

Lubelski Węgiel "Bogdanka" S.A.

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR
FROM 1 JANUARY UNTIL 31 DECEMBER 2023

Bogdanka, March 2024

TABLE OF CONTENTS

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)	4
STATEMENT OF PROFIT OR LOSS	5
EARNINGS PER SHARE	5
STATEMENT OF COMPREHENSIVE INCOME	6
STATEMENT OF CHANGES IN EQUITY	7
CASH FLOW STATEMENT	8
1. GENERAL INFORMATION	9
1.1 Information about the Company	9
1.2 Going concern assumption	9
2. DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES APPLIED	10
2.1 Basis of preparation	10
2.1.1 New accounting principles	10
2.1.2 Compliance with the European Single Electronic Format (“ESEF”)	10
2.1.3 Significant values based on professional judgment and estimates	11
2.1.4 New standards and interpretations	15
2.2 Measurement of items in foreign currencies	17
2.3 Property, plant and equipment [Note 4]	17
2.4 Intangible assets [Note 5]	18
2.5 Leases [Note 6]	19
2.6 Non-current investments [Note 7]	19
2.7 Impairment of non-financial assets [Note 4.3]	19
2.8 Financial assets [Note 15]	19
2.9 Inventory [Note 9]	20
2.10 Trade receivables [Note 8]	20
2.11 Cash and cash equivalents [Note 10]	21
2.12 Non-current assets held for sale	21
2.13 Share capital [Note 11]	21
2.14 Financial liabilities [Note 13 and 15]	21
2.15 Financial derivatives [Note 15]	22
2.16 Current and deferred income tax [Note 24]	22
2.17 Provisions for employee benefits [Note 16]	23
2.18 Provisions [Note 17]	24
2.19 Recognition of revenues [Note 18]	24
2.20 Recognition of grants [Note 14]	26
2.21 Dividend payment [Note 26]	26
3. SEGMENT INFORMATION	26
4. PROPERTY, PLANT AND EQUIPMENT	27
4.1 Property, plant and equipment – roadways	28
4.2 Property, plant and equipment - fixed assets under construction	30
4.3 Impairment loss on property, plant and equipment	30
5. INTANGIBLE ASSETS	33
6. LEASES	34
6.1 Right-of-use asset	34
6.2 Minimum future payments under irrevocable lease agreements	35
7. NON-CURRENT INVESTMENTS	36
8. TRADE AND OTHER RECEIVABLES	36
9. INVENTORIES	37
10. CASH AND CASH EQUIVALENTS	38
11. SHARE CAPITAL	38
12. OTHER CAPITAL	39

13. TRADE AND OTHER LIABILITIES	39
14. SUBSIDIES	40
15. FINANCIAL INSTRUMENTS	40
15.1 Financial instruments by category	40
15.2 Hierarchy of financial instruments	41
15.3 Financial risk factors	41
15.3.1 Cash flow volatility risk caused by changes in interest rates	41
15.3.2 Foreign exchange risk	42
15.3.3 Credit risk	43
15.3.4 Liquidity risk	43
15.3.5 Sensitivity analysis of the financial result to a change in coal prices	44
15.4 Capital risk management	44
16. PROVISION FOR EMPLOYEE BENEFITS	45
17. PROVISION FOR OTHER LIABILITIES AND CHARGES	48
18. SALES REVENUES	49
19. COSTS BY NATURE	50
20. OTHER REVENUES	50
21. OTHER COSTS	50
22. OTHER NET LOSSES	51
23. FINANCIAL INCOME AND COSTS	51
24. INCOME TAX	51
24.1 Tax liability	51
24.2 Reconciliation of effective tax rate	52
24.3 Deferred income tax	52
24.4 Current income tax receivables and liabilities	54
25. EARNINGS PER SHARE	54
26. DIVIDEND PER SHARE	54
27. ADDITIONAL INFORMATION FOR RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES	55
28. CONTINGENT ITEMS	55
29. FUTURE CONTRACTUAL LIABILITIES	56
30. TRANSACTIONS WITH RELATED PARTIES	56
31. REPORT ON REMUNERATION OF MANAGEMENT BOARD MEMBERS, SUPERVISORY BOARD MEMBERS AND COMMERCIAL PROXIES	59
32. INFORMATION ABOUT THE AUDITOR OF THE FINANCIAL STATEMENTS AND HIS FEES	59
33. IMPACT OF EXTRAORDINARY EVENTS DURING 2023 AFFECTING THE COMPANY'S FINANCIAL STATEMENTS	60
34. EVENTS AFTER THE BALANCE SHEET DATE	60
35. APPROVAL OF THE FINANCIAL STATEMENTS	60
36. SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS AND THE CHIEF ACCOUNTANT	61

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	NOTE	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Assets			
Non-current assets			
Property, plant and equipment	4	3,772,158	3,564,767
Intangible assets	5	52,011	54,347
Non-current investments	7	75,601	75,601
Right-of-use asset	6.1	26,113	16,797
Trade and other receivables	8	24	7,766
Cash and cash equivalents	10	165,248	147,924
Total non-current assets		4,091,155	3,867,202
Current assets			
Inventories	9	329,916	191,094
Trade and other receivables	8	590,076	202,478
Income tax overpaid		-	62,475
Cash and cash equivalents	10	708,556	454,487
Total current assets		1,628,548	910,534
TOTAL ASSETS		5,719,703	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		997,154	488,376
Total equity		4,283,487	3,686,707
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	24.3	291,091	263,371
Provisions for employee benefits	16	204,537	176,412
Provisions for other liabilities and charges	17	169,102	155,452
Subsidies	14	10,262	10,732
Leasing liabilities	6.1	24,280	15,753
Trade and other liabilities	13	20,604	31,650
Total non-current liabilities		719,876	653,370
Current liabilities			
Provisions for employee benefits	16	56,748	45,923
Provisions for other liabilities and charges	17	16,107	12,524
Subsidies	14	530	488
Leasing liabilities	6.1	4,011	2,615
Trade and other liabilities	13	626,564	375,717
Liabilities from contracts with customers		526	392
Current income tax liabilities		11,854	-
Total current liabilities		716,340	437,659
Total liabilities		1,436,216	1,091,029
TOTAL EQUITY AND LIABILITIES		5,719,703	4,777,736

STATEMENT OF PROFIT OR LOSS

	NOTE	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
<i>Continuing operations</i>			
Sales revenues	18	3,938,655	2,448,113
Cost of products, merchandise and materials sold	19	(2,793,404)	(2,044,636)
Profit before tax		1,145,251	403,477
Selling and distribution expenses	19	(64,888)	(49,882)
Administrative costs	19	(188,783)	(149,562)
Other revenues	20	3,100	2,904
Other costs	21	(6,886)	(1,709)
Other losses - net	22	(53,289)	(10,003)
Earnings Before Interest and Taxes – operating profit		834,505	195,225
Financial income	23	38,766	36,075
Financial costs	23	(24,235)	(13,090)
Pre-tax profit		849,036	218,210
Income tax	24.2	(162,045)	(42,453)
Profit on continuing operations		686,991	175,757
Net profit for the period		686,991	175,757

EARNINGS PER SHARE

EARNINGS PER SHARE ATTRIBUTABLE TO COMPANY SHAREHOLDERS DURING THE YEAR (IN PLN PER SHARE)	NOTE	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
- basic earnings per share from continuing operations		20.20	5.17
- basic earnings per share from discontinued operations		-	-
Basic earnings per share	25	20.20	5.17
- diluted earnings per share from continuing operations		20.20	5.17
- diluted earnings per share from discontinued operations		-	-
Diluted earnings per share	25	20.20	5.17

STATEMENT OF COMPREHENSIVE INCOME

	NOTE	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Net profit for the period		686,991	175,757
Other comprehensive loss for the period: Items never to be reclassified to current period profit or loss:			
Actuarial losses from defined benefit plans	16	(3,032)	(644)
Other comprehensive loss that will not be reclassified to profit or loss, before tax		(3,032)	(644)
Other comprehensive income/(loss) to be reclassified to profit or loss, before tax		-	-
Other comprehensive loss, before tax		(3,032)	(644)
Income tax on the items not to be transferred	24.1	576	122
Other comprehensive net loss for the period		(2,456)	(522)
Net comprehensive income for the period – total		684,535	175,235

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:		-	-	-	684,535	684,535
- <i>net profit</i>		-	-	-	686,991	686,991
- <i>other comprehensive loss</i>		-	-	-	(2,456)	(2,456)
Dividend for 2022	26	-	-	-	(87,755)	(87,755)
Transfer of the previous year's result	26	-	-	88,002	(88,002)	-
Change in equity in the period		-	-	88,002	508,778	596,780
As at 31 December 2023		301,158	702,549	2,282,626	997,154	4,283,487

	NOTE	COMMON EQUITY	SUPPLEMENTARY CAPITAL	OTHER RESERVE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2022		301,158	702,549	1,988,063	604,736	3,596,506
Total net comprehensive income for the period:		-	-	-	175,235	175,235
- <i>net profit</i>		-	-	-	175,757	175,757
- <i>other comprehensive loss</i>		-	-	-	(522)	(522)
Dividend for 2021	26	-	-	-	(85,034)	(85,034)
Transfer of the previous year's result		-	-	206,561	(206,561)	-
Change in equity in the period		-	-	206,561	(116,360)	90,201
As at 31 December 2022		301,158	702,549	2,194,624	488,376	3,686,707

CASH FLOW STATEMENT

	NOTE	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Cash flows from operating activities			
Net profit		686,991	175,757
<i>Adjustments:</i>			
Income tax in the statement of profit or loss		162,045	42,453
Depreciation and amortization		442,882	381,339
Loss on the sale and liquidation of property, plant and equipment		67,871	49,168
Recognition and reversal of impairment losses for property, plant and equipment	4.3	47,769	11,181
Interest income		(31,913)	(31,411)
Dividends received		(3,443)	(3,452)
Interest expenses		567	525
Other cash flows		(96)	(9,404)
<i>Changes in working capital:</i>			
Change in provisions for employee benefits		35,918	17,004
Movement in provisions		21,995	(7,371)
Change in inventories		(138,821)	(95,673)
Movement in trade receivables and other receivables		(379,856)	113,447
Movement in trade liabilities and other liabilities	27	282,735	18,777
Total adjustments		507,653	486,583
Cash inflows on operating activity		1,194,644	662,340
Income tax paid		(103,613)	(72,424)
Net cash flows from operating activities		1,091,031	589,916
Cash flows from investing activities			
Acquisition of property, plant and equipment	27	(763,147)	(660,295)
Acquisition of intangible assets		(1,055)	(2,072)
Proceeds on the sale of property, plant and equipment		615	320
Interest received		31,912	29,143
Dividends received	23	3,443	3,452
Expenditures for other short-term investments		-	(250,000)
Proceeds from other current investments		-	252,268
Outflows from cash collected in the Mine Closure Fund's bank account		(17,324)	(253)
Net cash flows from investing activities		(745,556)	(627,437)
Cash flows from financing activities			
Dividends paid to shareholders	26	(87,755)	(85,034)
Payment of lease liabilities		(3,651)	(3,518)
Net cash flows from financing activities		(91,406)	(88,552)
Net increase/(decrease) in cash and cash equivalents before effects of FX rate changes		254,069	(126,073)
Increase/(Decrease) in the net balance of cash and cash equivalents		254,069	(126,073)
Cash and cash equivalents at the beginning of the period		454,487	580,560
Cash and cash equivalents at the end of the period		708,556	454,487



GENERAL INFORMATION

1.1 Information about the Company

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).

The Company is the Parent Company in the Lubelski Węgiel Bogdanka Group. The Group prepares consolidated financial statements in accordance with the IFRS for the period from 1 January to 31 December 2023. In order to fully appreciate the financial standing and performance of the Company, these financial statements should be read in conjunction with the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the period ended 31 December 2023. The statements are available on the Company's website at www.ri.lw.com.pl on a date consistent with the current report regarding the date of delivery of the Company's annual report and the consolidated Group report for the financial period ended 31 December 2023.

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 31 December 2023, ENEA S.A. held in total 64.57% of shares in the Company.

The State Treasury is the ultimate parent

1.2 Going concern assumption

These 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 threat to the Company continuing as a going concern.

In addition, as the value of the 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 Company'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 financial statements of LW Bogdanka S.A. 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 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.

Impact of climate and geological factors on the financial statements

In preparing the financial statements, the Company 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 33. 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 2023 (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 Company considered the impact of climate risks (factors) on the 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 principles

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

Pursuant to the provisions of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonization 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 Company, as the Issuer, is required to prepare 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 LWB - issuers must mark (otherwise tag) them using XBRL. In view of the above, the financial statements for 2023 of the Lubelski Węgiel Bogdanka Group, in which the Company is the Parent Company, 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 financial statements on the basis of the International Financial Reporting Standards and in accordance with the accounting policy requires that, in addition 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 Company 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 presented in this note.

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

Items in the 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 IN PLN THOUSAND		DESCRIPTION OF ACCOUNTING POLICY	DETAILS OF THE ASSUMPTIONS MADE AND THE CALCULATION OF THE SIGNIFICANT ESTIMATE
	2023	2022		
Property, plant and equipment	3,772,158	3,564,767	Note 2.3 and 2.7	Note 4
Reserve for employee benefits	261,285	222,335	Note 2.17	Note 16
Intangible assets	52,011	54,347	Note 2.4 and 2.7	Note 5
Provision for mine closure costs and reclamation of land	169,102	155,452	Note 2.18	Note 17
Deferred income tax liabilities	291,091	263,371	Note 2.16	Note 24.3

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 Company is able to operate and conduct mining operations on the basis of the resources currently available for use by the Company. The life of a mine is one of the key judgments affecting the 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 Company;
- plans of the 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 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 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 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 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 Company demonstrates the economic justification of the project and the high probability of being able to obtain project financing for its implementation;
- The 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 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 Company's Management Board 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 financial statements for 2022. However, the actual mine decommissioning date may differ from the 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 Company's coal may result in a reduction in output below capacity, which will affect the life of the mine.

The 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 has been launched on updating the PEP 2040, which is still not completed.

At the moment, apart from the need to fit into the general framework of coal mining activities, which assumes the prospect of ending mining - according to current assumptions - by 2049, the Parent Company remains outside the direct influence of the aforementioned regulations (in particular due to its financial performance and operational efficiency). At the same time, the Company is taking steps to diversify its areas of activity, which is presented in detail in the "Development Strategy of the LW Bogdanka Group for 2023-2030 with an Outlook until 2040", adopted in Q2 2023."

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 assumptions regarding discount rates and the rate of increase in the basis of the benefit in question. The main assumptions for provisions for employee benefits are disclosed in Note 16. Any changes to these assumptions affect the carrying amount of the provision for employee benefits.

As at 31 December 2023 and 31 December 2022, 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 2023

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	71,902	5,966	(5,272)	(4,156)	4,598
Disability severance pays	1,015	69	(62)	(47)	51
Jubilee award	157,487	9,930	(8,905)	(7,869)	8,589
Death benefits	5,072	363	(324)	(280)	307
TOTAL	235,476	16,328	(14,563)	(12,352)	13,545

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	64,097	5,311	(4,688)	(3,438)	3,810
Disability severance pays	1,155	77	(69)	(46)	50
Jubilee award	133,487	8,289	(7,450)	(6,556)	7,147
Death benefits	4,352	309	(276)	(231)	254
TOTAL	203,091	13,986	(12,483)	(10,271)	11,261

The following table shows the results of the balance sheet valuation as AT 31 December 2023 by maturity:

DISBURSEMENT PERIOD	RETIREMENT SEVERANCE PAYS	DISABILITY SEVERANCE PAYS	JUBILEE AWARDS	DEATH BENEFITS	TOTAL
2024*	10,691	107	19,642	499	30,939
2025	2,397	100	14,291	473	17,261
2026	2,728	97	15,052	445	18,322
2027	2,463	91	14,898	427	17,879
2028	3,634	85	12,955	418	17,092
Remaining part	49,989	535	80,649	2,810	133,983
TOTAL	71,902	1,015	157,487	5,072	235,476

*The value of benefits to be paid in 2024 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 Company 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

Assumptions about the life of the mine are described above. If the mine life assumed as at 31 December 2023 was extended by 1 year, the carrying amount of the provision for mine closure and land reclamation costs would be lower by PLN 1,957 thousand, while if the mine life was extended by 10 years, the carrying amount of the provision would be lower by PLN 18,580 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 1,980 thousand, while if the life of the mine were shortened by 10 years, the carrying amount of the provision would be higher by PLN 20,874 thousand.

➤ Sensitivity to change in inflation and discount rate

The inflation rates used to calculate the provision for 2024-2051 are as follows: 5.95% for 2024, 4.1% for 2025, 3.1% for 2026, and 2.5% for 2027-2051 (as of 31 December 2022, the inflation rate was 13.3% for 2023, 7.75% for 2024, 3.1% for 2025, and 2.5% for 2026-2051).

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 2023, it was set at: 5.3% in 2024-2025, 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 2022: the discount rate was 6.5% in 2023-2025 and 3.7% thereafter, respectively).

If the assumed inflation rates had differed from the Company's Management Board's estimates by 1 p.p., it is estimated that the carrying amount of the provisions would be PLN 52,710 thousand higher (in the case of inflation rates higher by 1 p.p.) or PLN 40,526 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 2023 and 31 December 2022 is shown in the following tables:

As at 31 December 2023

CHANGE OF THE FINANCIAL DISCOUNT RATE	-1 p.p.	-0.5 p.p.	BASE VALUE	+0.5 p.p.	+1 p.p.
Value of the provision for mine closure costs and reclamation of land	221,744	193,579	169,102	147,816	129,293

As at 31 December 2022

CHANGE OF THE FINANCIAL DISCOUNT RATE	-1 p.p.	-0.5 p.p.	BASE VALUE	+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

The analysis shows that an increase in the financial discount rate as of 31 December 2023 by 0.5 p.p. results in a decrease in the value of the provision for mine closure and land reclamation costs by PLN 21,286 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 39,809 thousand. A decrease in the financial discount rate as of 31 December 2023 by 0.5 p.p. results in an increase in the value of the provision for mine closure and land reclamation costs by PLN 24,477 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 52,642 thousand.

Other significant estimates and judgments have not changed since the publication of the 2022 annual financial statements.

2.1.4 New standards and interpretations

In these 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 February 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 the standard, published in 2021, 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”

In May 2023, the Board issued further 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.

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

With respect to these 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.

➤ 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.

➤ 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 so-called reverse factoring). The amendments require specific disclosures regarding such contracts to enable users of financial statements to assess the impact of these contracts on the liabilities and cash flows and the exposure of the entity to liquidity risk. These amendments are intended to increase the transparency of disclosures about debt financing arrangements, but do not affect the recognition and measurement principles. 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 IAS 21 The Effects of Changes in Foreign Exchange Rates

In August 2023, the Board published amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates. The amendments introduced are intended to make it easier for entities to determine whether a currency is convertible into another currency and to estimate the immediate exchange rate when a currency is not convertible. In addition, the amendments to the standard introduce additional disclosures when currencies are not convertible on how the alternative exchange rate is determined.

The amendment is applicable to financial statements for the periods beginning on or after 1 January 2025.

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.

2.2 Measurement of items in foreign currencies

Functional currency and reporting currency

The financial statements were prepared in Polish zloty (PLN). The Polish zloty is the Company's functional and reporting currency. The data in the 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 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/costs" or, in cases prescribed by accounting principles (policies), in equity when they qualify for recognition as cash flow hedges and shares in net assets.

2.3 Property, plant and equipment (Note 4)

Property, plant and equipment are non-current assets:

- which are held by the Company in order to be used in the production process, in deliveries of goods and provision of services 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 Company from the item, and the cost of the item can be measured reliably. All other expenditures towards repairs and maintenance are posted in the 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 2.7).

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 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 statement of profit or loss, in the "Other net profits/(losses)" item.

2.4 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).

The fee for the establishment of the mining usufruct of space, for the purpose of coal mining from the deposit, 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.

2.5 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 Company, as a lessee, recognizes leases in its 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 Company 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.

2.6 Non-current investments (Note 7)

Shares in subsidiaries and associates are carried at the purchase price minus impairment losses.

Profits and losses on the sale of investments are determined by comparing proceeds on the sale with their carrying amount and recognized in the statement of profit or loss, in the "Financial income/costs" item.

2.7 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 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".

2.8 Financial assets (Note 15)

The Company 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 profit or loss.

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 Company 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.

2.9 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 excludes 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 Company reports energy certificates of origin acquired for redemption.

2.10 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 Company under the contract and all cash flows that the Company expects to receive, taking into account the effect of changes in the value of money over time. The Company 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 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 statement of profit or loss.

2.11 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 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 Company makes investments in debt instruments and tries to invest 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 Company) 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.

2.12 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 Company's Management Board intends to complete the disposal transaction within one year of the reclassification. The Company 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.

2.13 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.

2.14 Financial liabilities (Note 13 and 15)

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 held for trading, including derivative instruments, are carried at fair value.
- financial liabilities voluntarily designated by the Company 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 Company 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, included in the category of financial liabilities carried at amortized cost, are measured at amortized cost as 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.

2.15 Financial derivatives (Note 15)

The Company 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.

2.16 Current and deferred income tax (Note 24)

Current tax

Current income tax charge is calculated on the basis of the prevailing tax regulations or actually introduced at the balance sheet date in the country where the Company operates and generates taxable income. The Management Board periodically reviews the calculation of tax liabilities with reference to situations in which pertinent tax regulations are subject to interpretation, creating 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 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.

2.17 Provisions for employee benefits (Note 16)

Pension liabilities and other employee benefits

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

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

The Company recognizes the liability for the payment of the above benefits in the 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 Company 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 Company 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 Company 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 Company 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 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 statement of comprehensive income immediately.

Profit sharing and bonus programs

The Company 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.

2.18 Provisions (Note 17)

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 Company 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 closing 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."

2.19 Recognition of revenues (Note 18)

Contracts with customers are analyzed and recognized by the Company according to the model indicated in IFRS 15. 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 Company 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 Company 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 Company fulfills the performance obligation at the specified time. In order to determine when the customer obtains control over the promised asset and the Company fulfills its performance obligation, Company considers the control requirements. In addition, the Company takes into account circumstances indicating that a transfer of control has occurred, including when:

- The Company has a current right to payment for the asset,
- the customer holds the legal title to the asset,
- The Company 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 Company, along with the corresponding timing of sales revenue recognition:

PRODUCT TYPE	PRODUCT GROUP	TIMING OF REVENUE RECOGNITION	MEASUREMENT METHOD	MEASUREMENT METHOD	TRIGGER
Continuous services - consumption	"Hook space" Use of the shower room	Over Time	Performance Slide	Consumption	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/completion of services
Continuous services - elapsed time	Investor supervision	Over Time	Performance 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 Company 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.

Dividend income

Dividends due are posted as financial income as of the date of adoption by the competent corporate body of the entity (in which the Company holds shares) of a resolution on the distribution of profit, unless the resolution specifies another dividend record date.

2.20 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 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 statement of financial position (balance sheet) under "Liabilities" and "Grants".
- The 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 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.

2.21 Dividend payment (Note 26)

Dividend payments to the Company's shareholders are recognized as liability in the financial statements in the period when they are approved by the Company's shareholders.

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 2023 amounted to PLN 64,429 thousand (PLN 56,873 thousand in 2022), representing 1.6% of total sales revenues in 2023 (2.3% in 2022).

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 2023, there was no revenue from sales outside Poland (in 2022, it amounted to PLN 76,406 thousand, which accounted for 3.1% of total sales revenue). 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

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

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
ENEA Wytwarzanie Sp. z o.o.	70%	52%
ENEA Elektrownia Połaniec S.A.	15%	17%

4. 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 value derived from 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 31 December 2023								
Net book value 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
Increases	-	-	-	42	-	2,482	761,634	764,158
Transfers from fixed assets under construction	18,016	473,075	412,056	138,153	12,796	2,994	(645,034)	-
Decreases	-	(70,340)	(65,573)	(5,806)	(172)	-	(3,053)	(79,371)
Depreciation and amortization	-	(265,459)	(239,823)	(160,080)	(6,411)	(3,854)	-	(435,804)
Revaluation charge	(711)	(21,701)	(21,701)	(20,522)	-	-	1,342	(41,592)
Net book value	29,401	2,176,614	1,588,286	1,009,013	72,236	9,043	475,851	3,772,158
As at 31 December 2022								
Cost or value derived from valuation	29,401	3,891,164	2,830,933	2,999,379	151,149	33,278	475,851	7,580,222
Accumulated depreciation	-	(1,714,550)	(1,242,647)	(1,990,366)	(78,913)	(24,235)	-	(3,808,064)
Net book value	29,401	2,176,614	1,588,286	1,009,013	72,236	9,043	475,851	3,772,158
As at 1 January 2022								
Cost or value derived from valuation	11,259	3,491,669	2,515,583	2,860,779	130,923	28,093	222,050	6,744,773
Accumulated depreciation	-	(1,518,834)	(1,096,267)	(1,743,300)	(69,729)	(21,280)	-	(3,353,143)
Net book value	11,259	1,972,835	1,419,316	1,117,479	61,194	6,813	222,050	3,391,630
As at 31 December 2022								
Net book value at the beginning of the year	11,259	1,972,835	1,419,316	1,117,479	61,194	6,813	222,050	3,391,630
Increases	-	19,859	-	-	-	1,386	587,643	608,888

Transfers from fixed assets under construction	1,171	318,445	310,396	116,316	10,887	1,781	(448,600)	-
Decreases	-	(48,540)	(48,540)	(1,899)	(46)	(1)	(131)	(50,617)
Depreciation and amortization	-	(201,560)	(177,845)	(164,390)	(6,012)	(2,558)	-	(374,520)
Revaluation charge	(334)	-	-	(10,280)	-	-	-	(10,614)
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 31 December 2022								
Cost or value derived from 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

In 2023 and 2022, 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 statement of profit or loss in the following items:

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Cost of products, merchandise and materials sold	(392,180)	(361,637)
Selling and distribution expenses	(2,266)	(299)
Administrative costs	(41,358)	(12,584)
As at 31 December	(435,804)	(374,520)

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 2023:

	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:	30	27,946	649,588	(378,321)	271,267	58%
- amortized until December 2023	14	13,324	330,176	(178,726)	151,450	54%
Roadways recognized as fixed assets, depreciated based on useful lives	261	98,789	1,862,021	(697,623)	1,164,398	37%
Others items depreciated based on useful lives (shafts, shaft towers, stoppings, storage tanks and other)	31	-	319,324	(166,703)	152,621	52%
Total as at 31 December 2023	322	126,735	2,830,933	(1,242,647)	1,588,286	44%

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:						
- amortized until December 2022	23	30,626	533,773	(298,975)	234,798	56%
Roadways recognized as fixed assets, depreciated based on useful lives	10	15,283	224,354	(110,065)	114,289	49%
Others items depreciated based on useful lives (shafts, shaft towers, stoppings, storage tanks and other)	254	98,110	1,765,414	(650,307)	1,115,107	37%
	31	-	314,576	(161,154)	153,422	51%
Total as at 31 December 2022	308	128,736	2,613,763	(1,110,436)	1,503,327	42%

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 2023	AS AT 31 DECEMBER 2022
Roadways	356,540	266,030
Construction of a pumping station on the ditch - water drainage	37,144	10,379
Modernization of ZPMW (Coal Preparation Plant) facilities	18,767	22,396
Construction of new mining fields	12,680	2,092
Reinforcement of shaft 1.2, 1.3, 1.4 casing	7,251	7,213
Purchase of belt conveyors	7,064	11,497
Modernization of longwall electrical fittings	6,200	-
Expansion of the Bogdanka landfill site	4,503	16,584
Modernization of 6kV switching station	-	5,363
Other	25,702	19,408
As at 31 December	475,851	360,962

4.3 Impairment loss on property, plant and equipment

Impairment test for 2023

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. In re-analyzing the rationale for the needs of preparation of the financial statements as at 31 December 2023, the Company's Management Board noted again that the market capitalization has remained below the carrying amount of its net assets, which, in the opinion of the 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. There was also an approximate 32% drop in the share price during 2023.

Considering the foregoing, that the Company is also obliged to perform an impairment test for cash-generating units for 2023.

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 Company from 2024 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:

- because of these interrelations between the individual departments and because of the organization in effect in the mine, all of the Company's assets are treated as a single CGU;
- the forecast period from 2024 to 2051 - has been estimated on the basis of the Company'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). From 2034 onwards, the average annual extraction level gradually decreases due to the expected decrease in demand for steam coal (coal-fired generating units are planned to be successively phased out due to

their age and as a result of decarbonisation pressures), then after 2044, the decrease in the average annual extraction level is much greater, as a result of the depletion of deposits in the 'Bogdanka' field and the use of only the currently available deposits and infrastructure;

- the average level of coal production and sales volumes during the forecast period is in line with the announced "Development Strategy of the LW Bogdanka Group for 2023-2030 with an outlook until 2040" and amounts to approximately 10.1 million tons in 2026-2030 and 9.1 million tons in 2031-2040, respectively;
- coal prices in 2024 were adopted on the basis of contracts signed as of the date of the analysis; in 2025-2049, 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 Company's Management Board as of the test date;
- a weighted average cost of capital (WACC) of 7.08% over the entire forecast period, estimated on the basis of the latest economic data (with a risk-free rate of 5.248% and a beta factor of 1.0), was used as the pre-tax discount rate;
- the average annual level of capital expenditures over the entire forecast period of PLN 569,074 thousand, including an average of PLN 753,395 thousand in 2024-2035;
- the model used for the impairment test (including the resulting cash flows and the value of the assets under test) was prepared as of 31 December 2023, in accordance with a consistent approach at all levels of consolidation within the Lubelski Węgiel Bogdanka Group and the Enea Group.

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

AS AT 31 DECEMBER 2023	RECOVERABLE AMOUNT OF ASSETS UNDER TEST	NET CARRYING AMOUNT OF ASSETS UNDER TEST
Result of the conducted impairment test	3,587,225	3,307,948

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 7.08%):

CHANGE OF ASSUMPTIONS	-0.5 p.p.	BASE VALUE	+0.5 p.p.
Change of the recoverable amount	96,362	3,587,225	(93,213)

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	(1,494,000)	(296,109)	(148,054)	3,587,225	148,055	296,109	1,478,345

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	441,778	3,587,225	(467,746)

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	711	21,701	29,669	-	52,081
Utilization of impairment loss allowance	-	-	(4,835)	(1,342)	(6,177)
Decrease	-	-	(4,312)	-	(4,312)
As at 31 December 2023	5,520	21,701	34,525	7,005	68,751
As at 1 January 2022	4,475	-	3,723	8,347	16,545
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	8,347	27,159

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

5. INTANGIBLE ASSETS

	SOFTWARE	FEES, LICENSES	GEOLOGIC INFORMATION	TOTAL
As at 1 January 2023				
Cost or value derived from 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 31 December 2023				
Net book value at the beginning of the year	1,931	15,720	36,696	54,347
Increases	95	960	-	1,055
Decreases	-	(3)	-	(3)
Depreciation and amortization	(517)	(1,511)	(1,360)	(3,388)
Net book value	1,509	15,166	35,336	52,011
As at 31 December 2022				
Cost or value derived from valuation	7,796	23,855	54,343	85,994
Accumulated depreciation	(6,287)	(8,689)	(19,007)	(33,983)
Net book value	1,509	15,166	35,336	52,011
As at 1 January 2022				
Cost or value derived from 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 31 December 2022				
Net book value at the beginning of the year	2,355	15,263	38,056	55,674
Increases	183	1,889	-	2,072
Decreases	-	(11)	-	(11)
Depreciation and amortization	(607)	(1,421)	(1,360)	(3,388)
Net book value	1,931	15,720	36,696	54,347
As at 31 December 2021				
Cost or value derived from 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

No security has been established on intangible assets. In both 2023 and 2022, the Company did not generate intangible assets in-house.

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

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Cost of products, merchandise and materials sold	(3,049)	(3,271)
Selling and distribution expenses	(18)	(3)
Administrative costs	(321)	(114)
Total	(3,388)	(3,388)

Impairment losses on intangible assets are recognized when there are indications that the Company 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 2023	1,780	1,780
As at 31 December 2023	1,780	1,780
As at 1 January 2022	1,780	1,780
As at 31 December 2022	1,780	1,780

There were no movements related to the impairment loss for intangible assets in either 2023 or 2022.

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

6. LEASES

6.1 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 value derived from 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 31 December 2023			
Net book value at the beginning of the year	14,161	2,636	16,797
Increases	-	12,848	12,848
Other	-	158	158
Depreciation and amortization	(488)	(3,202)	(3,690)
Net book value	13,673	12,440	26,113
As at 31 December 2023			
Cost or value derived from valuation	16,042	12,786	28,828
Accumulated depreciation	(2,369)	(346)	(2,715)
Net book value	13,673	12,440	26,113
As at 1 January 2022			
Cost or value derived from 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 31 December 2022			
Net book value at the beginning of the year	14,650	5,642	20,292
Decreases	-	(63)	(63)
Depreciation and amortization	(489)	(2,943)	(3,432)
Net book value	14,161	2,636	16,797
As at 31 December 2022			
Cost or value derived from valuation	16,042	13,953	29,995
Accumulated depreciation	(1,881)	(11,317)	(13,198)
Net book value	14,161	2,636	16,797

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

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Amortization of the right-of-use asset	3,690	3,432
Financial costs	567	525
Total	4,257	3,957

Change in lease liabilities and balance as at 31 December 2023 are presented in the table below:

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
As at 1 January	18,368	21,425
increase	12,848	-
Decrease	-	(63)
Other changes	158	-
Principal installment under financial lease agreements	(3,083)	(2,994)
As at 31 December	28,291	18,368

The maturity structure of lease liabilities as at 31 December 2023 is presented in the table below:

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Less than 1 year	4,011	2,615
More than one year less than two years	4,353	81
From 2 to 5 years	4,601	257
Over 5 years	15,326	15,415
Total	28,291	18,368

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 2023	AS AT 31 DECEMBER 2022
Less than 1 year	272	131
More than one year less than two years	244	-
From 2 to 5 years	691	-
Minimum future payments	1,207	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".

7. NON-CURRENT INVESTMENTS

	SHARES	TOTAL
As at 31 December 2023		
Net book value at the beginning of the year	75,601	75,601
Net book value at the end of the year	75,601	75,601
As at 31 December 2022		
Net book value at the beginning of the year	75,601	75,601
Net book value at the end of the year	75,601	75,601

Non-current investments represent shares held in subsidiaries.

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

The Company made no new non-current investments in 2023.

8. TRADE AND OTHER RECEIVABLES

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Trade receivables	558,378	168,412
Revaluation charge for receivables	(5,770)	(6,718)
Net trade receivables	552,608	161,694
Prepayments and accruals	37,221	36,828
Other receivables	247	3,956
Short-term part	590,076	202,478
Prepayments and accruals	24	7,766
Long-term part	24	7,766
Total trade receivables and other receivables	590,100	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.

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 2023	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
At 1 January	6,718	7,613
Recognition of a charge	255	224
Receivables written off during the year as uncollectible	(109)	(1,076)
Reversal of unused amounts	(1,094)	(43)
As at 31 December	5,770	6,718

The impairment loss allowance for receivables was recognized and reversed in the statement of profit or loss in the "Selling costs" item. The other categories of trade receivables and other receivables do not contain any items of a reduced value.

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

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Up to 1 month	2	37
Above 12 months	5,768	6,681
Total	5,770	6,718

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

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Up to 1 month	1,374	499
From 1 to 3 months	1	-
From 3 to 6 months	5	480
Total	1,380	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 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Materials	182,465	186,231
Impairment loss allowance for materials	(8)	(104)
Finished products	147,459	4,967
Total	329,916	191,094

Due to the nature of the Company's operations, it is extremely important to ensure the continuity of the mining process and minimize downtime caused by breakdowns and maintenance. Therefore, the 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 statement of profit or loss was recognized in the "Costs of products, goods and materials sold" item, in which the total value in 2023 was PLN 2,793,404 thousand (PLN 2,044,636 thousand in 2022).

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

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
At 1 January	104	-
Recognition of impairment loss for inventories	-	104
Utilization of charges	(2)	-
Reversal of unutilized charge	(94)	-
Total	8	104

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

No security has been established on the inventories.

10. CASH AND CASH EQUIVALENTS

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Cash in the bank	54,100	26,331
Bank deposits	819,704	576,080
Total	873,804	602,411
Of which:		
- non-current part**	165,248	147,924
- current part	708,556	454,487
Total	873,804	602,411

** restricted cash

The value of restricted cash amounted to PLN 208,044 thousand on 31 December 2023 (31 December 2022: PLN 170,322 thousand), of which PLN 165,248 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.

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:

2023: 3.04%-6.17%; 2022: 0.99%-6.90%.

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

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 31 December 2023	34,014	170,068	131,090	301,158
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

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 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 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 31 December 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 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Trade liabilities	287,294	170,472
Other liabilities, including:	222,163	181,282
- Company Social Benefit Fund	513	377
- bid deposit liabilities	4,768	3,374
- investment liabilities	67,004	66,312
- salary liabilities	99,892	55,336
- other liabilities	49,986	55,883
Total financial liabilities	509,457	351,754
Liabilities for social security contributions and other taxes	137,711	55,613
Trade liabilities and other liabilities	647,168	407,367
Of which:		
- non-current part	20,604	31,650
- current part	626,564	375,717
Total	647,168	407,367

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

14. SUBSIDIES

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
As at 1 January	11,220	11,775
Of which:		
- non-current part	10,732	11,282
- current part	488	493
Receipt of capital grant	83	77
Subsidies settled during the year	(511)	(632)
As at 31 December	10,792	11,220
Of which:		
- non-current part	10,262	10,732
- current part	530	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. The presentation of the grant settlement is included in Note 2.20.

15. FINANCIAL INSTRUMENTS

15.1 Financial instruments by category

	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	TOTAL
Assets according to the statement of financial position		
Trade receivables	552,608	552,608
Cash and cash equivalents	873,804	873,804
As at 31 December 2023	1,426,412	1,426,412

	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	TOTAL
Assets according to the statement of financial position		
Trade receivables	161,694	161,694
Cash and cash equivalents	602,411	602,411
As at 31 December 2022	764,105	764,105

	LIABILITY MEASURED AT AMORTIZED COST	LIABILITY MEASURED AT FAIR VALUE	TOTAL
Liabilities according to the statement of financial position			
Trade and other financial liabilities and liabilities from contracts with customers	354,824	-	354,824
Leasing liabilities	28,291	-	28,291
As at 31 December 2023	383,115	-	383,115
Interest and commission paid			
Interest	568	-	568
Total	568	-	568

	LIABILITY MEASURED AT AMORTIZED COST	LIABILITY MEASURED AT FAIR VALUE	TOTAL
Liabilities according to the statement of financial position			
Trade and other financial liabilities and liabilities from contracts with customers	237,176	-	237,176
Leasing liabilities	18,368	-	18,368
As at 31 December 2022	255,544	-	255,544
Interest and commission paid			
Interest	525	-	525
Total	525	-	525

15.2 Hierarchy of 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 31 December 2023, the Company had no financial instruments carried at fair value.

15.3 Financial risk factors

The Company'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 Company's overall risk management program focuses primarily on ensuring the Company'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 Company. 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 Company 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.

15.3.1 Cash flow volatility risk caused by changes in interest rates

Since the Company has a significant level of interest-bearing assets, the Company'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 Company to the risk of changes in cash flows as a result of interest rate changes. However, it should be noted that at the end of 2023 and 2022, the Company did not use any external financing.

Based on data for 2023 and 2022 on the Company'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 2023 on account of bank deposits of free funds is PLN 708,556 thousand (31 December 2022: PLN 454,487 thousand) and on account of assets of the Mine Closure Fund PLN 165,248 thousand (31 December 2022: PLN 147,924 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 2023:

INTEREST RATE CHANGE	-1 p.p.	-0.5 p.p.	+0.5 p.p.	+1 p.p.
Estimated impact	(7,086)	(3,543)	3,543	7,086

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	(4,545)	(2,272)	2,272	4,545

The value of assets of the Mine Closure Fund exposed to interest rate risk as at 31 December 2023 is PLN 165,248 thousand (31 December 2022: PLN 147,924 thousand).

Impact of interest rate changes on financial income from the collection of funds for the Mine Closure Fund as at 31 December 2023:

INTEREST RATE CHANGE	-1 p.p.	-0.5 p.p.	+0.5 p.p.	+1 p.p.
Estimated impact	(1,652)	(826)	826	1,652

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

Benchmark reform

In view of the ongoing process on the Polish financial market to implement a new benchmark (WIRON) to ultimately replace the currently used WIBOR and WIBID interest rate benchmarks (current plans envisage completion of the process by the end of 2027), the Company will conduct a detailed analysis when the implementation of the new benchmark is completed. Nevertheless, due to the lack of long-term financial instruments based on WIBID, the Company does not identify any significant risk in this respect for the time being.

15.3.2 Foreign exchange risk

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

As of the end of 2023, there were no significant foreign exchange transactions, nevertheless the Company 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 2023, the Company had financial assets exposed to foreign currency risk in the amount of PLN 264 thousand (31 December 2022: PLN 392 thousand). Financial liabilities exposed to foreign currency risk as at 31 December 2023, in turn, amounted to PLN 1,289 thousand (31 December 2022: PLN 47 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.

15.3.3 Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to the Company'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 Company has a policy limiting excessive credit exposure to individual financial institutions. With regard to customers, the Company sells mainly to regular customers whose reliability is based on past cooperation experience.

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

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Cash and bank deposits	873,804	602,411
Short-term trade receivables	552,608	161,694
Total exposure to credit risk	1,426,412	764,105
Receivables from 7 main customers	541,364	144,610
Concentration of credit risk on receivables from 7 main customers	98%	89%
Cash deposited with Bank Gospodarstwa Krajowego (as a percentage of the total balance of cash and bank deposits)	99.2%	99.2%
Cash deposited with mBank S.A. (as a percentage of the total balance of cash and bank deposits)	0.7%	0.7%
Cash deposited with bank PEKAO S.A. (as a percentage of the total balance of cash and bank deposits)	below 0.1%	below 0.1%
Cash deposited with PKO Bank Polski S.A. (as a percentage of the total balance of cash and bank deposits)	below 0.1%	below 0.1%
Cash deposited with Bank Millennium S.A. (as a percentage of the total balance of cash and bank deposits)	-	below 0.1%

The payment situation of the Company's main customers is assessed as good, hence credit risk is rated as low. The Company 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 Company's cash and deposits are concentrated have the following ratings (data current as of the date of these financial statements):

- 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),
- mBank S.A. – Fitch's long-term rating: BBB- (stable outlook).

15.3.4 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 Company's Management Board monitors the Company'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 Company'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.

BALANCE AS AT 31 DECEMBER 2023	BELOW 1 YEAR	FROM TO 2 YEARS	FROM 2 TO 5 YEARS	OVER 5 YEARS
Trade and other liabilities	334,220	4,667	6,037	19,661
Leasing liabilities	5,334	5,334	6,052	32,334
Total	339,554	10,001	12,089	51,995

BALANCE AS AT 31 DECEMBER 2022	BELOW 1 YEAR	FROM TO 2 YEARS	FROM 2 TO 5 YEARS	OVER 5 YEARS
Trade and other liabilities	246,525	5,080	10,068	20,299
Leasing liabilities	3,077	510	1,529	32,842
Total	249,602	5,590	11,597	53,141

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

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

Based on 2023 data for the Company'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 2.9% 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 2.9% 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	-43.0%	-28.7%	-14.3%	-5.7%	-2.9%	-%	2.9%	5.7%	14.3%	28.7%	43.0%

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

15.4 Capital risk management

The Company's goal in capital/financial risk management is to protect the Company'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 Company's goal in managing financial risk is also to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends declared for payment to shareholders, return capital to shareholders or issue new shares, or sell assets to decrease its borrowings.

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

As at the end of 2023 and 2022, the Company had no financial liabilities from loans, borrowings or bond issues.

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

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Leasing liabilities	28,291	18,368
minus: cash and cash equivalents	(873,804)	(602,411)
Net debt	(845,513)	(584,043)
Total equity	4,283,487	3,686,707
Capital employed	3,437,974	3,102,664

16. PROVISION FOR EMPLOYEE BENEFITS

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Provisions recognized in the statement of financial position:		
Retirement and disability benefits	72,917	65,252
Jubilee awards	157,487	133,487
Other employee benefits (unused holiday leaves, salaries, death benefits and others)	30,881	23,596
Total	261,285	222,335

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Expenses recognized in the statement of profit or loss:		
Retirement and disability benefits	8,323	6,718
Jubilee awards	42,655	26,541
Other employee benefits (unused holiday leaves, salaries, death benefits and others)	26,273	23,477
Total	77,251	56,736

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Losses recognized in the statement of comprehensive income:		
Retirement and disability benefits	2,758	425
Other employee benefits (death benefits)	274	219
Total	3,032	644

Change in provisions for employee benefits:

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
As at 1 January	222,335	204,687
Current employment costs (including unused holiday leaves, salaries, death benefits and others)	43,254	40,347
Interest cost	11,467	6,122
Actuarial losses recognized in the statement of profit or loss	22,530	10,267
Actuarial losses recognized in the statement of comprehensive income	3,032	644
Total recognized in comprehensive income	80,283	57,380
Benefits paid out	(41,333)	(39,732)
As at 31 December	261,285	222,335
of which:		
- non-current part	204,537	176,412
- current part	56,748	45,923

The amounts recognized in the statement of profit or loss and the statement of comprehensive income in 2023 are as follows:

	BENEFITS DURING EMPLOYMENT	POST- EMPLOYMENT BENEFITS	TOTAL
Balance of liabilities as at 1 January	152,731	69,604	222,335
Current employment costs (including unused holiday leaves, salaries, death benefits and others)	38,142	5,112	43,254
Interest cost	7,632	3,835	11,467
Actuarial losses recognized in the statement of profit or loss	22,530	-	22,530
Actuarial losses recognized in the statement of comprehensive income	-	3,032	3,032
Actuarial losses recognized in the statement of comprehensive income	68,304	11,979	80,283

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

	BENEFITS DURING EMPLOYMENT	POST-EMPLOYMENT BENEFITS	TOTAL
Balance of liabilities as at 1 January	139,744	64,943	204,687
Current employment costs (including unused holiday leaves, salaries, death benefits and others)	35,221	5,126	40,347
Interest cost	4,054	2,068	6,122
Actuarial losses recognized in the statement of profit or loss	10,267	-	10,267
Actuarial losses recognized in the statement of comprehensive income	-	644	644
Actuarial losses recognized in the statement of comprehensive income	49,542	7,838	57,380

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

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Cost of products, merchandise and materials sold	59,199	45,345
Selling and distribution expenses	342	253
Administrative costs	6,243	5,016
Financial costs	11,467	6,122
Total recognized in the statement of profit or loss	77,251	56,736
Actuarial losses recognized in the statement of comprehensive income	3,032	644
Actuarial losses recognized in the statement of comprehensive income	80,283	57,380

Key actuarial assumptions used in the valuation:

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Discount rate	5.30%	6.50%
Employee mobility ratio	0.47%	0.47%
Salary growth in the next year	8.10%	15.00%
Salary growth in 2025 (2022: in 2024)	4.10%	7.75%
Salary growth in 2026 (2022: in 2025)	3.10%	3.10%
Salary growth in 2027 (2022: in 2026)	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 2023	AS AT 31 DECEMBER 2022
Males	15.32	14.05
Women	23.59	22.38

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

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Retirement and disability benefits	10.61	10.64
Jubilee awards	8.50	8.40
Death benefits	6.70	6.71

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:					
<i>Non-current</i>	155,452	-	-	-	155,452
<i>Current</i>	-	6,844	5,520	160	12,524
Recognized in the statement of financial position:					
- Existing provision updated	(3,047)	-	-	-	(3,047)
Recognized in the statement of profit or loss:					
- Additional provisions created	6,593	6,769	3,046	189	16,597
- Existing provision used	-	(6,261)	-	(160)	(6,421)
- Settlement of a discount	10,104	-	-	-	10,104
As at 31 December 2023	169,102	7,352	8,566	189	185,209
Including:					
<i>Non-current</i>	169,102	-	-	-	169,102
<i>Current</i>	-	7,352	8,566	189	16,107
As at 1 January 2022	130,402	6,382	5,600	13,103	155,487
Including:					
<i>Non-current</i>	130,402	-	-	-	130,402
<i>Current</i>	-	6,382	5,600	13,103	25,085
Recognized in the statement of financial position:					
- Existing provision updated	21,683	-	-	-	21,683
Recognized in the statement of profit or loss:					
- Additional provisions created	-	2,394	-	160	2,554
- Existing provision used	-	(1,932)	-	(13,103)	(15,035)
- 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	160	167,976
Including:					
<i>Non-current</i>	155,452	-	-	-	155,452
<i>Current</i>	-	6,844	5,520	160	12,524

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 31 December 2023 is PLN 169,102 thousand, of which the provision for mine closure of PLN 153,468 thousand and the provision for reclamation of land of PLN 15,634 thousand. The change in the provision compared to the balance as at 31 December 2022 amounted to PLN 13,650 thousand, with the increase resulting from the reversal of the discount allowance in the amount of PLN 10,104 thousand being recognized in the statement of profit or loss as an increase in the item "Financial costs", the increase resulting from the update of the provision for land reclamation in the amount of PLN 6,593 thousand was recognized under "Cost of sales" while a decrease resulting from the updating of assumptions, in the total amount of PLN 3,047 thousand was recognized in the statement of financial position as a decrease in the item "Property, plant and equipment."

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 31 December 2023 is PLN 7,352 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 2023 was in total PLN 6,261 thousand (PLN 1,932 thousand in 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 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 31 December 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. The Company did not recognize a similar provision during 2023.

18. SALES REVENUES

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Coal sales	3,874,226	2,391,240
Other operations	51,489	36,392
Sales of merchandise and materials	12,940	20,481
Total sales revenues	3,938,655	2,448,113

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 in 2023 was PLN 12,940 thousand (PLN 20,481 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 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 in 2023 was PLN 13,049 thousand (PLN 9,577 thousand in the previous year).

19. COSTS BY NATURE

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Depreciation and amortization	442,882	381,339
Materials and energy used	1,209,903	734,236
External services	666,241	548,784
Employee benefits	1,174,302	843,180
Cost of representation and advertising	20,587	14,537
Taxes and fees	51,283	52,174
Other costs by nature	6,223	32,379
Total costs by type	3,571,421	2,606,629
Cost of performances produced for own use	(490,163)	(411,960)
Prepayments and accruals	(594)	(9,424)
Provisions and other presentation adjustments between expense by nature and by function	97,185	40,792
Total production costs	3,177,849	2,226,037
Movement in products	(142,492)	(1,210)
Cost of goods and materials sold	11,718	19,253
Cost of goods sold, including:	3,047,075	2,244,080
- Cost of sales	2,793,404	2,044,636
- Selling and distribution expenses	64,888	49,882
- Administrative expenses	188,783	149,562

20. OTHER REVENUES

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Indemnification received	2,600	499
Other, of which:	500	2,405
- Reversal of other provisions for liabilities	214	1,628
- Reversal of impairment loss allowances	125	304
Excise tax refund	98	298
- Other revenues	63	175
Total other income	3,100	2,904

21. OTHER COSTS

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Donations	(5,912)	(1,159)
Enforcement fees and penalties	(380)	(270)
Indemnities	(160)	(136)
Other	(434)	(144)
Total other costs	(6,886)	(1,709)

22. OTHER NET LOSSES

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Profit/(loss) on the sale of fixed assets	164	(458)
FX gains and losses	(199)	29
Result on the liquidation of fixed assets	(2,462)	(226)
Impairment loss for fixed assets	(47,769)	(11,181)
Establishment of other reserves	(3,046)	-
Other gains	23	1,833
Total other losses - net	(53,289)	(10,003)

The amount of PLN (47,769) thousand relating to the impairment of fixed assets is primarily due to the event that occurred in February 2023 in longwall 3/VII/385 (which is further described in Note 33).

23. FINANCIAL INCOME AND COSTS

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Interest income on short-term bank deposits	25,325	27,844
Dividends received	3,443	3,452
Other revenues, including	9,998	4,779
- <i>Interest on the Mine Closure Fund</i>	9,375	4,454
- <i>Other</i>	623	325
Total financial income	38,766	36,075
Interest expense on the valuation of employee benefits	(11,467)	(6,122)
Settlement of a discount relating to the provision for the Mine Closure Fund and for land reclamation	(10,104)	(4,825)
Recognition of a provision and impairment loss allowances for interest	(1,390)	(827)
Interest expense related to the lease of fixed assets	(567)	(525)
Other expenses	(707)	(791)
Total financial costs	(24,235)	(13,090)

24. INCOME TAX

24.1 Tax liability

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Current tax	133,749	11,793
Deferred tax recognized in profit or loss	28,296	30,660
Deferred tax recognized in other comprehensive income:	(576)	(122)
- on account of actuarial losses recognized in the statement of comprehensive income	(576)	(122)
Total	161,469	42,331

24.2 Reconciliation of effective tax rate

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Pre-tax profit	849,036	218,210
Tax calculated at the rate of 19%	161,317	41,460
Correction of income tax for previous years	(559)	(896)
Tax effect of revenues permanently excluded from the tax base, of which:	(702)	(704)
- dividend from subsidiaries	(654)	(656)
- hypothetical interest on retained capital	(48)	(48)
Tax effect of costs permanently excluded from the tax base:	1,989	2,593
- payment to the PFRON disabled persons fund	1,488	1,555
- donations	58	80
- depreciation	431	398
- co-financing	-	27
- other	12	533
Income tax charges to the financial result	162,045	42,453
Effective tax rate	19%	19%

Income tax in these 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.

24.3 Deferred income tax

Deferred income tax assets and liabilities are offset against each other if the Company 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 financial statements:

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Deferred tax assets		
- to be realized after the period of 12 months	40,042	34,362
- to be realized within the period of 12 months	14,708	14,501
Total deferred tax assets	54,750	48,863
Deferred income tax liabilities		
- to be realized after the period of 12 months	338,838	310,256
- to be realized within the period of 12 months	7,003	1,978
Total deferred tax liabilities	345,841	312,234
Deferred tax liabilities (net)	291,091	263,371

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

Change in the balance of deferred tax assets

	PROVISION FOR EMPLOYEE AND SIMILAR BENEFITS	UNPAID REMUNERATION AND OTHER BENEFITS	PROVISION FOR MINING DAMAGE	OTHER	TOTAL
As at 1 January 2023	42,244	4,346	1,300	973	48,863
(Charged)/credited to comprehensive income, including:	7,400	(4,269)	96	2,660	5,887
- recognized in the statement of profit or loss	6,824	(4,269)	96	2,660	5,311
- recognized in the statement of comprehensive income	576	-	-	-	576
As at 31 December 2023	49,644	77	1,396	3,633	54,750
As at 1 January 2022	38,891	9,825	1,213	1,748	51,677
(Charged)/credited to comprehensive income, including:	3,353	(5,479)	87	(775)	(2,814)
- recognized in the statement of profit or loss	3,231	(5,479)	87	(775)	(2,936)
- recognized in the statement of comprehensive income	122	-	-	-	122
As at 31 December 2022	42,244	4,346	1,300	973	48,863

Based on the projections made for the Company, which anticipate earning tax income in 2024 and beyond, it was determined that there is no risk of not realizing the deferred tax asset reported in these financial statements.

Change in deferred tax liabilities

	MEASUREMENT OF FIXED ASSETS	LONGWALL REINFORCEMENT COSTS	NET PROVISION FOR MINE CLOSURE COSTS AND RECLAMATION OF LAND***	OTHER	TOTAL
As at 1 January 2023	302,684	1,901	7,573	76	312,234
Charged/(credited) to comprehensive income, including:	29,707	3,581	(1,125)	1,444	33,607
- recognized in the statement of profit or loss	29,707	3,581	(1,125)	1,444	33,607
As at 31 December 2023	332,391	5,482	6,448	1,520	345,841
As at 1 January 2022	273,745	2,658	6,705	1,402	284,510
Charged/(credited) to comprehensive income, including:	28,939	(757)	868	(1,326)	27,724
- recognized in the statement of profit or loss	28,939	(757)	868	(1,326)	27,724
As at 31 December 2022	302,684	1,901	7,573	76	312,234

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

24.4 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.

25. 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 FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Profit attributable to shareholders of the Company	686,991	175,757
Weighted average number of common shares (000s)	34,014	34,014
Basic earnings per share (in PLN)	20.20	5.17

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

26. 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 FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
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

The Company's Management Board is analyzing whether the dividend for 2023 can be paid out and, as at the date of these financial statements, the decision on the distribution of the 2023 profit has not been made. A recommendation from the Company's Management Board regarding the distribution of the 2023 profit is expected in the middle of Q2 2024.

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

	NOTE	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Balance sheet change in liabilities, liabilities from contracts with customers and subsidies		239,507	(53,521)
Offsetting income tax overpayments against payables for other taxes		44,193	899
Movement in investment liabilities		(965)	71,399
Change in liabilities for the purposes of the statement of cash flows		282,735	18,777
Increases of fixed assets	4	764,158	608,888
Increase resulting from an update of capitalized costs of decommissioning of fixed assets related to mining operations		-	(19,859)
Other non-cash adjustments		(46)	(133)
Movement in investment liabilities		(965)	71,399
Acquisition of property, plant and equipment		763,147	660,295

28. 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 Patent No. 206048 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 patent. According to the original assessment, the value of the potential liability on this account could be as high as 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 No. 206048 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.

Ultimately, on 15 February 2024, the Appellate Court in Warsaw ruled that the plaintiffs were entitled to remuneration in the amount of PLN 4,075 thousand with interest from 2013, thus largely upholding the Company's appeal. The judgment is final. The Company is currently waiting for a written justification of the judgment after which it will take further decisions on a possible cassation appeal.

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, which was subsequently appealed by the aforementioned penalized entities).

On 11 October 2023, the Supreme Court dismissed the cassation appeal of the President of the UOKiK against the unfavorable judgment of the Appellate Court in respect of the original decision, which has the effect of removing the decision of the President of the UOKiK finding price collusion from legal circulation. At the moment, the Company is awaiting the justification of the Supreme Court's decision.

29. FUTURE CONTRACTUAL LIABILITIES

Investment liabilities

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

	AS AT 31 DECEMBER 2023	AS AT 31 DECEMBER 2022
Property, plant and equipment	391,323	316,639
Investment liabilities	391,323	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.

30. 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., Grupa Azoty Koltar Sp. z o.o., Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Chełm, and local government units (cities, townships).

In the reporting periods ended 31 December 2023 and 31 December 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 FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Sales in the period	306,592	266,319
Balance of receivables at the end of the period, including VAT	32,379	30,139

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 2023 and 31 December 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 FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Purchases in the period	348,237	270,970
Balance of payables as at the end of the period, including VAT	39,427	23,054

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 31 December 2023 and 31 December 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 FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Purchases in the period, of which:	396,053	114,105
- <i>Purchases of property, plant and equipment</i>	16,850	-
Balance of payables as at the end of the period, including VAT	85,000	18,458

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., as well as lease services to ENEA Centrum Sp. z o.o.

In the reporting periods ended 31 December 2023 and 31 December 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 FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Sales in the period	3,444,717	1,710,337
Balance of receivables at the end of the period, including VAT	482,536	105,481

In the reporting periods ended 31 December 2023 and 31 December 2022, the values of dividends paid to ENEA Group companies were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Dividends paid to ENEA Group companies	56,662	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 re invoicing of electricity.

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

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 31 December 2023 and 31 December 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 FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Purchases in the period, of which:	206,619	182,113
- <i>Purchases of services activated as Property, plant and equipment</i>	55,846	53,115
Balance of payables as at the end of the period, including VAT	22,267	18,532

In the reporting periods ended 31 December 2023 and 31 December 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 FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Sales in the period	30,417	21,170
Balance of receivables as at the end of the period including VAT	5,092	6,184

In the reporting periods ended 31 December 2023 and 31 December 2022, the values of dividends received from subsidiaries comprising the Lubelski Węgiel Bogdanka Group were as follows:

	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Dividend received from LW Bogdanka Group companies	3,443	3,452

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

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Remuneration of Management Board members and commercial proxies	8,068	6,738
of which:		
- Annual bonus	3,079	1,370
Remuneration of Supervisory Board Members	553	507

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

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

On 24 March 2021, the 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 Company's financial statements and the consolidated financial statements of the Company's Group for the first half of 2021 and 2022,
- audit the Company's financial statements and the consolidated financial statements of the Company's Group for 2021 and 2022.

On 29 May 2023, the Company's Supervisory Board adopted a resolution to extend the agreement with PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., as the entity authorized to:

- review the Company's financial statements and the consolidated financial statements of the Company's Group for the first half of 2023, 2024 and 2025,
- audit the Company's financial statements and the consolidated financial statements of the Company's Group for 2023, 2024 and 2025.

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 Company 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 consolidated financial statements for 2022-2020, prepared in XBRL format; tax consulting in the area of, among other things, excise taxes; verification of the correctness of the Company's calculation of the Excise Ratio; work related to verification of the calculation of the Electricity Intensity Ratio; and evaluation of the Company's Management and Supervisory Board Remuneration Report.

The fees of the auditor of the financial statements of the Company and entities in the PricewaterhouseCoopers network, for all services rendered for 2023 and 2022, are as follows:

	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023	FOR FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022
Auditor's fees	335	289
Including:		
- Audit of the annual financial statements	190	175
- Audit of the financial statements	70	50
- Review of the consolidated XBRL financial statements	30	25
- Verification of the remuneration statement	35	30
- Other assurance services (review of ratios)	10	9



33. IMPACT OF EXTRAORDINARY EVENTS DURING 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. At the same time, the Company undertook work to address the damage as quickly as possible and to minimize the negative effects of the above incident.

This event affected the Company's operational (production and sales levels) and financial results. 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 period, 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.

After dealing with geological and hydrological issues during Q4 2023, the Company's production returned to normal, robust levels.

34. EVENTS AFTER THE BALANCE SHEET DATE

According to our knowledge, there were no material events after the balance sheet date that could affect the financial results as at 31 December 2023 but have not been captured in the financial statements.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The Management Board of Lubelski Węgiel Bogdanka S.A. hereby represents that on 19 March 2024 it hereby approves these financial statements of the Company for the period from 1 January to 31 December 2023 for publication.

36. 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

.....