FINANCIAL STATEMENTS OF KOPEX S.A.

drawn up for the period 1 January 2015 to 31 December 2015

CONTENTS

Statement of financial position of KOPEX S.A.
in PLN thousand

Note		31 Dec 2015	31 Dec 2014
Note	**ASSETS**		
	Tangible assets	**950 649**	**1 527 012**
12.1	Intangible assets	9 206	10 073
12.2	Tangible fixed assets.	19 826	23 593
12.3	Real estate investments	48	5 923
12.4	Long-term leasing receivables	11 159	21 318
12.5	Other long-tem assets	895 929	1 457 368
12.6	Deferred income tax assets	14 481	8 737
	Current assets	**193 674**	**316 810**
12.7	Inventories	592	3 191
12.8	Short term accounts receivable	59 874	85 063
12.8	Short term other receivables	41 864	57 134
12.4	Short-term leasing receivables	12 935	28 803
12.9	Short-term loans granted	64 849	104 757
	Receivables related to current income tax	1 366	1 508
12.10	Other financial assets	1 984	1 301
12.23	Assets under contracts for construction services	2 536	3 858
12.11	Cash and cash equivalents	7 674	31 195
	Total assets	**1 144 323**	**1 843 822**
	LIABILITIES AND EQUITY		
	Equity	**872 375**	**1 538 213**
12.12	Equity	74 333	74 333
12.12	Own shares	-2 979	-2 979
12.13	Issue of shares above their nominal value	1 054 942	1 054 942
12.14	Revaluation reserve	2 022	-318
12.15	Retained profits	-255 943	412 235
	Long-term liabilities	**17 293**	**36 015**
12.16	Long-term credits and loans	-	11 203
12.17	Long-term other liabilities	41	154
12.18	Long-term leasing liabilities	13 568	17 874
12.6	Deferred income tax reserve	657	2 697
12.19	Long-term reserve for employee benefits	1 490	1 393
12.20	Accruals	1 537	2 694
	Short-term liabilities	**254 655**	**269 594**
12.16	Short-term credits and loans	166 527	71 226
12.21	Short-term accounts payable	33 675	110 938
12.17	Short-term other liabilities	33 173	54 338
12.18	Short-term leasing liabilities	4 359	4 070
	Current income tax liabilites	-	401
12.10	Other financial liabilities	425	2 143
12.19	Short-term reserve for employee benefits	1 617	1 213
12.22	Other short-term reserves for liabilities	471	1 096

12.20	Accruals	14 408	24 169
	Liabilities and equity, total	**1 144 323**	**1 843 822**
	Book value	**872 375**	**1 538 213**
	Number of shares	**74 056 038**	**74 056 038**
	Book value per 1 share (in PLN)	**11.78**	**20.77**

Profit & Loss Statement of KOPEX S.A. in PLN thousand

Note		01 Jan 2015 to 31 Dec 2015	01 Jan 2014 to 31 Dec 2014
	CONTINUING OPERATIONS:		
12.23	Net revenues from sales of products, goods and materials	276 486	365 027
12.24	Cost of sold products, goods and materials	255 359	329 193
	Gross profit on sales	**21 127**	**35 834**
12.25	Other revenues	54 514	111 158
12.24	Costs of sales	9 313	9 363
12.24	Overheads	23 805	26 363
12.26	Other costs	5 500	3 714
12.27	Other profts / (losses)	6 109	-7 626
12.5	Write downs of shares	597 132	8 690
	Profit / (Loss) from operating activities	**-554 000**	**91 236**
12.28	Financial revenues	11 812	17 016
12.29	Financial costs	101 629	9 475
	Gross profit / (loss)	**-643 817**	**98 777**
12.30	Income tax	-6 205	516
	Net profit / (loss) from continuing operations	**-637 612**	**98 261**
	Net profit from discontinued operations	**-**	**122**
	Net profit / (loss), total	**-637 612**	**98 383**
	Weighted average number of ordinary shares	74 056 038	74 056 038

Net profit / (loss) from continuing operations per 1 ordinary share	-8.61	1.33
Net profit / (loss) from discontinued operations per 1 ordinary share	-	-
Net profit per 1 ordinary share	**-8.61**	**1.33**

Statement of total income of KOPEX S.A. in PLN thousand

	01 Jan 2015 to 31 Dec 2015	01 Jan 2014 to 31 Dec 2014
Net profit (loss)	**-637 612**	**98 383**
Other comprehensive income / (loss) which will not be transferred to profit or loss:	**-127**	**-695**
Actuarial losses arising from defined benefit plans	-157	-858
Income tax on actuarial losses	30	163
Other comprehensive income / (loss) which can be transferred to profit or loss:	**2 340**	**-5 504**
Cash flow hedges	2 889	-6 795
Income tax related to cash flow hedges	-549	1 291
Total other income / (loss) after tax	**2 213**	**-6 199**
Total income / (loss)	**-635 399**	**92 184**

Statement of changes in equity of KOPEX S.A. in PLN thousand

	Equity	Own shares	Issue of shares above their nominal value	Revaluation reserve		Retained profits	**Total equity**
				Hedging instruments	Deferred tax		
Balance as at 01 Jan 2014	**74 333**	**-2 979**	**1 054 942**	**6 402**	**-1 216**	**315 225**	**1 446 707**
Total income (loss)	-	-	-	-6 795	1 291	97 688	92 184
donations	-	-	-	-	-	-678	-678
Saldo na 31.12.2014	**74 333**	**-2 979**	**1 054 942**	**-393**	**75**	**412 235**	**1 538 213**
Balance as at 01 Jan 2015	**74 333**	**-2 979**	**1 054 942**	**-393**	**75**	**412 235**	**1 538 213**
Total income (loss)	-	-	-	2 889	-549	-637 739	-635 399
dividends	-	-	-	-	-	-29 622	-29 622
donations	-	-	-	-	-	-817	-817

Balance as at 31 Dec 2015	**74 333**	**-2 979**	**1 054 942**	**2 496**	**-474**	**-255 943**	**872 375**

Cash flow statement of KOPEX S.A. in PLN thou

	01 Jan 2015 to 31 Dec 2015	01 Jan 2014 to 31 Dec 2014
CASH FLOW FROM OPERATING ACTIVITIES		
Gross Profit / (Loss)	**-643 817**	**98 928**
Corrections by:		
Depreciation	5 438	4 542
(Profit) loss from exchange rate differences	-585	-2 796
Interest and share in profits (dividends)	-56 892	-109 246
(Profit) loss from investing activities	-4 478	7 782
Change in reserves	-281	291
Change in inventories	2 599	-1 432
Change in accounts receivable and other receivables	68 946	-28 445
Change in short-term accounts payables and other liabilities	-98 492	37 709
Change in accruals	-10 918	6 351
Changes in assets under contracts for construction services	1 322	6 427
Income tax paid	-2 257	-662
Derivative financial instruments	468	2 350
Donations	-817	-678
Write-downs of other shares and loans	693 411	-
Write-downs of fixed assets	-402	8 690
Net cash flows from operating activities	**-46 755**	**29 811**
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of intangible and tangible fixed assets	1 584	168
Disposal of financial assets	-	3
Received dividends and shares in profits	23 840	107 989
Interest received	1 497	1 103
Repayment of loans	27 059	51 631
Purchase of intangible and tangible fixed assets	-2 404	-6 718
Acquisition of financial assets	-1 577	-6
Loans granted	-73 445	-140 715
Net cash flows from investing activities	**-23 446**	**13 455**
CASH FLOWS FROM FINANCING ACTIVITIES		
Credits and loans*	107 230	44 979
Commissions received from securities	1 562	4 391
Repayment of loans and borrowings *	-23 129	-75 270
Dividends and other payments to owners	-29 622	-
Payment of liabilities under finance lease agreements	-4 016	-
Interest paid	-4 219	-6 386
Paid commissions on loans and guarantees	-735	-1 901
Net cash flows from financing activities	**47 071**	**-34 187**
TOTAL NET CASH FLOWS	**-23 130**	**9 079**
Balance sheet change in cash, including:	**-23 521**	**9 697**

- Change in cash due to exchange rate differences	-391	618
Cash and cash equivalents at beginning of period	**31 195**	**21 498**
Cash and cash equivalents at end of period, including:	**7 674**	**31 195**
- Restricted cash	-	-

* Loans and advances within the limit of the financial amounts are recognized as net values

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

KOPEX S.A. based in Katowice is a joint stock company registered on 3 January 1994 in the District Court in Katowice, the Eight Economic Department, Registration number RHB 10 375. It was entered into the Register of Entrepreneurs under KRS – 0000026782 based on the decision of the District Court in Katowice, Commercial Department of National Court Register, dated 11 July 2001. KOPEX S.A.'s duration is unlimited. The company is based in Katowice, 1 Grabowa Street.

Export, import of raw materials, products and services, including complete industrial machinery and equipment solutions, industrial, consumer and intermediary goods in domestic and foreign trade, as well as consulting services, promotional services are the principal activities of the Company (PKD code 4663Z).

KOPEX S.A.'s core business includes:

- general contracting for complete investment, especially mining, projects. The Company's offer covers the whole investment process in the mining industry,

- rendering specialized mining services involving shaft sinking, lateral development, as well as construction and renovation of tunnels, providing design services and know - how,

- supply of machines and technological systems for open cast and underground mines,

- export of solid fuels, in particular, thermal and coking coal,

- financial leasing.

The Company is listed on the main market, in the continuous trading system of the Giełda Papierów Wartościowych w Warszaiwe S.A. (Warsaw Stock Exchange) and is classified to the electromechanical industry sector.

The presented financial statements financial shows data for the year 2015 and the comparative ones for 2014.

The Company's subsidiaries prepare their individual financial statements.

The financial statements for the year 2015 have been prepared on the Company's going concern status.

KOPEX S.A. is a parent company and prepares consolidated financial statements. These financial statements should be considered in conjunction with consolidated financial statements of the KOPEX S.A. Capital Group. ZZ

Polish zloty is the currency of these financial statements. Financial data are presented in PLN thousands, unless otherwise indicated.

As at 31 December 2015 and the date of approval and publication of the financial statements, Mr. Krzysztof Jędrzejewski held the majority shareholding, thereby exercising control over the Issuer.

These financial statements were approved for publication and signed by the Management Board on 27 April 2016.

2. Significant assumptions used in drawing up financial statements

2a. Going concern status

The financial statements of KOPEX S.A. for the year 2015 have been drawn up on the Company's going concern status.

On 25 February 2016 there was published interim report for Q4 2015. It showed a decrease in the Company's financial results. After the publication of the interim report and due to breach of covenants by the Company, banks servicing the Company blocked the availability of credit limits, guarantee and treasury transactions, by lowering the height limits up to the amounts used by the Company as at 25 February 2016, ie .:

Bank	Credit	Guarantees
PKO BP	129 713 PLN thou	5 982 PLN thou
		539 EUR thou
Pekao SA	27 680 PLN thou	10 EUR thou
ING Bank Śląski		30 988 PLN thou
		2 105 EUR thou
		9 RON thou
Raiffeisen Bank		4 323 PLN thou
		512 PLN thou
Deutsche Bank		3 030 EUR thou
BGŻ BNP Paribas		156 PLN thou
		222 EUR thou
		5 644 EUR thou
HSBC	9 196 PLN thou	30 EUR thou

The situation arisen very seriously shaken the Company's capability to conduct normal business operations (guarantee limits block) and the Company's liquidity.

Since 26 February 2016, the Issuer has been conducting intensive talks with the banks - creditors of the Issuer and its subsidiaries. The negotiations are targeted at consensual debt restructuring of the Company. During the discussions, the Company and the financing banks seek soonest possible signing a restructuring agreement to abolish limit access for financing operational activities of the KOPEX S.A. Group.

Regardless of the conducted negotiations with creditors, the Issuer's Management Board and its professional advisers are preparing and implementing a wide-ranging and deep program of operational, economic and financial position restructuring of the Issuer and its Group. The restructuring plan includes asset reduction, employment restructure and improvement in operating efficiency in all business areas.

The Management Board has also drawn up short-term financial forecasts to the end of 2016 which shows a positive cash flow from operating activities.

Actions targeted at reducing employment costs, sale of redundant assets and implementation of enhanced cost discipline to reduce operating expenses have just commenced. Moreover, efforts to collect debts and extend deadlines for payment of liabilities have been intensified.

Actions taken by the Issuer's Management Board to urgent conclusion of an agreement with financial creditors are aimed at achieving liquidity stabilization of the Issuer and the Issuer's Capital Group, including the unblocking of bank accounts and any guarantee limits to allow participation in tenders for supply of equipment and services. As a result of these actions, target finalization of restructuring financial debt, financial creditors should significantly improve the situation of other creditors of the Issuer's Group.

The above-described circumstances indicate that there is a significant uncertainty as to the capability of continuing activities by the Issuer in a not substantially decreased scope. However, according to the Board, the actions already taken and planned will be successful.

However, if negotiations with the banks have failed, and / or the Issuer and its Group was not able to perform its intended restructuring plan, ie. to achieve the planned savings and generate positive cash flows, according to the expected schedule, or if the assets of the Group were not implemented in the expected dates, the Issuer and its Group may not be able to continue operations in a not substantially decreased scope.

These financial statements do not include any adjustments that would be necessary if the going concern basis adoption would be inappropriate. Such adjustments would be very important.

3. Composition of the Management Board and the Supervisory Board

Management Board

Composition of the Management Board of the Company as at 31 December 2015 was as follows:

Józef Wolski President of the Management Board

Andrzej Meder Member of the Management Board

Joanna Węgrzyn Member of the Management Board

Piotr Broncel Member of the Management Board

Composition of the Management Board at the date of the publication and signing these financial statements was as follows:

Boguslaw Bobrowski President of the Management Board

Piotr Broncel Member of the Management Board

Marek Uszko Member of the Management Board

Krzysztof Zawadzki Member of the Management Board

Supervisory Board

Composition of the Supervisory Board of the Company as at 31 December 2015 was as follows:

Krzysztof Jędrzejewski Chairman of the Supervisory Board

Boguslaw Bobrowski Vice-Chairman of the Supervisory Board

Daniel Lewczuk Secretary of the Supervisory Board

Józef Dubiński Member of the Supervisory Board

Janusz A. Strzępka Member of the Supervisory Board

Composition of the Supervisory Board at the date of the publication and signing these financial statements was as follows:

Krzysztof Jędrzejewski Chairman of the Supervisory Board

Michael Rogatko Vice-Chairman of the Supervisory Board

Daniel Lewczuk Secretary of the Supervisory Board

Józef Dubiński Member of the Supervisory Board

Janusz A. Strzępka Member of the Board

4. Entity auditing financial statements

PricewaterhouseCoopers Sp. z o.o. with its registered office at Al. Armii Ludowej 14, 00-638 Warsaw is the entity authorized to audit financial statements of KOPEX S.A. for the year 2015. The contract with PricewaterhouseCoopers Sp. o.o. was concluded on 29 February 2012 and relates to the review and audit of separate and consolidated financial statements of KOPEX S.A. for the year 2012. The contract has automatically been extended since 2012 until 2016 if the resolution indicating PricewaterhouseCoopers Sp. z o.o. as an auditor to review and audit the Issuer is adopted by the Supervisory Board. List of contracts signed with PricewaterhouseCoopers Sp. z o.o. and values of their remunerations for 2015 and for 2014 are presented in the table below (in PLN thousand).

SUBJECT OF THE CONTRACT	REMUNERATION FOR 2015	REMUNERATION FOR 2014
Audit of semi-annual separate and consolidated financial statements as well as audit of annual separate and consolidated financial statements	90	90
Tax consultancy	-	20
Other services	10	533
Total	**100**	**643**

5. Drawing up financial statements

Financial statements for the year 2015 were drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

6. List of the entities included in the KOPEX S.A. Capital Group as at 31 December 2015

Name of the entity	Legal entity status
AIR RELIANT (Pty) Ltd (South Africa)	Sub-subsidiary
ANHUI LONG PO ELECTRICAL CORPORATION Ltd (China)	Associated Company
ELGÓR+HANSEN S.A.	Sub-subsidiary
HANSEN AND GENWEST (Pty) Ltd (South Africa)	Sub-subsidiary
HANSEN CHINA Ltd (China)	Sub-subsidiary
HANSEN SICHERHEITSTECHNIK AG (Germany)	Subsidiary
KOPEX – PRZEDSIĘBIORSTWO BUDOWY SZYBÓW S.A.	Subsidiary
KOPEX AFRICA (Pty) Ltd (South Africa)	Sub-subsidiary
KOPEX AUSTRALIA Pty Ltd (Australia)	Sub-subsidiary
KOPEX CONSTRUCTION Sp. z o.o.	Subsidiary
KOPEX FOUNDRY Sp. z o.o. (before: HSW ODLEWNIA Sp. z o.o.)	Sub-subsidiary
KOPEX HYDRAULIKA SIŁOWA Sp. z o.o. before: DOZUT-TAGOR Sp. z o.o.)	Sub-subsidiary
KOPEX MACHINERY S.A.	Subsidiary
KOPEX MIN AD (Serbia)	Subsidiary

KOPEX MIN-FITIP AD in liquidation (Serbia)	Subsidiary
KOPEX MIN-LIV AD (Serbia)	Subsidiary
KOPEX S.A.	Parent Company
KOPEX SIBIR Sp. z o.o.	Sub-subsidiary
KOPEX WARATAH Pty Ltd (Australia)	Sub-subsidiary
KOPEX-EKO Sp. z o.o.	Subsidiary
KOPEX-EX-COAL Sp. z o.o.	Subsidiary
KOPEX-WAMAG Sp. z o.o. (before: POLAND INVESTMENTS 7 Sp. z o.o.)	Sub-subsidiary
MIILUX POLAND Sp. z o.o.	Indirectly Associated Company
PBSz INWESTYCJE Sp. z o.o.	Sub-subsidiary
PT KOPEX MINING CONTRACTORS (Indonesia)	Subsidiary
SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING CO. Ltd (China)	Associated Company
STA-ODLEWNIE Sp. z o.o.	Sub-subsidiary
ŚLĄSKIE TOWARZYSTWO WIERTNICZE DALBIS Sp. z o.o.	Subsidiary
TAGOR S.A.	Sub-subsidiary
TAIAN KOPEX COAL MINING EQUIPMENT SERVICE CO. LTD (China)	Sub-subsidiary
TIEFENBACH Sp. z o.o.	Associated Company
ZZM-MASZYNY GÓRNICZE Sp. z o.o.	Sub-subsidiary

Detailed information on the entities directly associated with the Issuer are contained in Notes 12.5B and 12.5C.

7. Significant accounting principles

7.1. Adopted accounting principles

The Company applies the following principles for valuation of assets and liabilities as well as the principles for determining financial result:

• Intangible assets

An intangible asset is recognized in the purchase price or production cost less accumulated depreciation and the total amount of write-downs due to impairment. Writing down the value of intangible assets is evenly distributed over the most correctly estimated its useful life. Depreciation begins when the asset is ready for use. The method adopted reflects the consumption of economic benefits from the asset.

Intangible assets, except goodwill, are amortized on straight-line basis, according to the following rules:

- Licenses for the use of computer programs 10% - 30%
- Computer programs 20%
- Other intangible assets - in line with term of the contract or estimated useful life.

Intangible assets with low unit purchase price (of initial value less than 3.5 PLN thousand) are written off once. Other intangible assets are depreciated on a straight-line basis over the most correctly estimated its useful life.

The period and method of depreciation of intangible assets with a significant initial value are reviewed at least at every financial year end.

Depreciation of intangible assets is included in the following items of the income statement: manufacture cost of products sold, selling expenses, general and overhead costs.

• Costs of research and development

Expenditures on research are recognized in the income statement when incurred.

Expenditure incurred on development projects are recognized when the activation criteria are met. After initial recognition, development costs are reduced by accumulated depreciation and write-offs due to permanent impairment.

Depreciation is made by straight-line method within the period of obtaining revenue from sales linked to a specific project but not exceeding 5 years.

• <u>Fixed assets</u>

Initial value of tangible assets is determined at the purchase price, and in the case of an asset on their own in the amount of manufacturing cost. Borrowing costs arising from and during the realization of investments projects, increases the cost of production. The initial value of tangible assets is increased by expenditures incurred for their improvement, if it is expected that they will be used for longer than one period and there is a probability to obtain economic benefits associated with a specific asset. If the residual value of the asset is increased to an amount greater than or equal to its carrying amount, then it ceases to depreciate this component until its residual value falls below the carrying amount. The value of assets is subject to depreciation, taking into account the planned service life and recovery in the event of liquidation. Fixed assets with a low initial value (less than 3.5 PLN thousand) are depreciated once at the time of their adoption for use.

Fixed assets are depreciated according to the straight-line method over their estimated useful lives. The residual value and useful lives are subject to annual review and updated in subsequent periods by balance depreciation rate.

For tax purposes, there will be adopted depreciation rates resulting from the Act of 15 February 1992 on income tax from legal persons determining the amount of depreciation which is tax deductible.

Depreciation rates used for fixed assets are as follows:

- Buildings and structures - 2.5% - 4.5%

- Machinery and equipment - 10% - 38.72%

- Means of transportation - 20% - 33.06%

- Other - 14% - 40%

- The right of perpetual usufruct of land, purchased the property - the contractual period in which these rights can be used.

The right of perpetual usufruct of land obtained free of charge from the Treasury are recorded off-balance sheet.

Land is not subject to depreciation.

• <u>Fixed assets held for sale</u>

Tangible assets whose sale is highly probable, for which there is an active program to locate a buyer and the plan of sale is expected to be complete within one year are classified as fixed assets held for sale and their depreciation is discontinued.

• <u>Investment real estates</u>

Investment real estates are held in order to achieve revenue from their leases and / or increase in their values.

They are valued at the balance sheet at cost less accumulated depreciation. Period and method of depreciation of real estate investment with a significant initial value are reviewed at least at every financial year end in terms of expected economic utility. Investment depreciation are depreciated using the straight line method starting from the month following the month of the operation for the period corresponding to the estimated useful lives. The depreciation rates used for investment property are as follows:

- Buildings and structures - 2.5% - 4.5%

- The right of perpetual usufruct of land, purchased the property - the contractual period in which these rights can be used.

Land is not subject to depreciation.

- Fixed assets under construction

At the balance sheet fixed assets under construction are valued at the total costs incurred in direct connection with their acquisition or construction, less accumulated impairment losses.

- Leasing

- Financial leasing

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased asset. When the entity is a party to a financial lease agreement as lessee, at the inception of the lease is recognized asset subject to the lease agreement and lease liabilities in the amount equal to the fair value or at an amount equal to the present value of the minimum lease payments at the inception of the lease, if it is lower than the fair value. Then the subject of the lease agreement are depreciated on the same basis as other fixed assets. In the absence of reasonable assurance that the entity will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term or the useful life.

Financial costs are accounted for in this way for each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability. Liabilities arising from leasing contracts are presented in the statement of financial position in a separate item as liabilities divided into long- and short-term ones. Financial costs are recognized in profit and losses in financial expenses in the item "Interest". In the case when the entity is a party to a financial lease agreement as lessor, at the inception of the lease asset is recognized in lease receivables in the amount equal to the gross lease investments referring unrealized financial income in "Deferred income".

In the statement of financial receivables they are presented in the amount equal to the net investment in the lease, ie. the amount equal to the present value of the minimum lease payments under a separate item broken down into long-term and short-term. Financial revenues are recognized rationally and systematically, in a way reflecting a constant periodic rate of return on investment. Financial revenues are recognized in the income statement as financial income in the item "Interest".

- Operating leases

A lease is classified as an operating lease if there is no substantial transfer of the risks and rewards incidental to ownership of the leased asset. In the case when the entity is a party to operating lease agreements as a lessee, payments from operating leases are recognized as expenses on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits derived by the individual. If the entity is a party to operating lease agreements as a lessor, the asset in operating leasing is presented according to the nature of the assets and revenues are recognized straight-line basis over the lease term unless another systematic basis better reflects the time pattern in benefits drawn from the leased asset. In the financial statement, the entity disclosures leasing details required by IFRS / IAS.

- Financial instruments

Financial instruments are classified into the following categories:

- Financial assets at fair value through profit or loss
- Investments held to maturity
- Loans and financial receivables
- Financial assets available for sale

- Financial liabilities at fair value through profit or loss

- Other financial liabilities

- Derivatives for which hedge accounting

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include assets acquired for rapid resale in a short term and other financial assets that are a part of a portfolio of similar assets for which there is a high probability of short-term economic benefits and those financial assets that upon initial recognition are designated at fair value through profit or loss if it results in obtaining more relevant information.

Upon initial recognition, they are measured at fair value without extending transaction costs which are directly attributable to acquisition or issue of these instruments. After initial recognition, they are measured at fair value and valuation effects are presented in the income statement under "Other profits (losses)", except for foreign exchange transactions, for which no hedge accounting is conducted and which are concluded in order to secure repayment of the loan or credit; valuation of such transaction is recognized in the income statement in the item "Financial income - foreign exchange differences" or "Financial costs - exchange differences".

Financial assets, in particular, include:

- Derivatives for which no hedge accounting is conducted - in the statement of financial position presented in current assets under "Other financial assets". Valuation of such instruments, as well as their implementation is recognized in the income statement in the item "Other profits (losses)", except for foreign exchange transactions, which were concluded in order to secure repayment of loan or credit. Valuation of such transactions is recognized in the profit and loss account in the item "Financial income - foreign exchange differences" or "Financial costs - exchange differences".

- Shares in companies other than subsidiaries and associates- held for quick resale - in the statement of financial position are presented in current assets in the item "Other financial assets". Valuation results of such financial assets and the result of their sale are included in profit and loss account in the item "Other profits (losses)".

Investments held to maturity

Investments held to maturity include financial assets which are not derivatives, but characterized by a specific or determinable payments and a fixed maturity, provided that the entity is not only going to hold them to maturity, other than those designated by the upon initial recognition at fair value through profit or loss, designated as available for sale or meet the definition of loans and receivables. Upon initial recognition, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the asset.

After initial recognition, investments held to maturity are measured at depreciated cost using the effective interest method. Effect of valuation is recognized in the profit and loss account, in the item "Other gains (losses)"

These assets are presented by the Company in the statement of financial position, divided into long-term and short-term ones, in the same positions as loans.

Loans and financial receivables

Loans and financial receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Upon initial recognition, loans and receivables are measured at fair value and subsequently valuated at amortized cost using the effective interest method, except for loans and receivables with maturities less than 12 months from the reporting date, which is recognized in the value of the payment due. Effect of valuation is recognized in the item "Other profits (losses)".

The category of loans and receivables includes:

- accounts receivable - presented as current assets in a separate item in the statement of financial position

- other financial receivables, including: employee, from sale of financial assets, dividend income, from sale of fixed assets - presented in the statement of financial position under "Other long-term assets" (with maturity over 12 months) and in the "Short-term other receivables" (with a maturity of 12 months from the reporting date).

- loans granted- presented in the statement of financial position broken down into long-term (with a maturity exceeding 12 months from the reporting date) and short-term (with a maturity up to 12 months from the reporting date), respectively in the positions: "Other long-term assets" and "Current loans granted."

Loans and financial receivables denominated in foreign currencies are valuated on the reporting date at the average rate fixed for a specific currency by the National Polish Bank on that day. Exchange rate differences on financial receivables denominated in foreign currencies arising on the valuation date and at payment are included in "Other profits (losses)". Exchange rate differences on loans are recognized in financial income or finance costs in the item "Foreign exchange differences".

Financial assets available for sale

Financial assets available for sale are financial assets that are not derivative instruments. They are designated as assets available for sale and they are not loans, receivables, investments held to maturity or financial assets at fair value through profit or loss. Upon initial recognition, financial assets available for sale are valuated at fair value plus transaction costs that are directly attributable to the acquisition or issue of the asset. After initial recognition, they are valuated at fair value, and t results of this valuation are recognized in other comprehensive income, increasing or decreasing the revaluation reserve. Write-offs due to permanent impairment and foreign exchange differences are recognized in the income statement. When the asset is derecognised from the statement of financial position, the cumulative gain or loss previously recognized in other comprehensive income are reclassified from equity to profit or loss. For financial assets available for sale that do not have a fixed maturity date and it is not possible to determine their fair value, the valuation is made at cost price.

Financial assets available for sale include, in particular, shares in entities which are not subsidiaries or associates, purchased without the intention of a quick resale. They are presented in the statement of financial position under "Other long-term assets".

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include commitments made for quick resale in a short term. They are a part of portfolio of similar financial instruments for which there is a high probability of short-term unfavorable conditions and those that upon initial recognition are designated as at fair value through profit or loss if this results in a more relevant information. Upon initial recognition, they are valuated at fair value without extending the transaction costs that are directly attributable to t acquisition or issue of these instruments. After initial recognition, they are measured at fair value and valuation effects are presented in the income statement under "Other gains (losses)", except for foreign exchange transactions, for which no hedge accounting is conducted and which were concluded in order to secure repayment of loan or credit. Valuation of such transactions is recognized in the income statement in the item "Financial income - foreign exchange differences" or "Financial costs - exchange differences".

Financial liabilities at fair value through profit or loss include in particular:

- Derivatives for which no hedge accounting is conducted. In the statement of financial position they are presented under short-term liabilities in the item "Other financial liabilities". Implementation of the derivatives is recognized in the same items of profit and loss account as their valuation.

Other financial liabilities

Other financial liabilities include financial liabilities other than liabilities at fair value through profit or loss. Upon initial recognition they are recognized at fair value and subsequently valuated at amortized cost using the effective interest rate, except for short-term financial liabilities that are recognized at the amount payable.

Other financial liabilities include, in particular:

- Credits and loans received - liabilities presented in the statement of financial position in the item "Loans and long-term loans "(with a maturity exceeding 12 months from the reporting date) and in the item " Loans and short-term loans "(with a maturity up to 12 months from the reporting date)

- Accounts payable presented in the statement of financial position, as a separate item of current liabilities,

- Other financial liabilities, including employee liabilities, liabilities due to the purchase of fixed assets - presented in the statement of financial position in the item: "Long-term other liabilities" - for liabilities with a maturity exceeding 12 months from the reporting and "short-term other liabilities" - for liabilities with a maturity up to 12 months from the reporting date.

Derivatives for which hedge accounting is conducted

They are instruments designated in accordance with the principles of hedge accounting, whose fair value or cash flow are balancing changes in fair value or cash flows of the hedged item.

An entity may apply hedge accounting if all the conditions set out in IFRS / IAS are met:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship, risk management objective and strategy for undertaking the hedge.

- it is expected that the hedge will be highly effective,

- for cash flow hedges, a forecast transaction that is the subject of the hedge is highly probable and is subject to exposure to variations in cash flows that could affect profit and losses

- effectiveness of the hedge may be reliably assessed,

- the hedge is assessed on an ongoing basis, and the effectiveness of the hedge is maintained in all reporting periods.

Derivatives, for which hedge accounting is conducted are presented in assets or liabilities - respectively for positive valuation of the instrument and negative one in the items "Other financial assets" and "Other financial liabilities".

Revaluation of the fair value of the hedging instrument refers to:

- in profit or loss - in the case of fair value hedging instruments

- in other comprehensive income - in the case of hedging future cash flows increasing or decreasing the revaluation reserve (in a part constituting effective hedge)

- in profit or loss - in the case of hedging future cash flows (in a part representing ineffective hedge) in the item "Other profits (losses)".

When securing future cash flows- if the hedged forecast transaction affects profit or loss- then profit or loss related to the securing position that were recognized directly in equity are recognized in the same period or periods in the same item of the profit and loss statement in which it is hedged.

An entity discontinues hedge accounting, in any of the following cases:

- hedging instrument expires or is sold, terminated or exercised;

- the hedge does meet criteria for hedge accounting set out in IFRS / IAS any longer,

- the entity revokes the designation.

in such cases, the cumulative profit or loss on the hedging instrument that was recognized in other comprehensive income for the period in which the hedge was effective will remain in equity in the item: "Revaluation reserve" until the planned transaction;

- realization of a planned transaction is not expected any longer. In this case, all cumulative profit or loss on the hedging instrument which were recognized in other comprehensive income during the period in which the hedge was effective are recognized in the item "Other gains (losses)".

The Company does not apply hedge accounting for net assets in its foreign entities.

Impairment

On every reporting date, the Company assesses if there are any objective evidences for the existence of impairment of a financial asset or a group of financial assets. The Company discloses the nature and the amount of any loss recognized in profit or loss, caused by the loss of this component for every significant class of financial assets.

Financial asset or a group of assets lose value, and the Company will incur a loss due to impairment only when there is objective evidence of impairment as a result of one or more events occurring after initial recognition, having impact on the expected future cash flows of a financial asset or a group of financial assets that can be reliably measured. Expected losses resulting from future events, no matter how likely, are not recognized. Impairment includes the following events observable by the holder of assets:

- significant financial difficulty of the issuer or obligor

- a breach of contract conditions with regard to payments of interest, principal repayment or renegotiation of the contract

- facilities granted the borrower by the lender which under normal conditions would not be granted;

- it becomes probable that the borrower will declare bankruptcy or will be subject to debt restructuring;

- loss of an active market for that financial asset due to financial difficulties;

- observable data indicating possible to determine decrease in future cash flows with a group of financial assets, although the decline has not resulted from impairment of individual assets in the group. These include: adverse changes in the payment status of the borrowers in the group (increased number of delayed payments) or national or local economic conditions affecting the breach of contract conditions in a group of assets (increase in unemployment, falling real estate prices).

• Investments in subsidiaries and associates

In separate financial statements, the Company recognizes investments in subsidiaries and associates at cost price less any accumulated impairment losses, recognized in current assets in "Other long-term assets".

• Inventories

Inventories are valuated at purchase price, manufacture cost or at net realizable value, depending on which is lower. At the balance sheet date, write-downs of inventories are made if there are compelling reasons for their achievement. Write-downs are recognized in other operating expenses. At the balance sheet date, inventories are stated at cost less impairment charges. The Company makes disposal of inventories by the following methods:

- materials according to the weighted average method,

- materials purchased for a specific order and goods through detailed identification of the actual prices of these components, regardless of their date of purchase or manufacture,

• Cash and cash equivalents

Cash and cash equivalents are shown at nominal value. Cash and cash equivalents denominated in foreign currencies are valuated at the balance sheet date at average exchange rate determined for a specific currency by the NBP for that day. Exchange differences are recognized in "Other profits (losses)".

- Accruals

Prepayments are made if the costs incurred relate to future reporting periods. The titles of prepayments that do not relate to normal operating cycle of the Company, and their settlement period will be for a period longer than 12 months from the balance sheet date are recognized in "Other long-term assets". Short-term prepayments are presented under "Short-term other receivables".

Passive accruals

Passive accruals are liabilities to be paid for goods or services that have been received / made, but have not been paid, invoiced or formally agreed with the supplier. Although it is sometimes necessary to estimate the amount or date of the payment, the uncertainty is less than for inventories. Passive accruals include planned costs of auditing financial statements, value of services made to the Company that have not been invoiced, and under the contract the contractor was not obliged to invoice the costs of fees for pollution, costs of the current period documented by invoice in the next period. Passive accruals recognized in the short-term liabilities in the item "Accruals".

Deferred income

Deferred income include in particular funds received to finance the acquisition or manufacture of assets, including fixed assets under construction or development works, if according to other standards, they do not increase equity. The amounts included in deferred revenue gradually increase operating income, parallel to depreciation or amortization of fixed assets and development expenses funded from these sources. Deferred income recognized in liabilities in the "Accrued" is divided into long-term and short-term ones.

- Equity

Equity includes authorized share capital, spare capital, reserve capital, revaluation reserve, net profit (loss) for the period and retained earnings from previous years.

Share capital is recognized in the amount specified in the Statutes of Association and entered in the commercial register. Capital contributions declared but not paid are recognized as outstanding share capital contributions. Shareholders may increase or decrease equity in accordance with Commercial Companies Code. If the increase occurs as a result of the raise in capital, it is recorded only at the date of registration of the amendments by the court.

Valuation of share capital in the statement of financial position based on nominal value.

Own shares are recognized in the statement of financial position at cost price as a deduction from equity.

In the event of a sale, issuance or redemption of shares, no profits and losses are not recognized within profits or losses.

- Provisions for liabilities

Provisions are liabilities whose payment date or amount is not certain.

A provision is recognized when:

a) the Company has an obligation (legal or constructive) resulting from past events,

b) it is probable that the obligation will cause an outflow of resources embodying economic benefits

c) the amount of this obligation may be reliably estimated

If these conditions are not met, provisions for liabilities are not formed.

The amount of reserves should be the best estimate of the expenditure required to settle the existing obligation at the reporting date, namely:

a) the amount which would rationally be settled by the Company in accordance with its obligation at the reporting date, or

b) the amount which would paid to a third party in return for taking over the duty on the same date.

Provisions for liabilities are measured taking into account risks and uncertainties. Where the effect of time money value change in time is significant, the amount of provision for liabilities is the present value of the expenditures that will be required to settle the obligation. The estimates of outcome and financial effect are determined by the judgment of the Company's management, based on past experience of similar transactions and reports from independent experts.

Provisions are established for the purposes as follows:

- losses expected on the contracts,

- guarantees and sureties,

- side- effects of ongoing litigation and appeals,

- Future liabilities related to restructuring.

• Provision for employee benefits

The Company pays benefits for one-off retirement and disability benefits, death benefits, according to of the Collective Labour Agreement.

In accordance with IAS 19, provisions for employee benefits are estimated using actuarial methods by an independent actuary.

Costs arising from post-employment benefits, are recognized by the company as follows:

- as a result of: current employment cost, past employment cost, net interest on liabilities from specific benefits

- in other total income: actuarial profits and losses arising from post-employment benefits.

Provisions for not used holiday leaves and outstanding bonuses are also recognized by the Company in the item "Provisions for employee benefits".

• Assets and provision for income tax

In connection with temporary differences between the book value of assets and liabilities and their tax value and tax loss deductible in the future, the company forma a provision and establishes assets of deferred income tax.

Deferred income tax is determined, taking into account the precautionary principle in the amount of expected future income tax deduction due to:

- negative temporary differences

- carryforward of unused tax losses

- carryforward of unused tax credits.

Deductible temporary differences will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of an asset or liability is recovered or settled. Deferred tax assets are recognized for all deductible temporary differences to the extent which is probable that there will be taxable profit that will allow for deduction of negative temporary differences. Deferred tax assets are measured at the amounts recoverable from the tax authorities in accordance with the tax rates that are expected to apply when the asset is realized, based on tax rates (and tax laws) that have been enacted or actually at the reporting date.

Deferred income tax is established in the amount of income tax to be paid in the future in respect of taxable temporary differences, ie differences that will increase the tax base in the future. The provision is valued according to the tax rates that are expected to apply when the reserve is released, on the basis of tax rates (and tax laws) that were enacted or substantively enacted at the reporting date.

The provision for income tax and activated income tax is created only in relation to the adjustments of a temporary nature.

Deferred tax is recognized outside profit or loss if the tax relates to items that are in the same or a different period recognized outside profit or loss. If it is applicable to items that are in the same or a different period recognized in other comprehensive income, the deferred tax is recognized in other comprehensive income. If it relates to items that are recognized directly in equity, deferred tax is recognized in equity.

• Revenues

Revenues are gross inflow of economic benefits during a specific period of time, arising from regular business activities of the entity, leading to an increase in equity other than increase in capital resulting from payments from shareholders. Revenues and expenses of the same transaction are recognized simultaneously.

Revenues are recognized at the time when it becomes probable that the Company will obtain economic benefits from the transaction and the revenue can be reliably measured. Revenues are recognized less value-added tax and possible discounts.

Revenues from sale of assets are recognized upon delivery and when significant risks and rewards of assets ownership have been transferred to the buyer.

Revenues from services (with exception for construction services contracts) are recognized when services to a third party have been accomplished.

Dividend income is recognized when the Company's right to receive the dividend are recognized in “Other revenues”.

• Government subsidies

Government subsidies, including non-cash subsidies are recognized at fair value when it is very likely that:

- the Company will meet conditions related to the subsidies,

- subsidies will be received.

The term “government” refers to government, government institutions, government agencies and similar bodies whether local, national or international. Government subsidies are systematically recognized as income over the periods to match them with the related costs which to be compensated. Subsidies do not directly increase equity. A government subsidy that becomes receivable as compensation for incurred costs, loss or allocated to the Company for the purpose of giving immediate financial support with no future related costs will be recognized as income in the period in which it becomes payable. Government subsidies which are subject to repayments are recognized as a change in estimates. It means that repayment of the subsidy is recognized first to the outstanding balance of deferred income. The remainder is recognized in costs of the current period. The standard does not resolve the issue of EU subsidies. EU subsidies are treated by the Company equally with government subsidies.

• Construction Contracts

Construction contracts include individual agreements for construction of an asset or a group of assets, remaining together in close relation or dependence due to a project, technology and features met or final use.

In particular, they include the supply of longwall systems, shaft sinking, lateral development and supply of machinery and equipment, such as conveyors, longwall shearers characterized by a high degree of adaptation to customer requirements as well as powered roof supports.

Most contracts are concluded at fixed prices and accounted using the contract completion stage method. The contract stage is calculated as a percentage quotient of costs actually incurred, documented by relevant accounting documents and estimated, total contract costs. Total revenues from the contract include an initial amount of revenue agreed in the contract and changes made during the term of the contract, claims and incentive payments.

Changes in contract revenue are taken into account if it is likely that they will be accepted by the recipient of services and that it is possible to determine their value reliably. Contract revenues are measured at fair value of the received or due payment. Total cost of the contract includes directly related to a specific contract, costs generally related with activities resulting from the contract which can be allocated to specific contracts and other costs, which under the terms of the contract may be charged to the recipient of services. Periodically, at least at the reporting date, there will be made review and update of total costs and revenues of the contract, and always, in case of significant changes in the estimates of revenues or costs of the contract. Results of changes in estimates of revenues and costs associated with the contract as well as results of changes in estimates as a result of the agreement are recognized as a change in accounting estimate. The changed estimates are used to determine the amount of revenue and expenses recognized in profit in the reporting period in which the change occurs and also in subsequent periods. Revenue at the end of the reporting period is determined in proportion to the stage of completion of the contract, after deduction of revenue which affected the financial result in previous reporting periods.

If the estimated total and final revenues and expenses relating to the performed construction contract indicate a loss, in this case for all the losses, a provision expense is recognized. Revenues from contracts are recorded in relation to the stage of completion of the contract and any differences from the evaluation are recognized as follows:

- surplus of cumulative revenues resulting from the valuation over the sum of recognized losses and receivables conditioned by execution of the contract (partial revenues invoiced) is recognized in short-term prepayments and presented in the balance sheet under "Assets under construction services."

- excess of recognized losses and receivables conditioned by execution of the contract (partial revenues invoiced) over the cumulative revenues agreed in valuation is presented in liabilities in the item - "Other liabilities".

7.2. On 1 January 1 2015 the following new and revised standards and interpretations entered into force. They did not significantly affect the financial statements:

- Amendments to IFRS 2011-2013
- IFRIC 21, "Taxes and Fees"

7.3. Published standards and interpretations that have not entered into force yet and have not been applied by the Company. They may affect the Company's financial statements

<u>IFRS 9 - "Financial Instruments"</u>

IFRS 9 replaces IAS 39. The standard is obligatory for annual periods beginning on 1 January 2018 or after that date. The standard implements one model with only two classifications of financial assets: valuated at fair value and valuated at amortized cost. Classification is made on initial recognition and depends on the entity's financial instrument business model and the contractual cash flow characteristics of these instruments.

IFRS 9 implements a new model for the setting of write-downs – a model of expected credit losses.

Most requirements of IAS 39 relating to classification and classification of financial liabilities were transferred to IFRS 9 unchanged. The key change is the requirement imposed on the entities to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other total income.

In terms of hedge accounting changes were designed to a more close matching the hedge accounting to risk management.

The Company will implement IFRS 9 after its approval by the European Union. At present the Company is unable to estimate reliably the impact of IFRS 9 on the financial statements.

At the date of drawing up these financial statements, IFRS 9 has not t been approved by the European Union.

<u>Amendments to IFRSs 2010-2012</u>

In December 2013, International Accounting Standards Council (IASC) published "Amendments to IFRSs 2010-2012", which amended 7 standards. The amendments include changes in presentation, recognition, valuation and include terminology and editorial changes. The changes are in force in the European Union for annual periods that began on 1 February 2015 or after that date.

The Company will implement these amendments starting from 1 January 2016.

At present the Company is unable to estimate reliably the impact of the application of these amendments on financial statements.

<u>Changes to IFRS 11 on the purchase of a share in a common activity</u>

This amendment to IFRS 11 requires the investor who acquires a share in a joint activity which is business (according to definition included in IFRS 3) to apply in this acquisition process rules on accounting of connected businesses in accordance with IFRS 3 and rules under other standards, unless they are they are contrary to the guidelines set out in IFRS 11.

The change applies to the European Union for annual periods beginning on 1 January 2016.

The Company will apply the change from 1 January 2016.

At the date of drawing up these financial statements, it is not possible to estimate reliably the possible impact of IFRS 11 on the financial statements.

Amendments to IAS 16 and IAS 38 on amortization

The amendment clarifies that the use of the amortization method based on revenues is not appropriate as the revenue generated in conducting where assets data are used, also reflect factors other than consumption of economic benefits from a specific asset.

The change applies to the European Union for annual periods beginning on 1 January 2016.

The Company will implement the change starting from 1 January 2016.

The Company is currently estimating a potential impact of the implementation of these changes on financial statements.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" was published by the International Accounting Standards Council (IASC) on 28 May 2014 and is binding for annual periods beginning on 1 January 2018 or after that date.

The principles set out in IFRS 15 will apply to all contracts resulting revenues. Recognizing revenues at the time of transfer of goods or services to a customer in the amount of the transaction price is the fundamental principle of this new standard. Any goods or services sold in packages that can be distinguished within the package should be recognized separately. Moreover, any discounts on transaction prices must in principle be allocated to various elements of the package. If the amount of income is variable, the amounts of variables are classified as revenues, according to the new standard, if there is a high probability that in the future, there will be no reversal of income recognition as a result of revaluation. In addition, in accordance with IFRS 15, costs incurred to acquire and secure a contract with the customer must be activated and deferred for a period of consumption of the benefits of this contract.

The Company will implement IFRS 15 from 1 January 2018.

The Company is currently estimating a potential impact of the implementation of these changes on financial statements.

As at the date of these financial statements, IFRS 15 has not been approved by the European Union yet.

Changes to IAS 27 on equity method in separate financial statements

Changes to IAS 27 enable using the equity method as one of optional methods of accounting for investments in subsidiaries, jointly controlled entities and associates in separate financial statements.

The changes apply to the European Union for annual periods beginning on or after 1 January 2016.

The Company will implement the changes starting from 1 January 2016.

The Company is currently estimating a potential impact of the implementation of these changes on financial statements.

Changes to IFRS 10 and IAS 28 on sale or contribution of assets by the investor to his associates or joint ventures

The changes are to solve the problem of current inconsistencies between IFRS 10 and IAS 28. The accounting treatment depends on whether the non-cash assets sold or contributed to an associate or joint venture are "business".

If the non- cash assets are "business", investor reveals full profit or loss on the transaction. If assets do not meet a definition of business, the investor recognizes a gain or loss excluding the portion representing the interests of other investors.

The changes were published on 11 September 2014. Implementation date of the revised IFRS 10 and IAS 28 has not been determined by International Accounting Standards Council (IASC) yet. The Company will apply from the date of application of the rules in accordance with the provisions of the International Accounting Standards Board.

As at the date of drawing up these financial statements, it is not possible to estimate reliably possible impact of IFRS 11 on the financial statements.

As at the date of these financial statements, IFRS 10 and IAS 28 have not been approved by the European Union yet.

Amendments to IFRSs 2012-2014

In September 2014, International Accounting Standards Council (IASC) published " Amendments to IFRSs 2012-2014", which amend 4 standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are applicable in the European Union for annual periods beginning on or after 1 January 2016.

The Company will implement these amendments to IFRS starting from 1 January 2016.

The Company cannot currently estimate the impact of implementing this new standard on financial statements.

Changes to IAS 1

On 18 December 2014, International Accounting Standards Council (IASC) issued an amendment to IAS 1 as part of works related to the so-called initiative on disclosure. The purpose of the published amendment is to clarify the concept of materiality and to clarify that if the entity considers that information is irrelevant, then they should not disclose it even if such disclosure is generally required by another IFRS. The revised IAS 1 clarifies that items presented in the statement of financial position and statement of result and other comprehensive income may be aggregated or disaggregated according to their significance. There were also introduced additional guidelines relating to presentation of subtotals in these reports. The changes apply in the European Union for annual periods beginning on 1 January 2016.

The Company will implement this change starting from 1 January 2016.

Implementation of changes may have impact on data presentation in the financial statements. The Company is currently estimating possible changes.

Changes to IAS 7 - Initiative on disclosure

Changes to IAS 7 are binding for annual periods beginning on 1 January 2017or after that date. Entities will be required to disclose a reconciliation of changes in liabilities arising from financing activities.

As at the date of these financial statements, IAS 7 has not been approved by the European Union yet.

The Company will implement these changes starting from 1 January 2017. They will have impact on the scope of the disclosure.

7.4. Published standards and interpretations that have not entered into force yet, have not been implemented by the Company and which will not affect the Company's financial statements

- Changes to IAS 12 concerning the recognition of assets for deferred income tax on unrealized losses
- IFRS 16 "Leases"
- Changes to IAS 19 "Employee benefits"
- IFRS 14 "Regulatory accruals"

- Changes to IAS 16 and IAS 41 on plant crops

- Changes to IFRS 10, IFRS 12 and IAS 28 on deconsolidation of investment units

8. Capital Management

The Company managed capital in order to retain the ability to continue operations, including planned investments, in the changing economic conditions.

Objectives of capital management were as follows:

- maintaining good financial standing
- maintaining healthy capital ratios
- maximizing returns for shareholders

Basic components of the managed capital in PLN thousand as at 31 December 2015

	31 Dec 2015	31 Dec 2014
Liabilities and equity	**1 144 323**	**1 843 822**
Equity, including:	**872 375**	**1 538 213**
Authorized share capital	74 333	74 333
Own shares	-2 979	-2 979
Issue of shares above nominal value	1 054 942	1 054 942
Revaluation reserve	2 022	-318
Retained earnings	-255 943	412 235
Long-term liabilities	**17 293**	**36 015**
Short-term liabilities	**254 655**	**269 594**

Management Board monitored the following capital ratios on a regular basis:

Capital ratios	31 Dec 2015	31 Dec 2014
net average debt ratio / average equity	0.10	0.06
liabilities structure ratio (funding sources)	0.76	0.83
ROE	-52.9%	6.59%
total debt ratio	0.24	0.17

As at 31 December 2015 the company had loan credits including capital ratios which had to be met.

As at 31 December 2015 the Company did not meet two banking covenants (net debt / EBITDA and current assets / current liabilities).

The KOPEX S.A. Group is working on development of new mechanisms to repair the above ratios.

9. The policy of financial risk management and hedging

The Company conducted active policy on financial risk management, which included identification, measurement, monitoring, and consequently selection of the most appropriate instruments to hedge against the risks identified. Financial risk management in the KOPEX S.A. company was supervised by Chief Financial Officer - Member of the Board.

The Company did not use financial instruments (including derivative instruments) for speculative purposes.

The Company was primarily exposed to the following risk groups:

- market risk, including price risk, interest rate risk and currency risk (especially the latter is a specific risk, since it affects directly on the valuation of assets and liabilities, as well as cash flow)

- liquidity risk,

- credit risk.

A detailed description of the individual risk groups (range of occurrence, degree of concentration, security procedures, sensitivity analysis) is contained in the rest of the financial statements.

This information allows current analysis of the Company's financial standing and enables taking appropriate actions to mitigate identified risk groups.

Price risk

Due to the investments in equity securities of insignificant value, classified as available for sale and measured at fair value through profit or loss in the financial statements, the Company was not significantly exposed to price risk related to price changes in this type of investment.

Interest rate risk

There occurred in the Company interest rate risk, mainly in connection with the use of bank loans of variable interest rates, based on the WIBOR and lending banks margin.

Revenue from interest earned on loans, changed as a result of changes in interest rates based on which they were counted. In the case of loans in the Polish currency, interest rate based on the variable WIBOR 1M + margin, while loans in foreign currencies based on the EURIBOR 1M + margin or LIBOR 1M + margin.

The Company limited that risk by using a variable WIBOR / EURIBOR for loans granted by the Company.

As at 31 December 2015, the Company had no instruments hedging the interest rate risk, used current decrease in NBP and WIBOR 1M reference rates and was monitoring decisions of the Monetary Policy Council in this regard on a regular basis.

Currency risk

The Company was exposed to foreign exchange risk primarily due to running core business, ie. sales and purchase transactions of goods and services in foreign currencies (mainly in EUR and USD).

Forward currency transactions were main financial instruments to hedge currency risk.

To reduce the currency risk, in accordance with the strategy adopted by the Management Board, the Company applied the procedure for hedging real cash flows.

In 2015 the Company adopted a new "Policy on exchange rate risk management", according to which there are made transactions of hedging exchange rate risk (in relation to the exchange rate adopted in the calculation of the offer) at the date of signing a commercial contract, and in case of contracts on sale of coal at the time of placing the order for shipping goods.

The Company applies hedge accounting (a detailed description is in the accounting policies) and natural hedging for cash flow and fair value.

Due to the current report for Q4 2015 published on 25 February 2016 and significantly impairing financial results of the Company and the Group, banks blocked the Company the possibility to open and rollover derivative transactions. In March 2016, the Company, using appropriate exchange rate levels, closed all foreign exchange transactions relating to the expected cash flows at risk of lack of influence or a significant extension of the deadline runoff.

Financial instruments

Carrying value

Classes of financial instruments	Note	Financial assets available for sale	Financial assets held to maturity	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Receivables excluded from the scope of IAS 39	Hedging instruments	Total
As at 31 Dec 2015										
Shares	12.5,12.10A	3 580	-	20	-	-	-	-	-	**3 600**
Accounts receivable (net)	12.8A	-	-	-	59 874	-	-	-	-	**59 874**
	12.4	-	-	-	-	-	-	24 094	-	**24 094**
Lease receivables	12.11	-	-	-	7 674	-	-	-	-	**7 674**
Cash and deposits	12.9	-	-	-	172 029	-	-	-	-	**172 029**
Bonds and loans granted	12.8C	-	-	-	20 333	-	-	-	-	**20 333**
Other financial receivables (net)	12.10A	-	-	3	-	-372	-	-	1 908	**1 539**
Derivative instruments	12.21	-	-	-	-	-	-33 675	-	-	**-33 675**
Accounts payables	12.16A	-	-	-	-	-	-166 527	-	-	**-166 527**
Credits and loans	12.17	-	-	-	-	-	-4 398	-	-	**-4 398**
Other financial liabilities		**3 580**	**-**	**23**	**259 910**	**-372**	**-204 600**	**24 094**	**1 908**	**84 543**
As at 31 Dec 2014										
Shares	12.5,12.10A	1 125	-	39	-	-	-	-	-	**1 164**
Accounts receivable (net)	12.8A	-	-	-	85 063	-	-	-	-	**85 063**
	12.4	-	-	-	-	-	-	50 121	-	**50 121**
Lease receivables	12.11	-	-	-	31 195	-	-	-	-	**31 195**
Cash and deposits	12.9	-	-	-	214 808	-	-	-	-	**214 808**
Bonds and loans granted	12.8C	-	-	-	5 643	-	-	-	-	**5 643**
Other financial receivables (net)	12.10A	-	-	400	-	-76	-	-	-1 205	**-881**
Derivative instruments	12.21	-	-	-	-	-	-110 938	-	-	**-110 938**
Accounts payables	12.16A	-	-	-	-	-	-82 429	-	-	**-82 429**
Credits and loans	12.17	-	-	-	-	-	-3 332	-	-	**-3 332**
		1 125	**-**	**439**	**336 709**	**-76**	**-196 699**	**50 121**	**-1 205**	**190 414**

As at 31 Dec 2015 and 31 Dec 2014, the carrying value of financial instruments approximated their fair value.

Fair value hierarchy

Financial instrument classes	Note	As at 31 December 2015		
		Fair value hierarchy		
		level 1	**level 2**	**level 3**
Shares	12.10A	20	-	-
Derivatives, including:	12.10A	-	1 539	-
Assets		-	1 964	-
Liabilities		-	-425	-

Financial instrument classes	Note	As at 31 December 2014		
		Fair value hierarchy		
		poziom 1	**level 2**	**level 3**
Shares	12.10A	39	-	-
				-
Derivatives, including:	12.10A	-	-881	-
Assets		-	1 262	-
Liabilities		-	-2 143	-

<u>Methods and assumptions used by the Company in determining fair values</u>

The following valuation levels were used for financial instruments valuated at fair value in the statement of financial position:

- level 1 - prices quoted in active markets for identical assets or liabilities.

- level 2 - inputs other than prices quoted included in level 1 that are observable for asset or liability, either directly (ie. as prices) or indirectly (ie., derived from prices)

- level 3 - inputs for valuation of asset or liability that are not based on observable market data.

Fair value of financial instruments classified as level 2 was determined using appropriate valuation techniques.

The Company is not able to determine reliably the fair value of shares held in companies not listed on active markets, classified as financial assets available for sale. The Company evaluates this group of assets at acquisition cost less accumulated impairment losses.

<u>Sensitivity analysis</u>

Assuming that fluctuation range in foreign exchange rates as at 31 December 2015 could be at the level of +/- 10%, gross profit of the Company could be lower or higher by 4 037 PLN thousand on that date (by 8 603 PLN thousand as at 31 December 2014)

Assuming that the range of fluctuations in interest rates as at 31 December 2015 could be at the level of +/- 1%, gross profit of the Company could be lower or higher by 193 PLN thousand (1 918 PLN thousand as at 31 December 2014).

		Interest rates risk		Exchange rates risk			
		plus / minus 1%		plus 10% (PLN weakening)			
	Balance value	**Profit/ loss**	**Profit/ loss**	**Changes in equity**	**Profit/ loss**	**Profit/ loss**	**Changes in equity**
FINANCIAL ASSETS							
PLN cash	733	7	-7	-	-	-	-
USD cash translated into PLN	431	4	-4	43	-	-43	-
EUR cash translated into PLN	6 466	65	-65	647	-	-647	-
Cash in other currencies translated into PLN	44	-	-	4	-	-4	-
Accounts receivable and other receivables in PLN	63 240	-	-	-	-	-	-
Leasing receivables in PLN	24 094	241	-241	-	-	-	-
Loans and interests granted in PLN	150 852	1 509	-1 509	-	-	-	-
Accounts receivable and other receivables in EUR translated into PLN	42 128	-	-	4 213	-	-4 213	-
Loans and interests granted in EUR and translated into PLN	11 033	110	-110	1 103	-	-1 103	-
Accounts receivable and other receivables in USD translated into PLN	414	-	-	41	-	-41	-
Loans and interests granted in USD and translated into PLN	10 144	101	-101	1 014	-	-1 014	-
Accounts receivable and other receivables in AUD translated into PLN	5 958	-	-	596	-	-596	-
Accounts receivable and other receivables in other currencies translated into PLN	3	-	-	-	-	-	-
Financial assets classified at fair value through profit and loss	1 961	**-**	**-**	3	193	-3	-193
Derivative instruments in hedging relationships		**2 037**	**-2 037**	**8 244**	**193**	**-8 244**	**-193**
influence on financial assets before tax		**1 650**	**-1 650**	**6 678**	**156**	**- 6 678**	**- 156**
FINANCIAL LIABILITIES							
Credit, loans and interests obtained in PLN	166 527	-1 665	1 665	-	-	-	-
Leasing liabilities in PLN	17 927	-179	179	-	-	-	-
Accounts Payable and other liabilities in PLN	25 244	-	-	-	-	-	-
Accounts Payable and other liabilites in EUR translated into PLN	41 485	-	-	-4 149	-	4 149	-
Accounts Payable and other liabilites in USD translated into PLN	144	-	-	-14	-	14	-
Accounts Payable and other liabilites in other currencies translated into PLN	16	-	-	-2	-	2	-
Financial liabilities classified at fair value through profit and loss	372	-	-	-37	-	37	-
Derivative instruments in hedging relationships	53	-	-	-5	-	5	-
influence on financial liabilities before tax		**-1 844**	**1 844**	**-4 207**	**-**	**4 207**	**-**
influence on financial liabilities after tax		**-1 494**	**1 494**	**-3 408**	**-**	**3 408**	**-**

According to the Management Board, the above sensitivity analysis is not representative for foreign exchange risk and interest rate risk due to the fact that exposure to those risks at the end of the year did not reflect the exposure during the entire year. Values of receivables, liabilities and valuation of derivative instruments undergo changes within a year.

In accordance with the adopted accounting policy, the Company conducted hedge accounting.

Sensitivity analysis as at 31 December 2014 (PLN thou)

		Interest rates risk		Exchange rates risk			
		plus / minus 1%		plus 10% (PLN weakening)		minus 10% (PLN strengthening)	
	Balance value	Profit/ loss	Profit/ loss	Profit/ loss	Changes in equity	Profit/ loss	Changes in equity
FINANCIAL ASSETS							
PLN cash	723	7	-7	-	-	-	-
USD cash translated into PLN	162	2	-2	16	-	-16	-
EUR cash translated into PLN	29 631	296	-296	2 963	-	-2 963	-
Cash in other currencies translated into PLN	679	7	-7	68	-	-68	-
Accounts receivable and other receivables in PLN	72 358	-	-	-	-	-	-
Leasing receivables in PLN	50 121	501	-501	-	-	-	-
Loans and interests granted in PLN	154 725	1 547	-1 547	-	-	-	-
Accounts receivable and other receivables in EUR translated into PLN	80 446	-	-	8 045	-	-8 045	-
Loans and interests granted in EUR and translated into PLN	52 718	527	-527	5 272	-	-5 272	-
Accounts receivable and other receivables in USD translated into PLN	6 914	-	-	691	-	-691	-
Loans and interests granted in USD and translated into PLN	7 365	74	-74	737	-	-737	-
Accounts receivable and other receivables in AUD translated into PLN	5 997	-	-	600	-	-600	-
Accounts receivable and other receivables in other currencies translated into PLN	9	-	-	1	-	-1	-
Financial assets classified at fair value through profit and loss	439	-	-	44	-	-44	-
Derivative instruments in hedging relationships	862	-	-	27	59	-27	-59
influence on financial assets before tax		**2 961**	**-2 961**	**18 464**	**59**	**-18 464**	**-59**
influence on financial assets after tax		**2 398**	**- 2 398**	**14 956**	**48**	**- 14 956**	**- 48**
FINANCIAL LIABILITIES							
Credit, loans and interests obtained in PLN	82 429	-824	824	-	-	-	-
Leasing liabilities in PLN	21 944	-219	219	-	-	-	-
Accounts Payable PLN	67 135	-	-	-	-	-	-
Accounts Payable and other liabilites in EUR translated into PLN	98 119	-	-	-9 812	-	9 812	-
Accounts Payable and other liabilites in USD translated into PLN	152	-	-	-15	-	15	-
Accounts Payable and other liabilites in other currencies translated into PLN	24	-	-	-2	-	2	-
Financial liabilities classified at fair value through profit and loss	76	-	-	-8	-	8	-
Derivative instruments in hedging relationships	2 067	-	-	-24	-183	24	183
influence on financial liabilities before tax		**-1 043**	**1 043**	**-9 861**	**-183**	**9 861**	**183**
influence on financial liabilities after tax		**-845**	**845**	**-7 987**	**-148**	**7 987**	**148**

Liquidity risk

In 2015, the Company had available multi-purpose credit limits on current account both for current payments, guarantees and letters of credit - allowing for flexible allocation of use of every product, to ensure smooth operation of the Company.

Overdraft credit lines preferred by the Company enabled easy availability of funds. Terms negotiated with the banks provided the Company ability to roll over the repayment of its loan obligations.

As at 31 December 2015, the Company had unused multipurpose bank credit lines and guarantees in total amount of PLN 656 697 thousand (293 183 PLN thousand as at 31 December 2014).

There were no overdue liabilities - the Company had full capacity to repay debt and sought to extend terms of payments and shorten maturity dates of receivables.

Accounts payable as at 31 December 2015 and as at 31 December 2014, together with their temporal structure are presented in Note 12.21. The book value of short-term accounts payable corresponds to their fair value due to their short-term nature.

In the second half of 2015, there was a significant fall in the main indicators, due to deteriorating situation in the mining market and a significant decline in expected revenue.

On 25 February 2016, it was published interim report for Q4 2015 which showed a decrease in the Company's financial results.

On 25 and 26 February 2016 the banks that support the Company blocked the availability of credit limits, guarantee and treasury transactions, lowering the limits for the amounts used on 25 February 2016.

The situation very seriously shaken the Company's ability to conduct normal business operations (lock guarantee limits) and the Company's liquidity.

Detailed information is included in Note 2.

Contractual maturities of financial liabilities

	Contractual maturities from the end of the reporting period					Total (without discount)	Carrying value
Financial liabilities							
As at 31 Dec 2015	**do 3 months**	**3 -12 months**	**1- 3 years**	**3- 5 years**	**above 5 years**		
Accounts payable	21 974	11 119	570	12	-	**33 675**	**33 675**
Credits and loans	166 527	-	-	-	-	**166 527**	**166 527**
Derivatives	-	420	5	-	-	**425**	**425**
Other financial liabilities	3 840	517	-	41	-	**4 398**	**4 398**
Total financial liabilities in individual maturity deadlines	**192 341**	**12 056**	**575**	**53**	**-**	**205 025**	**205 025**
As at 31 Dec 2014.	**do 3 months**	**3 -12 months**	**1- 3 years**	**3- 5 years**	**above 5 years**		
Accounts payable	97 846	12 416	665	4	7	**110 938**	**110 938**
Credits and loans	6 253	66 017	12 051	-	-	**84 321**	**82 429**
Derivatives	473	1 474	196	-	-	**2 143**	**2 143**
Other financial liabilities	1 935	1 243	114	40	-	**3 332**	**3 332**
Total financial liabilities in the individual divisions maturity	**106 507**	**81 150**	**13 026**	**44**	**7**	**200 734**	**198 842**

Credit risk

Credit risk understood as the inability to meet contractual obligations by the Company's creditors is related to three main areas:

- customer credit risk- relates to customers with whom products sale contracts are concluded,

- credit risk of financial institutions- relates to financial institutions with whom, or through whom, hedging transactions are concluded,

- credit risk of entities - relates to entities which are invested in or whose securities are purchased.

- credit risk associated with the loans granted.

Credit risk policy in the KOPEX S.A. company on the reliability of business partners with whom contracts on products and services sale are concluded and in particular concluding transactions with new partners, based primarily on:

- checking a specific partner in business intelligence agencies,

- obtaining valid documents showing assets and financial situation of the business partner,

- hedging of payments to KOPEX S.A. presented by a business partner in a form acceptable to the Company.

The most commonly hedging payments used in the Company include:

- in domestic trade: bank guarantees, insurance guarantees, mortgage, assignments, pledges, notes, warrants, mutual compensations,

- in foreign trade: letters of credit, confirmed letters of credit, bank guarantees, accounting within buyers credit, repayment of debts within government credits, mutual compensations,

- in leasing transactions, the Company stipulates that ownership of the leased item is transferred to the lessee from the date of payment of the last installment of the lease.

For many years the Company has applied a policy of limiting credit risk associated with repayment terms of receivables.

Receivables turnover ratio amounts to 79 days for the KOPEX S.A. Company.

Receivables from customers with whom the Company worked, were constantly monitored by finance department, in accordance with written instructions and procedures for debt collection (both judicial and non-judicial).

Note 12.8B presents status of overdue receivables from supplies and services for which no impairment was made. During the financial year, write-downs for impairment of receivables were made on an ongoing basis, in accordance with the accounting policy applicable to the Company. The Company does not make provisions for overdue receivables, the repayment of which determines the payment of liabilities to suppliers.

Credit risk policy in the Company, in terms of the credibility of financial institutions with which the Company worked, manifested in making cooperation only with banks and insurance companies with good financial standing and highly rated internationally. Credit risk related to derivatives was limited. The Company entered into agreements for derivative transactions and worked in this field exclusively with leading banks operating on international financial market of a suitable equity and strong market position.

The Company pursued a policy framework agreements with above mentioned banks, as well as a policy of limited loan concentration by using for this purpose a lot of banks, not limited to a single entity - the bank.

Interests of loans in PLN granted to subsidiaries based on WIBOR 1M plus margin. Interests of loans in EUR granted to subsidiaries based on EURIBOR 1M plus margin. Interests of loans in USD granted to subsidiaries based on LIBOR plus a margin 1R.

Loans to personally- related parties were granted in PLN and the interest rate based on WIBOR 1M plus margin. They were secured by mortgages on real estate and guarantees.

As at 31 December 2015, receivables valuated at amortized cost, in respect of a loan granted to the personally- related KOPEX -Famago Sp. o.o. company amounted to 88 548 PLN thousand (as at 31 December 2014 it was 83 092 PLN thousand). The Company performed test for loan impairment losses . As at 31 December 2015, business plan of the borrower did not have sufficient positive cash flows allowing for repayment of the loan. Therefore, the impairment losses for receivables in the amount of 39 553 PLN thousand, ie. to the amount of collateral in the values achievable in case of forced sale. The repayment of this loan are the assignments of current and future receivables, mortgages on real estate and a registered pledge on machinery and inventories. For the purpose of valuation of recoverable amount of the loan, the following assumptions were taken into account:

- value of the borrower's real estates which are loan mortgage - based on the appraisal report of forced sale value,

- other tangible fixed assets and inventories - net book value as at 31 December 2015 taking into account a 70% risk factor, reflecting conditions of forced sale.

In addition, as at 31 December 2015 the issuer had receivables from two personally -related companies in the total amount of 50 448 PLN thousand and their payment date was postponed. These loans are secured by mortgages on real estates and their total market value according to expert appraisal report exceeds value of the loans granted.

As at as at 31 December 2015, receivables from loans whose maturity was postponed, amounted to 65 045 PLN thousand for two subsidiaries based in Serbia. They were tested for impairment loss, based on 5-year cash flow projections. Test results showed the need for a write-down in the amount of 53 711 PLN thousand. Cash flow projections did not assume growth in revenues. A discount rate before tax of 11.92% on the basis of the weighted average cost of capital (WACC) was assumed in the calculation.

As at 31 December 2015 receivables from a loan granted to a subsidiary based in Indonesia amounted to 10 144 PLN thousand. The maturity date of the loan was extended due to the ongoing dispute between subsidiary and its creditors regarding the maturity date. According to the opinion of a law firm serving the Issuer, it is more likely to recover the debt, than its loss.

As at 31 December 2015, the Issuer held lease receivables from KHW S.A. (Katowice Coal Holding S.A.) amounting to PLN 9 336 PLN thousand (31 741 thousand PLN thousand as at 31 December 2014 it was). Receivables are repaid in accordance with payment schedule.

Maximum exposure to credit risk is represented by:

- net value of trade receivables, amounting to 59 874 PLN thousand (85 063 PLN thousand as at 31 December 2014.)

- value of loans granted, amounting to 172 029 PLN thousand (214 808 PLN thousand as at 31 December 2014

- lease receivables, amounting to 24 094 PLN thousand (50 121 PLN thousand as at 31 December 2014

- other receivables, amounting to 27 395 PLN thousand (12 814 PLN thousand as at 31 December 2014

Concentration of receivables as at 31 December 2015.

Trade receivables from supplies and services in 2015 amounted to 59 874 PLN thousand which accounted for approx. 44.08% of total receivables.

Entities whose obligations to the Company as at 31 December 2015 stood at the highest level were as follows:

1. Customer 1 - approx. 32.26% of total accounts receivable
2. Customer 2 - approx. 18.61% of total accounts receivable
3. Customer 3 - approx. 9.95% of total accounts receivable
4. Customer 4 - approx. 6.73% of total accounts receivable

Concentration of receivables as at 31 December 2014

Trade receivables from supplies and services for 2014. They amounted to 85 063 PLN thousand which accounted for approx. 44.23% of total receivables.

Entities whose obligations to the Company as at 31 December 2014 stood at the highest level were as follows:

1. Customer 1 - approx. 30.25% of total accounts receivable
2. Customer 2 - approx. 23.20% of total accounts receivable
3. Customer 3 - approx. 7.05% of total accounts receivable
4. Customer 4 - approx. 5.78% of total accounts receivable

10. Information on currency translation of selected financial data

• Assets and liabilities were translated at the average exchange rate of the NBP (National Bank of Poland) for EURO, as at the balance sheet date:
- as at 31 December 2015 - 4.2615
- as at 31 December 2014 - 4.2623

• Items in the Profit & Loss Statement and cash flows were translated by arithmetic average EURO exchange rates applicable at the end of each month of the reporting period
- In 2015 - 4.1848
- In 2014 - 4.1893

• Maximum currency exchange rates in the periods as follows:
- In 2015 - 4.2652
- In 2014 - 4.2623

• Minimum currency exchange rates in the periods as follows:
- In 2015 - 4.0337
- In 2014 - 4.1420

11. Estimates and subjective appraisal

11.1 Estimates

Due to the fact that a lot of information contained in the financial statements cannot be precisely measured, the Company's Management Board is required to make estimates in drawing up financial statements. Management Board members review these estimates based on changes in the factors taken into account in their calculation, new information or past experience. Therefore, the estimates made as at 31 December 2015 may change in the future. The main estimates, other than disclosed in Note 2, were described in significant accounting principles and presented in the following notes:

Note	Estimates	Type of information disclosed
12.1 12.2 12.3	Useful lives of fixed assets, intangible assets and investment property	Useful lives and depreciation method - Accepted Accounting Principles – item on Intangible assets, fixed assets and investment property
9 12.5 12.8 12.9	Impairment losses on loans and receivables	Methodology used to determine the recoverable amount - Accepted Accounting Principles - item on Impairment
12.6	Income tax	Assumption adopted for recognition of deferred tax assets and provisions - Accepted Accounting Principles - item on Assets and provision for income tax
12.19	Employee benefits	Provisions estimated by the actuary - Accepted Accounting Principles - item on Provisions for liabilities.
12.10	Fair value of derivatives	Model and assumptions underlying the fair value evaluation - Accepted Accounting Principles - item on Financial instruments.
12.22	Provisions	Provisions for liabilities whose maturity or amount is not certain - Accepted Accounting Principles – item on Provisions for liabilities
12.23	Contract for construction services	Realization stage of the contract calculated as a percentage by dividing the actual costs incurred for contract costs - Accepted Accounting Principles - Construction Contracts
13	Contingent liabilities	Possible obligation that arises from past events and whose existence will be confirmed only when it occurs and present obligation that arises from past events, but it is unlikely that there has been an outflow of resources or the amount of the obligation cannot be valuated

11.2 Subjective assessment

In case if transaction is not dealt with i any standard or interpretation, the Management Board based on its subjective assessment, develops and applies accounting policy that will ensure that financial statements will include reliable information which presents the Company's financial results its operations and cash flows in a correct and faithful manner. Subjective assessment is carried out in such a way that financial statements reflect the economic substance of transactions objectively. Financial statements have to be drawn up in accordance with the principle of prudence and they have to be complete in all material respects. Subjective assessment as at 31 December 2015 relates to provisions for claims and litigation, contingent liabilities and impairment of financial assets. Analysis of impairment of financial assets is presented on pages 32-33 and in Note 2.

12. Explanatory notes to the statements of financial position and profit and loss account

Note 12.1A **as at 31 December 2015**

TABLE OF INTANGIBLE ASSETS	costs of completed development work	concessions, patents and licenses acquired	intangible assets in progress	Total intangible assets
gross value at the beginning of period	**8 135**	**4 944**	**3 246**	**16 325**
- increases	-	-	1 341	1 341
- decreases	-	-8	-	-8
- reclassification	-	4 039	-4 039	-
gross value at the end of period	**8 135**	**8 975**	**548**	**17 658**
accumulated depreciation at the beginning of period	**2 576**	**3 676**	**-**	**6 252**
- depreciation	1 627	582	-	2 209
- sale and liquidation	-	-9	-	-9
accumulated depreciation at the end of period	**4 203**	**4 249**	**-**	**8 452**
net value of intangible assets at the beginning of the period	**5 559**	**1 268**	**3 246**	**10 073**
net value of intangible assets at the end of the period	**3 932**	**4 726**	**548**	**9 206**

Note 12.1A **as at 31 December 2014**

TABLE OF INTANGIBLE ASSETS	costs of completed development work	concessions, patents and licenses acquired	intangible assets in progress	Total intangible assets
Gross value at the beginning of period	**8 135**	**5 270**	**1 571**	**14 976**
- increases	-	-	1 736	1 736
- decreases	-	-352	-35	-387
- reclassification	-	26	-26	-
Gross value at the end of period	**8 135**	**4 944**	**3 246**	**16 325**
accumulated depreciation at the beginning of period	**949**	**3 446**	**-**	**4 395**
- depreciation	1 627	360	-	1 987
- sale and liquidation	-	-130	-	-130
accumulated depreciation at the end of period	**2 576**	**3 676**	**-**	**6 252**
net value of intangible assets at the beginning of the period	**7 186**	**1 824**	**1 571**	**10 581**
net value of intangible assets at the end of the period	**5 559**	**1 268**	**3 246**	**10 073**

Note 12.1B

INTANGIBLE ASSETS (OWNERSHIP STRUCTURE)	31 Dec 2015	31 Dec 2014
own	9 206	10 073
- including made in-house	3 932	5 559
Intangible assets, total	**9 206**	**10 073**

Note 12.1C

Items of the income statement including any amortization of intangible assets	2 015	2 014
- own sales costs	1 925	915
- overhead costs	283	1 072
Total	**2 208**	**1 987**

Intangible assets do not secure liabilities.

The Company has no intangible assets for which the legal title would be subject to restrictions.

In the reporting period and the comparative periods the Company did not incur expenditures on research and development recognized as an expense in the period profit and loss account.
The useful lives of intangible assets are determined.

There are no contractual obligations for acquisition of intangible assets in the future.

Note12.2A **as at 31 Dec 2015**

TABELA OF TANGIBLE ASSETS	Land	Buildings and constructions	technical equipment and machinery	means of transport	other tangible assets	tangible assets under construction	Total tangible assets
gross value at the beginning of period	**1 094**	**14 245**	**14 502**	**2 613**	**1 715**	**2 784**	**36 953**
- increases	-	-	-	-	-	1 114	1 114
- decreases	-	-347	-3 738	-223	-67	-3	-4 378
- reclassification	-	84	3 446	152	83	-3 765	-
gross value at the end of period	**1 094**	**13 982**	**14 210**	**2 542**	**1 731**	**130**	**33 689**
accumulated depreciation at the beginning of period	**133**	**3 197**	**6 892**	**1 467**	**1 671**	**-**	**13 360**
- depreciation	67	448	2 038	352	90	-	2 995
- sale and liquidation	-	-46	-2 268	-111	-67	-	-2 492
accumulated depreciation at the end of period	**200**	**3 599**	**6 662**	**1 708**	**1 694**	-	**13 863**
net value of tangible assets at the beginning of the period	**961**	**11 048**	**7 610**	**1 146**	**44**	**2 784**	**23 593**
net value of tangible assets at the end of the period	**894**	**10 383**	**7 548**	**834**	**37**	**130**	**19 826**

Note 12.2A **as at 31 Dec 2014**

TABELA OF TANGIBLE ASSETS	Land	Buildings and constructions	technical equipment and machinery	means of transport	other tangible assets	tangible assets under construction	Total tangible assets
gross value at the beginning of period	**369**	**15 748**	**18 015**	**2 559**	**1 788**	**4 419**	**42 898**
- increases	-	-	-	-	-	5 704	5 704
- decreases	-36	-2 332	-8 591	-568	-155	33	-11 649
- reclassification	761	829	5 078	622	82	-7 372	-
gross value at the end of period	**1 094**	**14 245**	**14 502**	**2 613**	**1 715**	**2 784**	**36 953**
accumulated depreciation at the beginning of period	**102**	**3 020**	**6 779**	**1 290**	**1 707**	**-**	**12 898**
- depreciation	67	445	1 317	408	85	-	2 322
- sale and liquidation	-36	-	-248	-125	-121	-	-530
accumulated depreciation at the end of period	-	-268	-956	-106	-	-	-1 330
net value of tangible assets at the beginning of the period	**133**	**3 197**	**6 892**	**1 467**	**1 671**	-	**13 360**
net value of tangible assets at the end of the period	**267**	**12 728**	**11 236**	**1 269**	**81**	**4 419**	**30 000**
gross value at the beginning of period	**961**	**11 048**	**7 610**	**1 146**	**44**	**2 784**	**23 593**

Note 12.2B

BALANCE TANGIBLE ASSETS (OWNERSHIP STRUCTURE)	31 Dec 2015	31 Dec 2014
own	8 682	12 088
used under finance lease agreement	11 144	11 505
Balance tangible assets, total	**19 826**	**23 593**

Note 12.2C

NON- BALANCE TANGIBLE ASSETS	31 Dec 2015	31 Dec 2014
used under rental, lease or other agreement, including leasing	145	143
Non-balance tangible assets, total	**145**	**143**

Fixed assets are not mortgaged or pledged.

There are no restrictions to the Company's legal titles to tangible fixed assets.

The Company has no contractual commitments to acquire tangible fixed assets.

The amount of compensation from third parties for tangible fixed assets that were lost or impaired amounted to 78 PLN thousand and was recognized

in the profit and loss statement - Note 12.25 "Other income - Compensation, penalties and legal costs"

Note 12.3A **as at 31 Dec 2015**

CHANGES IN INVESTMENT REAL ESTATES

	land (including perpetual usufruct)	buildings, and civil engineering premises	investment real estates, Total
gross value of investment property at the beginning of the period	**2 659**	**5 130**	**7 789**
- decrease	-1 876	-5 130	-7 006
gross value of investment properties at the end of the period	**783**	**-**	**783**
accumulated depreciation at beginning of the period	**201**	**528**	**729**
- amortisation	65	169	234
- sale	-266	-697	-963
accumulated depreciation at the end of the period	**-**	**-**	**-**
write-downs for impairment at the beginning of the period	**1 137**	**-**	**1 137**
- reversal of losses recognized during the period	-402	-	-402
write-downs for impairment at the end of the period	**735**	**-**	**735**
net value of investment properties at the beginning of the period	**1 321**	**4 602**	**5 923**
net value of investment properties at the end of the period	**48**	**-**	**48**

Note 12.3A **as at 31 December 2014**

CHANGES IN INVESTMENT REAL ESTATES

	land (including perpetual usufruct)	buildings, and civil engineering premises	investment real estates, Total
gross value of investment property at the beginning of the period	**2 659**	**5 135**	**7 794**
- decrease	-	-5	-5
gross value of investment properties at the end of the period	**2 659**	**5 130**	**7 789**
accumulated depreciation at beginning of the period	**136**	**360**	**496**
- amortisation	65	168	233
accumulated depreciation at the end of the period	**201**	**528**	**729**
write-downs for impairment at the beginning of the period	**1 137**	**-**	**1 137**
- losses recognized during the period	-	-	-
write-downs for impairment at the end of the period	**1 137**	**-**	**1 137**
net value of investment properties at the beginning of the period	**1 386**	**4 775**	**6 161**
net value of investment properties at the beginning of the period	**1 321**	**4 602**	**5 923**

Note 12.3B

REVENUES AND COSTS RELATED TO INVESTMENT REAL ESTATES	**31 Dec 2015**	**31 Dec 2014**
Revenues from rents of real estates	911	911
Direct operating expenses under income from rents of real estates	203	204

Investment real estates are not mortgaged.

There are no restrictions with regard to realization of benefits from investment real estate or transfer of revenue and profit from investment real estate.

There are no contractual obligations to purchasing, constructing, adopting investment real estates. There are also no obligations with regard to repairs, maintenance and improvement (upgrade) of investment real estates.

The fair value of investment al estates is close to their book value.

Note 12.4A

LEASING RECEIVABLES	**31 Dec 2015**	**31 Dec 2014**
Minimum leasing fees, including:	**31 959**	**56 734**
- up to 1 year	17 060	33 266
- up to 5 years	14 899	23 468
unrealized financial income, including:	**5 035**	**6 273**
- up to 1 year	3 422	4 123
- up to 5 years	1 613	2 150
present value of the minimum fees due to financial leasing, including:	**26 924**	**50 461**
- up to 1 year	13 638	29 143
- up to 5 years	13 286	21 318
rezerwa na nieodzyskiwalne opłaty leasingowe (odpisy aktualizujące)	**2 830**	**340**

leasing receivables in the statement of financial position, including:	**24 094**	**50 121**
- long-term	11 159	21 318
- short-term	12 935	28 803

Note 12.4B

CHANGE IN WRITE DOWNS ON LEASING RECEIVABLES	**31 Dec 2015**	**31 Dec 2014**
Balance at the beginning of the period	340	341
Increases	2 507	-
Decreases	-11	-1
Utilization	-6	-
Write downs on leasing receivables at end of the period	**2 830**	**340**

Lease receivables for which the current value of minimum lease fees as at 31 December 2015 amounted to 9 336 PLN thousand (as at 31 December 2014 it amounted to 31 741 PLN thousand) make security for deliberate loan.
Total amount of unguaranteed residual values amount to 3 347 PLN thousand (as at 31 December 2014 it amounted to 3 584 PLN thousand).
In the reporting and comparative periods there were no conditional leasing fees recognized as income.

General provisions of the lease agreement, for which the current value of minimum lease fees amounted to 9 336 PLN thousand at 31 December 2015, are as follows:

- the agreement is concluded for a period of four years
- transfer of ownership to the lessee is effected after payment of the last installment
- variable interest rate is based on the WIBOR 1M rate
- PLN is currency of the agreement
- insurance cost of the leased asset is borne by the lessee

-depreciations are made by the lessee

Note 12.5A

OTHER LONG-TERM ASSETS	**31 Dec 2015**	**31 Dec 2014**
Long-term financial assets available for sale	3 580	1 125
Long-term other receivables	10 002	-
Long-term loans granted	107 180	110 051
Shares in subsidiaries	764 466	1 332 486
Shares in associates	10 701	13 706
Total	**895 929**	**1 457 368**

Detailed information on the loans is included in Note 12.9.

Shares in entities which are not subsidiaries or associates, purchased without the intention of a quick resale are in particular included in the financial assets available for sale by the Entity.

As at 31 December 2015 and 31 December 2014, the Company held shares in companies for which there are no active markets. The value of the shares values in these companies were valued at cost.

Liabilities arising from bank loans amounting to 623 392 PLN thou are secured on the shares in KOPEX Machinery SA, KOPEX SA's subsidiary.

Liabilities arising from bank loans amounting to 150 000 PLN thou are secured on the shares in KOPEX PBSz SA, KOPEX SA's subsidiary.

Liabilities arising from bank loans amounting to 150 000 PLN thou are secured on the shares in Hansen Sicherheitstechnik AG, KOPEX SA's subsidiary.

Note 12.5B **as at 31 December 2015**

SHAREHOLDING IN SUBSIDIARIES

Name of the company	headquarters	shareholding percentage in authorized share capital	shareholding percentage in the total number of votes at general meeting	Shares balance sheet value
KOPEX - PRZEDSIĘBIORSTWO BUDOWY SZYBÓW S.A.	BYTOM	94,99%	94,99%	12 242
KOPEX CONSTRUCTION Sp. z o.o.	KATOWICE	100,00%	100,00%	4 632
KOPEX MACHINERY S.A.	ZABRZE	100,00%	100,00%	524 964
KOPEX MIN	SERBIA	100,00%	100,00%	-
KOPEX MIN-LIV	SERBIA	95,99%	95,99%	2 579
HANSEN SICHERHEITSTECHNIK AG	NIEMCY	100,00%	100,00%	156 300
KOPEX EKO Sp. z o.o.	TYCHY	100,00%	100,00%	-
PT. KOPEX MINING CONTRACTORS	INDONESIA	60,00%	60,00%	261
KOPEX-EX-COAL Sp. z o.o.	PRZECISZÓW	100,00%	100,00%	5 000
ŚLĄSKIE TOWARZYSTWO WIERTNICZE DALBIS Sp. z o.o.	TARNOWSKIE GÓRY	100,00%	100,00%	29 851
ELGÓR+HANSEN Sp. z o.o.	CHORZÓW	13,20%	13,20%	28 637
	Total			**764 466**

NotE12.5B **as at 31 December 2014**

SHAREHOLDING IN SUBSIDIARIES

Name of the company	headquarters	shareholding percentage in authorized share capital	shareholding in the total number of votes at general meeting	Shares balance sheet value
KOPEX - PRZEDSIĘBIORSTWO BUDOWY SZYBÓW S.A.	BYTOM	94,99%	94,99%	12 241
KOPEX CONSTRUCTION Sp. z o.o.	KATOWICE	100,00%	100,00%	4 632
KOPEX MACHINERY S.A.	ZABRZE	100,00%	100,00%	1 107 024
KOPEX MIN	SERBIA	93,48%	93,48%	-
KOPEX MIN-LIV	SERBIA	89,74%	89,74%	2 542
HANSEN SICHERHEITSTECHNIK AG	NIEMCY	100,00%	100,00%	155 923
KOPEX EKO Sp. z o.o.	TYCHY	100,00%	100,00%	15 012
PT. KOPEX MINING CONTRACTORS	INDONESIA	60,00%	60,00%	261
KOPEX-EX-COAL Sp. z o.o.	PRZECISZÓW	100,00%	100,00%	5 000
ŚLĄSKIE TOWARZYSTWO WIERTNICZE DALBIS Sp. z o.o.	TARNOWSKIE GÓRY	100,00%	100,00%	29 851
	Total			**1 332 486**

Note 12.5C

WRITE-DOWNS OF SHAREHOLDING VALUE IN SUBSIDIARIES	**31 Dec 2015**	**31 Dec 2014**
Balance at beginning of the period	8 778	88
Increase of write-downs	597 132	8 690
Utilization of write-downs	88	-
Balance at end of the period	**605 822**	**8 778**

Note12.5D **as at 31 December 2015**

SHAREHOLDING IN ASSOCIATED COMPANIES

Name of the company	headquarters	shareholding percentage in authorized share capital	shareholding percentage in the total number of votes at general meeting	Shares balance sheet value
SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING CO. LTD	CHINA	50,00%	50,00%	7 568
TIEFENBACH POLSKA Sp. z o.o.	RADZIONKÓW	49,00%	49,00%	3 132
ANHUI LONG-PO	CHINA	20,00%	20,00%	1
	Total			**10 701**

Note 12.5D **as at 31 December 2014**

SHAREHOLDING IN ASSOCIATED COMPANIES

Name of the company	headquarters	shareholding percentage in authorized share capital	shareholding percentage in the total number of votes at general meeting	Shares balance sheet value
WS BAILDONIT Sp. z o.o.	KATOWICE	29,41%	29,41%	3 005
SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING CO. LTD	CHINA	50,00%	50,00%	7 568
TIEFENBACH POLSKA Sp. z o.o.	RADZIONKÓW	49,00%	49,00%	3 132
ANHUI LONG-PO	CHINA	20,00%	20,00%	1
	Total			**13 706**

Note 12.6A

DEFERRED INCOME TAX	31 Dec 2015	31 Dec 2014
To the tax authority in Poland		
Deferred income tax assets at the beginning of the period	14 070	12 331
Deferred income tax reserves at the beginning of the period	5 333	6 418
Surplus of deferred income tax assets at the beginning of the period	**8 737**	**5 913**
Changes during the reporting period:		
Recognized in the profit and loss account	6 263	1 370
Recognized in the profit and loss account - discontinued operations	-	-
Recognized in other comprehensive income	-519	1 454
Surplus of deferred income tax assets at the end of the period, including:	**14 481**	**8 737**
Deferred income tax assets at the end of the period	17 877	14 070
Deferred income tax reserves at the end of the period	3 396	5 333
To the tax authority in the Czech Republic, France and Turkey		
Deferred income tax assets at the beginning of the period	792	166
Deferred income tax reserves at the beginning of the period	3 489	2 484
Surplus of deferred tax reserve at the beginning of the period	**2 697**	**2 318**
Changes during the reporting period:		
Foreign currency translation differences	-101	27
Recognized in the profit and loss account	-1 939	352
Surplus of deferred tax reserve at the end of the period, including:	**657**	**2 697**
Deferred income tax assets at the end of the period	294	792
Deferred income tax reserves at the end of the period	951	3 489
Total surplus of deferred tax assets at the end of the period	14 481	8 737
Total surplus of deferred tax reserve at the end of the period	657	2 697

As at 31 December 2015, deferred income tax assets to the Polish tax authority in the amount of 8 069 PLN thousand and was due for realization within a 12-month period, in the amount of 7 072 PLN thousand was due for realization within more than 12 months, (as at 31 December 2014, the amount of 7 571 PLN thousand was due for realization within a 12-month period, in the amount of 6 499 PLN thousand was due for realization within more than 12 months).

Deferred income tax on 31 December 2015 and 31 December 2014 was due for realization within a 12-month period,.

As at 31 December 2015 and 31 December 2014, deferred income tax assets and reserve to the tax authorities was due for realization within a 12-month period.

Note 12.6B **as at 31 December 2015**

Asset AND RESERVE FOR DEFERRED INCOME TAX

Deferred income tax asset	As at 01 Jan 2015	Recognition / Burden (-) net profit due to a change in temporary differences and tax loss	Increase / Decrease (-) in other comprehensive income due to change in temporary differences	As at 31 Dec 2015
Depreciation differences	4 506	243	-	**4 749**
Accruals and reserves	3 380	-240	29	**3 169**
Unpaid liabilities	2 411	-210	-	**2 201**
Asset write downs	1 993	3 238	-	**5 231**
Minus (-) timing differences on foreign affiliates	1 033	-738	-	**295**
Currency translation differences	725	-402	-	**323**
Revaluation of assets and liabilities	513	131	-346	**298**
Tax losses	397	1 355	-	**1 752**
Other	145	8	-	**153**
Total	**15 103**	**3 385**	**-317**	**18 171**
Currency translation differences from conversion of deferred income tax asset	-241	241	-	-
Total deferred income tax	**14 862**	**3 626**	**-317**	**18 171**

Deferred income tax reserve	As at 01 Jan 2015	Recognition / Burden (-) net profit due to a change in temporary differences and tax loss	Increase / Decrease (-) in other comprehensive income due to change in temporary differences	As at 31 Dec 2015
Plus (+) timing differences on foreign affiliates	3 663	-2 711	-	**952**
Interest	2 945	-1 116	-	**1 829**
Currency translation differences	1 144	-456	-	**688**
Surplus revenues resulting from the valuation over the sum of recognized losses and receivables conditioned by execution of contracts	733	-251	-	**482**
Revaluation of assets and liabilities	400	-317	202	**285**
Other	84	34	-	**118**
Total	**8 969**	**-4 817**	**202**	**4 354**
Currency translation differences from conversion of deferred income tax asset	-147	140	-	-7
Total deferred income tax	**8 822**	**-4 677**	**202**	**4 347**

Nota 12.6B **as at 31 Dec 2014**

Asset AND RESERVE FOR DEFERRED INCOME TAX

Deferred income tax asset	As at 01 Jan 2014	Recognition / Burden (-) net profit due to a change in temporary differences and tax loss	Increase / Burden (-) in other comprehensive income due to change in temporary differences	As at 31 Dec 2014
Depreciation differences	1 093	3 413	-	**4 506**
Accruals and reserves	3 200	17	163	**3 380**
Unpaid liabilities	4 331	-1 920	-	**2 411**
Asset write downs	362	1 631	-	**1 993**
Minus (-) timing differences on foreign affiliates	405	628	-	**1 033**
Currency translation differences	851	-126	-	**725**
Revaluation of assets and liabilities	98	68	347	**513**
Tax losses	2 184	-1 787	-	**397**
Other	212	-67	-	**145**
Total	**12 736**	**1 857**	**510**	**15 103**
Currency translation differences from conversion of deferred income tax asset	-239	-2	-	-241
Total deferred income tax	**12 497**	**1 855**	**510**	**14 862**

Deferred income tax reserve	As at 01 Jan 2014	Recognition / Burden (-) net profit due to a change in temporary differences and tax loss	Increase / Decrease (-) in other comprehensive income due to change in temporary differences	As at 31 Dec 2014
Plus (+) timing differences on foreign affiliates	2 683	980	-	**3 663**
Interest	2 000	945	-	**2 945**
Currency translation differences	613	531	-	**1 144**
Surplus revenues resulting from the valuation over the sum of recognized losses and receivables conditioned by execution of contracts	1 954	-1 221	-	**733**
Revaluation of assets and liabilities	1 677	-333	-944	**400**
Other	147	-63	-	**84**
Total	**9 074**	**839**	**-944**	**8 969**
Currency translation differences from conversion of deferred income tax asset	-172	25	-	-147
Total deferred income tax	**8 902**	**864**	**-944**	**8 822**

Note 12.7A

INVENTORIES	31 Dec 2015	31 Dec 2014
materials	74	111
semi-finished products and work in progress	406	268
goods	112	2 812
Inventories, total	**592**	**3 191**
write-downs of inventories	1 710	1 710
Gross inventories, total	**2 302**	**4 901**

Inventories are not pledged.

Note 12.7B

CHANGE IN WRITE-DOWNS OF INVENTORIES	31 Dec 2015	31 Dec 2014
Balance at beginning of the period	1 710	1 710
Balance at end of the period	**1 710**	**1 710**

Note 12.8A

SHORT-TERM ACCOUNTS RECEIVABLE	31 Dec 2015	31 Dec 2014
with a maturity up to 12 months	52 219	79 687
with a maturity of over 12 months	7 655	5 376
Net short-term accounts receivable, total	**59 874**	**85 063**
write-downs	14 778	15 762
Gross short-term accounts receivable, total	**74 652**	**100 825**

Note 12.8B

OVERDUE ACCOUNTS RECEIVABLE, NOT COVERED BY IMPAIRMENT WRITE- DOWNS, DIVIDED INTO RECEIVABLES OUTSTANDING IN THE FOLLOWING PERIODS:	31 Dec 2015	31 Dec 2014
up to 1 month	3 207	650
over 1 month up to 3 months	2 454	5 783
over 3 months up to 6 months	77	496
over 6 months up to 1 year	1	1 526
over 1 year	1 804	12 561
Overdue accounts receivable, total	**7 543**	**21 016**

Note 12.8C

OTHER RECEIVABLES	31 Dec 2015	31 Dec 2014
Finance receivables:		
from investing activities	13 878	7
from financing activities	5 866	5 043
deposits	589	593
Total finance receivables, including:	**20 333**	**5 643**

long-term	10 002	-
short-term	10 331	5 643
Non-financial receivables:		
advances for deliveries	18 072	26 041
tax, subsidies, customs, social and health care securities as well as other benefits	5 120	16 973
receivables from liquidators of liquidated subsidiaries	6 959	6 959
prepayments	1 279	1 306
other	103	212
Total non-financial receivables, including:	**31 533**	**51 491**
long-term	-	-
short-term	31 533	51 491
Total other net receivables	**51 866**	**57 134**
write-downs	7 684	7 765
Total other gross receivables	**59 550**	**64 899**

Note 12.8D

CHANGE IN WRITE-DOWNS ON SHORT-TERM ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES	**31 Dec 2015**	**31 Dec 2014**
Balance at the beginning of the period	23 527	21 235
increase	2 741	2 960
decrease	-69	-668
utilization	-3 737	-
Write-downs of receivables at the end of the period	**22 462**	**23 527**

Note 12.9

LOANS GRANTED	**31 Dec 2015**	**31 Dec 2014**
long-term	107 180	110 051
short-term	64 849	104 757
Total net loans granted	**172 029**	**214 808**
write-downs	84 144	-
Total gross loans granted	**256 173**	**214 808**

Note 12.10

OTHER FINANCIAL ASSETS AND LIABILITIES	**31 Dec 2015**	**31 Dec 2014**
1) Financial assets - derivative financial instruments	**1 964**	**1 262**
a) hedging cash flows for which hedge accounting is conducted, including:	1 961	862
- with a maturity up to 12 months	1 961	736
- with a maturity over 12 months	-	126

b) cash flow hedging for which no hedge accounting is conducted with a maturity of up to 12 months	3	400
2) Financial assets at fair value through profit or loss	**20**	**39**
3) Financial liabilities - derivative financial instruments	**425**	**2 143**
a) cash flow hedging for which hedge accounting is conducted, including:	53	2 067
- with a maturity up to 12 months	53	1 871
- with a maturity over 12 months	-	196
b) cash flow hedging for which no hedge accounting is conducted, including:	372	76
- with a maturity up to 12 months	367	76
- with a maturity over 12 months	5	-
Derivative financial instruments, total	**1 559**	**-842**

Additional information on derivative instruments is provided in Note 9, item "Currency risk".
Shares of joint stock companies listed on the Warsaw Stock Exchange were included by the Company in the item of short-term financial assets at fair value through profit or loss.

Note 12.10B

RESULT ON CASH FLOW HEDGING DERIVATIVES RECOGNIZED DIRECTLY IN EQUITY

	31 Dec 2015	31 Dec 2014
cumulative result on financial instruments for cash flow hedging at the beginning of the period	**-393**	**6 402**
amount recognized in equity during the reporting period due to concluded effective hedging transactions	3 219	-5 594
realized hedging transactions held in equity until the planned (hedged) transactions	141	3 173
amount transferred from equity to the income statement in the reporting period, including:	471	4 374
- open transactions	-607	652
- closed transactions	1 078	3 722
Result on financial instruments for cash flow hedging accumulated in equity at the end of the year	**2 496**	**-393**

Note 12.10C

RESULT ON FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	31 Dec 2015	31 Dec 2014
realized derivatives	852	1 852
valuation of outstanding derivatives	-692	-2 029
valuation of listed shares	-20	-53
Total	**140**	**-230**

Note 12.11

STRUCTURE OF CASH	31 Dec 2015	31 Dec 2014
cash in banks	7 478	31 016
cash tills	196	179
Total cash	**7 674**	**31 195**

Note 12.12

AUTHORIZED SHARE CAPITAL (STRUCTURE)	31 Dec 2015	31 Dec 2014
- type of shares	bearer shares	bearer shares
- type of preferences	non-preference shares	non-preference shares
- issuance of series "A" shares (date of registration)	03 Jan 1994	03 Jan 1994
- date of setting the right to dividend	03 Jan 1994	03 Jan 1994
- number of shares	**1 989 270**	**1 989 270**
- nominal value of one share	**10 PLN**	**10 PLN**
- split date	01.08.2006	01.08.2006
- number of shares	**19 892 700**	**19 892 700**
- nominal value of one share	**1 PLN**	**1 PLN**
- issuance of series "B" shares (date of registration)	10.08.2007	10.08.2007
- date of setting the right to dividend	10.08.2007	10.08.2007
- number of shares	**47 739 838**	**47 739 838**
- nominal value of one share	**1 PLN**	**1 PLN**
- issuance of series "C" shares (date of registration)	01.12.2009	01.12.2009
- date of setting the right to dividend	01.12.2009	01.12.2009
- number of shares	**6 700 000**	**6 700 000**
- nominal value of one share	**1 PLN**	**1 PLN**
Total number of shares	**74 332 538**	**74 332 538**
- nominal value of one share	**1 PLN**	**1 PLN**
Authorized share capital, total	**74 333**	**74 333**

The Management Board of KOPEX SA acting pursuant to the authorization granted by Resolution No. 1 of the Extraordinary General Meeting of Shareholders of KOPEX SA dated 11 December 2008 on the approval and determination of conditions for acquisition of own shares by the Company and the authorization granted to the Management Board by Resolution No. 2 of the Extraordinary General Meeting of KOPEX SA dated 11 December 2008 to acquire own shares pursuant to Art. 362 Par. 1 Item 8) of the Commercial Companies Code, proceeded to accomplishing the Programme of acquisition (repurchase) of own shares of KOPEX SA.

Between 15 December 2008 (the date of commencement the Programme) and 5 February 2009, there were acquired 276,500 own shares of KOPEX SA in total, at average price of 10.75 PLN per 1 share.

Own shares in the amount of 2,979 PLN thousand acquired by the Issuer constitute 0.4008% of the authorized share capital of KOPEX SA. These shares do not have voting rights and therefore profit per 1 share authorized to vote is shown in the Financial Statements.

Subsidiaries and affiliates are not in possession of shares of KOPEX SA.

Note 12.13

ISSUE OF SHARES OVER NOMINAL VALUE	31 Dec 2015	31 Dec 2014
issue of series B shares	907 178	907 178
issue of series C shares	147 764	147 764
Total	**1 054 942**	**1 054 942**

Note 12.14

REVALUATION RESERVE	31 Dec 2015	31 Dec 2014
cash flow hedging	2 496	-393
deferred cash flow hedging tax	-474	75
Revaluation reserve, total	**2 022**	**-318**

Note 12.15

RETAINED EARNINGS	31 Dec 2015	31 Dec 2014
spare capital, obtained by profit distribution	364 581	296 764
reserves	17 021	17 021
profit / (loss) for the current period	-637 612	98 383
other	67	67
Retained earnings, total	**-255 943**	**412 235**

Note 12.16

CREDITS AND LOANS	31 Dec 2015	31 Dec 2014
overdrafts	135 325	28 818
purpose loans	11 202	33 609
revolving loan	20 000	20 000
loans	-	2
Total credits and loans, including:	**166 527**	**82 429**
long-term	-	11 203
short-term	166 527	71 226

Note 12.16B **as at 31Dec 2015**

CREDITS AND LOANS

Name of the lender's / creditor's	headquarters	Amount of credit / loan according to agreement		Amount of credit / loan to be repaid: Long-term part	Amount of credit / loan to be repaid: short-term part	Interest rate conditions	* Maturity date	Hedging
		PLN thou	credit/ loan currency	PLN thou	PLN thou			
PKO BP S.A.	Warszawa	179 000	PLN	-	86 352	WIBOR 1M + MARŻA	29 July 2016	joint mortgage on the subsidiaries' real estates, registered pledge on the shares, registered pledge on the subsidiaries' inventories, transfer of contracts, power of attorney to bank accounts
		20 000		-	20 000			
PKO BP S.A.	Katowice	110 235	PLN	-	11 203	WIBOR 1M + MARŻA	09 June 2016	transfer of receivables from contracts, surety, promissory note
ING BSK S.A.	Katowice	39 900	PLN	-	39 135	WIBOR 1M + MARŻA	20 Aug 2016	mortgage on real property, registered pledge on machinery of subsidiaries, power of attorney to bank accounts, transfer of contract
PEKAO S.A.	Katowice	30 000	PLN	-	1 658	WIBOR 1M + MARŻA	23 Feb 2018	registered pledge of the subsidiaries' shares, power of attorney to bank accounts
HSBC S.A.	Katowice	10 000	PLN	-	8 179	WIBOR 1M + MARŻA	15 Feb 2018	registered and financial pledges of the subsidiaries' shares, power of attorney to bank accounts
RAZEM		**389 135**		**-**	**166 527**			

* Original maturity date resulting from the loan agreements. As at 31 Dec.2015 there was a breach of covenants. For details, see Note 2

Note 12.16B **as at 31Dec 2014**

CREDITS AND LOANS

Name of the lender's / creditor's	headquarters	Amount of credit / loan according to agreement		Amount of credit / loan to be repaid: Long-term part	Amount of credit / loan to be repaid: short-term part	Interest rate conditions	Maturity date	Hedging
		PLN thou	credit/ loan currency	PLN thou	PLN thou			
PKO BP S.A.	Warszawa	179 000	PLN	-	582	WIBOR 1M + MARŻA	31 July 2015	joint mortgage on the subsidiaries' real estates, registered pledge on the shares, registered pledge on the subsidiaries' inventories, assignment of contracts, power of attorney to bank accounts
		20 000		-	20 000			
PKO BP S.A.	Katowice	110 235	PLN	11 203	22 406	WIBOR 1M + MARŻA	09 June2016	transfer of receivables from contracts, surety, promissory note
ING BSK S.A.	Katowice	42 000	PLN	-	27 513	WIBOR 1M + MARŻA	20 Aug 2015	mortgage on real property, registered pledge on machinery of subsidiaries, power of attorney to bank accounts, transfer of a contract
RAIFFEISEN BANK POLSKA S.A.	Katowice	6 000	EUR	-	723	WIBOR 1M + MARŻA	26 Feb 2016	power of attorney to bank account, transfer of a contract
ELGÓR-HANSEN S.A.	Chorzów	-		-	2		25 Jan 2015	interest on the unpaid loan
RAZEM		**357 235**		**11 203**	**71 226**			

Note 12.17

OTHER LIABILITIES	31 Dec 2015	31 Dec 2014
advances received for deliveries	25 713	48 673
excess of recognized losses and receivables conditioned on the execution of the contract agreed over cumulative revenues valuation	1 438	-
from investing activities	978	918
from tax, customs, insurance and other benefits	1 665	2 487
from remuneration	780	787
liabilities of foreign branches	2 150	1 128
other	490	499
Other liabilities, including:	**33 214**	**54 492**
-long term	41	154
-short term	33 173	54 338

Note 12.18

LEASING LIABILITIES	31 Dec 2015	31 Dec 2014
minimum leasing fees, including:	**19 447**	**24 169**
-up to 1 year	4 978	4 850
- up to 5 years	14 469	19 319
future financial burdens, including:	**1 520**	**2 225**
-up to 1 year	619	780
- up to 5 years	901	1 445
present value of the minimum fees of financial leasing, including:	**17 927**	**21 944**
-up to 1 year	4 359	4 070
- up to 5 years	13 568	17 874
lease liabilities in the statement of financial position, including:	**17 927**	**21 944**
-long term	13 568	17 874
-short term	4 359	4 070

General provisions of a lease agreement:

- an agreement concluded for a period of 5 years
- the right to buy the leased object at the end of the lease term for a fixed amount of 1% of the value of the leased asset,
- variable interest rate based on WIBOR 1M rate
- agreement currency: PLN,
- insurance costs of the leased asset borne by the lessee,
- Depreciation made by the lessee.

Note 12.19A

RESERVE FOR EMPLOYEE BENEFITS	31.12.2015	31.12.2014
due to retirement, disability and death benefits	1 801	1 501
for unused vacation	933	775
related to unpaid bonuses	373	330
Total revision for employee benefits, including:	**3 107**	**2 606**
long-term	1 490	1 393
short-term	1 617	1 213

Note 12.19B

RECONCILIATION OF BALANCE LIABILITIES OF DEFINED BENEFIT	31.12.2015	31.12.2014
The commitment of the defined benefit at beginning of period	1 501	556
Current service cost	124	104
interest expense	41	27
(Gains) and losses recognized in other comprehensive income	157	858
benefits paid	-22	-44
The commitment of the defined benefit at the end of the accounting period	**1 801**	**1 501**

Note 12.19C

VALUATION OF LIABILITIES OF DEFINED BENEFIT RECOGNIZED IN PROFIT AND LOSS	2 015	2 014
current employment cost	-124	-104
interest expense	-41	-27
impact on the income statement	**-165**	**-131**

Note 12.19D

VALUATION OF LIABILITIES OF DEFINED BENEFIT RECOGNIZED IN OTHER TOTAL REVENUES	31.12.2015	31.12.2014
The opening balance of other total income	-697	161
Profits and (losses) recognized in other comprehensive income in the current period	-157	-858
Closing balance of other total revenues	**-854**	**-697**

Note 12.19

DIVISION OF ACTUARIAL PROFTS AND LOSSES	2 015	2014
Change in financial assumptions	55	12
Change in demographic assumptions	-10	-6
Other changes (experience adjustment))	112	852
(Profits) and losses, total	**157**	**858**

Costs for employee benefits are included in operating activities.

Note 12.19F

ACTUARIAL VALUATION ASSUMPTIONS	31 Dec 2015	31 Dec 2014
Discount rate	3,0%	2,6%
Expected rate of salary increase	0,25%	0,25%

Note 12.19G

SENSITIVITY ANALYSIS OF CHANGES IN VALUATION OF LIABILITIES OF DEFINED BENEFIT	31 Dec 2015	31 Dec 2014
for revised discount rate by -1%	1 928	1 610
for revised discount rate by+ 1%	1 689	1 405
for revised planned increase in bases by-1%	1 761	1 489
for revised planned increase in bases by+ 1%	1 874	1 553

Note 12.20

PREPAYMENTS	31 Dec 2015	31 Dec 2014
accruals	13 153	22 912
grants	2 792	3 951
Prepayments, including:	**15 945**	**26 863**
long-term	1 537	2 694
short-term	14 408	24 169

Note 12.21

SHORT-TERM ACCOUNTS PAYABLE	31 Dec 2015	31 Dec 2014
- with a maturity up to 12 months	33 093	110 262
- with a maturity of over 12 months	582	676
Short-term accounts payable, total	**33 675**	**110 938**

Note 12.22 **as at 31 Dec 2015**

OTHER PROVISIONS FOR LIABILITIES

	As at 01 Jan 2015	Reserve in the income statement	Reserve utilisation	As at 01 Dec 2015
Reserve for claims and litigation	**888**	30	472	**446**
Reserve for expected financial liabilities	**208**	-	183	**25**
Total	**1 096**	**30**	**655**	**471**

Nota 12.23A

NET REVENUES FROM SALES	for the period 01 Jan 2015 to 31 Dec 2015	for the period 01 Jan 2014 to 31 Dec 2014
domestic, including:	**19 415**	**19 395**
- sales of products and services	19 272	18 092
- sale of goods	143	1 303
abroad, including:	**257 071**	**345 632**
- sales of products and services	174 630	243 255
- sale of goods	82 441	102 377
Net revenues from sales, total	**276 486**	**365 027**

Note 12.23B

CONSTRUCTION CONTRACTS	for the period 01 Jan 2015 to 31 Dec 2015	for the period 01 Jan 2014 to 31 Dec 2014
revenues from contracts recognized as revenue in a specific period (contracts completed and in progress)	153 243	219 506
Total amount of costs incurred and recognized profits (less recognized losses) to balance date	160 366	83 242
Amount of advances received	25 137	46 501
Amount of retentions	11 443	3 671
Gross amount due from customers for works performed under contract, as assets	2 536	3 858
Gross amount due from customers for works performed under contract, as liabilities	1 438	-

Note 12.24

COSTS BY TYPE	for the period 01 Jan 2015 to 31 Dec 2015	for the period 01 Jan 2014 to 31 Dec 2014
amortisation	5 438	4 542
consumption of materials and energy	121 605	162 706
outside services	47 997	55 913
taxes and fees	1 214	1 154
salaries	30 382	30 101
social security and other benefits	5 794	5 777
other costs	7 674	5 489
Costs by type, total	**220 104**	**265 682**
Change in inventories of products and accruals	-9 013	6 491
Selling costs (minus value)	9 313	9 363
Overhead costs (minus value)	23 805	26 363
Manufacture cost of products sold	**177 973**	**236 447**
Value of goods and materials sold	77 386	92 746
Cost of products, goods and materials	**255 359**	**329 193**

Nota 12.25

OTHER REVENUES	for the period 01 Jan 2015 to 31 Dec 2015	 01 Jan 2014 to 31 Dec 2014
Dividends	52 477	107 989
Subsidies	1 194	1 982
Reversal of revaluation of non-financial assets	402	-
Damages, penalties, legal costs	167	859
Deppreciated liabilities	20	95
Other	254	233
Other revenues, total	**54 514**	**111 158**

Note 12.26

OTHER COSTS	for the period 01 Jan 2015 to 31 Dec 2015	 01 Jan 2014 to 31 Dec 2014
Normal value expenses	5 168	2 164
Penalties, court costs, damages	130	343
Established reserves	30	186
Loans written - down	-	516
Other	172	505
Other costs, total	**5 500**	**3 714**

Note 12.27

OTHER PROFITS (LOSSES)	for the period 01 Jan 2015 to 31 Dec 2015	 01 Jan 2014 to 31 Dec 2014
Result from sale of fixed assets	4 949	-13
Exchange rate differences (except for credits and loans)	1 423	1 010
Result on foreign currency transactions (for which no hedge accounting is provided)	852	1 852
Result from sale of financial assets (shares, bonds)	-471	-7 590
Valuation of foreign currency transactions (for which no hedge accounting is provided)	-692	-2 029
Revaluation of investments (valuation of loans, long-term settlements, shares)	58	-856
Other	-10	-
Other profits (losses), total	**6 109**	**-7 626**

Note 12.28

FINANCIAL REVENUES	for the period 01 Jan 2015 to 31 Dec 2015	 01 Jan 2014 to 31 Dec 2014
Interest on loans granted	7 784	6 765
Fees from guarantees, warranties	1 562	4 391
Interest on lease	1 549	2 806
Exchange rate differences on credits and loans	681	1 440
Other interest	229	1 605
Other revenues	7	9
Financial revenues, total	**11 812**	**17 016**

Note 12.29

FINANCIAL COSTS	for the period 01 Jan 2015 to 31 Dec 2015	01 Jan 2014 to 31 Dec 2014
Write-downs on loans	96 279	806
Interest on loans and borrowings	3 511	6 414
Commissions on sureties, guarantees, loans	735	1 901
Interest on lease	705	72
Other interest	298	233
Other financial expenses	101	49
Financial expenses	**101 629**	**9 475**

Note 12.30

THEORETICAL TAX RESULTING FROM PROFIT BEFORE TAX AND STATUTORY TAX RATE TO INCOME TAX RECOGNIZED IN PROFIT AND LOSS STATEMENT	for the period 01 Jan 2015 to 31 Dec 2015	01 Jan 2014 to 31 Dec 2014
Profit before tax	-643 817	98 777
Tax calculated at the rate of 19%	-122 325	18 768
Result when tax rates of other countries are applied	-862	1 012
Income not subject to tax	-11 392	-21 351
Not deductible expenses	128 374	1 612
Utilisation of previously unrecognized tax losses	-	475
financial result burdened by income tax, including:	**-6 205**	**516**
current tax	1 997	1 534
Deferred tax	-8 202	-1 018

The tax authorities may inspect the books and tax settlements within 5 years from the end of the year in which the tax returns and charge the Company additional tax together with interest and penalties.

Note 12.31

REVENUES, COSTS, RESULTS AND FLOW WITH DISCONTINUED OPERATIONS DURING	for the period 01 Jan 2015 to 31 Dec 2015	01 Jan 2014 to 31 Dec 2014
Revenues and expenses from discontinued operations:		
Net revenues from sales of goods and materials	-	1 359
The value of sold goods and materials	-	886
Gross profit on sales	**-**	**473**
Cost of sales	-	322
Operating profit	**-**	**151**
Gross profit	**-**	**151**
Income tax - deferred part	-	29
Net profit from discontinued operations	**-**	**122**
Cash flows from discontinued operations:		
Cash flows from operating activities	-	1 455
Cash flows from discontinued operations, together	**-**	**1 455**

13. Zobowiązania warunkowe, majątkowe i sprawy sporne

	As at 31 Dec2015	*Increase (+) Decreases (-)*	As at 31 Dec2014
Total contingent liabilities, including:	**155 314**	**-687**	**156 001**
1. For the benefit of subsidiaries	5 000	5 000	-
- For other related parties	5 000	5 000	-
2. To other related parties	400	-	400
3. For the benefit of other entities	149 914	-5 687	155 601
- For subsidiaries	72 498	-12 880	85 378
- For the remaining associated companies	19 208	-14 061	33 269
- For other entities	614	614	-
- Other liabilities	57 594	20 640	36 954

Claims and disputes

On 8 and 11 January 2010, the District Court in Katowice delivered to KOPEX S.A. SA a copy of the lawsuit filed by the Department of Mining Machines "Glinik" Sp. o.o. as successor Fazos SA on the payment against the companies KOPEX S.A. and Tagor SA (Indirect subsidiary). The value of the dispute in the lawsuit was estimated at PLN 51 876 PLN thousand. On 2 April 2015. Issuer received a pleading in which the plaintiff limited his claim to the amount of 33 705 PLN thousand (without waiver of the claim). According to the position of the law firm representing the KOPEX S.A. and Tagor SA the likelihood that a court the plaintiff's claim is less than the probability of its remoteness, due to the lack of a contractual basis for the formulation and the lack of adequate causal relationship. Therefore KOPEX S.A. based on the provisions of IAS 37 it concluded that there is a present obligation resulting from past events and created provisions.

14. Reporting by business and geographical segments

Whereas IFRS 8 effective from 01.01.2009 Issuer's operations are divided into operating segments, reflecting the main directions of activity, as the main segment of the extracted mining. Within the mining segment were merged segments directed to a similar type of customer groups for its products and services. The basic criterion for the presentation of operating segments is the division resulting from the management structure and internal reporting of the Issuer including:

- Mining,
- Sale of coal,
- Other activities.

The Issuer operates facing the mining industry, involving the sale of machinery and equipment for underground mining, mining services, sales of raw materials, as well as consulting services and intermediation in this regard
in domestic and foreign trade. While other activities are mainly: financial services, accounting services, leasing services, payroll, services, leasing, servicing and repair services.
The above activity essentially in the nature of the activity does not have mass, but it is an activity specific and dependent on the individual needs of customers.

When selecting the operating segments it was primarily directed towards the reliability and comparability of information over time for different groups of goods and services of the Issuer as well as takes into account its organizational structure.

It should be noted that not all of these segments meet the quantitative threshold of 10% or more of total external and internal revenue. Unit deciding on their presentations had in mind their significance.

The authority responsible for making decisions in the unit, evaluates performance of individual operating segments based on the result of gross sales and operating profit, which is reflected in their presentation. The body responsible is the Board of Directors.

The Issuer operates in many geographical areas, because the Company's management found it necessary to supplement the presented income from sales in individual countries, due to the fact that the complexity of the territorial activity of the Issuer. The following tables present information about operating segments in the distribution of industry and geographic.

OPERATING SEGMENTS OF KOPEX S.A. BY INDUSTRY

	Mining		Sale of coal		Other activities		**Total value**	
	2015	2014	2015	2014	2015	2014	2015	2014
DZIAŁALNOŚĆ KONTYNUOWANA								
Przychody segmentu	185 867	293 784	71 264	55 228	19 355	16 015	**276 486**	**365 027**
Wynik segmentu - wynik brutto ze sprzedaży	13 947	28 444	2 928	3 201	4 252	4 189	**21 127**	**35 834**
Odpisy aktualizujące wartość udziałów i akcji	-	-	-	-	-597 132	-8 690	-597 132	-8 690
Wynik operacyjny segmentu	-7 872	-912	300	370	-546 428	91 778	-554 000	91 236
Wynik z działalności finansowej							-89 817	7 541
Zysk/strata brutto							**-643 817**	**98 777**
Podatek dochodowy							-6 205	516
Zysk/strata netto z działalności kontynuowanej							**-637 612**	**98 261**
Zysk netto z działalności zaniechanej							-	122
Zysk/strata netto razem							**-637 612**	**98 383**

INFORMATION ON REVENUES OF KOPEX SA IN GEOGRAPHIC DIVISION

	Mining		Sale of coal		Other activities		**Total value**	
	2015	2014	2015	2014	2015	2014	2015	2014
ARGENTINA	81 904	139 538	-	-	-	-	81 904	139 538
AUSTRIA	-	-	34 334	18 292	-	-	34 334	18 292
BOSNIA	1 577	44 516	-	-	-	52	1 577	44 568
CHINA	2 370	33 386	-	-	-	-	2 370	33 386
FRANCE	19 851	18 699	-	-	-	-	19 851	18 699
SPAIN	-	-	12 261	14 057	-	-	12 261	14 057
POLAND	348	2 218	-	1 234	19 089	15 943	19 437	19 395
RUSSIA	5 164	7 184	-	-	-	-	5 164	7 184
SERBIA	74 028	36 480	-	-	-	-	74 028	36 480
SLOVAKIA	-	-	3 448	4 343	-	-	3 448	4 343
SWEDEN	-	-	19 041	17 302	-	-	19 041	17 302
TURKEY	-	9 376	-	-	-	-	-	9 376
UKRAINE	-	1 524	-	-	-	-	-	1 524
HUNGARY	-	-	2 180	-	-	-	2 180	-
OTHER	625	863	-	-	266	20	891	883
TOTAL	**185 867**	**293 784**	**71 264**	**55 228**	**19 355**	**16 015**	**276 486**	**365 027**

Information on the main external clients, whose revenues exceed 10% or more of total Issuer's revenues, ie. 27,649 PLN thousand or more.

During the year 2015, a quantitative criterion defining a main client was achieved with three clients. Revenues from the first client, in the amount of 81,291 PLN thousand, were earned in the mining sector. There are no capital relationships of that client with Kopex SA.

Revenues from the second client in the amount of 73,158 PLN thousand, were earned in the mining sector. There are no capital relationships of that client with Kopex SA.

Revenues from the third client in the amount of 36,514 PLN thousand, they were earned in coal sales sector. There are no capital relationships of that client with Kopex SA.

Companies operating in the domestic market in mining and coal sales sectors were the largest suppliers of the Issuer in 2015.

In 2015, revenues from two suppliers exceeded a 10% share in sales revenues in the case of two Company's suppliers. In the first case, it was a company operating in the sales segment in mining, whose share in KOPEX's sales amounted to 19.6%. This supplier is a direct subsidiary of Kopex SA.

In the second case, it was a company operating in coal sale segment, whose share in KOPEX's sales amounted to 15.3%; There are no capital relationships of that supplier with Kopex SA.

Non-current assets (other than financial instruments, assets from deferred tax, assets from employee benefits after post-employment and rights arising from insurance contracts) of the Issuer are in 100.0% located in Poland.

13. Transactions with related parties

	Revenues from sales of products, goods and materials	Other revenues (Including dividends)	Financial income
From 01 January 2015 to 31 December 2015			
From subsidiaries	15 914	52 483	4 282
From associated entities	1 390	1 904	5
From other related entities	982	110	4 351
From 01 January 2014 to 31 December 2014			
From subsidiaries	15 998	107 989	6 556
From associated entities	1 952	4	7
From other related entities	424	19	1 895

	Purchases of goods and services	Purchase of tangible and intangible	Financial costs
From 01 January.2015 to 31 December 2015			
From subsidiaries	69 098	63	761
From other related entities	21 881	93	-
From 01 January 2014 to 31 December 2014			
From subsidiaries	161 436	5	1 936
From associated entities	21	-	-
From other related entities	3 759	408	1

Receivables and payables from related parties	31.12.2015	31.12.2014
Trade and other receivables from subsidiaries (net)	31 512	35 870
Trade and other receivables from affiliates (net)	180	605
Trade and other receivables from other related parties (net)	8 286	9 318
Lease receivables from subsidiaries (net)	14 780	16 151
Lease receivables from other related parties (net)	91	258
Liabilities to subsidiaries	14 558	70 072
Liabilities to other related parties	561	505
Lease commitments to subsidiaries	17 928	21 944

Impairment losses on receivables from subsidiaries	31.12.2015	31.12.2014
and associates	2 365	2 365
balance at beginning of period	2 253	-
impairment	4 618	2 365

Impairment losses on receivables from other	31.12.2015	31.12.2014
affiliates	3 401	3 401
balance at beginning of period	3 401	3 401

Loans and loan commitments	31.12.2015	31.12.2014
Receivables in virtue. loans from subsidiaries	119 250	87 104
subsidiaries (net)	99 444	127 702
Receivables in virtue. loans from other related parties (net)	-	2

Impairment losses on receivables from other leasing	31.12.2015	31.12.2014
affiliates	183	183
balance at beginning of period	-	-
impairment	183	183

Impairment losses on loans from other related parties	31.12.2015	31.12.2014
balance at beginning of period	-	-
impairment	37 782	-
balance at end of period	37 782	-

Transactions with related parties are carried out exclusively on market conditions.

14. Information on average employment with breakdown by business

Average employment in 2015 was 268 people, of which:

Average employment in the country: 221

Average employment abroad: 47

Occupational groups average number of employees in 2015 was as follows:

Average number of employees :231 white-collar workers

Average employment of workers: 37

13. Information about significant events relating to previous years recognized in the financial statements for the current period

There occurred no significant events related to prior years in the Company.

14. Information on significant events that occurred after the balance sheet date and not included in the financial statements

Until 29 April 2016, ie. the date of approval of the consolidated financial statements for publication, there were no significant events requiring disclosure, except as described in Note 2.

15. Information on the total net values of remunerations and bonuses paid or payable for managing and supervising persons the issuer in the issuer's company and information on the total net values of remunerations and bonuses received for performing functions in subsidiary, jointly controlled and associated entities, for the appointment period in 2015.

MANAGEMENT BOARD		
Name and Surname		PLN thou.
PIOTR	BRONCEL	382
ANDRZEJ	MEDER	720
MAREK	USZKO	-
JOANNA	WĘGRZYN	482
JÓZEF	WOLSKI	631
KRZYSZTOF	ZAWADZKI	-
TOTAL REMUNERATIONS		**2 215**

SUPERVISORY BOARD		
Name and Surname		PLN thou.
BOGUSŁAW	BOBROWSKI	58
JÓZEF	DUBIŃSKI	56
KRZYSZTOF	JĘDRZEJEWSKI	395
DANIEL	LEWCZUK	48
MICHAŁ	ROGATKO	140
ANDRZEJ	SIKORA	3
JANUSZ	STRZĘPKA	7
TOTAL REMUNERATIONS		**707**

20. Statement of the Management Board of KOPEX S.A.

The annual financial statements and comparative data have been prepared in accordance with applicable accounting principles and give a true and fair view of the financial position and results of operations of the company

KOPEX S.A. The annual report gives a true picture of development and achievements and situation of the Company, including a description of the main risks and threats.

The entity authorized to audit financial statements, auditing the annual financial statements was selected in accordance with the law.

The entity and the certified auditor performing the audit met the conditions to issue an impartial and independent audit report in accordance with the relevant provisions of national law.

Member of the Management Board	Member of the Management Board	Member of the Management Board	President of the Management Board CEO
Krzysztof Zawadzki	Marek Uszko	Piotr Broncel	Boguslaw Bobrowski