders adopted a resolution on the distribution of the 2022 profit, according to which the net profit of the Company in the amount of PLN 175,757 thousand was allocated as follows:

- The amount of PLN 87,755 thousand was allocated for dividends,
- The remaining amount, i.e. PLN 88,002 thousand, was allocated to the Company's reserve capital.

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

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Dividend due and paid out	87,755	85,034
Number of common shares as at the dividend record date (000s)	34,014	34,014
Dividend per share (in PLN)	2.58	2.50

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

	NOTE	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Balance sheet change in liabilities, liabilities from contracts with customers and subsidies		118,616	(40,670)
Offsetting income tax overpayments against payables for other taxes		44,193	899
Change in capital commitments		410	91,771
Change in liabilities for the purposes of the statement of cash flows		163,219	52,000
Increases in fixed assets	5	336,423	259,438
Other non-cash adjustments		1	(105)
Change in capital commitments		410	91,771
Acquisition of property, plant and equipment		336,834	351,104

27. CONTINGENT ITEMS

The Company 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 Company, the Company no longer recognizes a provision for property tax. Still, the potential contingent liability may arise mainly from the existing differences between the 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 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 2022).

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 Company, for which the 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 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 financial statements is PLN 48 million. The Company estimated the provision for the fee for the co-creators according to the best of its knowledge and the principles used by the 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 Company. In the opinion of the 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 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 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 Company. The judgment is not final. With the Court extending the deadline several times, the reasons for the judgment were delivered to the Company as late as 24 January 2023. On 14 February 2023, the Company filed an appeal against the aforementioned judgment with the Court of Appeals in Lublin. In turn, on 21 March 2023, the Court of Appeals in Lublin declared lack of its jurisdiction and transferred the case to the Court of Appeals in Warsaw.

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

The Company's Management Board completely disagrees with the aforementioned judgment, as in the Company's opinion it was issued in violation of a number of substantive laws and procedural rules. The Company's Management Board does not see at this stage the need to increase the provisions recognized for this case in previous periods.

Price collusion claims

The conditional assets resulting from the legal action brought by the Company on 30 December 2020 against "A. Weber" Sp. z o.o., Minova Ekochem S.A. and "DSI Schaum Chemie" Sp. z o.o. for 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 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 yet possible to predict the potential resolution.

28. FUTURE CONTRACTUAL LIABILITIES

Investment commitments

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

	AS AT 30 JUNE 2023	AS AT 31 DECEMBER 2022
Property, plant and equipment	230,453	316,639
Investment commitments	230,453	316,639

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.

29. TRANSACTIONS WITH RELATED PARTIES

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

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

The Company 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), Energa Elektrownie Ostrołęka S.A., Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Chełm, and local government units (cities, townships).

In the reporting periods ended 30 June 2023 and 30 June 2022, the revenue from sales to the above entities and the balance of the Company's receivables from these entities were as follows:

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Sales in the period	150,545	266,319	162,359
Balance of receivables at the end of the period, including VAT	13,178	30,139	19,624

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 30 June 2023 and 30 June 2022, the turnover resulting from purchases from the above entities and the amounts payable by the Company to these entities were as follows:

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Purchases in the period	169,057	270,970	110,654
Balance of payables as at the end of the period, including VAT	25,275	23,054	20,271

Transaction with ENEA Group companies

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

In the reporting periods ended 30 June 2023 and 30 June 2022, the turnover resulting from purchases from ENEA Group companies and the amounts payable by the Company to these entities were as follows:

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Purchases in the period	184,591	114,105	60,775
Balance of payables as at the end of the period, including VAT	74,619	18,458	21,302

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 30 June 2023 and 30 June 2022, the revenue from sales to ENEA Group companies and the balance of the Company's receivables from these entities were as follows:

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Sales in the period	1,604,660	1,710,337	1,029,427
Balance of receivables at the end of the period, including VAT	277,700	105,481	206,316

In the reporting periods ended 30 June 2023 and 30 June 2022, the values of dividend liabilities to ENEA Group companies were as follows:

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Dividend liabilities to ENEA Group companies	56,662	-	54,905
Dividends paid to ENEA Group companies	-	54,905	-

The Company's transactions with subsidiaries in the Lubelski Węgiel Bogdanka Group

The revenue earned by the Company from its cooperation with the "Łęczyńska Energetyka" Sp. z o.o. subsidiary included primarily sales of coal, payments for the lease of space, telecommunications services, investor supervision services and reinvoicing of electricity.

Purchase transactions included mainly the purchase of heat, potable water and upkeep of the sewerage and central heating systems, underground water installations and water supply systems.

The revenue earned by the Company from its cooperation with the EkoTRANS Bogdanka Sp. z o.o. subsidiary included mainly payments for the lease of space and telecommunications services.

Purchase transactions included mainly the purchase of services related to transportation, disposal and management of waste created during the washing and purification of coal winnings, as well as land reclamation services.

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

The revenue earned by the Company from its cooperation with the RG "Bogdanka" Sp. z o.o. subsidiary included mainly payments for the lease of space, fees for the use of equipment and tools and telecommunications services.

Purchase transactions included mainly the purchase of services related to the performance of mining works, auxiliary work in the mine and handling of coal haulage.

The revenue earned by the Company from its cooperation with the MR Bogdanka Sp. z o.o. subsidiary included mainly payments for the lease of space and telecommunications services.

Purchase transactions included mainly the purchase of services related to the renovation of mining machinery and equipment, transportation units, refurbishing services, maintenance services and the supply of equipment and components.

In the reporting periods ended 30 June 2023 and 30 June 2022, the turnover resulting from purchases from Lubelski Węgiel Bogdanka Group companies and the amounts payable by the Company to these entities were as follows:

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Purchases in the period, of which:	105,913	182,113	92,582
- Purchases of services activated as Property, plant and equipment	*23,576*	*53,115*	*26,789*
Balance of payables as at the end of the period, including VAT	21,380	18,532	16,187

In the reporting periods ended 30 June 2023 and 30 June 2022, the turnover resulting from purchases from sales to subsidiaries comprising the Lubelski Węgiel Bogdanka Group and the amounts receivable by the Company from these entities were as follows:

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Sales in the period	16,607	21,170	9,058
Balance of receivables as at the end of the period including VAT	1,781	6,184	1,825

In the reporting periods ended 30 June 2023 and 30 June 2022, the values of dividends receivable and received from subsidiaries comprising the Lubelski Węgiel Bogdanka Group were as follows:

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Dividend receivable from LW Bogdanka Group companies	1,139	-	3,452
Dividend received from LW Bogdanka Group companies	2,304	3,452	-

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

30. REPORT ON REMUNERATION OF MANAGEMENT BOARD MEMBERS, SUPERVISORY BOARD MEMBERS AND COMMERCIAL PROXIES

	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023	FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
Remuneration of Management Board members and commercial proxies including:	2,382	2,623
Remuneration of Supervisory Board Members	284	254

In addition to the standard remuneration under management contracts, appointments or employment, in H1 2023, as well as in the corresponding period last year, there were no other transactions with the key personnel of the Company.

31. IMPACT OF EXTRAORDIANRY EVENTS DURING H1 2023 AFFECTING THE COMPANY'S FINANCIAL STATEMENTS

In February 2023, in the Company, after a new longwall crosscut was made in longwall 3/VII/385 and the longwall shearer system was reinstalled, the trial start-up began. However, during the trial start-up there was an incident 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. The Company has taken a number of steps to thoroughly investigate the causes and determine the risks surrounding the incident. In particular, advanced hydrogeological and geomechanical analyses and expert studies have been commissioned to develop the best course of action and identify the risks associated with further mining and technical work in the area.

The exact magnitude of the aforementioned event and its impact on operating and financial results are still unknown, however it should be expected that some of the machinery and equipment located in longwall 3/VII/385 may have been lost, and therefore their value may have been impaired. Therefore, with a prudent approach in mind and the desire to adequately reflect this event in the financial result of the first half of 2023, the Company recognized an impairment loss in the total amount of PLN 48.5 million (with respect to machinery and equipment, as well as parts of the longwall roadways located in the area of the event).

At the same time, in the Company's opinion, the event described at the end of H1 2022 and at the end of 2022, consisting of the Russian military invasion of Ukraine, for the time being does not significantly affect the Company and its financial results.

32. EVENTS AFTER THE BALANCE SHEET DATE

In connection with the planned acquisition of a block of 21,962,189 shares in the Company from ENEA S.A. by the State Treasury, at the end of August 2023 talks were held at the Prime Minister’s Office in Warsaw with representatives of the trade unions (representatives of all trade unions operating at the Company) on the scope and level of safeguards for the workforce in connection with the upcoming acquisition of the Company by the State Treasury. During the talks, the parties agreed, among other things, on the plans regarding the amount of supportive meal vouchers and meal vouchers, an increase in the basic contribution to the Employee Pension Plan paid by the Company (from 4.5% to 7%) and payment of an additional benefit to the workforce for its contribution to the 40-year development and maintenance of the Company's good organizational and financial condition (it is planned that this benefit will be paid in two installments, with the first installment - payable in October 2023 - estimated to amount to an average of approx. PLN 14 thousand gross per person, while the second installment - payable in the first quarter of 2024 - is expected to average approximately PLN 10 thousand gross per person). If the planned transaction comes to fruition and the arrangements described above are implemented, the event will have a significant impact on the Company's financial statements and its future financial results.

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2023 (IN PLN 000s)

Other than the above-described event after the balance sheet date, according to our knowledge, there were no other material events after the balance sheet date that could affect the Company's financial results as at 30 June 2023 but have not been captured in the interim condensed financial statements.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby represents that on 12 September 2023 it hereby approves these Interim Condensed Financial Statements of the Company for the period from 1 January to 30 June 2023 for publication.

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

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