CONSOLIDATED FINANCIAL STATEMENTS OF KOPEX S.A.

for the period from January 1st to December 31st 2016

Katowice, April 2017

Note	TABLE OF CONTENTS	

(all amounts in PLN '000)

Consolidated statement of financial position of the KOPEX Group

Note		Dec 31 2016	Dec 31 2015
	ASSETS		
	Non-current assets	**470,979**	**1,107,855**
12.1	Intangible assets	21,421	130,658
12.2	Goodwill of subordinated entities	-	41,568
12.3	Property, plant and equipment	298,526	673,627
12.4	Investment property	31,971	22,392
12.5	Investments accounted for with equity method	-	51,325
12.6	Long-term lease receivables	19,407	34,070
12.7	Other non-current assets	83,348	79,189
12.8	Deferred tax assets	16,306	75,026
	Current assets	**734,503**	**1,020,936**
12.9	Inventories	110,854	258,892
12.10	Short-term trade receivables	221,333	391,910
12.10	Other short-term receivables	138,315	85,101
12.6	Short-term lease receivables	19,235	21,543
12.11	Short-term loans	8,040	45,690
	Current income tax assets	8,136	8,344
12.12	Other financial assets	30,019	1,984
12.26	Amounts due from customers for contract work	89,836	145,184
12.13	Cash and cash equivalents	108,735	62,288
12.14	**Non-current assets held for sale**	**59,047**	**1**
	Total assets	**1,264,529**	**2,128,792**

(all amounts in PLN ’000)

Note	EQUITY AND LIABILITIES	Dec 31 2016	Dec 31 2015
	Equity	**202,428**	**1,102,359**
12.15	Share capital	74,333	74,333
12.15	Treasury shares	-2,979	-2,979
12.16	Share premium	417,330	1,054,942
12.17	Revaluation capital reserve	-169	1,825
	Translation reserve	17,158	8,396
12.18	Accumulated losses	-305,234	-42,528
	Non-controlling interests	1,989	8,370
	Non-current liabilities	**615,522**	**69,862**
12.19	Long-term bank borrowings and other debt instruments	574,438	-
12.20	Other non-current liabilities	95	1,504
12.21	Long-term lease liabilities	24,210	39,548
12.8	Deferred tax liability	1,700	4,986
12.22	Long-term employee benefit obligations	13,675	22,277
12.23	Other long-term provisions for liabilities	1,025	11
12.24	Long-term accruals and deferred income	379	1,536
	Current liabilities	**412,917**	**956,571**
12.19	Short-term bank borrowings and other debt instruments	641	546,345
12.25	Short-term trade payables	79,401	171,630
12.20	Other current liabilities	240,812	108,993
12.21	Short-term lease liabilities	15,653	26,608
	Short-term tax liabilities	546	726
12.12	Other financial liabilities	1,244	1,507
12.22	Short-term employee benefit obligations	14,298	13,936
12.23	Other short-term provisions for liabilities	45,751	15,465
12.24	Short-term accruals and deferred income	14,571	71,361
12.14	**Liabilities related to non-current assets held for sale**	**33,662**	-
	Total equity and liabilities	**1,264,529**	**2,128,792**
	Book value	**202,428**	**1,102,359**
	Number of shares	**74,056,038**	**74,056,038**
	Book value per share (PLN)	**2.73**	**14.89**

(all amounts in PLN ’000)

Consolidated statement of profit or loss of the KOPEX Group

Note		Jan 1−Dec 31 2016	Jan 1−Dec 31 2015
	CONTINUING OPERATIONS		
12.26	Net revenue from sale of products, merchandise and materials	777,174	980,660
12.27	Cost of sales	785,548	912,965
	Gross profit/(loss)	**-8,374**	**67,695**
12.28	Other income	11,011	10,956
12.27	Distribution costs	25,765	42,365
12.27	Administrative expenses	66,902	74,755
12.29	Other costs	161,872	48,486
12.30	Other gains/(losses)	-525	6,474
12.31	Impairment losses on non-financial assets	-379,783	-1,292,584
	Operating loss	**-632,210**	**-1,373,065**
12.32	Finance income	9,403	14,694
12.33	Finance costs	62,757	82,300
	Share in net profit/(loss) of equity-accounted subordinated entities	-39,289	2,717
	Loss before tax	**-724,853**	**-1,437,954**
12.34	Income tax	57,664	-33,239
	Consolidated net loss from continuing operations	**-782,517**	**-1,404,715**
12.14	**Consolidated net loss from discontinued operations**	**-120,191**	**-66,664**
	Total consolidated net loss	**-902,708**	**-1,471,379**
	Net profit/(loss) attributable to non-controlling interests	**-1,005**	**533**
	Net loss attributable to owners of the parent, including:	**-901,703**	**-1,471,912**
	- from continuing operations	-781,512	-1,405,248
	- from discontinued operations	-120,191	-66,664
	Weighted average number of ordinary shares	**74,056,038**	**74,056,038**
	Total net loss per ordinary share attributable to owners of the parent	**-12.18**	**-19.88**

(all amounts in PLN '000)

Statement of comprehensive income of the KOPEX Group

	Jan 1−Dec 31 2016	Jan 1−Dec 31 2015
Consolidated net loss	**-902,708**	**-1,471,379**
Other comprehensive income that will not be reclassified to profit or loss	**1,546**	**-2,529**
Actuarial gains/(losses) from defined benefit plans	2,766	-407
Income tax on actuarial gains/(losses)	-526	77
Other income	-694	-2,199
Other comprehensive income/(loss) that may be reclassified to profit or loss	**6,623**	**-9,185**
Translation reserve	8,617	-11,525
Measurement of financial assets available for sale	27	-
Cash flow hedges	-2,496	2,889
Income tax on cash flow hedges	475	-549
Total other comprehensive income, net of tax	**8,169**	**-11,714**
Total comprehensive income	**-894,539**	**-1,483,093**
Attributable to non-controlling interests	-1,130	538
Attributable to shareholders of KOPEX S.A.	-893,409	-1,483,631

(all amounts in PLN ’000)

Consolidated statement of changes in equity of the KOPEX Group

	Share capital	Treasury shares	Share premium	Revaluation capital reserve			Translation reserve	Retained earnings/(accumulated losses)	Total	Equity attributable to non-controlling interests	Total equity
				Hedging instruments	Available-for-sale financial assets	Deferred tax					
Balance as at Jan 1 2015	**74,333**	**-2,979**	**1,054,942**	**-393**	**-196**	**74**	**19,855**	**1,465,644**	**2,611,280**	**6,527**	**2,617,807**
Total comprehensive income	-	-	-	2,889	-	-549	-11,459	-1,474,512	-1,483,631	538	-1,483,093
Takeover of/increase/decrease in control	-	-	-	-	-	-	-	-3,221	-3,221	1,454	-1,767
Dividends	-	-	-	-	-	-	-	-29,622	-29,622	-149	-29,771
Grants	-	-	-	-	-	-	-	-817	-817	-	-817
Balance as at Dec 31 2015	**74,333**	**-2,979**	**1,054,942**	**2,496**	**-196**	**-475**	**8,396**	**-42,528**	**1,093,989**	**8,370**	**1,102,359**
Balance as at Jan 1 2016	**74,333**	**-2,979**	**1,054,942**	**2,496**	**-196**	**-475**	**8,396**	**-42,528**	**1,093,989**	**8,370**	**1,102,359**
Total comprehensive income	-	-	-	-2,496	27	475	8,762	-900,177	-893,409	-1,130	-894,539
Dividends	-	-	-	-	-	-	-	-20	-20	-5,251	-5,271
Coverage of loss	-	-	-637,612	-	-	-	-	637,612	-	-	-
Combination of entities under common control	-	-	-	-	-	-	-	1	1	-	1
Grants	-	-	-	-	-	-	-	-122	-122	-	-122
Balance as at Dec 31 2016	**74,333**	**-2,979**	**417,330**	**-**	**-169**	**-**	**17,158**	**-305,234**	**200,439**	**1,989**	**202,428**

(all amounts in PLN '000)

Consolidated statement of cash flows of the KOPEX Group

	Jan 1−Dec 31 2016	Jan 1−Dec 31 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax from continuing operations	**-724,853**	**-1,437,954**
Adjustments for:		
Depreciation and amortisation	174,823	144,771
Share in net profit/(loss) of equity-accounted subordinated entities	39,289	-2,717
Foreign exchange (gains)/losses	1,559	-7,516
Interest and share of profit (dividends)	22,103	95
Gain/(loss) on investing activities	8,629	-7,081
Change in provisions	32,814	-96
Change in inventories	99,316	-11,795
Change in trade and other receivables	25,735	19,856
Change in short-term trade and other payables	182,154	-46,678
Change in accruals and deferred income	-48,912	-14,971
Change in amounts due from customers for contract work	55,348	109,696
Income taxes paid	-5,755	-14,094
Impairment losses on non-current assets	308,467	1,292,584
Impairment losses on loans	24,725	63,217
Loss of control	4,102	-
Currency transactions	-794	1,532
Other adjustments	413	-774
Net cash from operating activities	**199,163**	**48,363**
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of intangible assets and property, plant and equipment	20,548	10,648
Disposal of financial assets	11,659	9,154
Loans repaid	12,921	23,974
Interest received	840	672
Purchase of intangible assets and property, plant and equipment*	-100,662	-151,497
Purchase of financial assets	-80,000	-1,577
Loans	-	-46,126
Other cash provided by/(used in) investing activities	-461	253
Net cash from investing activities	**-135,155**	**-154,499**
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings and other debt instruments**	33,939	205,142
Commission fees received on sureties	84	1,522
Repayment of bank borrowings and other equity instruments**	-8,331	-41,405
Dividends and other distributions paid to owners	-	-29,643
Payment of finance lease liabilities	-20,544	-37,015
Interest paid	-14,834	-13,990
Commission fees paid on borrowings and sureties	-1,149	-1,908
Other cash provided by/(used in) financing activities	992	-39
Net cash from financing activities	**-9,843**	**82,664**
TOTAL NET CASH FLOWS	**54,165**	**-23,472**
Net change in cash, including:	**46,447**	**-22,557**
- net change in cash from continuing operations	54,110	-24,193
- net change in cash from discontinued operations	-7,663	1,636
Effect of exchange rate changes	**-55**	**915**
Cash at beginning of period	**62,288**	**84,845**
Cash at end of period, including:	**108,735**	**62,288**
- restricted cash	300	4,117

* Includes internally generated property, plant and equipment.

**Amounts borrowed under a working capital facility are disclosed in net amounts.

NOTES TO THE FINANCIAL STATEMENTS – SUPPLEMENTARY INFORMATION

1. General information

KOPEX S.A. of Katowice is a joint-stock company registered with the District Court for Katowice, 8th Commercial and Registry Division, on January 3rd 1994, under entry number RHB 10375. Pursuant to a decision by the District Court for Katowice, Commercial Division of the National Court Register, on July 12th 2001, KOPEX S.A. was entered into the Business Register under No. (KRS) 0000026782.

The Company was incorporated for an indefinite term.

Its registered office is located at ul. Grabowa 1, Katowice, Poland.

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

The principal business activity of the KOPEX Group is the manufacture of machinery and equipment for the mining industry. The Group is a manufacturer and supplier of machinery and equipment for hard coal, lignite and non-ferrous metal mining, as well as a general contractor offering comprehensive project execution services to customers in the mining industry.

These financial statements are consolidated financial statements and contain data for the period January 1st−December 31st 2016 and comparative financial data for the period January 1st−December 31st 2015.

KOPEX S.A. is the parent of the KOPEX Group and prepares the Group's consolidated financial statements.

As at December 31st 2016 and as at the date of authorisation and issue of these financial statements, the Company was controlled by TDJ Spółka Akcyjna through the latter's subsidiaries.

Notes to the consolidated financial statements form an integral part of these statements.

The currency of these financial statements is the Polish złoty (PLN).

The data is presented in PLN '000.

These financial statements were authorised for issue and signed by the Management Board on April 28th 2017.

2. Material judgements and estimates

2a. Going concern assumption

The consolidated financial statements of KOPEX S.A. for 2016 were prepared on the assumption that the Company would continue as a going concern, despite the net loss of PLN 901,703 thousand incurred by KOPEX S.A. in 2016.

As at the date of authorisation of these financial statements for issue, the Company's Management Board did not identify facts or circumstances which would indicate any threat to the Group companies' continuing as going concerns in the foreseeable future, as the companies were generating positive operating cash flows, and the Group had signed the Restructuring Agreement with the financing banks (see below) thus extending until 2021 maturity dates of its financial debt.

In 2016, the Company undertook a number of measures to restructure the operations, assets and finances of the KOPEX Group, including:

- scaling down of operations on markets with insufficient business potential (i.e. the Australian and Serbian markets), foundry operations, and manufacturing for the construction market,
- phasing out (with due account taken of the outstanding contractual obligations) the manufacture of roadheaders, as their lease proved unprofitable given the high manufacturing costs,
- divestment of shares in non-strategic subsidiaries and associates,
- declaring bankruptcy or placing in liquidation of subsidiaries whose poor financial condition does not justify their continued operation,
- restructuring of companies' non-core non-current assets, mainly by putting out for sale redundant assets and reallocating manufacturing operations, which is expected to lead to a more efficient use of non-current assets,
- reducing current assets, including through disposal or scraping of non-moving and redundant inventory,
- optimisation of the workforce.

Other purposes of the restructuring efforts are to optimise the Company's operating expenses, to focus on core business, and to generate positive cash flows.

Once the restructuring process is completed, the Group intends to continue its activities in the following areas:

- manufacture of machinery and equipment for the mining industry,
- services for the mining industry,
- manufacture of electrical and electronic equipment and machinery, and
- coal supply.

Following material deterioration of the KOPEX Group's financial condition and its failure to comply with bank covenants in Q4 2015, in early 2016 the Parent was forced to enter into negotiations with the financing banks to restructure its debt.

On December 1st 2016, the Restructuring Agreement was signed between the Company and its selected subsidiaries, the lending institutions, and the Investor. The key terms of financial debt restructuring are as follows:

1. Expected restructuring period: until December 31st 2021;
2. The restructuring covers the banks' credit exposures, divided into three tranches: c.a. PLN 175m (Tranche A), c.a. PLN 260m (Tranche B) and c.a. PLN 185m (Tranche C);
3. The restructuring also covers the banks' exposures under guarantees and letters of credit (off-balance-sheet exposures) totalling approximately PLN 28m;
4. On the date of the Restructuring Agreement, the investor (TDJ Equity IV S.A.) acquired a controlling interest in the Parent's share capital. Following the transaction, Mr Krzysztof Jędrzejewski's related entities paid PLN 60m to the Company; the amount was used to partially repay Tranche C of the financial indebtedness.
5. Consolidation of KOPEX S.A.'s on- and off-balance-sheet debt through assumption by the Parent of the subsidiaries' debt;
6. Assumption by a company from the Investor's group of a part of the debt (PLN 47.9m);
7. Refinancing of the Tranche A debt by way of issue by the Parent of bonds redeemable by the Investor or an entity designated by the Investor for a price which will depend on results of the restructuring and on the selling price of shares in KOPEX-Przedsiębiorstwo Budowy Szybów S.A. Issue of bonds maturing on March 31st 2022;
8. Repayment of the Tranche B debt in accordance with the agreed schedule commencing in 2018, from funds generated by KOPEX-Przedsiębiorstwo Budowy Szybów S.A.; or one-off repayment from proceeds from the sale of KOPEX-PBSz shares, if such disposal is effected as part of the divestment process provided for in the KOPEX Group's restructuring plan;
9. Access to emergency financing of up to PLN 92m provided by the Investor.

On March 31st 2017, KOPEX S.A. made early repayment of the Tranche C debt. Following repayment of the Tranche C debt, the Company received certificates from its financial creditors confirming release of the tranche security.

2b. Material judgements in asset measurement

In these consolidated financial statements, material judgements were made regarding measurement of assets.

a) Goodwill impairment test

For the purposes of the restructuring programme being developed for the KOPEX Group, professional advisers drew up a financial model for the Group for 2017−2021. Based on the model, goodwill was tested for impairment in the first half of 2016. As the goodwill disclosed in the consolidated financial statements was accounted for in the Mining segment, the impairment test was performed for this cost centre.

The test revealed the need to recognise an impairment loss equal to the full amount of the goodwill, i.e. PLN 41,568 thousand.

The key assumptions used in the goodwill impairment test were as follows:

- revenue − average annual growth of 1.9% in the forecast period
- operating profit – average annual growth rate of 1.6% in the forecast period
- operating profit in the residual period: growth of 1.5%
- gross discount rate based on the weighted average cost of capital: 10.88%.

b) Assets impairment tests

As at Dec 31st 2016, the Group tested assets for impairment. In the course of the restructuring efforts described in Note 2a, the following main cash-generating units were identified: manufacture of machinery and equipment for the mining industry, manufacture of electrical and electronic machinery and equipment, services for the mining industry, and sale of coal. Indications of impairment were identified with respect to manufacture of machinery and equipment for the mining industry and manufacture of electrical and electronic machinery and equipment. The tests revealed the need to recognise impairment losses on assets. They were carried out based on five-year cash flow forecasts approved by the management. The key assumptions of the forecasts were as follows: the average growth rate of revenues: 3.8%; the average growth rate of operating profit: 16.8−18.3%; the gross discount rate (based on the weighted average cost of capital): 13.19%.

c) Trade and other receivables

As at December 31st 2016, the Group disclosed material receivables from a foreign trading partner totalling PLN 75,036 thousand, whose payment had been spread out in instalments. As at the date of authorising these financial statements for issue, the aggregate amount of repaid instalments was PLN 10,609 thousand. The Group recognised an impairment loss on the outstanding and unsecured portion of the receivables.

d) Amounts due from customers for contract work

In the consolidated statement of financial position, the Group disclosed assets under contracts with an Argentine trading partner in the amount of PLN 84,396 thousand (representing the sum of costs incurred and expected contract margin, calculated in accordance with IAS 11). According to the original assumptions, the deadline for delivery and commissioning of the equipment covered by the contracts was the end of 2015. Due to the political situation in Argentina, investment processes sponsored by the Argentine government were delayed. Thanks to intensified negotiations with the customer, supported by the Investor and the KOPEX Management Board, as at the date of issue of these financial statements the contract continued to be performed. Accounting for the contract was also adjusted, based on updated cost budgets.

e) Development work

In these financial statements, the Group recognised impairment losses on development work in the total amount of PLN 74,647 thousand, including spending on a thin-seam longwall system of PLN 50,582 thousand. The development work has been discontinued and is not expected to generate any economic benefits in the future.

f) Property, plant and equipment

In 2016, the Group changed the method of accounting for depreciation of leased roadheaders and longwall systems. Economic useful lives of the assets were assumed to be the same as contract lease terms. Machines that were not leased were written off.

g) Properties

As part of the restructuring measures referred to in Note 2a, certain properties were reclassified to investment property and to non-current assets held for sale. These properties were measured at fair value estimated by independent appraisers based on market prices in comparable transactions.

h) Inventories

In these financial statements, impairment losses of PLN 67,216 thousand were recognised on inventories whose net selling prices decreased in 2016 and inventories that were considered obsolete or partially lost their original value in use.

i) Deferred tax

In these financial statements, the Group did not recognise the deferred tax assets from tax losses in the full amount of PLN 40,677 thousand, and based on projected probable taxable income that would allow the deductible negative temporary differences to be offset in the future, recognised a PLN 136,107 thousand impairment loss on deferred tax assets.

j) Mine construction project

The KOPEX Group carried out a project involving construction of an underground coal mine. As at December 31st 2016, the Group's expenditure on exploration and evaluation of deposits totalled PLN 47,604 thousand, of which PLN 3,921 thousand represented intangible assets, and PLN 43,683 thousand − property, plant and equipment. As the Group was not able to secure the necessary financing, the Management Board resolved to abandon the project, and at present steps are taken towards selling the project. The amount of the project disclosed in these financial statements represents a recoverable amount determined using the asset-based approach, based on valuation of land allocated for the abandoned project.

k) Reclassification of equity-accounted company

The Group holds an equity-accounted interest in Shandong Tagao Mining Equipment Manufacturing Co. Ltd of China. As the Group is not able to have any actual influence over the company or to recover the dividend due to the Group, the investment was reclassified to assets held for sale, and its amount was written down to the purchase price.

l) Discontinued operations

One of the objectives of the restructuring programme is to reduce the size of the Group, and to sell redundant, non-strategic assets or assets that fail to bring the expected return on investment.

The Group also withdrew from the Australian and Serbian markets, and discontinued foundry operations and manufacturing for the construction market.

In 2016, the Group sold its shares in WS Baildonit Sp. z o.o., Polskie Konsorcjum Gospodarcze S.A., an organized part of business in the form of the Lubań branch, and Miilux-Poland Sp. z o.o.

In these consolidated financial statements, the result of the loss of control over the following subsidiaries was recognised:

- KOPEX Waratah Pty Ltd − initiation of the voluntary administration procedure
- KOPEX Australia Pty Ltd − initiation of the voluntary administration procedure
- KOPEX-Wamag Sp. z o.o. − opening of liquidation proceedings, followed by the filing of bankruptcy petition by the receiver,
- KOPEX-Eko Sp. z o.o. − opening of liquidation proceedings, followed by the filing of bankruptcy petition by the receiver,

Assets of the other companies intended for sale, including:

- KOPEX Foundry Sp. z o.o.,
- PT KOPEX Mining Contractors (Indonesia),
- KOPEX Min AD (Serbia),
- KOPEX Min-Liv AD (Serbia),
- KOPEX Construction Sp. z o.o.,
- Anhui LongPo Electrical Corporation Ltd (China),
- Tiefenbach Sp. z o.o.

were reclassified to assets held for sale and recognised at the lower of their carrying amounts and fair values less costs to sell. The fair value was determined based on the amounts offered by potential buyers. These assets have been prepared for disposal, and the Management Board expects that they will be sold within 12 months from the reporting date. Liabilities of these companies were reclassified to liabilities related to non-current assets held for sale.

Non-current assets held for sale and related liabilities, as well as revenues, expenses and cash flows from discontinued operations are presented in Note 12.14.

Other material judgements and assumptions used in preparing the financial statements are presented in Note 11.

3. Composition of the Management Board and the Supervisory Board

Management Board

The composition of the Company's Management Board as at December 31st 2016 and as at the date of authorizing for issue and signing of these financial statements was as follows:

Beata Zawiszowska	President of the Management Board
Bartosz Bielak	Vice President of the Management Board

Supervisory Board

The composition of the Company's Supervisory Board as at December 31st 2016 was as follows:

Krzysztof Jędrzejewski	Chairman of the Supervisory Board
Michał Rogatko	Deputy Chairman of the Supervisory Board
Daniel Lewczuk	Member of the Supervisory Board

The composition of the Supervisory Board as at December 31st 2016 and as at the date of authorizing for issue and signing of these financial statements was as follows:

Tomasz Domogała	Chairman of the Supervisory Board
Czesław Kisiel	Deputy Chairman of the Supervisory Board
Wojciech Gelner	Secretary of the Supervisory Board
Jacek Leonkiewicz	Member of the Supervisory Board
Magdalena Zajączkowska-Ejsymont	Member of the Supervisory Board

4. Auditor of the financial statements

The auditor of KOPEX S.A.'s financial statements for 2016 is PricewaterhouseCoopers Sp. z o.o., with its registered office at Al. Armii Ludowej 14, 00-638 Warsaw, Poland. The contract with PricewaterhouseCoopers Sp. z o.o. was concluded on February 29th 2012 and covered the review and audit of the separate and consolidated financial statements of KOPEX S.A. for 2012. The contract was automatically renewed each following year until and including 2016. The table below presents the contracts, as well as the auditor's remuneration for 2016 and 2015 (PLN'000).

SUBJECT MATTER	REMUNERATION FOR 2016	REMUNERATION FOR 2015
Review of the half-year separate and consolidated financial statements, as well as audit of the full-year separate and consolidated financial statements	219	105
Tax advisory services	-	10
Total	**219**	**115**

5. Basis of preparation

The financial statements for 2016 were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

(all amounts in PLN '000)

6. Companies included in the consolidated financial statements

Name of subsidiary	*Consolidation method*	*Excluded from consolidation as of:*
KOPEX S.A.	Full	
KOPEX CONSTRUCTION Sp. z o.o.	Full	
KOPEX FOUNDRY Sp. z o.o. (formerly: HSW ODLEWNIA Sp. z o.o.)	Full	
KOPEX – PRZEDSIĘBIORSTWO BUDOWY SZYBÓW S.A.	Full	
PBSz INWESTYCJE Sp. z o.o.	Full	
HANSEN SICHERHEITSTECHNIK AG (Germany)	Full	
ELGÓR+HANSEN S.A.	Full	
KOPEX AFRICA (Pty) Ltd (South Africa)	Full	
HANSEN and GENWEST (Pty) Ltd (South Africa)	Full	
HANSEN CHINA Ltd (China)	Full	
KOPEX MIN (Serbia)	Full	
KOPEX MIN-LIV (Serbia)	Full	
ZZM – MASZYNY GÓRNICZE Sp. z o.o.	Full	
KOPEX-EKO Sp. z o.o. [3]	Full	Dec 12 2016
KOPEX – WAMAG Sp. z o.o. (formerly: POLAND INVESTMENTS 7 Sp. z o.o.)[1]	Full	Sep 30 2016
KOPEX AUSTRALIA Pty Ltd (Australia) [2]	Full	Jun 30 2016
PT KOPEX MINING CONTRACTORS (Indonesia)	Full	
KOPEX SIBIR Sp. z o.o. (Russia)	Full	
KOPEX WARATAH PTY LTD (Australia) [2]	Full	Jun 30 2016
ŚLĄSKIE TOWARZYSTWO WIERTNICZE DALBIS Sp. z o.o.	Full	
KOPEX-EX-COAL Sp. z o.o.	Full	
TAIAN KOPEX COAL MINING EQUIPMENT SERVICE Co. Ltd (China)	Full	
AIR RELIANT (Pty) Ltd (South Africa)	Full	
KOPEX FINANCE & RESTRUCTURING Sp. z o. o.	Full	
PBSZ1 Sp. z o. o.	Full	

Name of associate	*Method of accounting*	
SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING Co. Ltd (China)[6]	Equity method	Dec 31 2016
TIEFENBACH Sp. z o.o. [4]	Equity method	Jun 30 2016
ANHUI LONG PO ELECTRICAL CORPORATION Ltd (China) [4]	Equity method	Jun 30 2016
MIILUX POLAND Sp. z o.o. [5]	Equity method	Dec 31 2016

[1]The company was accounted for using the full method until September 30th 2016. As at September 30th 2016, loss of control was recognised as a result of the company being placed in liquidation and subsequently declared bankrupt.
[2]Accounted for with the full method until September 30th 2016. As at July 1st 2016, loss of control was recognised as a result of the company's entering into voluntary administration under Australian law.
[3]Accounted for with the full method until December 31st 2016. As at December 31st 2016, loss of control was recognised as a result of declaration of bankruptcy.
[4]Accounted for with the equity method until June 30th 2016 As at June 30th 2016, they were reclassified and included in non-current assets held for sale in accordance with IFRS 5.
[5]Shares in the company were sold in December 2016.
[6]Accounted for with the equity method until December 31st 2016. As at December 31st 2016, it was reclassified and included in available-for-sale financial assets as the Group was not able to influence the entity in any meaningful way.

7. Significant accounting policies

7.1. Applied accounting policies

The Company applies the following principles for the measurement of assets and liabilities and for determining the financial result:

- Consolidation methods

In accordance with IFRS/IAS, KOPEX S.A. consolidates, i.e. combines, KOPEX S.A.'s financial statements with those of its subsidiaries by adding together relevant items of the financial statements, including the necessary eliminations and adjustments.

The consolidated financial statements are the financial statements of the KOPEX Group prepared as those of a single economic entity.

Non-controlling interests are presented in the consolidated statement of financial position as a separate item under equity. Share in the profit or loss of the Group is also presented as a separate item.

Balances, transactions, income and expenses between the Group's companies are eliminated in full.

KOPEX S.A. recognises interests in associates (i.e. entities which KOPEX S.A. has significant influence over and has made significant investments in) as separate items of the consolidated financial statements. Such interests are equity accounted.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted for the change in KOPEX S.A.'s share of the company's net assets after the date of the acquisition. KOPEX S.A.'s share in the profit or loss of the investee is recognised as a separate item in the statement of profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary to reflect changes in KOPEX S.A.'s interest in the investee arising from changes in the investee's equity which have not been recognised in the statement of profit or loss. KOPEX S.A.'s interest in such changes is recognised under other components of equity. Such changes may also arise from revaluation of property, plant and equipment and foreign currency translations. KOPEX S.A.'s interest in these changes is recognised under equity.

- Intangible assets

Intangible assets are recognised at cost less accumulated amortization and impairment losses. Amortisation of an intangible asset is spread evenly over the best estimate of its useful life. Amortisation starts when the asset is available for use. The amortisation method reflects the pattern in which the asset's economic benefits are expected to be consumed.

Except goodwill, all intangible assets are amortized on a straight-line basis as prescribed below:

- software licences: 10–30%

- software: 20%

- other intangible assets – in line with contract terms or estimated useful life.

Where an intangible asset has low initial cost (initial value of less than PLN 3500), the entire cost is expensed. Other intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

For intangible assets with significant initial value the amortisation period and method are reviewed at least at the end of each financial year.

Amortisation of intangible assets is included in the following items of the statement of profit or loss: cost of products sold, distribution costs, and administrative expenses.

- Goodwill

Goodwill represents the excess of a) over b) where:

a) is the aggregate of:

- the consideration transferred measured in accordance with IFRS 3, which generally requires measurement at fair value. Since the consideration is a transfer payment, it does include costs associated directly with the acquisition.

- the amount of any non-controlling interest in the acquiree, measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets,

- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree,

b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

Subsequently, goodwill is measured by being tested for impairment and accounted for in the statement of financial position at cost less accumulated impairment loss, which is recognised in the statement of profit or loss.

To test for impairment, goodwill must be allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is so allocated should:

- represent the lowest level at which the goodwill is monitored for internal management purposes, and

- not be larger than an operating segment based on either the entity's primary or secondary reporting format.

- Research and development costs

Expenditure on research is recognised in the statement of profit or loss as incurred.

Expenditure on development projects is recognised when the capitalisation criteria are met. After initial recognition, development costs are carried at cost less accumulated amortisation and impairment losses.

Expenditure is amortised on a straight-line basis over the period during which revenue attributable to the project is expected.

- Property, plant and equipment

An item of property, plant and equipment is initially measured at cost of acquisition or, if it is produced internally, at cost incurred to produce it. Borrowing costs attributable to and arising during the investment project are included in the cost of the asset. The initial cost of an item of property, plant and equipment is increased by the expenditure incurred on its improvement if the item is expected to be used during more than one period and it is probable that economic benefits associated with the item will be obtained. If the residual value of an item of property, plant and equipment increases to an amount greater than or equal to its carrying amount, its depreciation is discontinued unless and until its residual value falls below the asset's carrying amount. Property, plant and equipment are depreciated with their expected useful life and recoverable value at disposal taken into account. Where an item of property, plant and equipment has low initial cost (below PLN 3500), it is expensed entirely upon acceptance for use.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. The residual value and the useful life are reviewed annually and changed with the depreciation rate to be applied in subsequent reporting periods.

The depreciation rates applied to property, plant and equipment are as follows:

- buildings and structures: 2.5–4.5%

- plant and equipment: 10–38.72%

- longwall shearers and roadheaders: contract lease term

- vehicles: 20–33.06%

- other: 14–40%

- the right of perpetual usufruct of land, purchased for the contract term during which the right can be exercised.

The right of perpetual usufruct of land received free of charge from the State Treasury is carried as an off-balance sheet item.

Freehold land owned is not depreciated.

- Non-current assets held for sale

Non-current assets are classified as non-current assets held for sale and cease to be depreciated if their sale is highly probable, an active programme to locate a buyer has been initiated, and the sale is expected to be completed within one year.

- Investment property

Investment property is property held to earn rentals or for capital appreciation or both. It is measured at cost less accumulated depreciation as at the reporting date. For investment property with significant initial value the depreciation period and the depreciation method are reviewed in terms of the property's expected economic benefits at least at the end of each financial year. Investment property is depreciated on a straight-line basis beginning in the month following the month in which such property is put in use over its estimated useful life. The depreciation rates applied to investment property are as follows:

- buildings and structures: 2.5–4.5%

- the right of perpetual usufruct of land, purchased for the contract term during which the right can be exercised.

Freehold land owned is not depreciated.

- Property, plant and equipment under construction

As at the reporting date, property, plant and equipment under construction are measured at total cost directly attributable to their purchase or construction less impairment losses.

- Leasing

- Finance leases

Lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased asset. If the entity is the lessee it should, at commencement of the lease term, record finance leases as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments determined as at commencement of the lease term. Subsequently, the leased asset is depreciated in line with the depreciation policy applied to other property, plant and equipment. 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. Finance charge should be allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities are recognised in the statement of financial position under a separate item of liabilities, classified into short-and long-term liabilities. Finance cost is recognised in the statement of profit or loss under finance costs – Interest. The lessor should record finance leases in the statement of financial position as receivables at an amount equal to the net investment in the lease, i.e. at an amount equal to the present value of minimum lease payments, under a separate item, classified into short- and long-term receivables. Finance income is recognised on a reasonable and systematic basis reflecting a constant periodic rate of return on the investment. Finance income is recognised in the statement of profit or loss under finance income – Interest.

- Operating leases

Lease is classified as an operating lease if it does not substantially transfer all the risks and rewards incidental to ownership of the leased asset. The lessee should recognise operating lease payments as an expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern of the entity's benefits. The lessor should present the asset it has leased out according to the nature of the asset and should recognise lease income over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived from the leased asset is diminished. In its financial statements, the entity makes all such lease-related disclosures as required by IFRS/IAS.

- Financial instruments

Financial instruments are classified into the following categories:

- financial assets at fair value through profit or loss
- held-to-maturity investments
- loans and financial receivables
- available-for-sale financial assets
- financial liabilities at fair value through profit or loss
- other financial liabilities
- derivative instruments subject to hedge accounting

Financial assets at fair value through profit or loss

include assets acquired for the purpose of selling in the near term and other financial assets in a portfolio of similar assets for which there is a high probability of short-term profit taking, as well as financial assets which are designated on initial recognition as ones to be measured at fair value through profit or loss if such measurement yields more reliable information. Initially, they are measured at fair value without including transaction costs directly attributable to their acquisition or issue. After initial recognition, they are measured at fair value with the measured value recorded in the statement of profit or loss under Other gains / (losses), with the exception of foreign exchange transactions which are not subject to hedge accounting and which are entered into as hedging instruments for loans or credit facilities; such transactions are disclosed in the statement of profit or loss under Finance income – foreign exchange differences or Finance costs – foreign exchange differences.

Such financial assets include in particular:

- derivatives not subject to hedge accounting – they recorded in the statement of financial position under current assets – Derivative financial instruments. Whether measured or realised, such instruments are recorded in the statement of profit or loss under Other gains / (losses), with the exception of foreign exchange transactions which are entered into as hedging instruments for loans or credit facilities; such transactions are disclosed in the statement of profit or loss under Finance income – foreign exchange differences or Finance costs – foreign exchange differences.

- shares in entities other than subsidiaries or associates, acquired for the purpose of selling in the near term – they are disclosed in the statement of financial position under current assets – Financial assets at fair value through profit or loss. The measured value of such financial assets and the result on their sale are recorded in the statement of profit or loss under Other gains / (losses).

Held-to-maturity investments

include non-derivative financial assets with fixed or determinable payments and with a fixed maturity date, which an entity intends and is able to hold to maturity and which do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Initially, they are measured at fair value plus transaction costs directly attributable to their acquisition or issue.

After the initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method. The measured value is recorded in the statement of profit and loss under Other gains / (losses).

The Group records such assets in the statement of financial position under the same items as advanced loans, classified into long- and short-term ones.

Loans and financial receivables

are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, loans and receivables are measured at fair value, and subsequently at amortised cost using the effective interest rate method, except for loans and receivables with maturities of less than 12 months as of the reporting date, which are recognised at amounts due. The effect of measurement is charged to Other gains/(losses).

Loans and receivables include:

- trade receivables – presented as current assets under a separate item of the statement of financial position;

- other financial receivables, including in particular: employee receivables, receivables from disposal of financial assets, dividends receivable, receivables from disposal of tangible assets – disclosed under Other non-current assets (with maturities of more than 12 months) and under Other short-term receivables (with maturities of less than 12 months as of the reporting date) in the statement of financial position.

- loans – presented in the statement of financial position, broken down into long-term loans (the part maturing in more than 12 months as of the reporting date) and short-term loans (the part maturing in less than 12 months as of the reporting date), under Other non-current assets and Short-term loans, as appropriate.

Loans and financial receivables denominated in foreign currencies are measured as at the reporting date at the mid rate quoted for a given currency on that date by the National Bank of Poland. Foreign exchange differences on financial receivables denominated in foreign currencies arising as at the measurement date and realised on payment are recognised in Other gains/(losses). Foreign exchange differences on loans are recognised in Finance income or Finance costs under Foreign exchange differences.

Available-for-sale financial assets

are non-derivative financial assets designated as available-for-sale or other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. On initial recognition, available-for-sale financial assets are measured at fair value plus transaction costs directly attributable to their acquisition or issue. Subsequent to initial recognition, they are measured at fair value and the effect of that measurement is recognised in other comprehensive income, increasing or decreasing the revaluation reserve. Impairment losses and foreign exchange differences are recognised in profit or loss. On derecognition of an asset from the statement of financial position, cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Available-for-sale financial assets without a fixed maturity date, and whose fair value cannot be measured, are measured at cost.

Available-for-sale financial assets include in particular shares in entities other than subordinates or associates, which are not intended by the Company for sale in the near term, and are presented in the statement of financial position under a separate item, with breakdown into non-current and current portion.

Financial liabilities at fair value through profit or loss

include liabilities acquired for the purpose of selling in the near term, being a part of a portfolio of similar financial instruments and which are highly probable to be realised on unfavourable terms, as well as liabilities which are designated on initial recognition as ones to be measured at fair value through profit or loss if such measurement yields more reliable information. Initially, they are measured at fair value without including transaction costs directly attributable to their acquisition or issue. After initial recognition, they are measured at fair value with the measured value recorded in the statement of profit or loss under Other gains / (losses), with the exception of foreign exchange transactions which are not subject to hedge accounting and which are entered into as hedging instruments for loans or credit facilities; such transactions are disclosed in the statement of profit or loss under Finance income – foreign exchange differences or Finance costs – foreign exchange differences.

Such financial liabilities include in particular:

- derivative instruments which are not covered by hedge accounting – they are presented in the statement of financial position under current liabilities: Derivative financial instruments. Both exercise and measurement of a derivative instrument are recognised in the same items of the statement of profit or loss.

Other financial liabilities

This category includes financial liabilities other than liabilities measured at fair value through profit or loss. On initial recognition, they are recognised at fair value, and subsequently at amortised cost using the effective interest rate method, except for current financial liabilities, which are measured at amounts payable.

Other financial liabilities include in particular:

- bank loans and other borrowings – presented in the statement of financial position under Long-term bank borrowings and other debt instruments (the part to be repaid in more than 12 months as of the reporting date) and under Short-term bank borrowings and other debt instruments (the part to be repaid in less than 12 months as of the reporting date),

- trade payables presented in the statement of financial position under a separate item as current liabilities,

- other financial liabilities, including in particular: employee benefit obligations, amounts payable for tangible assets – presented in the statement of financial position under Other non-current liabilities – for liabilities maturing in more than 12 months as of the reporting date, and under Other current liabilities – for liabilities maturing in less than 12 months as of the reporting date.

Derivative instruments subject to hedge accounting

are instruments designated in accordance with hedge accounting rules, whose fair value or cash flows are to offset the changes in the fair value or cash flows of the hedged item.

An entity may apply hedge accounting when all the criteria defined in IFRS/IAS are met, i.e.:

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

- the hedge is expected to be highly effective,

- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,

- the effectiveness of the hedge can be reliably measured,

- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Derivative instruments which are covered by hedge accounting are presented in assets or liabilities – at positive or negative values, as appropriate − under Derivative financial instruments.

Changes of the fair value of a hedging instrument are recognised in:

- profit or loss – in the case of fair value hedges,

- other comprehensive income – in the case of instruments hedging future cash flows, increasing or decreasing the revaluation reserve (the effective portion),

- profit or loss – in the case of instruments hedging future cash flows (the ineffective portion) under Other gains/(losses).

In cash flow hedges, if the hedged forecast transaction affects profit or loss, then gains or losses from the hedging instrument which were recognised directly in equity are transferred in the same period(s) to the same items of the statement of profit or loss in which the hedged item is recognised. Execution of the forecast transaction which entails the exercise of the hedging instrument results in recognition of gains/losses on the hedge in the same item of the statement of profit or loss in which the hedged item is recognised.

An entity discontinues hedge accounting in any of the following:

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

- the hedge no longer meets the criteria of hedge accounting defined in IFRS/IAS,

- the entity terminates the hedging relationship.

In such cases, the cumulative gain or loss on the hedging instrument that was recognized in other comprehensive income for the period in which the hedge was effective, remains in equity under Revaluation capital reserve until the forecast transaction is executed;

- the forecast transaction is no longer expected to be executed – in such a case, all cumulative gains or losses on the hedging instrument which have been recognised in other comprehensive income in the period in which the hedge was effective are disclosed under Other gains/(losses).

The Group does not apply hedge accounting to hedge net investments in foreign operations.

Impairment

The Group assesses at each reporting date whether there is objective evidence for the existence of impairment of a financial asset or a group of financial assets. For each significant class of financial assets, the Group discloses the nature and amount of any loss charged to profit or loss resulting from an impairment of any item of such class of financial assets.

A financial asset or a group of financial assets is impaired and impairment losses are recognized if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured. Expected losses arising from future events, no matter how likely, are not recognized. Objective evidence of impairment includes observable data that comes to the attention of the holder of the asset about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments) or national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate, a decrease in property prices).

- Inventories

Inventories are measured at the lower of cost and net realisable value. Write-downs of inventories are recognised at the reporting date if there are reasons indicating the need to recognise them. Write-downs are recognised under other expenses. As at the reporting date inventories are measured at cost less any write-downs. The Group establishes any decrease in inventories with the following methods:

- in the case of materials – with the weighted average method,

- in the case of materials purchased for a specific order and merchandise – by way of detailed identification of the actual prices of the inventories, regardless of the date of their purchase or production.

- Cash and cash equivalents

Cash and cash equivalents are disclosed at nominal amounts. Cash and cash equivalents denominated in foreign currencies are measured as at the reporting date at the mid rate quoted for a given currency for that date by the National Bank of Poland. Exchange differences are charged to finance income or costs.

- Prepayments and accrued income, accruals and deferred income

Prepayments and accrued income are recognised if costs incurred relate to subsequent reporting periods.

The items of prepayments and accrued income that do not relate to the Company's ordinary course of business and will be settled over a period longer than 12 months from the reporting date are recognised under other non-current assets. Short-term prepayments and accrued income are disclosed under other short-term receivables.

Accruals and deferred income

Accruals and deferred income are outstanding liabilities due for merchandise or services which have been delivered/provided but have not yet been paid, invoiced or formally agreed upon with the supplier/provider. Although in some cases the amount or due date of payment needs to be established, it is less uncertain than in the case of provisions. Accruals and deferred income include planned costs of audit of financial statements, the value of un-invoiced services provided to the Company, for which the provider is not contractually obliged to issue an invoice, emission charges, and costs of the current period evidenced by invoices in subsequent period. Accruals and deferred income are recognised in equity and liabilities as current liabilities under accruals and deferred income.

- Equity

Equity includes share capital, statutory reserve funds and capital reserves, revaluation capital reserve, net profit/(loss) for the period and retained earnings.

Share capital is recognised at the amount specified in the Articles of Association and entered in the commercial register. Declared but outstanding contributions to equity are disclosed under called-up share capital not paid. Shareholders may increase or decrease the amount of the share capital in accordance with the rules set out in the Commercial Companies Code. If the share capital is increased, the increased amount is accounted for as of the date of registration of the change by the court.

The share capital is recognised in the statement of financial position at nominal amount.

Treasury shares are recognized in the statement of financial position at acquisition cost as a deduction from equity. If treasury shares are sold, issued or cancelled, no gains or losses are recognised in profit or loss.

- Provisions for liabilities

Provisions are liabilities whose timing or amount are not certain.

A provision is recognised when:

a) the Company has a present obligation (legal or constructive) as a result of a past event,

b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation,

c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision is recognised.

The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, i.e.

a) amount that the Group would rationally pay to settle the obligation at the end of the reporting period, or

b) amount that the Group would pay to transfer the obligation to a third party at that time.

Provisions are measured taking into account the relevant risks and uncertainties. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The estimates of outcome and financial effect are determined by the judgement of the Company's management, supplemented by experience of similar transactions and, in some cases, reports from independent experts. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances.

Provisions are recognised for:

- expected losses on contracts,
- provided guarantees and sureties,
- adverse outcome of litigation and appeals,
- future liabilities related to restructuring.

- Provision for employee benefit obligations

The Group's employee benefits include one-off retirement and disability benefits as well as death benefits, in line with the applicable collective bargaining agreement and rules of remuneration.

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

Costs arising from post-employment benefits are recognised as follows:

- in profit or loss: current service cost, past service cost, net interest on defined benefit obligations;
- in other comprehensive income: actuarial gains and losses arising from post-employment benefits.

Under employee benefit obligations the Group also recognises a provision for unused holiday entitlements, unpaid bonuses and length-of-service awards, if there is an obligation (legal or constructive) to pay such benefits.

- Tax assets and liabilities

As temporary differences arise between the carrying amount of assets and liabilities and their tax base and tax loss recoverable in the future, an entity recognises a provision and determines the amount of deferred tax assets in respect of the applicable income tax.

Deferred tax assets are the amounts, determined in accordance with the prudence principle, of income taxes recoverable in future periods in respect of:

- deductible temporary differences,
- the carryforward of unused tax losses,
- the carryforward of unused tax credits.

Deductible temporary differences result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable income will be generated which will enable the deductible temporary differences to be offset. Defferred tax assets are measured at the amount expected to be recovered from the taxation authorities, at the tax rates that are expected to apply when the asset is realised, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are recognised as the amounts of income taxes payable in future periods in respect of taxable temporary differences, which will result in an increase in taxable income in the future. The relevant provision is estimated at the tax rates that are expected to apply when the provision is reversed, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognised only in respect of temporary adjustments.

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

- Revenue

Revenue represents the inflow of gross economic benefits during a given period, arising in the ordinary course of business and resulting in an increase in equity other than through contributions from the shareholders. Revenue and costs of the same transaction are recognised simultaneously.

Revenue is recognised when it becomes probable that the Group earns economic benefits from a given transaction and when the revenue can be reliably measured. Revenue is recognised net of value added tax and any discounts and rebates.

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

Revenue from the provision of services (except for construction contracts) is recognised when the services are rendered to a third party.

Dividend income is recognized in Other income when the Company becomes entitled to dividend payment.

- Government grants

Government grants, including non-monetary grants at fair value, are recognised when there is reasonable assurance that:

− the Group will meet the conditions attached to the grant,

− the grants will be received.

The term 'government' refers to the government, governmental institutions and agencies, as well as other similar bodies whether local, national or international. Government grants are recognized as income over the periods necessary to match them with the related costs which the grants are intended to compensate, on a systematic basis. Government grants are not credited directly to equity. A government grant which becomes receivable as compensation for cost or loss incurred or which is awarded to the Group as immediate financial assistance with no future related costs is recognized as income in the period when it becomes due. Government grants which are repayable are recognised as changes to accounting estimates. This means that repayment of the grant is recognized in the first place in the outstanding balance of deferred income. The remaining part is charged to the cost of the period. The standard does not resolve the issue of EU subsidies. The Group treats EU subsidies on an equal footing with government grants.

- Construction contracts

Construction contracts include individual contracts for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

In particular, they include contracts for the supply of longwall systems, performance of vertical and horizontal mining works and supply of machinery and equipment such as conveyors, highly customized shearers, and powered roof support systems.

A majority of the contracts provide for fixed-price transactions and are accounted for using the percentage of completion method.

The percentage of contract completion is computed by dividing the costs actually incurred, as documented by appropriate accounting evidence, by the estimated total contract cost.

Agency commissions on contracts are recognised by the Group in proportion to the stage of completion of the contracts.

The overall contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments.

Variations are included in contract revenue when it is probable that they will be approved by the customer and that the amount of the revenue can be reliably measured. Contract revenue is measured at the fair value of the consideration received or receivable. The overall contract costs comprise costs that relate directly to the specific contract, general cost of activities covered by the contract which can be assigned to specific contracts, as well as such other costs as are specifically chargeable to the customer under the terms of the contract. Total costs and revenues of contracts are reviewed and remeasured periodically but at least as at each reporting date and every time significant changes to the revenue or cost estimates are made. The effects of changes in estimates of revenues and costs associated with the contract and the effects of changes in the outcome of the contract are recognized as a change in accounting estimate. The changed estimates are used to determine the amount of revenue and costs recognised through profit or loss in the reporting period in which the change was made and in subsequent periods. The revenue as at the end of the reporting period is determined based on the percentage of completion of the contract, net of any revenue which affected the financial result in previous reporting periods.

If the estimated total and final revenue and costs of a construction contract indicate a loss, a provision for the whole loss is charged to costs.

Contract revenue is recognised in proportion to the stage of completion of the contract and revaluation differences are recognised as follows:

- any excess of revenue determined cumulatively in the valuation over the total loss and progress billings (cumulative) is accounted for in current prepayments and accrued income and recognised as an asset under amounts due from customers for contract work.

- any excess of recognised loss and progress billings (cumulative) over revenue determined cumulatively in the valuation is accounted for in accruals and deferred income and recognised as a liability under other liabilities.

7.2. On January 1st 2016, the following new and amended standards and interpretations with no material impact on these financial statements became effective.

− Amendments to IAS 19 *Employee Benefits*
− Annual Improvements to IFRSs 2010–2012 Cycle
− Amendments to IAS 16 and IAS 41 concerning bearer plants
− Amendments to IFRS 11 concerning acquisitions of interests in joint operations
− Amendments to IAS 16 and IAS 38 concerning depreciation and amortisation
− Annual Improvements to IFRSs 2012–2014 Cycle
− Amendments to IAS 1
− Amendments to IAS 27 concerning the equity method in separate financial statements
− Amendments to IFRS 10, IFRS 12 and IAS 28 concerning the consolidation exception for investment entities

7.3 Published standards and interpretations which are not yet effective and have not been early adopted by the Company, and may affect the Company's financial statements

IFRS 9 *Financial Instruments*

IFRS 9 has replaced IAS 39. The standard is effective for annual periods beginning on or after January 1st 2018.

The standard introduces a single model that has only two classification categories for financial assets: measured at fair value or at amortised cost. Assets are classified on initial recognition depending on an entity's financial instrument management model and the characteristics of contractual cash flows from such instruments.
IFRS 9 introduces a new impairment recognition model based on expected credit losses.
The majority of requirements under IAS 39 concerning classification and measurement of financial liabilities were incorporated into IFRS 9 unchanged. The key change is the new requirement that entities present in other comprehensive income changes in their own credit risk related to financial liabilities designated to be measured at fair value through profit or loss.
Changes were also made to more closely match the hedge accounting with risk management.

The Group will apply IFRS 9 as of January 1st 2018.

Because as at the reporting date the Company carried no financial instruments measured at fair value, the new standard is not expected to have any material effect on the Company's financial statements. However, the Company cannot rule out that the new standard will not have a material effect in subsequent reporting periods.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* is effective for annual periods beginning on or after January 1st 2018.

IFRS 15 will apply to all contracts that generate revenue. The fundamental principle of the new standard is that revenue is recognised upon the transfer of goods or services to the customer, at the transaction price. Any goods or services sold in bundles that are capable of being distinct should be recognised separately, and as a rule any discounts and rebates on the transaction price should be allocated to individual components of the bundle. If the amount of consideration receivable is variable, in accordance with the new standard such variable consideration is included in revenue to the extent that it is highly probable a reversal of the amount of revenue recognised will not occur as a result of revaluation. Furthermore, in accordance with IFRS 15, the cost of obtaining and securing a contract with a customer should be capitalised and amortised over the period in which the contract's benefits are consumed.

The Group will apply IFRS 15 as of January 1st 2018.

Preliminary analysis of the impact of the standard on the financial statements show that its entry into force will affect the way of accounting for revenue from the construction of an asset, which is currently recognised in line with IAS 11.
In line with the new standard, revenue should be recognised at a point in time when control over products is transferred to the customer. The new standard will have an impact on the financial statements if the Group will have contracts for the construction of an asset. As at December 31st 2016, the Group recognised revenue before the transfer of control by reference to the stage of completion of the contract activity in respect of two contracts.
A preliminary assessment of other key contracts (lease of machinery and mining works) indicates that IFRS 15 should not have a significant impact on revenue recognition in respect of those contracts in the financial statements.
Analysis of the impact of the standard has not yet been completed.

<u>Clarifications to IFRS 15 *Revenue from Contracts with Customers*</u>

Clarifications to IFRS 15 *Revenue from Contracts with Customers* were issued on April 12th 2016 and apply to financial statements prepared after January 1st 2018.
The clarifications provide additional information and explanations concerning the main points of IFRS 15, such as identification of individual performance obligations in the contract, determination whether the entity is an agent or a principal under the contract, and accounting for revenue from licences.
Besides additional clarifications, exemptions and simplifications for first-time adopters were also introduced.

The Group will apply Clarifications to IFRS 15 along with IFRS 15, as of January 1st 2018.

As at the date of these financial statements, Clarifications to IFRS 15 had not been endorsed by the European Union.

<u>Amendments to IAS 7 *Disclosure Initiative*</u>

The amendments to IAS 7 are effective for annual periods beginning on or after January 1st 2017. Entities will be required to disclose a reconciliation of changes in liabilities arising from financing activities.

The Group will apply the above amendments following their endorsement by the European Union.

The amended standard will result in an increased scope of disclosures in the financial statements.

<u>Annual Improvements to IFRS Standards 2014−2016 Cycle</u>

In December 2016, the International Accounting Standards Board issued Annual Improvements to IFRS Standards 2014−2016 Cycle, containing amendments to three standards: IFRS 12 *Disclosure of Interest in Other Entities*, IFRS 1 *First-time Adoption of IFRS*, and IAS 28 *Investments in Associates and Joint Ventures*. The improvements include changes in presentation, recognition and measurement as well as terminology and editorial changes.

The Group will apply the amendments to IFRS 12 following their endorsement by the European Union.
The Group will apply the amendments to IFRS 1 and IAS 28 as of January 1st 2018.

The Group is currently analysing the impact of the amendments on its financial statements.

As at the date of these financial statements, the amendments had not been endorsed by the European Union.

Amendments to IAS 40 *Transfers of Investment Property*

Amendments to IAS 40 clarify the requirements for transfers to and from investment property. The amendments are effective for annual periods beginning on or after January 1st 2018.

The Group will apply the amendments as of January 1st 2018.

The Group is currently analysing the impact of the amendments on its financial statements.

As at the date of these financial statements, the amendments had not been endorsed by the European Union.

7.4 Published standards and interpretations which are not yet effective and have not been early adopted by the Group and will not affect the Group's financial statements

- Amendments to IAS 12 related to recognition of deferred tax assets for unrealised losses
- IFRS 16 *Leases*
- Amendments to IAS 19 *Employee Benefits*
- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IFRS 10 and IAS 28 concerning sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Annual Improvements to IFRS Standards 2014−2016 Cycle
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

8. Capital management

Following material deterioration of the KOPEX Group's financial condition and its failure to comply with bank covenants in Q4 2015, in early 2016 the Group was forced to enter into negotiations with the financing banks to restructure its debt. While the negotiations continued, the Group was not able to use any credit facilities, so its resorted to taking remedial measures which consisted in actively managing working capital and restructuring the business. In December 2016, after prolonged negotiations between the banks, the Group and the Strategic Investor (TDJ S.A.), the parties executed the Restructuring Agreement.

At present, given the ongoing restructuring and the Group's continuing financial distress, KOPEX S.A. is unable to obtain credit and guarantee facilities, which is a significant obstacle to securing major contracts on its own, in particular in foreign markets. The same applies to the other Group companies which are party to the Restructuring Agreement. The Group's current priority is to act in compliance with the provisions and obligations set out in the Restructuring Agreement. Successful performance of the Restructuring Agreement is expected to enable the Group to continue as a going concern.

Further implementation of the restructuring measures, including in particular:

- restructuring (divestment) of non-core non-current assets, with proceeds to be applied towards debt repayment,
- divestment of shares in non-strategic companies,
- cost and operational restructuring of the Company to reduce operating expenses and improve efficiency, and to adapt to market conditions,

are expected to enable the Group to continue as a going concern.

9. Financial risk management policy and hedging

At the date of authorisation of these financial statements, the Group is in the process of restructuring its business. The going concern assumption is based on the conviction that the Group companies which are debtors will be able to successfully implement all the provisions of the Restructuring Agreement.

Financial risk management is designed to mitigate or eliminate the adverse effect on the Group's financial condition of risks inherent in its operations, including in particular:

- market risk – currency risk, interest rate risk, and price risk;
- liquidity risk – the risk that the Group may not be able to meet its financial liabilities when due;
- credit risk – the risk of a trading partner's failure to perform contractual obligations.

The Group seeks to minimise its exposure to various risks through natural hedging mechanisms.

Price risk

The risk of price increases arises in connection with prices of materials essential for the Group's operations, mainly steel products. The Group minimises this risk by ensuring that its contracts with suppliers (steelworks; suppliers of hydraulic elements, screw elements) provide for the right to negotiate prices and by placing framework purchase orders where prices and volumes are guaranteed but individual batches are collected gradually, when and as needed. The Group's sources of materials for production and provision of services are diversified insofar as possible.

Interest rate risk

The Group is exposed to this risk as it finances its operations with bank borrowings bearing interest at WIBOR-based variable rates. The Company regularly monitors the decisions of the Monetary Policy Council. As at December 31st 2016, the Group carried no instruments hedging the interest rate risk.

Currency risk

The Group was exposed to currency risk, which creates uncertainty as to the value of future cash flows. The Group took steps to minimise this risk by entering into FX forwards and by ensuring that contracts and agreements it entered into contained appropriate clauses.

The Group applied hedge accounting (for details, see accounting policies) and natural hedging with respect to cash flows and fair value.

Following the issue on February 25th 2016 of the interim report for Q4 2015 and the significant deterioration of the results of the Company's and the Group's operations, currently the Company is not able to obtain any facilities to finance its treasury transactions or to hedge its currency risk.

(all amounts in PLN '000)

Financial instruments — **Categories of financial instruments - carrying amount**

Class of financial instruments	**Note**	Available-for-sale financial assets	Financial assets held to maturity	Financial assets at fair value through profit or loss	Loans and financial receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Liabilities excluded from the scope of IAS 39	Receivables excluded from the scope of IAS 39	Hedging instruments	Total
As at Dec 31 2016											
Shares	12.7, 12.12	7,784	-	19	-	-	-	-	-	-	**7,803**
Trade receivables (net)	12.10	-	-	-	221,333	-	-	-	-	-	**221,333**
Lease receivables	12.6	-	-	-	-	-	-	-	38,642	-	**38,642**
Cash	12.13	-	-	-	108,735	-	-	-	-	-	**108,735**
Bonds and loans	12.7,12.11	-	-	-	8,048	-	-	-	-	-	**8,048**
Other financial receivables (net)	12.10D	-	-	-	30,915	-	-	-	-	-	**30,915**
Other financial assets	12.5, 12.12	-	-	-	80,000	-	-	-	-	-	**80,000**
Derivative financial instruments	12.12	-	-	-	-	-1,230	-	-	-	-14	**-1,244**
Trade payables	12.25	-	-	-	-	-	-79,401	-	-	-	**-79,401**
Bank borrowings and other debt instruments	12.19	-	-	-	-	-	-575,080	-	-	-	**-575,080**
Lease liabilities	12.21	-	-	-	-	-	-	-39,863	-	-	**-39,863**
Other liabilities	12.20	-	-	-	-	-	-28,380	-	-	-	**-28,380**
Total		**7,784**	**-**	**19**	**449,031**	**-1,230**	**-682,861**	**-39,863**	**38,642**	**-14**	**-228,492**
As at Dec 31 2015											
Shares	12.7, 12.12	3,164	-	19	-	-	-	-	-	-	**3,183**
Trade receivables (net)	12.10	-	-	-	391,910	-	-	-	-	-	**391,910**
Lease receivables	12.6	-	-	-	-	-	-	-	55,613	-	**55,613**
Cash and cash equivalents and deposits	12.13	-	-	-	62,288	-	-	-	-	-	**62,288**
Bonds and loans	12.7,12.11	-	-	-	111,445	-	-	-	-	-	**111,445**
Other financial receivables (net)	12.10D	-	-	-	53,567	-	-	-	-	-	**53,567**
Derivative financial instruments	12.12	-	-	3	-	-372	-	-	-	827	**458**
Trade payables	12.25	-	-	-	-	-	-171,630	-	-	-	**-171,630**
Bank borrowings and other debt instruments	12.19	-	-	-	-	-	-546,345	-	-	-	**-546,345**
Lease liabilities	12.21	-	-	-	-	-	-	-66,156	-	-	**-66,156**
Other liabilities	12.20	-	-	-	-	-	-36,801	-	-	-	**-36,801**
Total		**3,164**	**-**	**22**	**619,210**	**-372**	**-754,776**	**-66,156**	**55,613**	**827**	**-142,468**

As at December 31st 2016 and December 31st 2015, the carrying amount of financial instruments approximated their fair value.

(all amounts in PLN '000)

Fair value hierarchy

Class of financial instruments	Note	As at Dec 31 2016 Fair value hierarchy		
		Level 1	**Level 2**	**Level 3**
Shares	12.12A	19		
Derivatives, including:	12.12A		-1,244	
Assets			-	
Liabilities			-1,244	

Class of financial instruments	Note	As at Dec 31 2015 Fair value hierarchy		
		Level 1	**Level 2**	**Level 3**
Shares	12.12A	19		
Derivatives, including:	12.12A		458	
Assets			1,965	
Liabilities			-1,507	

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

The following valuation levels were applied for financial instruments measured at fair value through profit or loss:

- Level 1: prices quoted on an active market for identical assets or liabilities,

- Level 2: inputs other than quoted prices included in Level 1, which are observable on the market either directly (prices) or indirectly (data based on market prices),

- Level 3: inputs for the valuation of an asset or liability other than based on observable market data.

The fair value of financial instruments classified at Level 2 was determined using appropriate valuation techniques.

The Group is not able to reliably determine the fair value of its holdings in companies not listed on active markets that are classified as available-for-sale financial assets. The Group measures this group of assets at cost less impairment losses, if any.

Sensitivity analysis

A 10% change of exchange rates at December 31st 2016 would result in a PLN 4,959 thousand of the Group's profit/(loss) before tax (December 31st 2015: PLN 16,289 thousand).

A 1% change of interest rates at December 31st 2016 would result in a PLN 4,596 thousand of the Group's profit/(loss) before tax (December 31st 2015: PLN 3,833 thousand).

Sensitivity analysis (PLN' 000) as at Dec 31 2016

	Carrying amount	Interest rate risk		Currency risk			
		+/- 1%		+10% (zloty depreciation)		-10% (zloty appreciation)	
		gain/(loss)	gain/(loss)	gain/(loss)	changes in equity	gain/(loss)	changes in equity
FINANCIAL ASSETS							
Cash (PLN)	77,659	777	-777	-	-		-
Cash (USD, translated into PLN)	286	3	-3	29	-	-29	-
Cash (EUR, translated into PLN)	15,249	152	-152	1,525	-	-1,525	-
Cash (AUD, translated into PLN)	5,722	57	-57	572	-	-572	-
Cash (other currencies)	9,819	98	-98	982	-	-982	-
Loans, including interest (PLN)	8,013	80	-80	801	-	-801	-
Loans, including interest (EUR)	35	-	-	4	-	-4	-
Trade and other receivables (PLN)	361,566	-	-	-	-		-
Trade and other receivables (EUR)	10,609	-	-	1,061	-	-1,061	-
Trade receivables (other currencies)	13,029	-	-	1,303	-	-1,303	-
Lease receivables (PLN)	38,642	386	-386		-		-
Derivatives measured at fair value through profit or loss	19	-	-	2	-	-2	-
Effect on net profit/(loss), other comprehensive income before tax		**1,553**	**-1,553**	**6,279**	**-**	**-6,279**	**-**
Effect on net profit/(loss), other comprehensive income after tax		**1,258**	**-1,258**	**5,086**	**-**	**-5,086**	**-**
FINANCIAL LIABILITIES							
Bank borrowings and other debt instruments (PLN)	574,439	-5,744	5,744		-		-
Bank borrowings (other currencies)	641	-6	6	-64	-	64	-
Trade and other payables (PLN)	68,078	-	-		-		-
Trade and other payables (EUR)	3,611	-	-	-361	-	361	-
Trade and other payables (USD)	5,433	-	-	-543	-	543	-
Trade and other payables (AUD)	376	-	-	-38	-	38	-
Trade and other payables (other currencies)	1,903	-	-	-190	-	190	-
Lease liabilities (PLN)	39,863	-399	399		-		-
Derivatives measured at fair value through profit or loss	1,230	-	-	-123	-	123	-
Hedging derivatives	14	-	-	-1	-	1	-
Effect on net profit/(loss), other comprehensive income before tax		**-6,149**	**6,149**	**-1,320**	**-**	**1,320**	**-**
Effect on net profit/(loss), other comprehensive income after tax		**-4,981**	**4,981**	**-1,069**	**-**	**1,069**	**-**

Sensitivity analysis (PLN' 000) as at Dec 31 2015

	Carrying amount	Interest rate risk		Currency risk			
		+/- 1%		+10% (zloty depreciation)		-10% (zloty appreciation)	
		gain/(loss)	gain/(loss)	gain/(loss)	changes in equity	gain/(loss)	changes in equity
FINANCIAL ASSETS							
Cash (PLN)	37,043	370	-370	-	-	-	-
Cash (USD, translated into PLN)	802	8	-8	80	-	-80	-
Cash (EUR, translated into PLN)	17,129	171	-171	1,713	-	-1,713	-
Cash (other currencies)	7,314	73	-73	731	-	-731	-
Loans, including interest (PLN)	109,494	1,095	-1,095	-	-	-	-
Loans, including interest (EUR)	1,935	19	-19	194	-	-194	-
Loans, including interest (other currencies)	16	-	-	2	-	-2	-
Trade and other receivables (PLN)	275,465	-	-	-	-	-	-
Trade and other receivables (EUR)	146,796	-	-	14,680	-	-14,680	-
Trade and other receivables (USD)	3,200	-	-	320	-	-320	-
Trade and other receivables (AUD)	17,731	-	-	1,773	-	-1,773	-
Trade receivables (other currencies)	44,076	-	-	4,408	-	-4,408	-
Lease receivables (PLN)	55,613	556	-556		-		-
Derivatives measured at fair value through profit or loss	22	-	-	2	-	-2	-
Hedging derivatives	1,962	**-**	**-**	3	193	-3	-193
Effect on net profit/(loss), other comprehensive income before tax		**2,292**	**-2,292**	**23,906**	**193**	**-23,906**	**-193**
Effect on net profit/(loss), other comprehensive income after tax		**1,857**	**-1,857**	**19,364**	**156**	**-19,364**	**-156**
FINANCIAL LIABILITIES							
Bank borrowings and other debt instruments	530,202	-5,302	5,302	-	-	-	-
Bank borrowings denominated in AUD, translated	11,943	-119	119	-1,194	-	1,194	-
Non-bank borrowings, including interest (other currencies)	4,200	-42	42	-420	-	420	-
Trade and other payables (PLN)	223,606	-	-	-	-	-	-
Trade and other payables (EUR)	51,997	-	-	-5,200	-	5,200	-
Trade and other payables (USD)	1,453	-	-	-145	-	145	-
Trade and other payables (AUD)	-13	-	-	1	-	-1	-
Trade and other payables (other currencies)	5,084	-	-	-508	-	508	-
Lease liabilities (PLN)	66,156	-662	662	-	-	-	-
Derivatives measured at fair value through profit or loss	372	-	-	-37	-	37	-
Hedging derivatives	1,135	-	-	-114	-	114	-
Effect on net profit/(loss), other comprehensive income before tax		**-6,125**	**6,125**	**-7,617**	**-**	**7,617**	**-**
Effect on net profit/(loss), other comprehensive income after tax		**-4,961**	**4,961**	**-6,170**	**-**	**6,170**	**-**

The above sensitivity analysis is not representative of foreign exchange risk and interest rate risk due to the fact that end-of-year exposure to these risks does not reflect exposure throughout the financial year, as amounts of receivables and liabilities and valuation of derivative instruments change during the year.

Liquidity risk

In the absence of access to external sources of financing, except as allowed under the Restructuring Agreement, the KOPEX Group is exposed to liquidity risk. The Group uses a periodic liquidity planning tool to monitor the liquidity risk. The Group protects itself against the risk by managing the payment and collection periods. As at December 31st 2016, the Group did not use any form of bank credit. At present, given the ongoing restructuring process and the Company's continuing financial distress, KOPEX S.A. is unable to obtain multi-purpose credit and guarantee facilities.

(all amounts in PLN '000)

Maturities of financial liabilities

Financial liabilities	Maturities at end of period			Total (undiscounted)	Carrying amount
As at Dec 31st 2016	**Up to 1 year**	**From 1 to 5 years**	**Over 5 years**		
Trade payables	78,324	1,077	-	**79,401**	**79,401**
Bank borrowings and other debt instruments	641	574,439	-	**575,080**	**575,080**
Derivative financial instruments	1,244	-	-	**1,244**	**1,244**
Other financial liabilities	28,285	95	-	**28,380**	**28,380**
Lease liabilities	17,321	25,130	-	**42,451**	**39,863**
Total financial liabilities by maturity	**125,815**	**600,741**	**-**	**726,556**	**723,968**
As at Dec 31st 2015					
Trade payables	170,553	1,077	-	**171,630**	**171,630**
Bank borrowings and other debt instruments	546,345	-	-	**546,345**	**546,345**
Derivative financial instruments	1,215	292	-	**1,507**	**1,507**
Other financial liabilities	35,297	1,504	-	**36,801**	**36,801**
Lease liabilities	30,234	40,865	1,083	**72,182**	**66,156**
Total financial liabilities by maturity	**783,644**	**43,738**	**1,083**	**828,465**	**822,439**

Credit risk

The Group's credit risk exposure is related to its principal business. IFRS 7.34-36 requires that entities analyse individual items of assets exposed to credit risk, i.e. trade receivables, lease receivables, loans, cash. Credit risk results from outstanding contracts and is related to the risk of such credit events as a trading partner's insolvency, partial payment of receivables, and material delays in payment of receivables or loans.
In the opinion of the Management Board, investments in other non-current and current financial assets are not exposed to credit risk.

On the domestic market, the Group enters into transactions mainly with customers from the mining sector, and therefore receivables from that sector (including lease receivables) are the source of the largest risk concentration.

The Company verifies the creditworthiness of its trading partners and takes steps to obtain financial collateral from the trading partners in order to minimise the credit risk.

The Company recognises impairment losses on impaired receivables.

The largest exposures to the credit risk are presented below:

- net trade receivables: PLN 221,333 thousand (December 31st 2015: PLN 391,910 thousand);
- loans: PLN 8,048 thousand (December 31st 2015: PLN 111,445 thousand);
- lease receivables: PLN 38,642 thousand (December 31st 2015: PLN 55,613 thousand);
- other receivables: PLN 33,962 thousand (December 31st 2015: PLN 55,983 thousand);

*Entities with the largest share in trade receivables as at December 31st 2016 were:

Customer 1 – 14.20% of total receivables,
Customer 2 – 13.42% of total receivables,
Customer 3 – 11.89% of total receivables.

*Entities with the largest share in trade receivables as at December 31st 2015 were:

Customer 1 – 14.86% of total receivables,
Customer 2 – 10.21% of total receivables,
Customer 3 – 6.14% of total receivables.

10. Information used to translate selected financial data

- Items of assets and equity and liabilities were translated at the mid EUR/PLN exchange rate quoted by the National Bank of Poland for the reporting date:
  - as at December 31st 2016: 4.4240
  - as at December 31st 2015: 4.2615
- Items of the statement of profit or loss and the statement of cash flows were translated at a rate representing the arithmetic mean of EUR/PLN exchange rates as at the end of each month in the reporting period:
  - in 2016: 4.3757
  - in 2015: 4.1848
- Maximum rates during the period:
  - in 2016: 4.4405
  - in 2015: 4.2652
- Minimum rates during the period:
  - in 2016: 4.2684
  - in 2015: 4.0337

(all amounts in PLN '000)

11. Accounting estimates and judgements

As much of the numerical data contained in the financial statements cannot be measured precisely, preparation of financial statements requires the Company's Management Board to make estimates. The Management Board reviews these estimates based on changes in underlying factors, new information and past experience. Therefore, the estimates made as at December 31st 2016 may change in the future. The main estimates are described in Note 2b and in the Significant accounting policies section, and are presented in the following notes:

Note	Estimates	Disclosed information
12.2	Goodwill impairment test	Key assumptions on revenue growth, operating profit/(loss) and discount rates
9 12.6 12.7 12.10 12.11	Impairment losses on loans and receivables	Methodology used to determine the recoverable amount − Applied accounting policies − Impairment
12.8	Income tax	Assumptions underlying recognition of deferred tax assets and liabilities − Applied accounting policies − Deferred tax assets and liabilities
12.22	Employee benefits	Actuarial provisions − Applied accounting policies − Provisions for liabilities
12.12	Fair value of derivative instruments	Model and assumptions used in fair value measurement − Applied accounting policies − Financial instruments
12.23	Provisions	Provisions for liabilities whose timing or amount is not certain − Applied accounting policies − Provisions for liabilities
12.1 12.3 12.4	Economic useful lives of property, plant and equipment, intangible assets and investment property	Economic useful lives and depreciation/amortisation method − Applied accounting policies − Property, plant and equipment, intangible assets and investment property
13	Contingent liabilities	A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.
12.26	Construction contracts	The percentage of contract completion computed by dividing the costs actually incurred by contract costs − Applied accounting policies − Construction contracts

Where a transaction is not regulated under any standard or interpretation, the Management Board uses its judgement in developing and applying an accounting policy that will ensure that the financial statements contain reliable information which correctly, clearly and reliably present the Company's assets, financial position, results of operations and cash flows. Subjective judgement is carried out so as to ensure that the financial statements reflect the economic substance of transactions, are unbiased, prepared in accordance with the principles of prudent valuation and complete in all material respects. Analysis of impairment of financial assets is described in Note 2.

(all amounts in PLN '000)

12. Notes to the statement of financial position and the statement of profit or loss

Note 12.1A Dec 31 2016
MOVEMENTS IN INTANGIBLE ASSETS

	development costs	costs of development work in progress	acquired licences, patents and similar assets	other intangible assets	intangible assets under development	Total intangible assets
gross carrying amount at beginning of period	**159,615**	**32,027**	**30,864**	**2,288**	**4,197**	**228,991**
- increase	13,206	8,749	1,724	1,974	2,346	27,999
- decrease	-23,656	-17,938	-5,149	-184	-2,829	-49,756
- loss of control	-6,723	-7,955	-828	-	-	-
- reclassification	2,623	-2,623	141	1	-263	-121
- translation reserve	60	-	-	-	-	60
gross carrying amount at end of period	**145,125**	**12,260**	**27,298**	**4,079**	**3,451**	**192,213**
accumulated amortisation at beginning of period	**49,474**	**-**	**16,847**	**1,727**	**-**	**68,048**
- amortisation	17,595	-	6,008	173	-8	23,768
- sale and liquidation	-	-	-302	-15	-	-317
- loss of control	-3,398	-	-178	-	-	-3,576
- reclassification	-8,992	-	-3,195	2,019	-	-10,168
- translation reserve	30	-	-	-	-	30
accumulated amortisation at end of period	**54,709**	**-**	**19,180**	**3,904**	**-8**	**77,785**
impairment losses at beginning of period	**11,098**	**19,139**	**48**	**-**	**-**	**30,285**
- increase	69,881	4,766	726	-	3,449	78,822
- impairment losses used	-1,828	-7,823	-	-	-	-9,651
- reclassification	-2,949	-7,446	3,946	-	-	-6,449
impairment losses at end of period	**76,202**	**8,636**	**4,720**		**3,449**	**93,007**
net carrying amount at beginning of period	**99,043**	**12,888**	**13,969**	**561**	**4,197**	**130,658**
net carrying amount at end of period	**14,214**	**3,624**	**3,398**	**175**	**10**	**21,421**

Note 12.1A Dec 31 2015
MOVEMENTS IN INTANGIBLE ASSETS

	develop ment costs	costs of development work in progress	permits, patents, licenses	other intangible assets	intangible assets under development	Total intangible assets
gross carrying amount at beginning of period	**124,073**	**54,148**	**27,685**	**2,287**	**6,650**	**214,843**
- increase	592	24,629	45	1	2,203	27,470
- decrease	-4,374	-7,279	-1,482	-2	-	-13,137
- reclassification	39,284	-39,255	4,624	3	-4,656	-
- translation reserve	40	-216	-8	-1	-	-185
gross carrying amount at end of period	**159,615**	**32,027**	**30,864**	**2,288**	**4,197**	**228,991**
accumulated amortisation at beginning of period	**37,172**	**-**	**15,402**	**1,623**	**-**	**54,197**
- amortisation	16,100	-	2,717	106	-	18,923
- sale and liquidation	-3,825	-	-1,342	-2	-	-5,169
- translation reserve and other	27	-	70	-	-	97
accumulated amortisation at end of period	**49,474**	-	**16,847**	**1,727**	**-**	**68,048**
impairment losses at beginning of period	**350**	**-**	**-**	**-**	**-**	**350**
- increase	11,070	19,067	48	-	-	30,185
- decrease	-350	-	-	-	-	-350
- translation reserve	28	72	**-**	**-**	**-**	100
impairment losses at end of period	**11,098**	**19,139**	**48**	**-**	**-**	**30,285**
net intangible assets at beginning of period	**86,551**	**54,148**	**12,283**	**664**	**6,650**	**160,296**
net intangible assets at end of period	**99,043**	**12,888**	**13,969**	**561**	**4,197**	**130,658**

In 2016 and 2015, the Group recognized impairment losses on development work because the effects of the work were not actually used due to the difficult situation of the mining segment. The impaired development work primarily relates to technical documentation and prototype mining equipment.

(all amounts in PLN ’000)

Note 12.1B

OWNERSHIP OF INTANGIBLE ASSETS	Dec 31 2016	Dec 31 2015
a) own	21,421	130,658
- including internally generated	15,051	118,543
b) used under rental, lease or other agreement, including lease contracts:	-	-
Total intangible assets	**21,421**	**130,658**

Nota 12.1C

Items in the statement of profit or loss in which amortisation of intangible assets	2016	2015
- cost of sales	20,211	16,692
- distribution costs	165	348
- administrative expenses	3,392	1,883
Total	**23,768**	**18,923**

Note 12.2

GOODWILL OF SUBORDINATED ENTITIES

In 2016, the Group recognised an impairment loss on the entire remaining amount of goodwill of PLN 41,568 thousand. For details of the impairment test see Note 2.

(all amounts in PLN ’000)

Note 12.3A Dec 31 2016

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT (by type)

	freehold land (including perpetual usufruct rights)	buildings and structures	plant and equipment	vehicles	other tangible assets	assets under construction	Total property, plant and equipment
gross property, plant and equipment at beginning of period	**14,658**	**283,165**	**1,048,103**	**24,569**	**38,216**	**48,613**	**1,457,324**
- increase	253	618	1,693	34	40	101,873	104,511
- decrease	-5,286	-49,196	-189,513	-6,351	-7,991	-2,829	-258,166
- reclassification	481	-86,769	75,205	812	2,810	-86,962	-94,423
- loss of control	-	-7,221	-24,435	-1,128	-2,377	-217	-35,378
- translation reserve	22	74	155	19	11	4,065	4,346
gross property, plant and equipment at end of period	**10,128**	**143,671**	**911,208**	**17,955**	**30,709**	**64,543**	**1,178,214**
accumulated depreciation at beginning of period	**2,168**	**60,017**	**623,073**	**17,026**	**30,342**	**-**	**732,626**
- depreciation	-586	4,090	141,141	2,599	2,822	-	150,066
- sale and liquidation	-406	-2,894	-120,811	-3,001	-3,439	-	-130,551
- reclassification	-1,107	-28,501	16,647	-1,435	-2,635	-	-17,031
- loss of control	-28	-506	-9,000	-871	-2,199	-	-12,604
- translation reserve	-	34	121	22	11	-	188
accumulated depreciation at end of period	**41**	**32,240**	**651,171**	**14,340**	**24,902**	**-**	**722,694**
impairment losses at beginning of period	**-**	**-**	**50,948**	**-**	**-**	**123**	**51,071**
- losses recognised in the period	977	24,349	85,176	346	945	30,797	142,590
- merger-related transfer	-126	-1,287	-	-	-	-	-1,413
- reversal of losses in the period	-	-	-285	-	-	-30	-315
- impairment losses used	-	-	-34,896	-	-43	-	-34,939
impairment losses at end of period	**851**	**23,062**	**100,943**	**346**	**902**	**30,890**	**156,994**
net property, plant and equipment at beginning of period	**12,490**	**223,148**	**374,082**	**7,543**	**7,874**	**48,490**	**673,627**
net property, plant and equipment at end of period	**9,236**	**88,369**	**159,094**	**3,269**	**4,905**	**33,653**	**298,526**

(all amounts in PLN '000)

Note 12.3A Dec 31 2015

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT	land	buildings and structures	plant and equipment	vehicles	other tangible assets	assets under construction	Total property, plant and
gross property, plant and equipment at beginning of period	**16,535**	**283,823**	**957,014**	**24,622**	**38,139**	**29,463**	**1,349,596**
- increase	-	52	22,928	216	83	161,171	184,450
- decrease	-417	-4,814	-58,067	-2,166	-2,527	-481	-68,472
- reclassification	-1,439	4,274	125,851	1,475	2,553	-139,746	-7,032
- translation reserve	-21	-170	-4	-22	-32	-1,794	-2,043
- acquisition of control of subsidiary	-	-,-	381	444	-	-,-	825
gross property, plant and equipment at end of period	**14,658**	**283,165**	**1,048,103**	**24,569**	**38,216**	**48,613**	**1,457,324**
accumulated depreciation at beginning of period	**2,008**	**55,904**	**540,978**	**15,337**	**29,130**	**-,-**	**643,357**
- depreciation	180	6,879	118,704	3,090	3,587	-,-	132,440
- sale and liquidation	-20	-354	-36,551	-1,416	-2,278	-,-	-40,619
- reclassification	-	-2,383	-206	-329	-77	-,-	-2,995
- translation reserve	-	-29	-37	-6	-20	-,-	-92
- acquisition of control of subsidiary	-	-,-	185	350	-	-,-	535
accumulated depreciation at end of period	**2,168**	**60,017**	**623,073**	**17,026**	**30,342**	-,-	**732,626**
impairment losses at beginning of period	**-**	**-,-**	**12,132**	**57**	**85**	**74**	**12,348**
- increase	-	-,-	40,381	-,-	-	49	40,430
- decrease	-	-,-	-2	-57	-	-1	-60
- impairment losses used	-	-,-	-1,563	-,-	-85	-,-	-1,648
- translation reserve	-	-,-	-	-,-	-	1	1
impairment losses at end of period	**-**	**-,-**	**50,948**	**-,-**	**-**	**123**	**51,071**
net property, plant and equipment at beginning of period	**14,527**	**227,919**	**403,904**	**9,228**	**8,924**	**29,389**	**693,891**
net property, plant and equipment at end of period	**12,490**	**223,148**	**374,082**	**7,543**	**7,874**	**48,490**	**673,627**

In 2016, the Group recognized impairment losses on mining equipment where:

- there is no demand in the current difficult situation of the mining industry and no demand is expected in the foreseeable future;
- operating lease contracts expired and there is a risk that the equipment will not be leased out again;
- the carrying amount exceeded realisable lease income.

Property, plant and equipment are mortgaged and pledged as security under the Restructuring Agreement.

As at Dec 31st 2016, the Group did not have any future contractual obligations to purchase property, plant or equipment or intangible assets. As at December 31st 2015, the Group's future contractual obligations amounted to PLN 13,054 thousand.

Note 12.3B

OWNERSHIP OF ON-BALANCE-SHEET PROPERTY, PLANT AND EQUIPMENT	Dec 31 2016	Dec 31 2015
own	**277,364**	**586,991**
used under rental, lease or other agreement, including lease contracts, including:	**21,162**	**86,636**
- under lease contracts − plant and equipment	20,643	54,344
- under lease contracts − vehicles	519	20,672
- under lease contracts − other property, plant and equipment	-	11,620
Total on-balance-sheet property, plant and equipment	**298,526**	**673,627**

Note 12.3C

OFF-BALANCE SHEET PROPERTY, PLANT AND EQUIPMENT	Dec 31 2016	Dec 31 2015
- used under rental, lease or other agreement, including lease contracts	151	4,183
- value of land in perpetual usufruct	7,349	11,795
Total off-balance-sheet property, plant and equipment	**7,500**	**14,580**

(all amounts in PLN '000)

NOTE 12.4A Dec 31 2016
MOVEMENTS IN INVESTMENT PROPERTY

	land (including perpetual usufruct rights)	buildings, commercial space and civil engineering structures	Investment property under development	Total investment property
gross carrying amount at beginning of period	**8,763**	**30,852**	**314**	**39,929**
- reclassification	1,321	87,855	-	89,176
- increase	-	-	483	483
- decrease	-1,406	-30,463	-456	-32,325
- loss of control	-1,998	-6,651	-	-8,649
gross carrying amount at end of period	**6,680**	**81,593**	**341**	**88,614**
accumulated depreciation at beginning of period	**125**	**9,997**	**-**	**10,122**
- depreciation	17	972	-	989
- sale and liquidation	-	-5,500	-	-5,500
- reclassification	34	9,858	-	9,892
- loss of control	-	-968	-	-968
accumulated depreciation at end of period	**176**	**14,359**	**-**	**14,535**
impairment losses at beginning of period	**4,061**	**3,354**	**-**	**7,415**
- losses recognised in the period	30	45,770	-	45,800
- impairment losses used	-	-7,903	-	-7,903
- loss of control	-187	-3,017	-	-3,204
impairment losses at end of period	**3,904**	**38,204**	**-**	**42,108**
net carrying amount at beginning of period	**4,577**	**17,501**	**314**	**22,392**
net carrying amount at end of period	**2,600**	**29,030**	**341**	**31,971**

Note 12.4A Dec 31 2015

MOVEMENTS IN INVESTMENT PROPERTY

	land	buildings, commercial space and civil engineering structures	Investment property under development	Total investment property
gross investment property at beginning of period	**14,889**	**20,723**	**79**	**35,691**
- increase	2	-	510	512
- decrease	-1,876	-4,602	-	-6,478
- reclassification	-3,122	13,658	-275	10,261
- translation reserve	-42	-15	-	-57
gross investment property at end of period	**9,851**	**29,764**	**314**	**39,929**
accumulated depreciation at beginning of period	**309**	**7,674**	-	**7,983**
- depreciation	83	1,002	-	1,085
- sale and liquidation	-267	-831	-	-1,098
- reclassification	-	2,152	-	2,152
accumulated depreciation at end of period after restatement	**125**	**9,997**	**-**	**10,122**
impairment losses at beginning of period	**1,137**	**-**	**-**	**1,137**
- losses recognised in the period	4,393	2,231	-	6,624
- reversal of losses in the period	-402	-	-	-402
- translation reserve	52	4	-	56
impairment losses at end of period after restatement	**5,180**	**2,235**	**-**	**7,415**
net investment property at beginning of period	**13,443**	**13,049**	**79**	**26,571**
net investment property at end of period	**4,546**	**17,532**	**314**	**22,392**

In 2015, the Group recognized a PLN 4,960 thousand impairment loss on investment property in Australia to bring the property's carrying amount to its fair value as determined by an expert appraiser.

(all amounts in PLN '000)

Note 12.4B

INCOME AND EXPENSES RELATED TO INVESTMENT PROPERTY	2016	2015
a) rentals from lease of investment property	5,283	3 321
b) direct operating expenses on rental-generating investment property	5 665	2,081
c) direct operating expenses on non-rental-generating investment property	24	24

The fair value of investment property approximates its carrying amount.

Note 12.5A

EQUITY-ACCOUNTED INVESTMENTS

As at December 31st 2016, the Group did not identify any equity-accounted investments. In 2016, shares in Miilux were sold, Anhui Long Po and Tiefenbach were reclassified to assets held for sale, and Shandong Tagao was reclassified to assets available for sale, as the Group had no actual significant impact on this entity.

The table below presents equity-accounted investments as at December 31st 2015.

No.	Entity	Principal place of business	% of share capital held	ͅ of total votes at general meeting
1.	Anhui Long Po Electrical Corporation Ltd	China	20.00%	20.00%
2.	Tiefenbach Polska Sp. z o.o.	Radzionków, Poland	49.00%	49.00%
3.	Shandong Tagao Mining Equipment Manufacturing Co. Ltd	China	50.00%	50.00%
4.	Miilux Poland Sp. z o.o.	Tarnowskie Góry, Poland	33.32%	33.32%

Note 12.5B

EQUITY-ACCOUNTED INVESTMENTS	2016	2015
at beginning of period	51,325	48,248
adjustment of profit or loss brought forward	-10	-106
translation reserve	65	2,358
valuation using the equity method	2,756	2,717
establishment of associate/increase in equity interest	-	1,102
sale of associate	-2,752	-
discontinued use of equity method	-51,384	-2,994
at end of period	**-**	**51,325**

Note 12.5C

KEY FINANCIAL DATA OF ASSOCIATES	Dec 31 2016	Dec 31 2015
Total assets	n.a.	695,534
Liabilities	n.a.	591,277
Revenue	n.a.	424,738
Profit for the period	n.a.	6,111

Note 12.6

LEASE RECEIVABLES	Dec 31 2016	Dec 31 2015
minimum lease payments, including:	41,259	61,622
- up to 1 year	21,488	26,212
- up to 5 years	19,771	35,410
b) unrealised finance income, including:	1,440	5,685
- up to 1 year	1,065	4,345
- up to 5 years	375	1,340

(all amounts in PLN '000)

c) present value of minimum finance lease payments:	39,819	55,937
- up to 1 year	20,423	21,867
- up to 5 years	19,396	34,070
d) provision for unrecoverable lease payments (impairment losses)	1,177	324
e) lease receivables recognized in the statement of financial position, including:	**38,642**	**55,613**
- long-term	19,407	34,070
- short-term	19,235	21,543

The Group is a manufacturer of property, plant and equipment leased out under finance leases.

Lease payments are denominated in PLN,

and are based on the 1M WIBOR variable reference rate.

Insurance costs are borne by the lessee.

Once the last lease payment and all additional payments have been made, the ownership of the leased asset will be transferred to the lessee.

Note 12.7

OTHER NON-CURRENT ASSETS	Dec 31 2016	Dec 31 2015
Non-current available-for-sale financial assets	7,784	3,164
Other long-term receivables	25,556	10,257
Long-term loans	8	65,755
Long-term accruals and deferred income	-	13
Other non-current financial assets	50,000	-
Total	**83,348**	**79,189**

For detailed information on other receivables, see Note 12.10D.

For detailed information on loans, see Note 12.11

Note 12.8A

DEFERRED INCOME TAX	Dec 31 2016	Dec 31 2015
Deferred tax assets at beginning of period	117,946	123,569
Deferred tax liabilities at beginning of period	47,906	78,331
Net deferred tax assets at beginning of period	**75,026**	**50,830**
Net deferred tax liabilities at beginning of period	**4,986**	**5,592**
Changes during the period:		
Recognised through profit or loss − continuing operations	-51,180	42,076
Recognised through profit or loss − discontinued operations	2,528	-16,064
Recognised in other comprehensive income	-155	-472
Translation reserve	940	-738
Reclassification to non-current assets held for sale	-6,042	-
Loss of control	-1,525	-
Deferred tax assets at end of period	32,353	117,946

Deferred tax liabilities at end of period	17,747	47,906
Net deferred tax assets at end of period	**16,306**	**75,026**
Net deferred tax liabilities at end of period	**1,700**	**4,986**

(all amounts in PLN '000)

Note 12.8B Dec 31 2016

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	As at Jan 1 2016	Increase/decrease (-) in net profit due to change in temporary differences and tax loss	Increase/decrease (-) in other comprehensive income due to change in temporary differences	Loss of/increase in control/translation reserve/ Reclassification to non-current assets held for sale	As at Dec 31st 2016
Tax losses	13,747	53,582	-	-1,822	**65,507**
Depreciation/amortisation differences	19,300	12,786	-	-1,322	**30,764**
Impairment losses on assets	21,744	4,980	-	-397	**26,327**
Investment tax credit	11,081	10	-	-1,016	**10,075**
Accruals and deferred income	9,242	-130	-	-4	**9,108**
Revaluation of assets	724	5,395	108	843	**7,070**
Costs and expenses related to contract work	9,201	-4,983	-	-	**4,218**
Provision for employee benefit obligations	4,765	331	-629	-753	**3,714**
Other	422	3,477	-	-245	**3,654**
Provisions for expected costs and claims	2,380	1,986	-	-2,015	**2,351**
Interest	1,361	201	-	-34	**1,528**
Amounts due to customers for contract work	2,779	-2,735	-	-	**44**
Adjustments to sales after the reporting date	7,983	-7,983	-	-	**-**
Outstanding liabilities	13,217	-13,444	-	-	**-227**
Impairment loss on deferred tax assets	-	-131,780	-	-	**-131,780**
Total	**117,946**	**-78,307**	**-521**	**-6,765**	32,353

(all amounts in PLN '000)

Deferred tax liability	As at Jan 1 2016	Increase (-)/decrease in net profit due to change in temporary differences and tax loss	Increase (-)/decrease in other comprehensive income due to change in temporary differences	Loss of/increase in control/Translation reserve	As at Dec 31st 2016
Amounts due from customers for contract work	27,585	-8,676	-	-	**18,909**
Interest	5,202	-1,571	-	-	**3,631**
Taxable temporary differences on translating foreign operations	1,910	-41	-	-3	**1,866**
Other	1,273	692	-366	-67	**1,532**
Penalties receivable	1,858	-3,130	-	-	**-1,272**
Depreciation/amortisation differences	10,078	-16,929	-	-68	**-6,919**
Total	**47,906**	**-29,655**	**-366**	**-138**	**17,747**

(all amounts in PLN '000)

KOPEX GROUP

Note 12.8B Dec 31 2015

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	As at Jan 1 2015	Increase/decrease (-) in net profit due to change in temporary differences and tax loss	Increase/decrease (-) in other comprehensive income due to change in temporary differences	Loss of/increase in control/Translation reserve	As at Dec 31st 2015
Impairment losses on assets	7,095	13,899	-	750	**21,744**
Depreciation/amortisation differences	19,807	-505	-	-2	**19,300**
Tax losses	28,599	-13,266	-	-1,586	**13,747**
Outstanding liabilities	3,978	9,239	-	-	**13,217**
Investment tax credit	19,771	-8,690	-	-	**11,081**
Accruals and deferred income	10,497	-1,255	-	-	**9,242**
Costs and expenses related to contract work	20,595	-11,394	-	-	**9,201**
Adjustments to sales after the reporting date	-	7,983	-	-	**7,983**
Provisions for employee benefit obligations	5,554	-1,039	77	173	**4,765**
Amounts due to customers for contract work	1,779	1,000	-	-	**2,779**
Provisions for expected costs and claims	1,786	643	-	-49	**2,380**
Interest	2,740	-1,441	-	62	**1,361**
Other	1,368	131	-347	-6	**1,146**
Total	**123,569**	**-4,695**	**-270**	**-658**	**117,946**

Deferred tax liability	As at Jan 1 2015	Increase (-)/decrease in net profit due to change in temporary differences and tax loss	Increase (-)/decrease in other comprehensive income due to change in temporary	Loss of/increase in control/Translation reserve	As at Dec 31st 2015
Amounts due from customers for contract work	48,427	-20,850	-	8	**27,585**
Depreciation/amortisation differences	12,031	-1,936	-	-17	**10,078**
Interest	3,922	1,280	-	-	**5,202**
Taxable temporary differences on translating foreign operations	4,039	-2,270	-	141	**1,910**
Penalties receivable	5,312	-3,454	-	-	**1,858**
Other	2,858	-2,080	202	-52	**928**
Exchange differences	1,742	-1,397	-	-	**345**
Total	**78,331**	**-30,707**	**202**	**80**	**47,906**

(all amounts in PLN '000)

Note 12.9A

INVENTORIES	Dec 31 2016	Dec 31 2015
materials	67,118	99,020
semi-finished products and work in progress	35,537	108,682
finished goods	3,939	46,734
merchandise	4,260	4,456
Total inventories	**110,854**	**258,892**
inventory write-downs	76,058	43,537
Total inventories, gross	**186,912**	**302,429**

Note 12.9B

MOVEMENTS IN INVENTORY WRITE-DOWNS	2016	2015
At beginning of period	43,537	18,376
exchange differences	1	-277
increase disclosed in the statement of profit or loss for the period	85,956	29,569
decrease disclosed in the statement of profit or loss for the period	-18,740	-1,923
- write-downs used	-31,927	-2,341
acquisition of control of subsidiary	-	133
sale of organised part of business	-2,769	-
Inventory write-downs at end of period	**76,058**	**43,537**

Note 12.10A

TRADE RECEIVABLES	Dec 31 2016	Dec 31 2015
Trade receivables, gross	337,274	454,524
impairment losses on trade receivables	115,941	62,614
Trade receivables, net	**221,333**	**391,910**

Note 12.10B

AGE OF TRADE RECEIVABLES	Dec 31 2016	Dec 31 2015
past due	52,366	57,181
current:		
up to 1 month	58,827	46,105
from 1 to 3 months	47,196	78,289
from 3 to 6 months	15,630	82,557
from 6 to 12 months	1,199	32,307
more than 12 months	46,074	95,471
from 3 to 5 years	41	-
Total short-term trade receivables, net	**221,333**	**391,910**

(all amounts in PLN '000)

Note 12.10C

AGE OF PAST DUE TRADE RECEIVABLES THAT ARE NOT IMPAIRED	Dec 31 2016	Dec 31 2015
up to 1 month	15,938	20,873
from 1 to 3 months	14,175	7,723
from 3 to 6 months	4,108	8,683
from 6 to 12 months	12,691	2,838
more than 12 months	5,454	8,755
Total past due trade receivables	**52,366**	**48,872**

Note 12.10D

OTHER RECEIVABLES	Dec 31 2016	Dec 31 2015
Financial receivables:		
from financing activities	6,249	15,423
from investing activities	6,652	13,878
security deposits, bid bond	16,764	2,937
compensations	480	9,607
other	770	11,722
Total financial receivables	**30,915**	**53,567**
Non-financial receivables:		
prepaid deliveries	83,208	10,885
prepayments and accrued income	20,766	4,958
from liquidators of subsidiaries placed in liquidation	-	6,959
taxes, subsidies, customs duties, social security, health insurance and other benefits receivable	25,935	16,573
other	3,047	2,416
Total non-financial receivables	**132,956**	**41,791**
Total other receivables, net	**163,871**	**95,358**
impairment losses	53,543	25,322
Total other receivables, gross	**217,414**	**120,680**

Note 12.10E

AGE OF OTHER FINANCIAL RECEIVABLES	Dec 31 2016	Dec 31 2015
past due	576	11,760
current:		
up to 1 month	1,680	8,138
from 1 to 3 months	1,599	4,144
from 3 to 6 months	491	8,856
from 6 to 12 months	984	8,391
more than 12 months	3,234	6,261
from 3 to 5 years	22,351	6,017
Total financial receivables, net	**30,915**	**53,567**

(all amounts in PLN '000)

Note 12.10F

CHANGE IN IMPAIRMENT LOSSES ON SHORT-TERM TRADE AND OTHER RECEIVABLES	2016	2015
At beginning of period	87,936	62,410
exchange differences	-	48
increase	106,787	33,297
decrease	-17,914	-1,499
impairment losses used	-4,388	-6,320
loss of control/reclassification	-2,937	-
Impairment losses on receivables at end of period	**169,484**	**87,936**

Note 12.11A

LOANS	Dec 31 2016	Dec 31 2015
Loans, gross	91,757	179,978
impairment losses	83,709	68,533
Loans, net, including:	**8,048**	**111,445**
long-term (Note 12.7)	8	65,755
short-term	8,040	45,690

Note 12.11B

AGE OF LOANS	Dec 31 2016	Dec 31 2015
past due	8,001	-
current:		
up to 1 month	35	1,049
from 1 to 3 months	1	123
from 3 to 6 months	1	12,631
from 6 to 12 months	2	14,221
more than 12 months	8	83,421
from 3 to 5 years	-	-
Total loans	**8,048**	**111,445**

Note 12.11C

CHANGE IN IMPAIRMENT LOSSES ON LOANS	2016	2015
At beginning of period	68,533	-
increase	24,725	68,533
impairment losses used	-9,549	-
Impairment losses on loans at end of period	**83,709**	**68,533**

(all amounts in PLN '000)

Note 12.12A

OTHER FINANCIAL ASSETS	Dec 31 2016	Dec 31 2015
Financial assets − derivative financial instruments		
cash flow hedges, subject to hedge accounting	-	1,965
- maturing within 12 months	-	1,962
- maturing in over 12 months	-	1,962
cash flow hedges, not subject to hedge accounting	-	3
- maturing within 12 months	-	2
- maturing in over 12 months	-	1
Financial assets at fair value through profit or loss	19	19
Short-term investments with maturities of 3 to 12 months	30,000	-
Total other financial assets	**30,019**	**1,984**

Note 12.12B

OTHER FINANCIAL LIABILITIES	Dec 31 2016	Dec 31 2015
Financial liabilities − derivative financial instruments		
a) cash flow hedges, subject to hedge accounting	14	1,135
- maturing within 12 months	14	848
- maturing in over 12 months	-	287
b) cash flow hedges, not subject to hedge accounting	1,230	372
- maturing within 12 months	871	367
- maturing in over 12 months	359	5
Total other financial liabilities	**1,244**	**1,507**

Note 12.12C

NET GAIN/(LOSS) ON CASH-FLOW HEDGING DERIVATIVE INSTRUMENTS DISCLOSED DIRECTLY IN EQUITY	Dec 31 2016	Dec 31 2015
a) accumulated profit/(loss) on cash-flow hedging financial instruments at beginning of period	**2,496**	**-393**
b) amount recognized in equity in the reporting period from the effective hedging transactions concluded	-3,608	3,218
c) realised hedging transactions disclosed in equity until the occurrence of the planned (hedged) transaction	-	142
d) amount transferred from equity to the statement of profit or loss in the reporting period	-1,112	471
- open transactions	-	-607
- closed transactions	-1,112	1,078
a) accumulated profit/(loss) on cash-flow hedging financial instruments recognized in equity at end of period	**-**	**2,496**

(all amounts in PLN '000)

Note 12.13

STRUCTURE OF CASH AND CASH EQUIVALENTS	Dec 31 2016	Dec 31 2015
cash at banks	108,254	58,859
cash in hand	481	3,427
other cash and cash equivalents	-	2
Total cash and cash equivalents	**108,735**	**62,288**

Note 12.14A

NON-CURRENT ASSETS HELD FOR SALE AND RELATED LIABILITIES	Dec 31 2016	Dec 31 2015
Assets of subsidiaries held for sale	53,048	-
shares in associates held for sale	1,771	-
property	4,228	16,157
Total non-current assets held for sale	**59,047**	**16,157**
Liabilities of subsidiaries held for sale	**33,662**	**-**

Note 12.14B

INCOME AND EXPENSES, PROFIT/(LOSS) AND CASH FLOWS FROM DISCONTINUED OPERATIONS IN PERIOD	for period	
Income and expenses from discontinued operations:	**Jan 1−Dec 31 2016**	**Jan 1−Dec 31 2015**
Revenue from sale of merchandise and materials	71,197	84,079
Cost of merchandise and materials sold	73,094	94,622
Gross loss	**-1,897**	**-10,543**
Other income	922	1,094
Distribution costs	1,142	1,506
Administrative expenses	16,090	19,142
Other costs	31,915	524
Other gains/(losses)	210	473
Impairment losses on non-financial assets	-70,843	-20,135
Operating loss	**-120,755**	**-50,283**
Finance income and costs	-1,784	143
Loss before tax	**-122,539**	**-50,140**
Income tax	-2,348	16,524
Net loss from discontinued operations	**-120,191**	**-66,664**
Net loss from discontinued operations attributable to owners of the parent	**-120,191**	**-66,664**
Cash flows from discontinued operations		
Cash flows from operating activities	-5,502	-12,297
Cash flows from investing activities	-587	1,112
Cash flows from financing activities	2,428	12,821
Total cash flows from discontinued operations	**-3,661**	**1,636**

For further information on discontinued operations, see Note 2.

(all amounts in PLN '000)

Note 12.15

SHARE CAPITAL	Dec 31 2016	Dec 31 2015
- type of shares,	bearer	bearer
- type of preference	non-preferred	non-preferred
- issue of Series A shares (registration date)	Jan 3 1994	Jan 3 1994
- right to participate in dividend (from)	Jan 3 1994	Jan 3 1994
- number of shares	**1,989,270**	**1,989,270**
- par value per share	**10**	**10**
- split date	Aug 1 2006	Aug 1 2006
- number of shares	**19,892,700**	**19,892,700**
- par value per share	**1**	**1**
- issue of Series B shares (registration date)	Aug 10 2007	Aug 10 2007
- right to participate in dividend (from)	Aug 10 2007	Aug 10 2007
- number of shares	**47,739,838**	**47,739,838**
- par value per share	**1**	**1**
- issue of Series C shares (registration date)	Dec 1 2009	Dec 1 2009
- right to participate in dividend (from)	Dec 1 2009	Dec 1 2009
- number of shares	**6,700,000**	**6,700,000**
- par value per share	**1**	**1**
Total number of shares	**74,332,538**	**74,332,538**
Par value per share	**1**	**1**
Total share capital	**74,333**	**74,333**

The Company does not hold/holds treasury shares, the Company holds/does not hold shares in KOPEX S.A.

Acting under the authorisation granted by Resolution No. 1 of the Extraordinary General Meeting of KOPEX S.A. of December 11th 2008 on granting approval for and defining the terms of repurchase of Company own shares, and by Resolution No. 2 of the Extraordinary General Meeting of KOPEX S.A. of December 11th 2008 on authorising the Management Board to purchase Company shares pursuant to Art. 362.1.8 of the Commercial Companies Code, the Management Board of KOPEX S.A. commenced the buyback programme. From the start of the programme, i.e. December 15th 2008, to February 5th 2009 a total of 276,500 KOPEX shares were repurchased at the average price of PLN 10.75 per share. The shares, repurchased by the Company for a total price of PLN 2,979 thousand, represent 0.4008% of the share capital. As these shares do not carry voting rights, only shares conferring such rights were used to calculate earnings per share disclosed in the Financial Statements.

Note 12.16

SHARE PREMIUM	Dec 31 2016	Dec 31 2015
Issue of series B shares	269,566	907,178
Issue of series C shares	147,764	147,764
Total	**417,330**	**1,054,942**

Note 12.17

REVALUATION CAPITAL RESERVE	Dec 31 2016	Dec 31 2015
Revaluation of financial assets available for sale	-169	-196
cash flow hedges	-	2,496
deferred tax on cash flow hedges	-	-475
Total revaluation capital reserve	**-169**	**1,825**

(all amounts in PLN '000)

Note 12.18

ACCUMULATED LOSSES	Dec 31 2016	Dec 31 2015
profit brought forward	538,530	1,354,777
revaluation of property, plant and equipment	26,700	43,074
capital reserves	33,320	37,498
loss for the current period	-901,703	-1,471,912
actuarial losses	-2,081	-5,965
Total accumulated losses	**-305,234**	**-42,528**

Note 12.19A

BANK BORROWINGS AND OTHER DEBT INSTRUMENTS	Dec 31 2016	Dec 31 2015
bank borrowings − Restructuring Agreement	361,877	-
current account/overdraft facilities	641	461,985
purpose credit facilities	-	64,360
working capital facilities	-	20,000
bonds − related parties	26,271	-
bonds − other parties	158,951	-
debt assumed in the performance of the Restructuring Agreement	27,340	-
Total bank borrowings and other debt instruments, including:	**575,080**	**546,345**
long-term	574,439	**-**
short-term	641	546,345

Note 12.19B

BANK AND NON-BANK BORROWINGS, BY MATURITY	Dec 31 2016	Dec 31 2015
up to 1 month	-	546,345
from 3 to 6 months	641	-
more than 12 months	62,386	-
from 3 to 5 years	512,053	-
Total bank borrowings and other debt instruments	**575,080**	**546,345**

(all amounts in PLN '000)

Note 12.19C Dec 31 2016

Lender	Type of debt	Borrowing amount as per agreement		Outstanding amount: Long-term portion	Outstanding amount: Short-term portion	Interest	Maturity date	Security*
		PLN	borrowing currency	PLN	PLN			
HSBC, ING, PKO BP, Invest 8, TDJ Equity IV – Restructuring Agreement	Tranche A – bonds	185,000	PLN	185,222	-	3M WIBOR + margin	Mar 31 2022	registered pledge over a bank account, mortgage over real property, registered pledge over material assets
TDJ Equity IV – Restructuring Agreement	Tranche A – assumption of debt	10,238	PLN	10,238	-	3M WIBOR + margin	Mar 31 2022	registered pledge over a bank account, mortgage over real property, registered pledge over material assets
HSBC, ING, Pekao, PKO BP, Invest 8 – Restructuring Agreement	Tranche B – credit facility	250,000	PLN	250,000	-	3M WIBOR + margin	Dec 31 2021	registered and financial pledges over shares, registered pledge over movables and rights, mortgage over real property, financial pledges over receivables from bank accounts
HSBC, ING, Pekao, PKO BP, Invest 8 – Restructuring Agreement	Tranche C – credit facility	184,574	PLN	128,979	-	3M WIBOR + margin	Dec 31 2021	registered and financial pledges over shares, registered pledges over movables and rights, mortgage over real property, financial pledges over receivables from bank accounts, registered pledge over material assets, assignment of receivables under contracts
Standard Bank (South Africa)	Overdraft facility	-	ZAR	-	641	PRIME + margin	Jun 25 2017	-
TOTAL		**629,812**		**574,439**	**641**			

On March 31st 2017, the Company repaid early all of its debt under Tranche C. Following repayment of the Tranche C debt, the Company received certificates from its financial creditors confirming release of the tranche security.

*Following execution of the Restructuring Agreement, KOPEX S.A. received sureties issued by the TDJ Group as part of security instruments provided to the financing banks. The surety issued by FAMUR S.A., as announced by the Company on December 2nd 2016 (current report No. 104/2016), expired following repayment of Tranche C.

Note 12.18 Dec 31 2015

Lender	Registered office	Borrowing amount as per agreement		Outstanding amount		Interest	Maturity date*	Security
				Long-term portion	Short-term portion			
		PLN ’000	borrowing currency	PLN ’000	PLN ’000			
PKO BP	Warsaw, Poland	494,243	PLN	-	328,914	1M WIBOR + margin	Jul 29 2016	joint mortgage over real property, registered pledge over shares, registered pledge over inventory, assignment of rights under contracts, power of attorney to bank accounts
ING Bank Śląski S.A.	Katowice, Poland	103,400	PLN	-	72,605	1M WIBOR + margin	Aug 20 2016	mortgage over real property, registered pledge over machinery, power of attorney to bank accounts, assignment of rights under a contract,
PKO BP S.A.	Warsaw, Poland	3,800	AUD	-	2,157	1M LIBOR AUD + margin	Jun 30 2016	surety, registered pledge over inventory, assignment of rights under insurance policy
BNP Paribas Bank Polska S.A.	Katowice, Poland	48,000	PLN	-	47,029	1M WIBOR + margin	Dec 16 2016	blank promissory note, pledge over inventory, ceiling mortgage over real property
Pekao S.A.	Warsaw, Poland	100,000	PLN	-	34,409	1M WIBOR + margin	Feb 23 2018	registered pledge over shares, power of attorney to bank account
HSBC S.A.	Katowice, Poland	50,000	PLN	-	31,958	1M WIBOR + margin	Feb 15 2018	registered and financial pledges over shares, power of attorney to bank account
PKO BP S.A.	Katowice, Poland	110,235	PLN	-	11,203	1M WIBOR + margin	Jun 9 2016	assignment of receivables from contracts, surety, promissory note
Standard Bank of South Africa Ltd	Johannesburg, South Africa	5,030	ZAR	-	2,422	Margin		mortgage covered bond, subsidiary’s guarantee
mBank S.A.	Warsaw, Poland	9,000	PLN	-	3,765	O/N WIBOR + margin	Jan 29 2016	Promissory note, surety, assignment of receivables under contracts
Westpac	Australia	11,077	AUD	-	9,786	BASE RATE + MARGIN		Bank guarantee
Other bank and non-bank borrowings in foreign currencies				-	2,097			
TOTAL				**-**	**546,345**			

*Contractual maturities do not take into account breach of covenants by the Group

(all amounts in PLN '000)

Note 12.20A

OTHER LIABILITIES	Dec 31 2016	Dec 31 2015
Other financial liabilities:		
dividends payable	5,663	491
wages and salaries	15,016	15,567
from investing activities	731	10,667
from financing activities	4,080	2,024
other	2,890	8,052
Total other financial liabilities	**28,380**	**36,801**
Other non-financial liabilities:		
prepayments received for deliveries	190,189	25,973
excess of recognised loss and progress billings (cumulative) over revenue determined cumulatively in the valuation	4,879	14,626
taxes, customs duties, insurance and other benefits payable	15,309	33,097
other	2,150	-
Total other non-financial liabilities	**212,527**	**73,696**
Total other liabilities, including:	**240,907**	**110,497**
non-current	95	1,504
current	240,812	108,993

Note 12.20B

AGE OF OTHER FINANCIAL LIABILITIES	Dec 31 2016	Dec 31 2015
past due	1,781	-
current:		
up to 1 month	25,235	18,082
from 1 to 3 months	1,269	17,215
more than 12 months	94	1,504
from 3 to 5 years	1	-
Total other financial liabilities, net	**28,380**	**36,801**

(all amounts in PLN '000)

Note 12.21

LEASE LIABILITIES	Dec 31 2016	Dec 31 2015
minimum lease payments, including:	42,451	72,182
- up to 1 year	17,321	30,234
- up to 5 years	25,130	40,865
- over 5 years	-	1,083
b) future finance charges, including:	2,588	6,026
- up to 1 year	1,685	3,626
- up to 5 years	903	2,397
- over 5 years	-	3
c) present value of minimum finance lease payments:	39,863	66,156
- up to 1 year	15,636	26,608
- up to 5 years	24,227	38,468
- over 5 years	-	1,080
e) lease liabilities in the statement of financial position, including:	**39,863**	**66,156**
- non-current	24,210	39,548
- current	15,653	26,608

Note 12.22A

EMPLOYEE BENEFIT OBLIGATIONS	Dec 31 2016	Dec 31 2015
retirement gratuities, disability severance payments and death benefits	8,796	13,600
length-of-service awards	8,286	12,136
unused holiday entitlements	4,918	8,851
other employee benefits	5,973	1,626
Total employee benefit obligations, including:	**27,973**	**36,213**
long-term	13,675	22,277
short-term	14,298	13,936

Note 12.22B	2016	2015
RECONCILIATION OF EMPLOYEE BENEFIT OBLIGATIONS UNDER DEFINED BENEFIT PLANS		
Employee benefit obligation under defined benefit plans at beginning of period	25,736	24,990
exchange differences	-	-137
Current service cost	955	792
Interest cost	665	649
Actuarial (gains) and losses recognised in other comprehensive income	-3,149	407
Actuarial (gains) and losses recognised through profit or loss	-1,251	1,194
Past service costs	15	111
Benefits paid out	-3,215	-3,283
Acquisition/loss of control/reclassification	-2,674	1,013
Employee benefit obligation under defined benefit plans at end of period	**17,082**	**25,736**

(all amounts in PLN '000)

Note 12.22C

VALUATION OF EMPLOYEE BENEFIT OBLIGATION UNDER DEFINED BENEFIT PLANS CHARGED TO PROFIT OR LOSS	2016	2015
Current service cost	-955	-792
Interest cost	-665	-649
Actuarial gains and (losses) recognised through profit or loss	1,251	-1,194
Past service costs	-15	-111
Effect on profit or loss	**-384**	**-2,746**

Note 12.22D

VALUATION OF EMPLOYEE BENEFIT OBLIGATION UNDER DEFINED BENEFIT PLANS CHARGED TO OTHER COMPREHENSIVE INCOME	2016	2015
Opening balance of other comprehensive income	-7,364	-6,957
Actuarial gains and (losses) recognised in other comprehensive income in the current period	3,122	-407
Reclassification/loss of control	2,161	-
Closing balance of other comprehensive income	**-2,081**	**-7,364**

Note 12.22E	Dec 31 2016	Dec 31 2015
DISTRIBUTION OF ACTUARIAL GAINS AND LOSSES		
Change in financial assumptions	-1,118	-1,069
Change in demographic assumptions	-352	-1,913
Other changes (experience adjustment)	-2,931	4,296
Total actuarial (gains)/losses	**-4,401**	**1,314**

Costs of employee benefits are recognised in operating activities.

Note 12.22F

ACTUARIAL ASSUMPTIONS	Dec 31 2016	Dec 31 2015
Discount rate	3.5%	3%
Expected rate of growth of salaries and wages	from 0% to 2.5%	from 0.25% to 4.25%

Note 12.22G

SENSITIVITY ANALYSIS FOR CHANGES IN VALUATION OF EMPLOYEE BENEFIT OBLIGATION UNDER DEFINED BENEFIT PLANS	Dec 31 2016	Dec 31 2015
For the discount rate changed by -1%	16,023	27,390
For the discount rate changed by +1%	14,531	24,296
For the expected rate of growth of salaries and wages changed by -1%	15,030	24,926
For the expected rate of growth of salaries and wages changed by +1%	16,259	27,662

(all amounts in PLN '000)

Note 12.23 Dec 31 2016

OTHER PROVISIONS FOR LIABILITIES

	As at Jan 1 2016	Provision recognised in profit or loss	Change in provision after revision of estimates, recognised in profit or loss	Use of provisions	Reversals of unused provisions through profit or loss	Loss of control/reclassification	**As at Dec 31 2016**
Provision for warranty repairs	14,426	3,994	-6,381	-326	-377	408	**11,744**
Restructuring provision	0	139	0	0	0	0	**139**
Provision for claims and litigation	539	29,465	-55	134	-8	-201	**29,874**
Provision for expected financial liabilities	315	2,281	0	-290	0	2,527	**4,833**
Other provisions	196	-481	0	-196	669	-2	**186**
Total	**15,476**	**35,398**	**-6,436**	**-678**	**284**	**2,732**	**46,776**

(all amounts in PLN '000)

Note 12.24

ACCRUALS AND DEFERRED INCOME	Dec 31 2016	Dec 31 2015
accrued expenses	6,579	50,431
cost of contracts concluded with a loss	2,400	9,757
grants	4,629	10,726
other	1,342	1,983
Total accruals and deferred income, including	**14,950**	**72,897**
long-term	379	1,536
short-term	14,571	71,361

Note 12.25

AGE OF TRADE PAYABLES	Dec 31 2016	Dec 31 2015
past due	8,535	-
short-term:		
up to 1 month	26,732	69,759
from 1 to 3 months	38,576	73,789
from 3 to 6 months	4,031	12,126
from 6 to 12 months	450	5,841
from over 12 months to 3 years	1,077	10,115
Total trade payables	**79,401**	**171,630**

(all amounts in PLN '000)

Note 12.26A

REVENUE FROM SALE OF PRODUCTS	for period Jan 1–Dec 31 2016	Jan 1–Dec 31 2015
Poland	**579,095**	**570,215**
- sales of products and services	469,791	547,114
- sales of merchandise and materials	109,304	23,101
Exports	**198,079**	**410,445**
- sales of products and services	128,713	326,118
- sales of merchandise and materials	69,366	84,327
Total revenue	**777,174**	**980,660**

Note 12.26B

CONSTRUCTION CONTRACTS	for period Jan 1–Dec 31 2016	Jan 1–Dec 31 2015
Revenue under construction contracts recognised in total revenue for the period	125,925	350,127
Total expenses incurred and gains recognised (less losses recognised) as at the reporting date	361,424	481,463
Prepayments received	187,667	25,137
Retentions	-	14,031
Gross amount due from the employer for contract work, recognised in assets	89,836	145,184
Gross amount due to the employer for contract work, recognised in liabilities	4,879	14,626

To determine contract revenue recognised in total revenue for the period, a method was used in which contract revenue is offset against contract expenses incurred until a specified percentage of contract completion.

The percentage of contract completion is determined as the ratio (expressed in percent) of expenses incurred in respect of work performed by a given date to the estimated total contract expenses.

Note 12.27

EXPENSES BY NATURE	for period Jan 1–Dec 31 2016	Jan 1–Dec 31 2015
Depreciation and amortisation	174,823	144,771
Raw materials and consumables used	139,306	332,278
Services	131,749	196,264
Taxes and charges	8,608	10,623
Salaries and wages	221,508	263,005
Social security and other benefits	54,997	62,901
Other expenses by nature	14,896	37,010
Total expenses by nature	**745,887**	**1,046,852**
Change in product inventories, accruals and prepaid expenses	16,138	-13,649
Work performed by entity and capitalised (negative value)	56,070	108,659
Distribution costs (negative value)	25,765	42,365
Administrative expenses (negative value)	66,902	74,755
Cost of products sold	**613,288**	**807,424**
Cost of merchandise and materials sold	172,260	105,541
Cost of sales	**785,548**	**912,965**

(all amounts in PLN '000)

Note 12.28
OTHER INCOME

	for period Jan 1−Dec 31 2016	Jan 1−Dec 31 2015
Compensation/damages, penalties, legal costs	3,011	2,699
Liabilities cancelled	1,894	3,227
Grants	1,885	1,563
Stock-taking surplus	1,139	14
Sales of welfare services	842	863
Dividends	87	-
Other	2,153	2,590
Total other income	**11,011**	**10,956**

Note 12.29
OTHER COSTS

	for period Jan 1−Dec 31 2016	Jan 1−Dec 31 2015
Impairment losses recognised on financial assets	89,423	32,291
Restructuring costs − employee severance and compensation, consultancy costs	28,427	-
Provisions recognised	21,883	9,476
Scrapping of current assets	6,875	123
Development costs − discontinued work	5,707	290
Compensation/damages, penalties, legal costs	4,009	3,262
Maintenance costs of welfare facilities	1,339	1,379
Stock-taking shortages	889	47
Receivables written off	315	17
Compensatory benefits	171	110
Other	2,834	1,491
Total other costs	**161,872**	**48,486**

Note 12.30
OTHER GAINS/(LOSSES)

	for period Jan 1−Dec 31 2016	Jan 1−Dec 31 2015
Gain/(loss) on foreign currency transactions (not subject to hedge accounting)	-226	857
Valuation of foreign currency transactions (not subject to hedge accounting)	368	-692
Exchange differences (except for bank borrowings and other debt instruments)	1,356	-953
Gain/(loss) on sale of property, plant and equipment	31	7,286
Gain/(loss) on sale of financial assets (shares, bonds)	-2,355	-236
Revaluation of investments (valuation of borrowings, long-term receivables and payables, shares)	309	-54
Other	-8	266
Total other gains/(losses)	**-525**	**6,474**

(all amounts in PLN '000)

Note 12.31
RECOGNISED AND REVERSED IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

	for period Jan 1−Dec 31 2016	for period Jan 1−Dec 31 2015
Impairment losses on property, plant and equipment	-142,275	-38,787
Impairment losses on development work	-74,647	-15,562
Inventory write-downs	-67,216	-26,875
Impairment losses on investment property	-45,800	-3,065
Impairment loss on goodwill	-41,568	-1,208,295
Impairment losses on other intangible assets	-4,175	-
Loss of control	-4,102	-
Total impairment losses (increase, „-" / decrease „+")	**-379,783**	**-1,292,584**

Note 12.32
FINANCE INCOME

	for period Jan 1−Dec 31 2016	for period Jan 1−Dec 31 2015
Other interest	3,741	1,959
Interest on loans	1,955	5,656
Interest on lease receivables	1,737	1,563
Other finance income	1,970	1,254
Reversal of provision for finance costs	-	2,740
Commission fees received on sureties, guarantees	-	1,522
Total finance income	**9,403**	**14,694**

Note 12.33
FINANCE COSTS

	for period Jan 1−Dec 31 2016	for period Jan 1−Dec 31 2015
Impairment losses on loans	24,725	63,217
Interest on bank borrowings and other debt instruments	8,701	6,490
Other interest	8,635	7,028
Recognition of provision for finance costs	7,079	-
Commission fees paid on sureties, guarantees, borrowings	6,118	1,590
Interest on lease liabilities	1,664	2,528
Other	5,835	1,447
Total finance costs	**62,757**	**82,300**

(all amounts in PLN '000)

Note 12.34A
RECONCILIATION OF THE THEORETICAL TAX BASED ON LOSS BEFORE TAX AND STATUTORY TAX RATE WITH THE INCOME TAX EXPENSE IN THE STATEMENT OF PROFIT OR LOSS

	for period	
	Jan 1−Dec 31 2016	**Jan 1−Dec 31 2015**
Profit/(loss) before tax	-724,853	-1,437,954
Tax calculated at 19% rate	-137,722	-273,211
Effect of using tax rates applicable in other countries	275	-799
Non-taxable income	-34,544	-6,829
Non-tax-deductible expenses	39,443	239,332
Use of tax losses not recognised previously	-1	532
Tax losses for which no deferred tax assets were recognised	56,964	1,857
Release of deferred tax assets recognised in previous years	-	2,452
Impairment loss on deferred tax assets	131,780	-
Adjustments to previous years' tax	1,469	3,427
Income tax expense	**57,664**	**-33,239**

The tax authorities may inspect the books and tax settlements for five years from the end of the year in which the tax returns were submitted and charge the Company with additional tax along with penalties and interest.

Note 12.34B
INCOME TAX

	for period	
	Jan 1−Dec 31 2016	**Jan 1−Dec 31 2015**
CURRENT TAX	6,484	9,296
Deferred tax	51,180	-26,012
Total income tax	**57,664**	**-16,716**

(all amounts in PLN '000)

13. Contingent liabilities and disputes

	As at Dec 31 2016	*Increase (+) decrease (-)*	Dec 31 2015
Total contingent liabilities, including:	**78,913**	**-47,930**	**126,843**
To other entities	78,913	-47,930	126,843
- for other companies	8,199	-10,508	18,707
- for other entities	637	23	614
- for Group companies	69,613	-36,650	106,263
- for companies held for sale	464	-795	1,259

Claims and disputes

As at April 13th 2017, KOPEX S.A. of Katowice (formerly KOPEX S.A. and TAGOR S.A.) was party to a legal dispute with FAMUR S.A. (formerly Fabryka Zmechanizowanych Obudów Ścianowych Fazos S.A. of Tarnowskie Góry and then Zakład Maszyn Górniczych GLINIK Sp. z o.o.), for payment of PLN 51,875,600.00. In the course of the proceedings, the amount claimed was reduced to PLN 33,705,361.31 (without waiving the claim). On June 29th 2016, the Regional Court in Katowice dismissed the claim in its entirety. The case was appealed against to the Court of Appeals in Katowice.

According to the law firm representing KOPEX S.A, the probability of the claimant prevailing in court was lower than that of the claimant losing the case as there were no contractual grounds for the claims and no proximate cause. In view of the foregoing and in accordance with IAS 37, KOPEX S.A. concluded that it did not have any present obligation arising from past events and thus did not recognise any provision.

14. Industrial and geographical segments

In accordance with IFRS 8, effective since January 1st 2009, the Group's business is divided into operating segments reflecting the main areas of its operations. The principal segment is mining. The main criterion for the segment presentation is the division which follows from the Group's structure of management and internal reporting.

- The Mining segment consists of the following areas of operations:
  - services for the mining industry,
  - manufacture and supply of underground mining machinery and equipment
  - manufacture and supply of surface mining machinery and equipment
  - manufacture and supply of electrical and electronic equipment and machinery.

The other operating segments are:
- Manufacture and supply of industrial machinery and equipment,
- Coal supply,
- Other.

The Group's core business is provision of products and services for underground mining, mainly machinery and equipment and a complete range of mining services, including vertical and horizontal excavation. The Group is also developing activities in non-mining industries. The Group includes subsidiaries supplying specialist electrical equipment and explosion-proof systems to customers in the mining and other industries. The Group also delivers industrial air conditioning systems. One of the Group companies is a recognized manufacturer of safety automation systems for the industrial power sector.

These activities are not provided a large-scale business, but rather solutions are offered on a case-by-case basis depending on customers' specific needs.

The main criteria for segment designation were reliability and comparability of information over time for different groups of the Group's products and services, as well as the Group's organisational structure.
Please note that not all of the segments reach the quantitative threshold of 10% or more of total internal and external revenue. However, the Group decided to present them because of their significance.

The Group's decision-making body evaluates the performance of individual segments based on their gross profit/(loss) and operating profit/(loss), which are reflected in the presentation. The segments' revenue and profit or loss amounts reflect relevant consolidation adjustments and eliminations made to give a true and fair view of each segment's profit or loss.

The tables below present the Group's operating segments by business line and geography.

(all amounts in PLN ’000)

CONSOLIDATED OPERATING SEGMENTS BY BUSINESS LINE

	Mining		Manufacture and supply of industrial machinery and equipment		Coal supply		Other		Consolidation eliminations		**Consolidated**	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
CONTINUING OPERATIONS												
Segment's total revenue	**606,414**	**852,153**	**69,028**	**16,057**	**60,604**	**71,264**	**69,372**	**96,499**	**-28,244**	**-55,313**	**777,174**	**980,660**
Segment's revenue from external customers	606,414	852,153	69,028	16,057	60,604	71,264	41,128	41,186	-	-	777,174	980,660
Inter-segment revenue	-	-	-	-	-	-	28,244	55,313	-28,244	-55,313	-	-
Segment's gross profit	**-9,218**	**53,170**	**2,346**	**3,168**	**3,718**	**2,928**	**-5,220**	**8,429**	**-**	**-**	**-8,374**	**67,695**
Segment's adjusted operating profit/(loss)	**-85,726**	**-29,515**	**-2,574**	**968**	**674**	**300**	**-25,068**	**-10,467**	**-**	**-**	**-112,694**	**-38,714**
Restructuring costs	11,894	-	-	-	-	-	16,533	-	-	-	28,427	-
Provisions recognised (-) reversed (+)	-2,921	-9,446	-19,000	-	-	-	38	-30	-	-	-21,883	-9,476
Impairment losses on non-financial assets recognised (-) reversed (+)	-284,308	-1,293,689	-1,051	-49	-	-	-94,424	1,154	-	-	-379,783	-1,292,584
Impairment losses on financial assets recognised (-) reversed (+)	-73,789	-31,855	-	-4	-	-	-15,634	-432	-	-	-89,423	-32,291
Segment's operating profit/(loss)	**-458,638**	**-1,364,505**	**-22,625**	**915**	**674**	**300**	**-151,621**	**-9,775**	**-**	**-**	**-632,210**	**-1,373,065**
Consolidated net finance income/costs											-53,354	-67,606
Share in net profit/(loss) of equity-accounted subordinated entities											-39,289	2,717
Profit/(loss) before tax											**-724,853**	**-1,437,954**
Income tax											57,664	-33,239
Consolidated net profit/(loss) from continuing operations											-782,517	-1,404,715
Consolidated net profit/(loss) from discontinued operations											-120,191	-66,664
Total consolidated net profit/(loss)											**-902,708**	**-1,471,379**
Net profit attributable to non-controlling interests											-1,005	533
Net profit/(loss) attributable to owners of the parent											**-901,703**	**-1,471,912**
including:												
- from continuing operations											-781,512	-1,405,248
- from discontinued operations											-120,191	-66,664

(all amounts in PLN ’000)

CONSOLIDATED REVENUE BY GEOGRAPHY

	Mining		Manufacture and supply of industrial machinery and equipment		Coal supply		Other		**Consolidated**	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
POLAND	486,611	522,642	66,511	13,064	-	-	39,182	40,533	592,304	576,239
RUSSIA AND CIS	63,028	152,670	9	9	-	-	64	-	63,101	152,679
EUROPEAN UNION	42,140	37,011	2,428	2,923	60,604	71,264	1,882	653	107,054	111,851
OTHER	14,635	139,830	80	61	-	-	-	-	14,715	139,891
TOTAL	**606,414**	**852,153**	**69,028**	**16,057**	**60,604**	**71,264**	**41,128**	**41,186**	**777,174**	**980,660**
POLAND	486,611	522,642	66,511	13,064	-	-	39,182	40,533	592,304	576,239
EXPORTS	119,803	329,511	2,517	2,993	60,604	71,264	1,946	653	184,870	404,421
TOTAL	**606,414**	**852,153**	**69,028**	**16,057**	**60,604**	**71,264**	**41,128**	**41,186**	**777,174**	**980,660**

Major external customers that account for 10% or more of total revenue generated by the KOPEX Group, i.e. PLN 77,717 thousand or more.

In 2016, the quantitative criterion for recognising a customer as a major account was satisfied by three customers. The Group derived revenue of PLN 159,500 thousand from sales to JSW S.A., which was also reported in the Mining segment. KOPEX S.A. has no formal links with the customer. The Group derived revenue of PLN 101,153 thousand from sales to PGG S.A., which was also reported in the Mining segment. KOPEX S.A. has no formal links with the customer. The Group derived revenue of PLN 81,451 thousand from sales to KGHM POLSKA MIEDŹ S.A., which was also reported in the Mining segment. KOPEX S.A. has no formal links with the customer.

In 2016, the largest customers of KOPEX Group were companies operating in the segments of: mining, sale of industrial machinery and equipment, sale of coal and other products. The Group sells its products and services to over 20 countries all over the world.

The Group’s main suppliers in 2016

In 2016, the largest suppliers to the Group were companies operating on the Polish market.

The share of one of the suppliers exceeded 10% of the Group’s total revenue in 2016. The supplier operates in the mining segment and its share in the Group’s revenue amounted to 13.6%. There are capital links between the supplier and KOPEX S.A.

88.6% of the Group’s non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets and rights under insurance contracts) are located in the country of the parent’s registered office.

15. Significant events subsequent to the reporting date not disclosed in the financial statements

Until the authorisation of the consolidated financial statements for issue, that is until April 28th 2017, there were no significant events requiring disclosure, except as described in Note 2.

16. Total net amount of remuneration and bonuses paid or payable to members of the management and supervisory bodies for positions held at the parent, its subsidiaries, jointly-controlled entities and associates in 2016

MANAGEMENT BOARD		
Full name		PLN '000
BARTOSZ	BIELAK	15
BOGUSŁAW	BOBROWSKI	609
PIOTR	BRONCEL	274
HENRYK	JURCZYK	183
ANDRZEJ	MEDER	106
MAGDALENA	NAWŁOKA	273
DARIUSZ	PIETYSZUK	291
MICHAŁ	ROGATKO	2
MAREK	USZKO	537
JOANNA	WĘGRZYN	104
JÓZEF	WOLSKI	131
KRZYSZTOF	ZAWADZKI	412
TOTAL REMUNERATION		**2,937**

SUPERVISORY BOARD		
Full name		PLN '000
BARTOSZ	BIELAK	17
BOGUSŁAW	BOBROWSKI	2
JÓZEF	DUBIŃSKI	20
KRZYSZTOF	JĘDRZEJEWSKI	237
CZESŁAW	KISIEL	17
DANIEL	LEWCZUK	52
MICHAŁ	ROGATKO	112
JANUSZ	STRZĘPKA	19
TOTAL REMUNERATION		**476**

A non-competition agreement was signed with one of the managing persons.

In 2015, the remuneration paid to members of the Management Board was PLN 2,215 thousand, and the remuneration paid to members of the Supervisory Board was PLN 707 thousand.

(all amounts in PLN '000)

17. Related-party transactions

OUTSTANDING BALANCES	Trade and other receivables, net	Receivables under loans, net	Impairment losses on doubtful receivables recognised in the period	Impairment losses on doubtful receivables	Trade and other payables	Liabilities under borrowings received, assumed debt, bond issues
As at Dec 31 2016						
associates	-	-	-	-	-	-
other related parties	107,661	-	-	-	1,043	55,884
Ultimate parent	-	-	-	-	122	-
As at Dec 31st 2015						
associates	4,176	1,935	-	-	10,190	-
other related parties	18,370	99,314	61,451	74,033	684	-

TRANSACTIONS DURING THE PERIOD	Revenue from sale of products, services, merchandise and materials	Other income (including dividend)	Finance income	Purchase of goods and services	Purchase of property, plant and equipment and intangible assets	Finance costs
In 2016						
associates	2,649	450	-	1,839	-	417
other related parties	33,684	819	4,186	17,613	2,677	642
Ultimate parent	-	-	-	10,851	-	10
In 2015						
associates	2,413	1,909	50	22,513	-	26
other related parties	1,064	116	4,444	22,430	2,861	-

Related party transactions are carried out exclusively on arm's length terms.

18. Representation by the Management Board of KOPEX S.A.

The full-year consolidated financial statements and comparative data were prepared in accordance with International Accounting Standards and give a true and fair view of the financial position and the financial performance of the KOPEX Group.

The Directors' Report gives a fair view of the development, achievements and position of the KOPEX Group, and describes the key risks and threats.

The auditing firm qualified to audit financial statements which audited the 2016 full-year consolidated financial statements of the KOPEX Group was appointed in compliance with the applicable laws.

Both the auditing firm and the auditor who performed the audit met the conditions required to issue an objective and independent audit report, in accordance with the applicable provisions of Polish law.

Vice President of the Management Board	President of the Management Board
Bartosz Bielak	Beata Zawiszowska

Person responsible
for maintaining accounting records:

Accounting and Tax Office

Director

Katowice, April 28th 2017