(Translation from the Polish language)

CONSOLIDATED FINANCIAL STATEMENTS OF KOPEX S.A.

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

Katowice, April 2016

CONTENTS

Consolidated Statement of Financial Position of KOPEX S.A. Capital Group in PLN thousand

Note		31 Dec 2015	31 Dec 2014
	ASSETS		
	Tangible assets	**1 107 855**	**2 374 188**
12.1	Intangible assets	130 658	160 296
12.2	Goodwill in subsidiaries	41 568	1 249 955
12.3	Tangible fixed assets	673 627	693 891
12.4	Investment real estates	22 392	26 571
12.5	Investments accounted for under the equity method	51 325	48 248
12.6	Long-term leasing receivables	34 070	10 740
12.7	Other long-term assets	79 189	133 657
12.8	Deferred income tax assets	75 026	50 830
	Current assets	**1 020 936**	**1 147 330**
12.9	Inventories	258 892	239 057
12.10	Short-term accounts receivables	391 910	381 787
12.10	Short-term other receivables	85 101	109 444
12.6	Short-term leasing receivables	21 543	27 246
12.11	Short-term loans granted	45 690	39 874
	Receivables related to current income tax	8 344	8 820
12.12	Other financial assets	1 984	1 377
12.25	Assets under contracts for construction services	145 184	254 880
12.13	Cash and cash equivalents	62 288	84 845
	Tangible assets held for sale	**1**	**1**
	Total assets	**2 128 792**	**3 521 519**
	LIABILITIES AND EQUITY		
	Equity	**1 102 359**	**2 617 807**
12.14	Authorised share capital	74 333	74 333
12.14	Own shares	-2 979	-2 979
12.15	Issue of shares above their nominal value	1 054 942	1 054 942
12.16	Revaluation reserve	1 825	-515
	Currency translation differences	8 396	19 855
12.17	Retained profits	-42 528	1 465 644
	Non- controlling share capital	8 370	6 527
	Long-term liabilities	**69 862**	**92 458**
12.18	Long-term credits and loans	-	13 374
12.19	Long-term other liabilities	1 504	1 868
12.20	Long-term leasing liabilities	39 548	46 825
12.8	Deferred income tax reserve	4 986	5 592
12.21	Long-term reserve for employee benefits	22 277	21 259
12.22	Other long-term reserves for liabilities	11	846
12.23	Long-term accruals	1 536	2 694
	Short-term liabilities	**956 571**	**811 254**
12.18	Short-term credits and loans	546 345	348 979
12.24	Short-term accounts payable	171 630	174 396
12.19	Short-term other liabilities	108 993	134 686
12.20	Short-term leasing liabilities	26 608	36 786
	Receivables related to current income tax	726	6 343
12.12	Other financial liabilities	1 507	2 237
12.21	Short-term reserve for employee benefits	13 936	14 227
12.22	Other short-term reserves for liabilities	15 465	15 247
12.23	Short-term accruals	71 361	78 353
	Liabilities and equity, total	**2 128 792**	**3 521 519**
	Book value	**1 102 359**	**2 617 807**
	Number of shares	**74 056 038**	**74 056 038**
	Book value per one share (in PLN)	**14.89**	**35.35**

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

Note		from 01 Jan 2015 to 31 Dec 2015	from 01 Jan2014 to 31 Dec 2014
	CONTINUING OPERATIONS		
12.25	Net revenues from sales of products, goods and materials	1 064 739	1 433 931
12.26	Costs of sold products, goods and materials	1 007 586	1 155 620
	Gross profit on sales	**57 153**	**278 311**
12.27	Other revenues	11 456	29 016
12.26	Costs of sales	43 871	39 627
12.26	Overheads	93 898	114 447
12.28	Other costs	48 417	17 238
12.29	Other profits / (losses)	6 501	8 690
12.2	Goodwill write- down	-1 208 295	-
12.30	Write-downs on non-financial assets	-104 423	-9 119
	Profit (Loss) from operating activities	**-1 423 794**	**135 586**
12.31	Financial revenues	15 296	13 633
12.32	Financial costs	82 314	25 334
	Share in net profits (losses) of subsidiaries valuated with the equity method	2 717	6 117
	Gross Profit (Loss)	**-1 488 095**	**130 002**
12.33	Income tax	-16 716	27 391
	Net profit /(loss) from continuing operations	**-1 471 379**	**102 611**
12.34	**Consolidated net profit from discontinued operations**	**-**	**122**
	Consolidated net profit, total	**-1 471 379**	**102 733**
	Net profit for non-controlling shares	**533**	**1 473**
	Net profit (loss) for shareholders of the parent company, including:	**-1 471 912**	**101 260**
	-from continuing operations	-1 471 912	101 138
	-from discontinued operations	-	122
	Weighted average number of ordinary shares	**74 056 038**	**74 056 038**
	Total net profit (loss) per 1 ordinary share in the parent company	**-19.88**	**1.37**

Statement of Total Income of KOPEX S.A. Capital Group in PLN thou

	from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
Consolidated profit (loss)	**-1 471 379**	**102 733**
Other comprehensive income / (losses) which will not be transferred to profit or loss:	**-2 529**	**-3 884**
Actuarial losses arising from defined benefit plans	-407	-3 727
Income tax on actuarial losses	77	708
Other income	-2 199	-485
Income tax on other income	-	-380
Other comprehensive income /(loss) which can be transferred to profit or loss	**-9 185**	**4 566**
Currency translation differences	-11 525	10 100
Valuation of financial assets availabe for sale	-	-20
Cash flow hedges	2 889	-6 803
Income tax related to cash flow hedges	-549	1 289
Other comprehensive income /(loss) after tax	**-11 714**	**682**
Comprehensive income /(loss) , total	**-1 483 093**	**103 415**
- for non-controlling shares	538	1 397
- for KOPEX S.A. shareholders	-1 483 631	102 018

Consolidated Statement of Changes in eEquity of KOPEX S.A. Capital Group in PLN thou

	Equity	Own shares	Issue of shares above their nominal value	Revaluation			Currency translation differences	Retained profits	Total	Non-controlling interest	Total equity
				Hedging instruments	Available-for-sale financial assets	Deferred tax					
As at 01 Jan 2014	**74 333**	**-2 979**	**1 054 942**	**6 410**	**-176**	**-1 215**	**9 732**	**1 369 384**	**2 510 431**	**6 078**	**2 516 509**
Total income	-	-	-	-6 803	-20	1 289	10 078	97 474	102 018	1 397	103 415
Take over control/ increase/ decrease of control	-	-	-	-	-	-	45	-436	-391	-809	-1 200
Dividends	-	-	-	-	-	-	-	-	-	-139	-139
Donations	-	-	-	-	-	-	-	-778	-778	-	-778
As at 31 Dec 2014	**74 333**	**-2 979**	**1 054 942**	**-393**	**-196**	**74**	**19 855**	**1 465 644**	**2 611 280**	**6 527**	**2 617 807**
As at 01 Jan 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 income	-	-	-	2 889	-	-549	-11 459	-1 474 512	-1 483 631	538	-1 483 093
Take over control/ increase/ decrease of control	-	-	-	-	-	-	-	-3 221	-3 221	1 454	-1 767
Dividends	-	-	-	-	-	-	-	-29 622	-29 622	-149	-29 771
Donations	-	-	-	-	-	-	-	-817	-817	-	-817
As at 31 Dec 2015	**74 333**	**-2 979**	**1 054 942**	**2 496**	**-196**	**-475**	**8 396**	**-42 528**	**1 093 989**	**8 370**	**1 102 359**

Consolidated Cash Flow Statement of KOPEX S.A. Capital Group in PLN thou

	from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
CASH FLOW FROM OPERATING ACTIVITIES		
Gross Profit/ (Loss)	**-1 488 095**	**130 153**
Corrections by:		
Depreciation	152 525	151 786
Share in net profits (loss) of subsidiaries valuated with equity method	-2 717	-6 117
(Profits) loss from exchange rate differences	-7 272	-3 239
Interest and share in profits (dividends)	6 906	13 867
(Profit)loss from investing activities	-6 905	-11 062
Change in reserves	-1 456	3 180
Change in inventories	-17 375	35 682
Change in accounts receivable and other receivables	8 185	-4 293
Change in short- term accounts payable and other liabilities	-35 998	-41 137
Change in accruals	-8 150	51 857
Change in assets under contracts for construction services	109 696	-103 996
Income tax paid	-14 608	-30 031
Write- downs on fixed assets	1 285 072	11 344
Write- downs on granted loans	63 217	1 344
Foreign currency transactions	1 532	3 368
Other corrections	-845	-1 386
Net cash flow from investing activities	**43 712**	**201 320**
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of intangible and tangible fixed assets	11 302	21 777
Disposal of financial assets	9 154	7 992
Received dividends and shares in profits	30	8 113
Repayment of loans granted	23 977	40 597
Interest received	672	1 099
Other income	253	946
Acquisition of intangible and tangible fixed assets *	-158 869	-172 758
Acquisition of financial assets	-1 577	-888
Acquisition of organised part of the enterprise	-6 394	-
Loans granted	-46 126	-79 751
Loss of control over subsidiary	-	-2 386
Other investment expenses	-	-204
Net cash flows from investing activities	**-167 578**	**-175 463**
CASH FLOWS FROM FINANCING ACTIVITIES		
Credits and loans**	242 774	152 830
Commisions received from securities	1 522	2 415
Dividends and other payments to owners	-29 643	-
Repayment of loans and credits**	-58 187	-124 470
Payment of liabilities under finance lease agreements	-37 746	-38 771
Interest paid	-14 691	-20 639
Paid commissions on loans and guarantees	-1 908	-1 159
Transactions with non- controlling shares	-48	-1 165
Other financing expenses	-39	-319
Net cash flows from financing activities	**102 034**	**-31 278**
TOTAL NET CASH FLOWS	**-21 832**	**-5 421**
Balance sheet change in cash, including:	**-22 557**	**-3 742**
- change in cash due to exchange rate differences	-725	1 679
Cash at beginning of period	**84 845**	**88 587**
Cash at end of period, including:	**62 288**	**84 845**
- restricted cash	4 117	3 456

* internally generated fixed assets are included in the item " Acquisition of intangible and tangible fixed assets "

**credits and loans granted within revolving loan are recognized in net values

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

The Company's headquarters is in Katowice, 1 Grabowa Street.

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

The KOPEX S.A. Capital Group's core business is focused on the manufacture of mining machinery and equipment. The Capital Group is a manufacturer and supplier of machinery and equipment to hard coal, brown coal and non-ferrous metal ores mining industry. It is also a general contractor of investment projects in the mining industry.

The presented financial statements for the period 1 January 2015 to 31 December 2015 are consolidated ones. They also include comparative financial data for the period 1 January 2014 to 31 December 2014.

KOPEX S.A. is a parent company and draws up consolidated financial statements.

Notes to the consolidated financial statements constitute integral part of this document.

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

Financial data are presented in PLN thousands.

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

2. Significant assumptions used in drawing up financial statements

2a. Going concern status

Consolidated financial statements of the KOPEX S.A. Group for the year 2015 were drawn up on the Company's going concern status, despite net loss of 1 471 379 PLN thou. Losses mainly resulted from restrictions in investment in new machinery and equipment as well as mining works by coal mining companies, due to difficult situation in the coal market and, above all, falling coal prices. In addition, lengthening payment terms of mining companies and delays in the execution of contracts directly affected worsening liquidity of the KOPEX Group. Despite this difficult situation, the Management Board of the Issuer makes any possible efforts to settle all of its obligations and does not assume cease paying them because of the existing difficulties.

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

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

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

Regardless of the conducted negotiations with creditors, the Issuer's Management Board and its professional advisers are preparing and implementing a wide-ranging and deep program of operational, economic and financial position restructuring of the Group.

The restructuring plan includes asset reduction, employment restructuring process and improvement in operating efficiency in all the operating sectors.

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

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

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

The above-described circumstances indicate that there is a significant uncertainty as to the capability of continuing activities by the Group in a not substantially decreased scope. According to the Management Board, the actions already taken and planned are going to be successful.

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

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

2b. Significant judgments in the valuation of assets

These consolidated financial statements include significant assessments regarding valuation of assets which could be affected by the circumstances referred to in Item 2a.

a) Impairment testing of goodwill

Goodwill recognized in the consolidated financial statements in the amount of 41 568 PLN thou was assigned to the Mining segment. As at 31 December 2015, the Group recognized an impairment loss of 1 208 295 PLN thou.

The recoverable amount to which goodwill was allocated, corresponds to its value in use, which determines using the discounted cash flow before tax, based on technical and economic plan for 2016 and forecasts for 2017.

As on the publication date of these financial statements, the Issuer's Management Board was not able to make reliable estimation of cash flows in the long term, prior to the completion of ongoing work on a deep restructuring plan, hence the cash flows starting from 2018 were included in the residual value, assuming a 1.5% growth after the forecast period. Cash flow forecasts for the years 2016-2017 adopted to the test, assume that difficult situation in the mining sector in Poland and abroad will maintain in 2016 and the situation is going to improve starting from 2017.

However, in the assessment of the Management Board, assumptions as to future sales revenue and operating result are conservative and reflecting the market situation. The calculation assumed a discount rate before tax of 10.85% (8.44% in 2014), based on the weighted average cost of capital (WACC). It was assumed continuation of the activity after the forecast period and there was used formula for perpetual annuity to determine the residual value.

As at 31 December 2014, goodwill amounted to 1 249 955 PLN thou. Test made on that day test showed no impairment of goodwill. The impairment test on t 31 December 2014 based on the available prospects and forecasts for the global mining industry and the KOPEX Group's Strategy for the years 2015-2020.

Key assumptions of the forecast used in the test made on 31 December 2014 were as follows:

- Sales revenue - average annual growth during the forecast period: 13.3%

- Operating profit - average annual growth during the forecast period: 34.9%

Cash flow during the forecast period based on a detailed analysis of the products (revenue, profitability) and sales markets.

b) Trading and other receivables

The Group has significant receivables from a foreign contractor in the amount of 72 279 PLN thou, whose due date is distributed in installments, and installment payments attributable to the period up to the date of approval of these financial statements were not realized.

The Group submitted a motion to the arbitral court for the recovery of debts in full, which was suspended until May 2016 because of commencement of negotiations on receivables allocation.

The negotiations resulted in establishing additional reserves for warranty claims in the amount of 4 300 PLN thou and impairment charge in the amount of 13 112 PLN thou.

A provision and impairment losses represented the best estimate on the date of approval of these financial statements as to the expected cash inflows based on the following assumptions:

- the Group expects that it will be necessary to replace one of equipments that was supplied to a customer, due to its technical parameters,

- expectations regarding final settlement of the contract, considering claims of the customer in terms of lost profits for the period of operation of the equipment before its replacement.

The Group has significant receivables from the Polish mining companies in the total amount of 209 912 PLN thou. There was an increase in contractual payment periods (KW SA by 30 days, JSW SA by 35 days, to the original payment deadlines amounting to 120-150 days). These receivables are being paid on time or with minor delays. The Board does not identify significant risk of impairment of these receivables.

c) Assets under contracts for construction services

In the consolidated statement of financial position, the Group recognizes the value of assets under contracts with Argentine contractor in the amount of 127 540 PLN thou (being the sum of incurred costs and expected margin on the contract, calculated in accordance with IAS11).

According to original assumptions, the equipment covered by the contract was scheduled to be delivered and commissioned until the end of 2015.

Due to political situation in Argentina, investment processes carried out by the Argentine government are delayed. In the opinion of the Management Board, equipment supplies accomplished by the Group constitute an important part of energy investments in the country, and despite the lack of formal documents and government decisions regarding the resumption and continuation of the investments, which increase the risk of failure of the entire contract- in the opinion of the Management Board the risk is low.

Considering the above described facts, the Management Board anticipates that in 2016, approx. 47% of the remaining part of the contract value will be accomplished. The Group is financially safeguarded by partial advances paid.

The equipment will be supplied upon receipt of payment from the Argentinian party to the contract.

d) Development works (Mikrus longwall system)

In the consolidated statement of financial position there are included development costs of Mikrus thin-seam longwall system, in the amount of 56 860 PLN thou.
The Group had manufactured one Mikrus longwall system until the date of approval of these financial statements. Mikrus is currently in operating lease.
Since 2013, Mikrus has been offered on the market and there is some risk that it will not be possible to sell this product, but the Management Board believes that the current sales prospects of Mikrus are good enough and no development work impairment losses were shown in the tests made.

When preparing the test, there was assumed sale of Mikrus longwall systems to be commenced in the Russian and Chinese markets in 2017 and the same discount rate as for the impairment tests of goodwill was used in the tests. However, if the Management Board's assumptions do not come true, unamortized development works will have to be written off as expenses.

Other significant judgments and assumptions made in preparing the financial statements are summarized in Note 11.

3. Composition of the Management Board and the Supervisory Board

Management Board

As at 31 December 2015, composition of the Management Board of the Company was as follows:

Józef Wolski	President of the Management Board
Andrzej Meder	Member of the Management Board
Joanna Węgrzyn	Member of the Management Board
Piotr Broncel	Member of the Management Board

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

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

Supervisory Board

As at 31 December 2015, composition of the Management Board of the Company was as follows:

Krzysztof Jędrzejewski	Chairman of the Supervisory Board
Bogusław Bobrowski	Vice-Chairman of the Supervisory Board
Daniel Lewczuk	Secretary of the Supervisory Board
Józef Dubiński	Member of the Supervisory Board
Janusz A. Strzępka	Member of the Supervisory Board

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

Krzysztof Jędrzejewski	Chairman of the Supervisory Board
Michael Rogatko	Vice-Chairman of the Supervisory Board
Daniel Lewczuk	Secretary of the Supervisory Board
Józef Dubiński	Member of the Supervisory Board
Janusz A. Strzępka	Member of the Board

4. Entity auditing financial statements

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

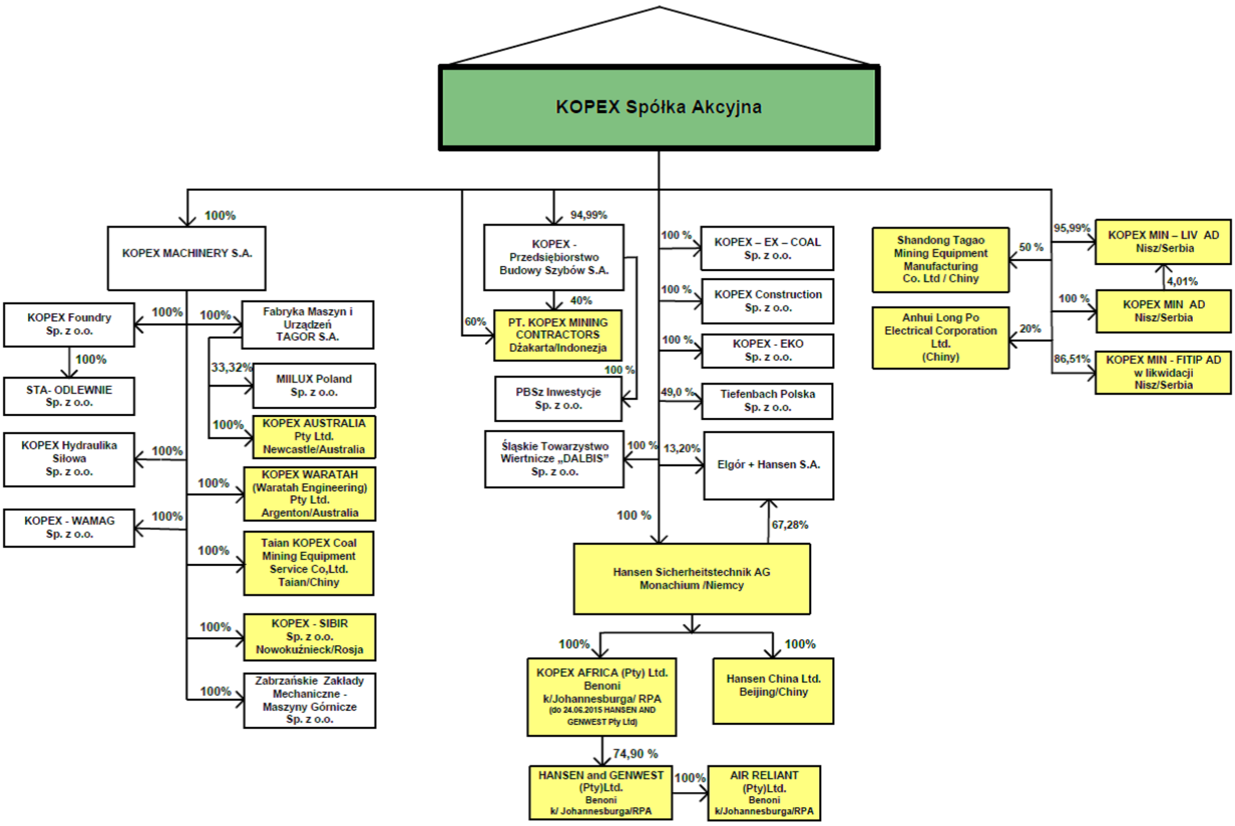
SUBJECT OF THE CONTRACT	REMUNERATION FOR 2015	REMUNERATION FOR 2014
Audit of semi-annual separate and consolidated financial statements as well as audit of annual separate and consolidated financial statements	90	90
Tax consultancy	-	20
Other services	10	533
Total	**100**	**643**

5. Legal base for drawing up financial statements

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

6. Composition of the KOPEX S.A. Capital Group as at 31 December 2015.

6.1 Organizational chart of the KOPEX S.A. Capital Group



Companies included in consolidated financial statements

Subsidiaries	***Consolidation method***
KOPEX S.A.	Full consolidation method
KOPEX MACHINERY S.A.	Full consolidation method
TAGOR S.A.	Full consolidation method
KOPEX HYDRAULIKA SIŁOWA Sp. z o.o. (before: DOZUT-TAGOR Sp. z o.o.)	Full consolidation method
KOPEX CONSTRUCTION Sp. z o.o.	Full consolidation method
KOPEX FOUNDRY Sp. z o.o. (before: HSW ODLEWNIA Sp. z o.o.)	Full consolidation method
KOPEX – PRZEDSIĘBIORSTWO BUDOWY SZYBÓW S.A.	Full consolidation method
PBSz INWESTYCJE Sp. z o.o.	Full consolidation method
HANSEN SICHERHEITSTECHNIK AG (Germany)	Full consolidation method
ELGÓR+HANSEN S.A.	Full consolidation method
KOPEX AFRICA (Pty) Ltd (RPA)	Full consolidation method
HANSEN and GENWEST (Pty) Ltd (South Africa)	Full consolidation method
HANSEN CHINA Ltd (China)	Full consolidation method
KOPEX MIN (Serbia)	Full consolidation method
KOPEX MIN-LIV (Serbia)	Full consolidation method
ZZM – MASZYNY GÓRNICZE Sp. z o.o.	Full consolidation method
KOPEX-EKO Sp. z o.o.	Full consolidation method
KOPEX – WAMAG Sp. z o.o. (before: POLAND INVESTMENTS 7 Sp. z o.o.)	Full consolidation method
KOPEX AUSTRALIA Pty Ltd (Australia)	Full consolidation method
PT KOPEX MINING CONTRACTORS (Indonesia)	Full consolidation method
KOPEX SIBIR Sp. z o.o. (Russia)	Full consolidation method
KOPEX WARATAH PTY LTD (Australia)	Full consolidation method
ŚLĄSKIE TOWARZYSTWO WIERTNICZE DALBIS Sp. z o.o.	Full consolidation method
KOPEX-EX-COAL Sp. z o.o.	Full consolidation method
STA-ODLEWNIE Sp. z o.o.	Full consolidation method
HS LUBAŃ Sp. z o.o.	Full consolidation method
TAIAN KOPEX COAL MINING EQUIPMENT SERVICE Co. Ltd (China)	Full consolidation method
AIR RELIANT (Pty) Ltd (South Africa)	Full consolidation method
Associated companies	***Valuation method***
SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING Co. Ltd (China)	Equity valuation method
TIEFENBACH Sp. z o.o.	Equity valuation method
ANHUI LONG PO ELECTRICAL CORPORATION Ltd (China)	Equity valuation method
MIILUX POLAND Sp. z o.o.	Equity valuation method

Air Reliant (Pty) Ltd based in South Africa was consolidated for the first time. Kopex Africa Ltd based in South Africa, acquired 100% shareholding in that company. It gives the same percentage of voting rights, however net values of acquired assets and payment values are irrelevant to these consolidated financial statements.

In January 2015 there was acquired an organized part of Zakład Odlewniczy in Tarnowskie Góry operated under the name Oddział STA-ODLEWNIE. The transaction was settled using historical data as it was carried out under common control.

Value of assets acquired: 16 755 PLN thou

Value of liabilities acquired: 12 414 PLN thou

Value of the payment transferred: 6 050 PLN thou

On 30 December 2015, there were sold shares in WS Baildonit Sp. z o.o., an associated company, representing 13.3% of shares and giving the same percentage of voting rights.

Following the transaction, the Issuer will not have a significant impact on this entity and therefore application of the equity method was discontinued and shares were calculated at fair value. As at 31 December 2015, shares were presented in the item “Other long-term assets”.

7. Significant accounting principles

7.1. Adopted accounting principles

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

- Consolidation methods

KOPEX S.A. as a parent company consolidates financial statements of KOPEX S.A. with financial statements of its subsidiaries by summing up the corresponding financial statement items, including necessary exemptions and adjustments in accordance with the IFRS / IAS.

Consolidated financial statements are financial statements of the KOPEX S.A. Capital Group drawn up in such a way as if it was a single economic entity.

Non-controlling interests are presented in the consolidated statement of financial position within equity as a separate item. Shares in profit or loss of the Group are also presented in a separate item. Balances between companies of the KOPEX S.A. Group, transactions, income and expenses are eliminated in full. Shares in associated companies (which are significantly influenced by KOPEX S.A.) are presented in separate items of the consolidated statement of KOPEX S.A. The shares are valuated using the equity method.

The equity method is an accounting method in which the investment is initially recognized at cost and then, after the acquisition date, its value is adjusted accordingly by change of KOPEX S.A. share in net assets. The share of KOPEX S.A. in profit or loss of subsidiary in which KOPEX S.A. invested is recognized in a separate item of the income statement. Distributions received from profit generated by the in which KOPEX S.A. invested reduce the carrying amount of the investment.

The adjustment to the carrying amount may also be necessary due to changes in the proportion of KOPEX S.A. in the company, resulting from changes in equity of the company that were not recognized in the profit and loss account, the share of KOPEX S.A. those changes is recognized in other reserves. These changes may also result from the revaluation of tangible fixed assets and foreign exchange differences. The share of KOPEX S.A. those changes is recognized directly in its equity.

On 1 October 2014, the Issuer's subsidiary based in Poland concluded an agreement with its subsidiary based abroad. Under the agreement, there will be no repayment of maturing debt by the foreign company to the Polish company. Intention of the parties is to convert the debt to equity or capital injection of the foreign company in a different way. Since 1 October 2014, these receivables have been treated as net investment in a foreign operation, and exchange rate differences from the valuation of these investments have been recognized in other comprehensive income, in accordance with IAS 21.

- Intangible assets

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

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

- Licenses for the use of computer programs 10% - 30%

- Computer programs 20%

- Other intangible assets - in line with term of the contract or estimated useful life.

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

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

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

- Goodwill

Goodwill represents the excess of the value included in Item a) over the value included in Item b), where:

Item a) is the sum of the amounts as follows:

- transferred payment, valuated in accordance with IFRS 3 which generally requires the fair value. It is a transfer payment i.e. payment without costs associated with direct acquisition,

- amount of any non-controlling shares in the acquiree, measured at fair value or at the proportionate part of non-controlling shares in identifiable net assets of the acquiree

Item b) is net amount on the acquisition date of identifiable assets and liabilities valuated in accordance with IFRS 3.

Subsequent valuation of goodwill means its impairment loss testing and presenting in the balance sheet at cost less accumulated loss due to impairment, which is recognized in profit and loss account. To carry out impairment loss testing, goodwill is allocated to every cash-generating unit which is expected to benefit from synergies. Every unit or group of units to which goodwill has been allocated, should meet the following criteria:

- correspond to the lowest level at which goodwill is monitored for internal management purposes,

- be not more than one business segment with definition of basic or supplementary financial reporting format.

- Costs of research and development

Expenditures on research are recognized in the income statement when incurred. Expenditure incurred on development projects are recognized when the activation criteria are met. After initial recognition, development costs are reduced by accumulated depreciation and write-downs due to permanent impairment. Depreciation is made by straight-line method within the period of obtaining revenue from sales, linked to a specific project but not exceeding 5 years.

- Fixed assets

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

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

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

Depreciation rates used for fixed assets are as follows:

- Buildings and structures - 2.5% - 4.5%

- Machinery and equipment - 10% - 38.72%

- Means of transportation - 20% - 33.06%

- Other - 14% - 40%

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

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

Land is not subject to depreciation.

• Fixed assets held for sale

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

• Investment real estates

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

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

- Buildings and structures - 2.5% - 4.5%

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

Land is not subject to depreciation.

• Fixed assets under construction

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

• Leasing

- Financial leasing

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

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

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

- Operating leases

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

• Financial instruments

Financial instruments are classified into the following categories:

- Financial assets at fair value through profit or loss
- Investments held to maturity
- Loans and financial receivables
- Financial assets available for sale
- Financial liabilities at fair value through profit or loss
- Other financial liabilities
- Derivatives for which hedge accounting

Financial assets at fair value through profit or loss

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

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

Financial assets, in particular, include:

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

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

Investments held to maturity

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

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

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

Loans and financial receivables

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

The category of loans and receivables includes:

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

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

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

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

Financial assets available for sale

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

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

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

Other financial liabilities include, in particular:

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

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

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

Derivatives for which hedge accounting is conducted

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

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

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

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

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

- effectiveness of the hedge may be reliably assessed,

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

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

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

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

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

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

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

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

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

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

- the entity revokes the designation.

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

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

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

Impairment

On every reporting date, the Company assesses if there are any objective evidences for the existence of impairment of a financial asset or a group of financial assets.

The Company discloses the nature and the amount of any loss recognized in profit or loss, caused by the loss of this component for every significant class of financial assets.

Financial asset or a group of assets lose value, and the Company will incur a loss due to impairment only when there is objective evidence of impairment as a result of one or more events occurring after initial recognition, having impact on the expected future cash flows of a financial asset or a group of financial assets that can be reliably measured.

Expected losses resulting from future events, no matter how likely, are not recognized. Impairment includes the following events observable by the holder of assets:

- significant financial difficulty of the issuer or debtor

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

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

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

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

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

• Inventories

Inventories are valuated at purchase price, manufacture cost or at net realizable value, depending on which is lower. At the balance sheet date, write-downs of inventories are made if there are compelling reasons for their achievement.

Write-downs are recognized in other operating expenses. At the balance sheet date, inventories are stated at cost less impairment charges. The Company makes disposal of inventories by the following methods:

- materials according to the weighted average method,

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

• Cash and cash equivalents

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

- Accruals

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

Passive accruals

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

- Equity

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

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

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

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

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

- Provisions for liabilities

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

A provision is recognized when:

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

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

c) the amount of this obligation may be reliably estimated

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

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

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

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

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

Provisions are established for the purposes as follows:

- losses expected on the contracts,

- guarantees and sureties,

- side- effects of ongoing litigation and appeals,

- Future liabilities related to restructuring.

• Provision for employee benefits

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

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

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

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

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

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

• Assets and provision for income tax

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

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

- negative temporary differences

- carryforward of unused tax losses

- carryforward of unused tax credits.

Deductible temporary differences will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of an asset or liability is recovered or settled.

Deferred tax assets are recognized for all deductible temporary differences to the extent which is probable that there will be taxable profit that will allow for deduction of negative temporary differences.

Deferred tax assets are measured at the amounts recoverable from the tax authorities in accordance with the tax rates that are expected to apply when the asset is realized, based on tax rates (and tax laws) that have been enacted or actually at the reporting date.

Deferred income tax is established in the amount of income tax to be paid in the future in respect of taxable temporary differences, ie differences that will increase the tax base in the future.

The provision is valued according to the tax rates that are expected to apply when the reserve is released, on the basis of tax rates (and tax laws) that were enacted or substantively enacted at the reporting date.

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

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

If it relates to items that are recognized directly in equity, deferred tax is recognized in equity.

• Revenues

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

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

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

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

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

• Government subsidies

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

- the Company will meet conditions related to the subsidies,
- subsidies will be received.

The term “government” refers to government, government institutions, government agencies and similar bodies whether local, national or international. Government subsidies are systematically recognized as income over the periods to match them with the related costs which to be compensated. Subsidies do not directly increase equity.

A government subsidy that becomes receivable as compensation for incurred costs, loss or allocated to the Company for the purpose of giving immediate financial support with no future related costs will be recognized as income in the period in which it becomes payable. Government subsidies which are subject to repayments are recognized as a change in estimates. It means that repayment of the subsidy is recognized first to the outstanding balance of deferred income. The remainder is recognized in costs of the current period. The standard does not resolve the issue of EU subsidies. EU subsidies are treated by the Company equally with government subsidies.

• Construction contracts

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

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

Most contracts are concluded at fixed prices and accounted using the contract completion stage method. The contract stage is calculated as a percentage quotient of costs actually incurred, documented by relevant accounting documents and estimated, total contract costs.

Total revenues from the contract include an initial amount of revenue agreed in the contract and changes made during the term of the contract, claims and incentive payments.

Changes in contract revenue are taken into account if it is likely that they will be accepted by the recipient of services and that it is possible to determine their value reliably. Contract revenues are measured at fair value of the received or due payment.

Total cost of the contract includes directly related to a specific contract, costs generally related with activities resulting from the contract which can be allocated to specific contracts and other costs, which under the terms of the contract may be charged to the recipient of services.

Periodically, at least at the reporting date, there will be made review and update of total costs and revenues of the contract, and always, in case of significant changes in the estimates of revenues or costs of the contract.

Results of changes in estimates of revenues and costs associated with the contract as well as results of changes in estimates as a result of the agreement are recognized as a change in accounting estimate. The changed estimates are used to determine the amount of revenue and expenses recognized in profit in the reporting period in which the change occurs and also in subsequent periods. Revenue at the end of the reporting period is determined in proportion to the stage of completion of the contract, after deduction of revenue which affected the financial result in previous reporting periods.

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

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

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

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

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

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

IFRS 9 - "Financial Instruments"

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

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

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

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

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

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

Amendments to IFRSs 2010-2012

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

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

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

Amendments to IAS 16 and IAS 38 on amortization

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

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

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

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

IFRS 15 "Revenue from Contracts with Customers"

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

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

The Company will implement IFRS 15 from 1 January 2018.

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

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

Changes to IAS 27 on equity method in separate financial statements

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

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

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

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

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

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

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

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

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

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

Amendments to IFRSs 2012-2014

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

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

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

Changes to IAS 1

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

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

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

Changes to IAS 7 - Initiative on disclosure

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

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

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

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

- Changes to IAS 12 concerning the recognition of assets for deferred income tax on unrealized losses

- IFRS 16 "Leases"

- Changes to IAS 19 "Employee benefits"

- IFRS 14 "Regulatory accruals"

- Changes to IAS 16 and IAS 41 on plant crops

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

8. Capital Management

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

Objectives of capital management were as follows:

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

The Group monitored on the ongoing basis the following capital ratios:

Capital ratios	31 December 2015	31 December 2014
average net debt ratio / average equity	0.24	0.15
liabilities structure rate (funding sources)	0.52	0.74
ROE	-79.10%	4%
total debt ratio	0.48	0.26

In 2015, within the Group there was continued implementation of the Asset Optimisation Programme of the Group's Key Companies focused on optimization of assets and adapting it to the needs of the business activities conducted by entities of the Group.

The main tasks set for the Asset Optimisation Programme are as follows:
- optimization of tangible fixed assets to define their usefulness for operating activities;
-sale of redundant assets in production, permanent optimization of assets in stocks and accounts receivable;

In 2015, seven key companies in the KOPEX S.A. Group were covered by the Optimisation Programme.
1. KOPEX Machinery SA (together with ZZM-MG Sp. z o.o.)
2. Tagor SA
3. Elgór + Hansen SA
4. KOPEX – PBSz SA
5. DOZUT TAGOR Sp. z o.o.
6. DALBIS Sp. o.o.
7. Kopex Foundry Sp. z o.o.

As a result of implementation of the Programme, there was carried out a number of key optimizations, considering the Group's activities, in particular including sale of some parts of tangible assets, like real estates, machinery and equipment as well as allocation of the DALBIS Sp. z o.o. and KOPEX- PBSz SA to Tarnowskie Góry. The carried out operations resulted in asset efficiency increase, optimization of manufacturing processes and modification of procurement and materials management. In addition, the Group's Companies had credit contracts with capital ratios, which had to be met.

As at 31 December 2015, the Group did not fulfill two banking covenants (net debt / EBITDA and current assets / current liabilities). The KOPEX Group is focused on developing new mechanisms to repair the above ratios.

9. The policy of financial risk management and hedging

The Company conducted active policy on financial risk management, which included identification, measurement, monitoring, and consequently selection of the most appropriate instruments to hedge against the risks identified. Financial risk management in the KOPEX S.A. company was supervised by Chief Financial Officer - Member of the Management Board. The Company did not use financial instruments (including derivative instruments) for speculative purposes.

The Company was primarily exposed to the following risk groups:

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

- liquidity risk,

- credit risk.

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

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

<u>Price risk</u>

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

Interest rate risk

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

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

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

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

Currency risk

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

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

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

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

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

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

Financial instruments

Categories of financial instruments - balance value

Classes of financial instruments	Note	Financial assets available for sale	Financial assets held to maturity	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Liabilities excluded from the scope of IAS 39	Receivables excluded from the scope of IAS 39	Hedging instruments	Total
As at 31 December 2015											
Shares	12.7, 12.12A	3 164	-	19	-	-	-	-	-	-	**3 183**
Accounts receivables(net)	12.10A	-	-	-	391 910	-	-	-	-	-	**391 910**
Leasing receivable	12.6	-	-	-	-	-	-	-	55 613	-	**55 613**
Cash and budget investments	12.13	-	-	-	62 288	-	-	-	-	-	**62 288**
Bonds and loans granted	12.7,12.11	-	-	-	111 445	-	-	-	-	-	**111 445**
Other financial liabilities (net)	12.10C	-	-	-	53 567	-	-	-	-	-	**53 567**
Derivative financial instruments	12.12A	-	-	3	-	-372	-	-	-	827	**458**
Accounts payable	12.24	-	-	-	-	-	-171 630	-	-	-	**-171 630**
Credits and loans taken	12.18A	-	-	-	-	-	-546 345	-	-	-	**-546 345**
Leasing liabilities	12.20	-	-	-	-	-	-	-66 156	-	-	**-66 156**
Other liabilities	12.19	-	-	-	-	-	-36 801	-	-	-	**-36 801**
Total		**3 164**	**-**	**22**	**619 210**	**-372**	**-754 776**	**-66 156**	**55 613**	**827**	**-142 468**
As at 31 December 2014											
Shares	12.7, 12.12A	2 106	-	39	-	-	-	-	-	-	**2 145**
Accounts receivables(net)	12.10A	-	-	-	381 787	-	-	-	-	-	**381 787**
Leasing receivable	12.6	-	-	-	-	-	-	-	37 986	-	**37 986**
Cash and budget investments	12.13	-	-	-	84 845	-	-	-	-	-	**84 845**
Bonds and loans granted	12.7,12.11	-	-	-	156 520	-	-	-	-	-	**156 520**
Other financial liabilities (net)	12.10C	-	-	-	65 478	-	-	-	-	-	**65 478**
Derivative financial instruments	12.12A	-	-	476	-	-85	-	-	-	-1 290	**-899**
Accounts payable	12.24	-	-	-	-	-	-174 396	-	-	-	**-174 396**
Credits and loans taken	12.18A	-	-	-	-	-	-362 353	-	-	-	**-362 353**
Leasing liabilities	12.20	-	-	-	-	-	-	-83 611	-	-	**-83 611**
Other liabilities	12.19	-	-	-	-	-	-37 480	-	-	-	**-37 480**
Total		**2 106**	**-**	**515**	**688 630**	**-85**	**-574 229**	**-83 611**	**37 986**	**-1 290**	**70 022**

Fair value hierarchy

Classes of financial instrument	Note	As at 31 December 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	-

Financial instrument classes	Note	As at 31 December 2014 Fair value hierarchy		
		level 1	level 2	level 3
Shares	12.12A	39	-	-
				-
Derivatives, including:	12.12A	-	-899	-
Assets		-	1 338	-
Liabilities		-	-2 237	-

Methods and assumptions used by the Company in determining fair values

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

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

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

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

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

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

Sensitivity analysis

Assuming that fluctuation range in foreign exchange rates as at 31 December 2015 could be at the level of +/- 10%, gross profit of the Group could be lower or higher by 16 289 PLN thou on that date (15 314 PLN thou as at 31 December 2014)

Assuming that the range of fluctuations in interest rates as at 31 December 2015 could be at the level of +/- 1%, gross profit of the Group could be lower or higher by 833 PLN thou (1 918 PLN thousand as at 31 December 2014).

Sensitivity analysis (in PLN thou) as at 31 December 2015

		Interest rates risk		Exchange rates risk			
		plus / minus 1%		plus 10% (PLN weakening)		minus 10% (PLN strengthening)	
	carrying value	profit/ loss	profit/ loss	profit/ loss	changes in equity	profit/ loss	changes in equity
FINANCIAL ASSETS							
PLN cash	37 043	370	-370				
USD cash translated into PLN	802	8	-8	80		-80	
EUR cash translated into PLN	17 129	171	-171	1713		-1713	
Cash in other currencies	7314	73	-73	731		-731	
Loans with interests granted in PLN	109 494	1095	-1095				
Loans with interests granted in EUR	1935	19	-19	194		-194	
Loans with interests granted in other currencies	16	0	0	2		-2	
Accounts receivable and other receivables in PLN	275 465						
Accounts receivable and other receivables in EUR	146 796			14 680		-14 680	
Accounts receivable and other receivables in USD	3200			320		-320	
Accounts receivable and other receivables in AUD	17 731			1773		-1773	
Accounts receivable and other receivables in other currencies	44 076			4408		-4408	
Leasing receivables in PLN	55 613	556	-556				
Derivative instruments at fair value through profit and loss	22			2		-2	
Derivative instruments in hedging relationships	1962			3	193	-3	193
Influence on financial result, other total income before tax		**2292**	**-2292**	**23 906**	**193**	**-23 906**	**-193**
Influence on financial result, other total income after tax		**1857**	**-1857**	**19 364**	**156**	**-19 364**	**-156**
FINANCIAL LIABILITIES							
Credits and loans in PLN	530 202	-5302	5302				
Credits in AUD translated into PLN	11 943	-119	119	-1 194		1 194	
Loans obtained with interests in other currencies	4200	-42	42	-420		420	
Accounts Payable and other liabilities in PLN	223 606						
Accounts Payable and other liabilities in EUR	51 997			-5200		5200	
Accounts Payable and other liabilities in USD	1453			-145		145	-
Accounts Payable and other liabilities in AUD	-13			1		-1	-
Accounts Payable and other liabilities in other currencies	5084			-508		508	-
Leasing liabilities in PLN	66 156	-662	662				-
Derivative instruments at fair value through profit and loss	372			-37		37	
Derivative instruments in hedging relationships	1135			-114		114	-
Influence on financial result, other total income before tax		**-6 125**	**6 125**	**-7 617**		**7 617**	**-**
Influence on financial result, other total income after tax		**-4 961**	**4 961**	**-6 170**		**6 170**	**-**

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

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

Sensitivity analysis as at 31 December 2014 (PLN thou)

		Interest rates risk		Exchange rates risk			
		plus / minus 1%		plus 10% (PLN weakening)		minus 10% (PLN strengthening)	
	carrying value	profit/ loss	profit/ loss	profit/ loss	changes in equity	profit/ loss	changes in equity
FINANCIAL ASSETS							
PLN cash	24 510	245	-245				
USD cash translated into PLN	1 227	12	-12	123		-123	
EUR cash translated into PLN	40 279	403	-403	4 028		-4 028	
Cash in other currencies translated into PLN	18 829	188	-188	1 883		-1 883	
Loans with interests granted in PLN	153 854	1 539	-1 539				
Loans with interests granted in EUR	2 646	26	-26	265		-265	
Loans with interests granted in other currencies	20	0	0	2		-2	
Accounts receivable and other receivables in PLN	343 200						
Accounts receivable and other receivables in EUR	143 528			14 353		-14 353	
Accounts receivable and other receivables in USD	29 881			2 988		-2 988	
Accounts receivable and other receivables in AUD	4 715			472		-472	
Accounts receivable and other receivables in other currencies	47 121			4 712		-4 712	
Leasing receivables in PLN	37 986	380	-380				
Derivative instruments at fair value through profit and loss	515			52		-52	
Derivative instruments in hedging relationships	862			27	59	-27	-59
Influence on financial assets before tax		**2 793**	**-2 793**	**28 905**	**59**	**-28 905**	**-59**
Influence on financial assets after tax		**2 262**	**-2 262**	**23 413**	**48**	**-23 413**	**-48**
FINANCIAL LIABILITIES	346 767	-3 468	3 468				
Credits and loans in PLN	13 506	-135	135	-1 351		1 351	
Credits in AUD translated into PLN	2 080	-21	21	-208		208	
Loans obtained with interests in other currencies	191 043						
Accounts Payable PLN	105 408			-10 541		10 541	
Accounts Payable and other liabilites in EUR	1 332			-133		133	
Accounts Payable and other liabilites in USD	4 068			-407		407	
Accounts Payable and other liabilites in AUD	9 099			-910		910	
Accounts Payable and other liabilites in other currencies	83 611	-836	836				
Leasing liabilities in PLN	85			-9		9	
Derivative instruments at fair value through profit and loss	2 152			-32	-183	32	183
Derivative instruments in hedging relationships	346 767	-3 468	3 468				
Influence on financial result, other total income before tax		**-4 460**	**4 460**	**-13 591**	**-183**	**13 591**	**183**
Influence on financial result, other total income after tax		**-3 613**	**3 613**	**-11 009**	**-148**	**11 009**	**148**

Liquidity risk

In 2015, the Group had available multi-purpose credit limits for both the current payments on time (overdrafts) as well as guarantees and letters of credit, allowing for flexible allocation of use of every product to ensure smooth operation of the Group. The Group also had available limits exclusively to serve guarantees and letters of credit.

Due to significant deterioration of the revenue and financial situation of Groups in Q4 2015 and breaching banking covenants, there was a blockade of credits, guarantees, letters of credit and derivative transactions by all the banks serving the Group and reduce of their limits to the level on 25 February 2016 (lowering credit lines by 159 078 PLN thousand). This decision of banks had a significant negative impact on the Group's liquidity.

The Group undertakes remedial actions (including extending trade payables, receivables vindication, accelerating payment of trade receivables, reducing costs and disposing non-productive assets).

The Group is conducting intensive talks with the banks, which are going lead to signing the Restructuring Agreement.

A detailed description is provided in Note 2.

Contractual maturities of financial liabilities

Financial liabilities	Contractual maturities from the end of reporting period			Total (without discount)	Carrying value
As at 31 December 2015	**up to 1 year**	**from1 to 5 years**	**above 5 years**		
Accounts Payable	161 515	10 148	-	**171 663**	**171 630**
Credits and loans taken	546 345	-	-	**546 345**	**546 345**
Derivative financial documents	1 507	-	-	**1 507**	**1 507**
Other financial liabilities	35 297	1 504	-	**36 801**	**36 801**
Leasing liabilities	30 234	40 865	1 083	**72 182**	**66 156**
Financial liabilities in all maturities	**774 898**	**52 517**	**1 083**	**828 498**	**822 439**
As at 31 December 2014					
Accounts Payable	174 263	133	-	**174 396**	**174 396**
Credits and loans taken	354 473	15 795	-	**370 268**	**362 353**
Derivative financial documents	2 042	195	-	**2 237**	**2 237**
Other financial liabilities	35 612	1 868	-	**37 480**	**37 480**
Leasing liabilities	40 085	44 998	5 877	**90 960**	**83 611**
Financial liabilities in all maturities	**606 475**	**62 989**	**5 877**	**675 341**	**660 077**

Credit risk

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

- customer credit risk- relates to customers with whom products sale contracts are concluded,
- credit risk of financial institutions- relates to financial institutions with whom, or through whom, hedging transactions are concluded,
- credit risk of entities - relates to entities which are invested in or whose securities are purchased.
- credit risk associated with the loans granted.

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

- checking a specific partner in business intelligence agencies,

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

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

The most commonly hedging payments used in the Company include:

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

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

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

For many years the Company has applied a policy of limiting credit risk associated with repayment terms of receivables. Receivables turnover ratio amounts to 79 days for the KOPEX S.A. Company. Receivables from customers with whom the Company worked, were constantly monitored by finance department, in accordance with written instructions and procedures for debt collection (both judicial and non-judicial).

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

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

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

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

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

As at 31 December 2015, receivables valuated at amortized cost, in respect of a loan granted to Kopex-Famago Sp. z o.o., a personally related company, amounted to 111 079 PLN thou (as at 31 December 2014 it was 106 469 PLN thou).

The Company performed an impairment test of loans. As at 31 December 2015, business plan of the borrower did not have sufficient positive cash flows allowing for repayment of the loan. Therefore, the impairment losses for receivables in the amount of 62 083 PLN thou, ie. to the amount of collateral in the values achievable in case of a forced sale. Assignments of current and future receivables, mortgages on real estate and a registered pledge on machinery and inventories is repayment hedging of this loan. The following values are taken for the purpose of valuation of recoverable amount of the loan taken:

- value of the borrower's property which is loan collateral mortgage - based on the appraisal of forced sale value,

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

In addition, as at 31 December 2015, the Group had receivables from two personally -related companies in the total amount of 55 348 PLN thousand and their payment date was postponed. These loans are secured by mortgages on real estates and their total market value according to expert appraisal report exceeds value of the loans granted.

Other loans from related parties personally were granted in PLN and interest rate based on WIBOR 1M plus margin. They were hedged by mortgage on real estates and guarantees.

Maximum exposure to credit risk is represented by:

- net value of trade receivables, amounting to 391 910 PLN thousand (381 787 PLN thousand as at 31 December 2014.)

- value of loans granted, amounting to 111 445 PLN thousand (156 520 PLN thousand as at 31 December 2014)

- lease receivables, amounting to 55 613 PLN thousand (37 986 PLN thousand as at 31 December 2014)

- other receivables, amounting to 62 942 PLN thousand (84 249 PLN thousand as at 31 December 2014)

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

1. Customer 1 - 14.86% of total accounts receivable

2. Customer 2 - 10.21% of total accounts receivable

3. Customer 3 - 6.14% of total accounts receivable

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

1. Customer 1 - 11.05% of total accounts receivable

2. Customer 2 – 9.78% of total accounts receivable

3. Customer 3 - 6.87% of total accounts receivable

10. Information on currency translation of selected financial data

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

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

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

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

11. Estimates and accounting appraisals

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

Note	Estimates	Information revealed
12.2	Goodwill impairment test	Key assumptions in terms of growth in sales revenue, operating profit 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; Accepted Accounting Principles –item on Impairment
12.8	Income tax	Assumption adopted for recognition of deferred tax assets and provisions; Accepted Accounting Principles –item on Assets and reserves for income tax
12.21	Employee benefits	Reserves estimated by the actuary; Accepted Accounting Principles – Item on Provisions for liabilities.
12.12	Fair value of derivatives	Model and assumptions adopted for fair value valuation; Accepted Accounting Principles – Item on Financial instruments.
12.22	Reserves	Reserves for liabilities whose timing or amount are not certain; Accepted Accounting Principles – Item on Provisions for liabilities
12.1 12.3 12.4	Useful lives of fixed assets, intangible assets and investment properties	Useful lives and depreciation method; Accepted Accounting Principles – Item on Intangible assets, fixed assets and investment property
13	Contingent liabilities	Possible obligation that arises from past events whose existence will be confirmed only when it occurs and current obligation that arises from past events, but the amount of obligation cannot be reliably measured
12.25	Contract for construction services	Stage of implementation of the agreement calculated by percentage, dividing actual costs incurred for contract costs; Accepted Accounting Principles - Construction Contracts

In case if transaction is not dealt with any standard or interpretation, the Management Board based on its subjective assessment, develops and applies accounting policy that will ensure that financial statements will include reliable information which presents the Company's assets, financial and operational results and cash flows.

Subjective assessment is carried out in such a way that financial statements reflect the economic substance of transactions objectively. Financial statements have to be drawn up in accordance with the principle of prudence and they have to be complete in all material respects.

Analysis of financial assets impairment is described on pages 36-37and analysis of recognition of exchange rate differences is described on page 15.

12. Explanatory Notes to the Statements of financial position and Profit and loss account

Note 12.1A as at 31 December 2015

TABLE OF INTANGIBLE ASSETS	costs of completed development works	Costs of development works in progress	Concessions, patents and licences	Other intangible assets	Intangible assets in progress	Total intangible assets
Gross value at the beginning of period	**124 073**	**54 148**	**27 685**	**2 287**	**6 650**	**214 843**
- increases	592	24 629	45	1	2 203	27 470
- decreases	-4 374	-7 279	-1 482	-2	-	-13 137
- reclassification	39 284	-39 255	4 624	3	-4 656	-
- currency translanslation differences	40	-216	-8	-1	-	-185
Gross value at the end of period	**159 615**	**32 027**	**30 864**	**2 288**	**4 197**	**228 991**
Accumulated depreciation at the beginning of period	**37 172**	**-**	**15 402**	**1 623**	**-**	**54 197**
- depreciation	16 100	-	2 717	106	-	18 923
- sale and liquidation	-3 825	-	-1 342	-2	-	-5 169
- currency translation differences and other	27	-	70	-	-	97
Accumulated depreciation at the end of period	**49 474**	-	**16 847**	**1 727**	**-**	**68 048**
Impairment write-downs at the beginning of period	**350**	**-**	**-**	**-**	**-**	**350**
- increases	11 070	19 067	48	-	-	30 185
- decreases	-350	-	-	-	-	-350
- currency translanslation differences	28	72	-	-	-	100
Impairment write-downs at the end of period	**11 098**	**19 139**	**48**	**-**	**-**	**30 285**
Net value of intangible assets at the beginning of period	**86 551**	**54 148**	**12 283**	**664**	**6 650**	**160 296**
Net value of intangible assets at the end of period	**99 043**	**12 888**	**13 969**	**561**	**4 197**	**130 658**

In 2015, there were made write-downs for development work, in the absence of actual use of the results of this work in the current difficult situation in coal mining. Write-downs for development work relate to all technical documentation and prototype of mining equipment.

Note 12.1A as at 31 December 2014

TABLE OF INTANGIBLE ASSETS	Costs of completed development works	Costs of development works in progress	Concessions, patents and licences	Other intangible assets	Intangible assets in progress	Total intangible assets
Gross value at the beginning of period	**71 033**	**98 860**	**24 456**	**2 336**	**4 445**	**201 130**
- increases	-	19 846	241	-	10 961	31 048
- decreases	-13 590	-203	-791	-52	-35	-14 671
- reclassification	65 473	-65 353	5 370	-	-8 693	-3 203
- currency translanslation differences	1 157	998	73	3	-	2 231
- loss of control over subsidiary	-	-	-1 664	-	-28	-1 692
Gross value at the end of period	**124 073**	**54 148**	**27 685**	**2 287**	**6 650**	**214 843**
Accumulated depreciation at the beginning of period	**31 941**	**-**	**14 363**	**1 516**	**-**	**47 820**
- depreciation	13 313	-	2 311	156	-	15 780
- sale and liquidation	-8 549	-	-417	-52	-	-9 018
- loss of control over subsidiary	-	-	-907	-	-	-907
- currency translation differences	467	-	52	3	-	522
Accumulated depreciation at the end of period	**37 172**	-	**15 402**	**1 623**	**-**	**54 197**
Impairment write-downs at the beginning of period	**310**	**-**	**-**	**-**	**-**	**310**
- currency translanslation differences	40	-	-	-	-	40
Impairment write-downs at the end of period	**350**	-	**-**	**-**	**-**	**350**
Net value of intangible assets at the beginning of period	**38 782**	**98 860**	**10 093**	**820**	**4 445**	**153 000**
Net value of intangible assets at the end of period	**86 551**	**54 148**	**12 283**	**664**	**6 650**	**160 296**

Note 12.1B

INTANGIBLE ASSETS (OWNERSHIP STRUCTURE)	31 Dec 2015	31 Dec 2014
a) own	130 658	158 726
- including made in-house	118 543	149 270
b) used under rental, lease or other agreement, including leasing agreement:	-	1 570
Intangible assets, total	**130 658**	**160 296**

Note 12.1C

Items of the income statement including amortisation of intangible assets	2015	2014
- sales own cost	16 692	13 021
- sales cost	348	38
- overhead cost	1 883	2 721
Total	**18 923**	**15 780**

Note 12.2

GOODWILL OF SUBSIDIARIES

Details of preparation of the impairment goodwill test are presented in Note 2.

Note 12.3A as at 31 Dec 2015

TABLE OF TANGIBLE ASSETS	Land	Buildings and constructions	Technical equipment, machinery	Means of transport	Other tangible assets	Tangible assets in construction	Total tangible assets
Gross value at the beginning of period	**16 535**	**283 823**	**957 014**	**24 622**	**38 139**	**29 463**	**1 349 596**
- increases	-	52	22 928	216	83	161 171	184 450
- decreases	-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
- currency translation differences	-21	-170	-4	-22	-32	-1 794	-2 043
- taking over control over subsidiary	-	- -	381	444	-	- -	825
Gross value at the end of period	**14 658**	**283 165**	**1 048 103**	**24 569**	**38 216**	**48 613**	**1 457 324**
Accumulated depreciation at the beginning of period	**2 008**	**55 904**	**540 978**	**15 337**	**29 130**	**- -**	**643 357**
- deprecation	180	6 879	118 704	3 090	3 587	- -	132 440
- sales and liquidation	-20	-354	-36 551	-1 416	-2 278	- -	-40 619
- reclassification	-	-2 383	-206	-329	-77	- -	-2 995
- currency translation differences	-	-29	-37	-6	-20	- -	-92
- taking over control over subsidiary	-	- -	185	350	-	- -	535
Accumulated depreciation at the end of period	**2 168**	**60 017**	**623 073**	**17 026**	**30 342**	**- -**	**732 626**
Impairment write-downs at the beginning of period	**-**	**- -**	**12 132**	**57**	**85**	**74**	**12 348**
- increases	-	- -	40 381	-	-	49	40 430
- decreases	-	- -	-2	-57	-	-1	-60
- usage	-	- -	-1 563	-	-85	- -	-1 648
- currency translation differences	-	- -	-	-	-	1	1
Impairment write-downs at the end of period	**-**	**- -**	**50 948**	**-**	**-**	**123**	**51 071**
Net tangible assets at the beginning of period	**14 527**	**227 919**	**403 904**	**9 228**	**8 924**	**29 389**	**693 891**
Net tangible assets at the end of period	**12 490**	**223 148**	**374 082**	**7 543**	**7 874**	**48 490**	**673 627**

In 2015, there were made write-downs for mining equipment, for which there is demand neither in the current difficult situation in coal mining nor in a foreseeable time horizont. Write downs relate primarily to longwall shearers whose operating lease contracts ended cost of the repair would not be covered by to-be revenues from their lease. Write downs also relate to powered roof supports which were not sold.

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

TABLE OF TANGIBLE ASSETS	Land	Buildings and constructions	Technical equipment, machinery	Means of transport	Other tangible assets	Tangible assets in construction	Total tangible assets
Gross value at the beginning of period	**15 946**	**289 606**	**934 293**	**26 392**	**37 701**	**21 508**	**1 325 446**
- increases	1 697	131	8 104	321	406	121 451	132 110
- decreases	-411	-6 737	-24 926	-4 072	-1 528	-	-37 674
- reclassification	915	8 149	94 854	2 242	2 538	-113 214	-4 516
- currency translation differences	-764	115	953	112	238	21	675
- loss of control over subsidiary	-848	-7 441	-56 264	-373	-1 216	-303	-66 445
Gross value at the end of period	**16 535**	**283 823**	**957 014**	**24 622**	**38 139**	**29 463**	**1 349 596**
Accumulated depreciation at the beginning of period	**2 693**	**52 128**	**474 546**	**14 900**	**27 719**	**-**	**571 986**
- deprecation	170	6 740	121 593	3 281	3 572	-	135 356
- sales and liquidation	-51	-1 250	-39 066	-2 523	-1 564	-	-44 454
- reclassification	-	-355	-955	-130	-	-	-1 440
- currency translation differences	-	-48	582	47	199	-	780
- loss of control over control over subsidiary	-804	-1 311	-15 722	-238	-796	-	-18 871
Accumulated depreciation at the end of period	**2 008**	**55 904**	**540 978**	**15 337**	**29 130**	**-**	**643 357**
Impairment write-downs at the beginning of period	**-**	**-**	**129**	**798**	**-**	**74**	**1 001**
- losses recognized during the period	-	-	12 013	57	85	-	12 155
- reversal of losses recognized during the period	-	-	-13	-798	-	-	-811
- currency translation differences	-	-	3	-	-	-	3
Impairment write-downs at the end of period	**-**	**-**	**12 132**	**57**	**85**	**74**	**12 348**
Net tangible assets at the beginning of period	**13 253**	**237 478**	**459 618**	**10 694**	**9 982**	**21 434**	**752 459**
Net tangible assets at the end of period	**14 527**	**227 919**	**403 904**	**9 228**	**8 924**	**29 389**	**693 891**

Fixed assets are burdened with mortgage and pledge to the amount of 718,323 PLN thou and constitute collateral for loans. Value of future contractual commitments for acquisition of tangible fixed assets and intangible assets amounted to 13 054 PLN thou as at 31 December 2015 (as at 31 December 2014 it was 17 914 PLN thou).

There is a project in progress of constructing underground coal mine in the Kopex Group. As at 31 December 2015, there were incurred expenditures on that project in the Group in the amount of 41 PLN 670 thou, of which 3 910 PLN thou were intangible assets and PLN 37 760 thou were tangible fixed assets. Test for impairment of investments showed no need to make write-downs.
Assumptions for the test were as follows:
- 31 December 2016- the date of obtaining the license for coal mining –.
- 30 June 2021- the date of beginning mining operations
- mining lifetime –up to the year 2040
- 272 PLN / t – assumed coal price (depending on the assortment)
- 10.3%- assumed discount rate.

Note 12.3B

BALANCE SHEET TANGIBLE ASSETS (OWNERSHIP STRUCTURE)	31 Dec 2015	31 Dec 2014
own	**586 991**	**593 717**
Used under rental, lease or other agreement, including leasing	**86 636**	**100 174**
- under leasing agreements – technical equipment and machinery	54 344	94 599
- under leasing agreements – means of transport	20 672	3 265
- under leasing agreements – other tangible assets	11 620	2 310
Balance sheet tangible assets, total	**673 627**	**693 891**

Note 12.3C

NON- BALANCE SHEET TANGIBLE ASSETS	31 Dec 2015	31 Dec 2014
- used under rental, lease or other agreement, including leasing agreement	4 473	4 183
- value of land in perpetual usufruct	10 107	11 795
Non- balance sheet tangible assets, total	**14 580**	**15 978**

Note 12.4A as at 31 Dec 2015

CHANGES IN INVESTMENT REAL ESTATES

	Land	Buildings and civil engineering premises	Investment real estates under construction	Investment real estates, total
Gross value of investment real estates at the beginning of period	**14 889**	**20 723**	**79**	**35 691**
- increases	2	-	510	512
- decreases	-1 876	-4 602		-6 478
- reclassification	-3 122	13 658	-275	10 261
- exchange rate differences	-42	-15		-57
Gross value of investment real estates at the end of period	**9 851**	**29 764**	**314**	**39 929**
Accumulated depreciation at the beginning of period	**309**	**7 674**		**7 983**
- amortisation	83	1 002		1 085
- sale and liquidation	-267	-831		-1 098
- reclassification		2 152		2 152
Accumulated depreciation at the beginning of period, after conversions	**125**	**9 997**		**10 122**
Impairment losses at the beginning of period	**1 137**	**-**		**1 137**
- losses recognized during the period	4 393	2 231		6 624
-reversal of losses recognized during the period	-402	-		-402
- exchange rate differences	52	4	-	56
Impairment losses at the end of period, after conversions	**5 180**	**2 235**		**7 415**
Net value of investment real estates at the beginning of period	**13 443**	**13 049**	**79**	**26 571**
Net value of investment real estates at the end of period	**4 546**	**17 532**	**314**	**22 392**

In 2015, impairment losses for investment property in the Australian market in the amount of 4 960 PLN thou to fair value resulted from the expert valuation

Note 12.4A as at 31 Dec 2014

CHANGES IN INVESTMENT REAL ESTATES

	Land	Buildings and civil engineering premises	Investment real estates under construction	Investment real estates, total
Gross value of investment real estates at the beginning of period	**14 468**	**20 055**	**75**	**34 598**
- increases	-	61	397	458
- decreases	-	-1 877	-	-1 877
- reclassification	1	2 329	-393	1 937
- exchange rate differences	420	155	-	575
Gross value of investment real estates at the end of period	**14 889**	**20 723**	**79**	**35 691**
Accumulated depreciation at the beginning of period	**226**	**6 510**	-	**6 736**
- amortisation	83	567	-	650
- sale and liquidation	-	-786	-	-786
- reclassification	-	1 365	-	1 365
- exchange rate differences	-	18	-	18
Accumulated depreciation at the beginning of period, after conversions	**309**	**7 674**	-	**7 983**
Impairment losses at the beginning of period	1 137	-	-	1 137
- losses recognized during the period	-	-	-	-
Impairment losses at the end of period	**1 137**	-	-	**1 137**
Net value of investment real estates at the beginning of period	**13 105**	**13 545**	**75**	**26 725**
Net value of investment real estates at the end of period	**13 443**	**13 049**	**79**	**26 571**

Note 12.4B

REVENUES AND COSTS RELATED TO REAL ESTATE INVESTMENTS	2015	2014
a) income from rents of investment property	3 321	4 649
b) direct operating expenses under income from rents of investment property	2 081	3 583
c) direct operating expenses under investment property with no rental income	24	9

Fair value of investment property is close to its book value.

Note 12.5A **as at 31 Dec 2015**

INVESTMENTS SETTLED UNDER THE EQUITY METHOD

Lp.	Entity	headquarters	% of the authorized share capital held	total number of votes at the GM
1.	Anhui Long Po Electrical Corporation Ltd	China	20.00%	20.00%
2.	Tiefenbach Polska Sp. z o.o.	Radzionków	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	33.32%	33.32%

Note 12.5A **as at 31 Dec 2014**

INVESTMENTS SETTLED UNDER THE EQUITY METHOD

Entity	headquarters	% of the authorized share capital held	total number of votes at the GM
WS Baildonit Sp. z o.o.	Katowice	29.41%	29.41%
Anhui Long Po Electrical Corporation Ltd	China	20.00%	20.00%
Tiefenbach Polska Sp. z o.o.	Radzionków	49.00%	49.00%
Shandong Tagao Mining Equipment Manufacturing Co. Ltd	China	50.00%	50.00%
Miilux Poland Sp. z o.o.	Tarnowskie Góry	33.00%	33.00%

Note 12.5B

INVESTMENTS SETTLED UNDER THE EQUITY METHOD	31 Dec 2015	31 Dec 2014
at the beginning of period	48 248	54 526
financial result correction from previous years	-106	-1 519
exchange rate differences	2 358	4 716
financial result correction from arbitrage transactions	-	21
valuation of property rights	2 717	6 117
establishment of affiliated company / increase in shares	1 102	3 862
discontinuation of using the equity method	-2 994	-19 475
at the end of period	**51 325**	**48 248**

Note 12.5C

FINANCIAL DATA OF ASSOCIATED COMPANIES	31 Dec 2015	31 Dec 2014
Total assets	695 534	638 591
Liabilities	591 277	540 188
Revenues	424 738	258 800
Profit/(Loss) for the accounting period	6 111	9 193

Note 12.6

LEASING RECEIVABLES	31 Dec 2015	31 Dec 2014
minimum leasing fees, including:	**61 622**	**42 475**
- up to 1 year	26 212	31 382
- up to 5 years	35 410	11 093
unrealized financial income, including:	**5 685**	**4 149**
- up to 1 year	4 345	3 796
- up to 5 years	1 340	353
current value of minimum payments under finance leases:	**55 937**	**38 326**
- up to 1 year	21 867	27 586
- up to 5 years	34 070	10 740
provision for non-recoverable lease (write-downs)	**324**	**340**
lease receivables in the statement of financial position, including:	**55 613**	**37 986**
- long-term	34 070	10 740
- short-term	21 543	27 246

Lease receivables for which current value minimum lease payments amounted to 9 336 PLN thou as at 31 December 2015 (as at 31 December 2014 it was 31 741 PLN thou) are mortgage for deliberate loan.

Total amount of non-guaranteed residual values amount to 652 PLN thou (as at 31 December 2014 it was 3 584 PLN thou)

There were no contingent leasing fees recognized as income in the reporting and the comparative periods.

General provisions of a leasing contract of the largest value, for which current minimum lease payments amounted to 9 336 PLN thou as at 31 December 2015 are as follows:

- contract is concluded for a period of four years
- transfer of ownership to the lessee after payment of the last installment
- variable interest rate is based on WIBOR 1M rate
- Polish Zloty is the currency of the contract
- insurance costs are borne by the lessee of the leased asset
- depreciations are made by the lessee

Note 12.7

OTHER LONG TERM ASSETS	31 Dec 2015	31 Dec 2014
Long-term financial assets available for sale	3 164	2 106
Long-term other receivables	10 257	14 804
Long-term loans granted	65 755	116 646
Long-term accruals	13	41
Shares in related entities	-	60
Total	**79 189**	**133 657**

Detailed information on other receivables are included in Note 12.10C

Detailed information on the loans granted are included in Note 9 and Note 12.11

Note 12.8A

DEFERRED INCOME TAX	31 Dec 2015	31 Dec 2014
Deferred income tax assets at the beginning of period	123 569	115 118
Deferred income tax reserves at the beginning of period	78 331	60 272
Surplus of deferred income tax assets at the beginning of period	**50 830**	**61 198**
Surplus of deferred income tax reserves at the beginning of period	**5 592**	**6 352**
Changes during the reporting period:		
Recognized in the profit and loss account	26 012	-4 852
Recognized in other comprehensive income	-472	1 617
Taking over/ loss of control over a subsidiary; foreign exchange differences	-738	-6 373
Deferred income tax assets at the end of period	117 946	123 569
Deferred income tax reserves at the end of period	47 906	78 331
Surplus of deferred income tax assets at the end of period	**75 026**	**50 830**
Surplus of deferred income tax reserves at the end of period	**4 986**	**5 592**

The Group analyzed possibilities of recovering assets from deferred tax assets of tax losses and tax investment allowances on the basis of the forecasts used to test impairment of goodwill.

The Group did not recognize deferred tax assets from tax losses that can be settled in future periods by reducing taxable income, for a total amount of 40 419 PLN thou.

As at 31 December 2015, deferred tax assets in the amount of 80 360 PLN thou had to be used within 12 months whereas deferred tax assets in the amount of 37 581 PLN thou had to be used in a period longer than 12 months (as at 31 December 2014, deferred tax assets in the amount of 97 987 PLN thou had to be used within 12 months whereas deferred tax assets in the amount of 25 582 PLN thou had to be used in a period longer than 12 months).

As at 31 December 2015, deferred tax reserves in the amount of 41 948 PLN thou had to be used within 12 months whereas deferred tax reserves in the amount of 5 959 PLN thou had to be used in a period longer than 12 months (as at 31 December 2014, deferred tax reserves in the amount of 78 331 PLN thou had to be used within 12 months).

Note 12.8B as at 31 December 2015

ASSET AND RESERVE FOR DEFFERED INCOME TAX

Deferred income tax asset	As at 01 Jan 2015	Recognition/ Burden(-) net profit due to a change in temporary differences and tax loss	Increase/ Decrease (-) in other comprehensive income due to change in temporary differences	Loss/ Increase of control/exchange rate differences	As at 31 Dec 2015
Write- downs for assets	7 095	13 899	-	750	**21 744**
Depreciation differences	19 807	-505	-	-2	**19 300**
Tax losses	28 599	-13 266	-	-1 586	**13 747**
Non-paid liabilities	3 978	9 239	-	-	**13 217**
Investment tax credit	19 771	-8 690	-	-	**11 081**
Accruals	10 497	-1 255	-	-	**9 242**
Costs relating to contracts for construction services	20 595	-11 394	-	-	**9 201**
Sale adjustments after the balance sheet date	-	7 983	-	-	**7 983**
Reserves for employee benefits	5 554	-1 039	77	173	**4 765**
Liabilities for contracts of construction services	1 779	1 000	-	-	**2 779**
Reserves for expected claims and costs	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 income tax reserve	As at 01 Jan 2015	Recognition (-)/ Burden net profit due to a change in temporary differences and tax loss podatkowej	Increase (-)/ Decrease in other comprehensive income due to change in differences	Loss/ Increase of control/exchange rate differences	As at 31 Dec 2015
Assets under contracts for construction services	48 427	-20 850	-	8	**27 585**
Depreciation differences	12 031	-1 936	-	-17	**10 078**
Interest	3 922	1 280	-	-	**5 202**
Taxable temporary differences on foreign affiliates	4 039	-2 270	-	141	**1 910**
Not- received penalties	5 312	-3 454	-	-	**1 858**
Other	2 858	-2 080	202	-52	**928**
Exchange rate differences	1 742	-1 397	-	-	**345**
Total	**78 331**	**-30 707**	**202**	**80**	**47 906**

Note 12.8B as at 31 December 2014

ASSET AND RESERVE FOR DEFFERED INCOME TAX

Deferred income tax asset	As at 01 Jan 2014	Recognition/ Burden(-) net profit due to a change in temporary differences and tax loss	Increase/ Decrease (-) in other comprehensive income due to change in temporary differences	Loss/ Increase of control/exchange rate differences	As at 31 Dec 2014
Tax losses	35 500	526	-	-7 427	**28 599**
Costs relating to contracts for construction services	10 119	15 077	-	-4 601	**20 595**
Depreciation differences	15 606	4 204	-	-3	**19 807**
Investment tax credit	28 569	-8 798	-	-	**19 771**
Accruals	2 488	8 119	-	-110	**10 497**
Write-downs for assets	4 698	2 514	-	-117	**7 095**
Reserves for employee benfits	4 825	31	706	-8	**5 554**
Non- paid liabilties	5 337	-634	-	-725	**3 978**
Interest	2 378	583	-	-221	**2 740**
Reserves for expected claims and costs	1 752	86	-	-52	**1 786**
Other	3 846	-958	347	-88	**3 147**
Total	**115 118**	**20 750**	**1 053**	**-13 352**	**123 569**

Deferred income tax reserve	As at 01 Jan 2014	Recognition (-)/ Burden net profit due to a change in temporary differences and tax loss podatkowej	Increase (-)/ Decrease in other comprehensive income due to change in differences przejściowych	Loss/ Increase of control/exchange rate differences	As at 31 Dec 2014
Assets under contracts for construction services	23 095	29 156	-	-3 824	**48 427**
Depreciation differences	25 069	-10 516	380	-2 902	**12 031**
Not- received penalties	221	5 301	-	-210	**5 312**
Taxable temporary differences on foreign affiliates	2 741	1 273	-	25	**4 039**
Interest	2 787	1 135	-	-	**3 922**
Exchange rate differences	757	992	-	-7	**1 742**
Other	5 602	-1 739	-944	-61	**2 858**
Total	**60 272**	**25 602**	**-564**	**-6 979**	**78 331**

Note 12.9A

INVENTORIES	31 Dec 2015	31 Dec 2014
materials	99 020	88 662
semi-finished products and products in progress	108 682	107 940
ready products	46 734	31 076
goods	4 456	11 379
Inventories, total	**258 892**	**239 057**
write-downs for inventories	43 537	18 376
Gross inventories, total	**302 429**	**257 433**

Inventories are mortgage for bank loans up to the amount of 72 500 PLN thou.

Note 12.9B

CHANGE IN WRITE-DOWNS OF INVENTORIES	2015	2014
balance at the beginning of period	18 376	25 614
exchange rate differences	-277	112
increase in the period in Profit & Loss Statement	29 569	3 702
increase in the period in Profit & Loss Statement	1 923	-5 927
utilisation of write- downs	2 341	-5 091
taking control over subsidiary	133	-
loss of control over subsidiary	-	-34
Balance at the end of period	**43 537**	**18 376**

Write-downs were made for non-rotating inventories, up to the recoverable value. Write-downs made in 2015 primarily related to production in progress and spare parts that were meant to be scrapped due to a worsening market situation in the mining industry, in particular due to decline in investments in mines.

Note 12.10A

SHORT-TERM ACCOUNTS RECEIVABLE	31 Dec 2015	31 Dec 2014
with a maturity up to 12 months	334 956	379 586
with a maturity of over 12 months	56 954	2 201
Net short-term receivable, total	**391 910**	**381 787**
write-downs	62 614	46 483
Gross short-term receivable, total	**454 524**	**428 270**

Note12.10B

OVERDUE ACCOUNTS RECEIVABLE, NOT COVERED BY IMPAIRMENT WRITE- DOWNS, DIVIDED INTO RECEIVABLES OUTSTANDING IN THE FOLLOWING PERIODS:	31 Dec 2015	31 Dec 2014
a) up to 1 month	20 873	18 005
b) over 1 month up to 3 months	7 723	23 124
c) over 3 months up to 3 months	8 683	6 113
d) over 6 months up to 1 year	2 838	3 364
e) over 1 year	8 755	13 635
Overdue accounts receivable, total	**48 872**	**64 241**

Note 12.10C

OTHER RECEIVABLES	31 Dec 2015	31 Dec 2014
Financial receivables:		
from damages	9 607	20 195
from finance activities	15 423	24 174
from investing activities	13 878	6 260
deposits	2 937	1 778
other	11 722	13 071
Total finance receivables, including:	**53 567**	**65 478**

long-term	10 257	4 579
short-term	43 310	60 899
Non-financial receivables:		
advances for deliveries	10 885	11 018
tax, subsidies, customs, social and health care securities as well as other benefits	16 573	22 914
receivables from liquidators of liquidated subsidiaries	6 959	6 959
prepayments	4 958	6 067
other	2 416	11 812
Total non-financial receivables, including:	**41 791**	**58 770**
long-term	-	10 225
short-term	41 791	48 545
Total other net receivables	**95 358**	**124 248**
write-downs	25 322	15 927
Total other gross receivables	**120 680**	**140 175**

Note 12.10D

CHANGE IN WRITE-DOWNS FOR SHORT- TERM ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES	**2015**	**2014**
balance at the beginning of period	62 410	55 556
exchange rate differences	48	36
increase	33 297	10 769
decrease	-1 499	-3 549
utilisation	-6 320	-
loss of control over subsidiary	-	-402
Write-downs for receivable at the end of period	**87 936**	**62 410**

Note 12.11A

LOANS GRANTED	**31 Dec 2015**	**31 Dec 2014**
gross loans granted	179 978	163 779
write-downs	68 533	7 259
Net loans granted, including:	**111 445**	**156 520**
long-term (Note 12.7)	65 755	116 646
short-term	45 690	39 874

Note 12.12A

OTHER ASSETS AND FINANCIAL LIABILITIES	**31 Dec 2015**	**31 Dec 2014**
1) Financial assets- derivative financial instruments	**1 965**	**1 338**
a) hedging cash flow for which hedge accounting is conducted, including	1 962	862
- with a maturity up to 12 months	1 962	736
- z with a maturity over 12 months		126
b) Cash flow hedging for which no hedge accounting is conducted:	3	476
- with a maturity of up to 12 months	2	476
- with a maturity of over12 months	1	-
2) Financial assets as fair value through profit or loss	**19**	**39**

3) Financial liabilities – derivative financial instruments	**1 507**	**2 237**
a) Cash flow hedging for which hedge accounting is conducted	1 135	2 152
- with a maturity of up to 12 months	848	1 957
- with a maturity of over12 months	287	195
b) Cash flow hedging for which no hedge accounting is conducted:	372	85
- with a maturity of up to 12 months	367	85
- with a maturity of over12 months	5	-

Note 12.12B

RESULT ON CASH FLOW HEDGING DERIVATIVES RECOGNIZED DIRECTLY IN EQUITY	31 Dec 2015	31 Dec 2014
a) accumulated result on financial instruments for cash flow hedging at the beginning of period	-393	6 410
b) amount recognised in equity during the reporting period due to concluded effective hedging transactions	3 218	-5 595
c) realised hedging transactions held in equity until the planned (hedged) transactions	142	3 174
d) amount transferred from equity to the Profit & Loss Statement in the reporting period	471	4 382
- open transactions	-607	652
- closed transactions	1 078	3 730
e) accumulated result in equity, gained on financial instruments hedging cash flows at the end of the year	**2 496**	**-393**

Note 12.13

STRUCTURE OF CASH	31 Dec 2015	31 Dec 2014
cash in banks	58 859	81 224
cash in cash box	3 427	2 141
other	2	1 480
Total cash	**62 288**	**84 845**

Note12.14

AUTHORIZED SHARE CAPITAL (STRUCTURE)	31 Dec 2015	31 Dec 2014
- type of shares	bearer shares	bearer shares
- type of preferences	non-preference shares	non-preference shares
- issue of series „A" shares (registration date)	03 Jan 1994	03 Jan 1994
- right to dividend (since)	03 Jan 1994	03 Jan 1994
- number of shares	1 989 270	1 989 270
- nominal vlaue of one share	10 PLN	10 PLN
- split date	01 Aug 2006	01 Aug 2006
- number of shares	**19 892 700**	**19 892 700**
- nominal vlaue of one share	**1 PLN**	**1 PLN**
- issue of series „B" shares (registration date)	10 Aug 2007	10 Aug 2007
- right to dividend (since)	10 Aug 2007	10 Aug 2007
- number of shares	**47 739 838**	**47 739 838**
- nominal vlaue of one share	**1 PLN**	**1 PLN**
- issue of series „C" shares (registration date)	01 Dec 2009	01 Dec 2009
- right to dividend (since)	01 Dec 2009	01 Dec 2009

- number of shares	**6 700 000**	**6 700 000**
- nominal value of one share	**1 PLN**	**1 PLN**
Total number of shares	**74 332 538**	**74 332 538**
Nominal value of one share	**1 PLN**	**1 PLN**
Authorised share capital, toal	**74 333**	**74 333**

The Management Board of KOPEX SA acting pursuant to the authorization granted by Resolution No. 1 of the Extraordinary General Meeting of Shareholders of KOPEX SA dated 11 December 2008 on the approval and determination of conditions for acquisition of own shares by the Company and the authorization granted to the Management Board by Resolution No. 2 of the Extraordinary General Meeting of KOPEX SA dated 11 December 2008 to acquire own shares pursuant to Art. 362 Par. 1 Item 8) of the Commercial Companies Code, proceeded to accomplishing the Programme of acquisition (repurchase) of own shares of KOPEX SA. Between 15 December 2008 (the date of commencement the Programme) and 5 February 2009, there were acquired 276,500 own shares of KOPEX SA in total, at average price of 10.75 PLN per 1 share. Own shares in the amount of 2,979 PLN thousand acquired by the Issuer constitute 0.4008% of the authorized share capital of KOPEX SA. These shares do not have voting rights and therefore profit per 1 share authorized to vote is shown in the Financial Statements.

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

Note 12.15

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

Note 12.16

REVALUATION RESERVE	**31 Dec 2015**	**31 Dec 2014**
revaluation of financial assets available for sale	-196	-196
cash flow hedging	2 496	-393
deferred cash flow hedging tax	-475	74
Revaluation reserve, total	**1 825**	**-515**

Note 12.17

RETAINED EARNINGS	**31 Dec 2015**	**31 Dec 2014**
profits from previous years	1 354 777	1 289 878
from revaluation of fixed assets	43 074	42 412
Capital reserves	37 498	37 729
profit/ (loss) for the current period	-1 471 912	101 260
actuarial profit/ (loss)	-7 364	-6 957
tax from actuarial profit/ (loss)	1 399	1 322
Retained earnings, total	**-42 528**	**1 465 644**

<u>Note 12.18</u> as at 31 Dec 2015

CREDITS AND LOANS

Name of the lender/ creditor	Headquarters	Amount of credit/ loan according to agreement		Amount of credit/ loan to be repaid			Interest date conditions	Maturity date*	Hedging
				Long-term part	Short-term part				
		PLN thou	credit/ loan currency	PLN thou	PLN thou	credit/ loan currency			
PKO BP	Warszawa	494 243	PLN	-	328 914	PLN	WIBOR 1M+Margin	29 July 2016	joint mortgage on real estates, registered pledge on the shares, registered pledge on the inventories, transfer of contracts, power of attorney to bank accounts
ING Bank Ślski SA	Katowice	103 400	PLN	-	72 605	PLN	WIBOR 1M+ Margin	20 August 2016	mortgage on real property, registered pledge on machinery, power of attorney to bank accounts, transfer of contracts
PKO BP SA	Warszawa	3 800	AUD	-	2 157	AUD/PLN	1M LIBOR AUD + Margin	30 June 2016	guarantees, registered pledge on inventories, assignment of insurance
BNP Paribas Bank Polska S.A.	Katowice	48 000	PLN	-	47 029	PLN	WIBOR 1M + Margin	16 Dec 2016	blank promissory note, pledge on inventories, mortgage on the property
Pekao SA	Warszawa	100 000	PLN	-	34 409	PLN	WIBOR 1M + Margin	23 Feb 2018	registered pledge on the shares, power of attorney to the account
HSBC SA	Katowice	50 000	PLN	-	31 958	PLN	WIBOR 1M + Margin	15 Feb 2018	registered pledge on the shares, financial power of attorney to the account
PKO BP S.A.	Katowice	110 235	PLN	-	11 203	PLN	WIBOR 1M + Margin	09 June 2016	assignment of receivables from contracts, surety, promissory note
Standard Bank of South Africa Ltd	Johannesburg	5 030	ZAR	-	2 422	ZAR	Margin		mortgage bond, guarantee subsidiary
mBank SA	Warszawa	9 000	PLN	-	3 765	PLN	WIBOR O/N + Margin	29 Jan 2016	bills of exchange, guarantees, assignment of contracts
Westpac	Australia	11 077	AUD	-	9 786	AUD	Rate Base + Margin		Bank guarantee
Other credits and loans in foreign currency				-	2 097				
TOTAL				**-**	**546 345**				

* Contractual maturities do not include the fractured terms by the Group contract, described in Note 2.

Note 12.18 **as at 31 Dec 2014**

CREDITS AND LOANS

Name of the lender/ creditor	Headquarters	Amount of credit/ loan according to agreement		Amount of credit/ loan to be repaid			Interest date conditions	Maturity date*	Hedging
				Long-term part	Short-term part				
		PLN thou	Credit/loan currency	PLN thou	PLN thou	Credit/loan currency			
PKO BP	Warszawa	464 243	PLN	-	216 413	PLN	WIBOR 1M+Margin	31 July 2015	joint mortgage on real estates, registered pledge on the shares, registered pledge on the inventories, transfer of contracts, power of attorney to bank accounts
Raiffeisen Bank Polska S.A.	Katowice	85 476	PLN	-	30 540	PLN	WIBOR 1M+ Margin	26 Feb 2016	power of attorney to bank account, assignment of contract
ING BSK S.A.	Katowice	105 500	PLN	-	56 143	PLN	WIBOR 1M + Margin	20 Aug 2015	mortgage on real property, registered pledge on machinery, power of attorney to bank accounts, transfer of contracts
PKO BP S.A.	Katowice	110 235	PLN	11 203	22 406	PLN	WIBOR 1M + Margin	09 June 2016	assignment of receivables from contracts, surety, promissory note
BNP Paribas Bank Polska S.A.	Katowice	40 000	PLN	-	8 789	PLN	WIBOR 1M+ Margin	16 Dec.2016	blank promissory note, pledge on inventories, mortgage on the property
Westpack	Australia	10 057	AUD	-	6 592	AUD	Base Rate + Margin	31 May.2015	bank guarantee
PKO BP SA	Gliwice	19 652	AUD	2 171	4 342	AUD	1M LIBOR AUD + Margin	30 June 2016	guarantees, registered pledge on inventories, assignment of insurance
Other credits and loans in PLN				-	1 515				
Other credits and loans in foreign currencies				-	2 239				
TOTAL				**13 374**	**348 979**				

Note12.19

OTHER LIABILITIES	31 Dec 2015	31 Dec 2014
tax, customs, insurance and other benefits	33 097	40 949
advances for received deliveries	25 973	48 763
remuneration	15 567	17 039
excess of recognized losses and receivables conditioned on the execution of the contract on the valuation of cumulative revenues	14 626	9 362
investing activities	10 667	11 552
squeeze out	2 024	1 981
dividend	491	525
other	8 052	6 383
Other liabilities, including:	**110 497**	**136 554**
long-term	1 504	1 868
short-term	108 993	134 686

Note 12.20

LEASING LIABILITIES	31 Dec 2015	31 Dec 2014
Minimum leasing fees, including:	**72 182**	**90 960**
up to 1 year	30 234	40 085
up to 5 years	40 865	44 998
above 5 years	1 083	5 877
Future financial burdens, including:	**6 026**	**7 349**
up to 1 year	3 626	3 299
up to 5 years	2 397	3 522
above 5 years	3	528
Present value of minimum financial leasing, inlcuding:	**66 156**	**83 611**
up to 1 year	26 608	36 786
up to 5 years	38 468	41 476
above 5 years	1 080	5 349
Lease liabilities in the statement of financial position, inlcuding:	**66 156**	**83 611**
long-term	39 548	46 825
short-term	26 608	36 786

Most of the contracts was concluded for a fixed term, for a period of 5 years.

Mining machines are objects of the lease agreements .

Interest rates on most of the lease agreements may vary, depending on changes in interest of WIBOR 1M.

The lessee has the right to purchase the leased object at the end of contracts and after payment of all the fees.

Note 12.21A

RESERVE FOR EMPLOYEE BENEFIT	31 Dec 2015	31 Dec 2014
retirement, disability and death benefits	13 600	13 320
jubilee awards	12 136	11 670
from unused vacation	8 851	7 983
in respect of other benefits for employees	1 626	2 513
Total reserve for employee benefit, including:	**36 213**	**35 486**
long-term	22 277	21 259
short-term	13 936	14 227

Note 12.21B

RECONCILIATION OF BALANCE LIABILITES OF DEFINED BENEFIT	31 Dec 2015	31 Dec 2014
Commitment of the defined benefit at the beginning of period	24 990	19 943
Exchange rate differences	-137	49
Current employment cost	792	2 102
Interest expense	649	922
Actuarial (gains) and loss recognised in other comprehensive income	407	3 705
Actuarial (gains) and loss recognised in income statement result	1 194	1 883
Future employment cost	111	22
Benefits paid	-3 283	-4 122
Purchase of organised part of the company	1 013	-
Loss of control over subsidiary	-	-60
Other	-	546
Commitment of defined benefit at the end of the accounting period	**25 736**	**24 990**

Note 12.21C

VALUATION OF LIABILITIES OF DEFINED BENEFIT RECOGNISED IN PROFIT AND LOSS	2015	2014
Current employment cost	-792	-2 102
Interest cost	-649	-922
Actuarial (gains) and loss recognised in income statement result	-1 194	-1 883
Future employment cost	-111	-22
Impact on income statement	**-2 746**	**-4 929**

Note 12.21D

VALUATION OF LIABILITES OF DEFINED BENEFIT RECOGNISED IN OTHER TOTAL REVENUES	2015	2014
Opening balance of other total income	-6 957	-3 552
Actuarial (gains) and loss recognised in other total income in the current period	-407	-3 727
Actuarial (gains) and loss recognised in other total income in the current period attributable to minority shareholders	-	22
Loss of control over subsidiary	-	300
Closing balance of other total revenues	**-7 364**	**-6 957**

Note 12.21E

DIVISION OF ACTUARIAL PROFITS AND LOSSES	2015	2014
change of financial assumptions	-1 069	1 909
change of demographic assumptions	-1 913	-69
experience adjustment	4 296	3 748
Actuarial (profits) and losses, total	**1 314**	**5 588**

Costs of employee benefits are included in operating activities.

Note 12.21F

ASSUMPTIONS OF ACTUARIAL VALUATION	31 Dec 2015	31 Dec 2014
Discount rate	3.00%	2.60%
Expected rate of salary increase	0.25% to 4.25%	0,25% to 5%

Note 12.21G

SENSIITY ANALYSIS OF CHANGES IN VALUATION OF LIABILITES OF DEFINED BENEFIT	31 Dec 2015	31 Dec 2014
Discount rate -1p.p.	27 390	28 177
Discount rate +1p.p.	24 296	24 376
Planned increase in bases -1p.p.	24 926	24 134
Planned increase in bases +1p.p.	27 662	27 696

Note 12.22

OTHER RESERVES FOR LIABILITIES

	As at 31 Jan2015	Reserve in Profit & Loss Statement	Change in reserves updating estimates recognized in Profit & Loss Statement	Reserve utilisation	Release of unused provisions - recognition of Profit & Loss Statement	As at 31 Dec 2015
Reserve for warranty repairs	12 890	4 468	-506	1 328	1 098	**14 426**
Reserve for claims and litigation	1 322	222	-	953	52	**539**
Reserve for expected financial liabilites	618	290	-	541	52	**315**
Other reserves	1 263	132	-	932	267	**196**
Total	**16 093**	**5 112**	**-506**	**3 754**	**1 469**	**15 476**

Note 12.23

ACCRUALS	31 Dec 2015	31 Dec 2014
Accruals	50 431	65 095
Cost of loss contracts	9 757	-
Donations	10 726	12 905
Other	1 983	3 047
Total accruals, including:	**72 897**	**81 047**
Long-term	1 536	2 694
Short-term	71 361	78 353

Note 12.24

SHORT-TERM ACCOUNTS PAYABLE	31 Dec 2015	31 Dec 2014
with a maturity up to 12 months	161 515	174 263
with a maturity over 12 months	10 115	133
Short-term accounts payable, total	**171 630**	**174 396**

Note12.25A

NET REVENUES FORM SALES OF PRODUCTS	for the period from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
domestic, including	**620 603**	**810 339**
- sale of products and services	592 522	780 038
- sale of goods	28 081	30 301
abroad, including	**444 136**	**623 592**
- sale of products and services	346 401	549 325
- sale of goods	97 735	74 267
Net revenues from sales, total	**1 064 739**	**1 433 931**

Note 12.25B

CONSTRUCTION CONTRACTS	for the period from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
Revenues from contracts recognised in a specific period	350 127	637 812
Total amount of costs incurred and recognized profits (less recognised losses) at balance date	481 463	524 871
Amount of advances received	25 137	48 582
Amount of retentions	14 031	3 671
Gross amount due from customers for works performed under contract, as assets	145 184	254 880
Gross amount due from customers for works performed under contract, as liabilities	14 626	9 362

To determine the contract revenue recognized in the period, there was adopted a method by which contract revenue are matched with contract costs, incurred in reaching a specific stage of the contract.

To determine the stage of completion of contracts, there was adopted a cost proportion method in respect of work performed to a specific date, relative to estimated total contract costs.

Note 12.26

COST BY TYPE	for the period from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
Amortisation	152 525	151 786
Consumption of materials and energy	365 460	443 454
Outside services	208 542	292 236
Taxes and fees	12 403	12 551
Remuneration	294 574	311 514
Social security and other benefits	68 442	74 375
Other costs	44 412	45 176
Costs by type, total	**1 146 358**	**1 331 092**
Change in inventories of products and accruals	-13 649	1 945
Manufacture cost of products for own needs (minus value)	108 659	112 606
Selling costs (minus value)	43 871	39 627
Overhead costs (minus value)	93 898	114 447
Cost of products sold	**886 281**	**1 066 357**
Value of products, goods and materials sold	121 305	89 263
Cost of products, goods and materials sold	**1 007 586**	**1 155 620**

Note 12.27

OTHER REVENUES	for the period from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
Cancelled liabilities	3 284	231
Damages, penalties, court costs	3 100	23 377
Subsidies	1 578	2 650
Sales of social services	863	849
Inventory surplus	28	238
Other	2 603	1 671
Other revenues, total	**11 456**	**29 016**

Note 12.28

OTHER COSTS	for the period from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
Write-downs for receivables revaluation	32 236	8 257
Established reserves	9 161	1 619
Damages, penalties, court costs	3 395	2 121
Cost of maintaining social facilities	1 379	1 444
Scrapping of current assets	123	564
Receivables written-down	17	664
Other	2 106	2 569
Other costs, total	**48 417**	**17 238**

Note 12.29

OTHER PROFITS (LOSSES)	for the period from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
Result on foreign currency transactions (for which no hedge accounting is provided)	857	2 730
Result on foreign currency transactions (for which hedge accounting is provided)	-692	-2 815
Exchange rate differences (except for credit and loans)	-1 199	3 292
Result from sale of fixed assets	7 141	7 214
Result from sale of financial assets (shares, bonds)	-236	1 636
Revaluation of investments (valuation of loans, long-term settlements, shares)	-54	-962
Other	684	-2 405
Other profits (losses), total	**6 501**	**8 690**

Note 12.30

WRITE-DOWNS MADE AND RELEASED FOR NON-FINANCIAL ASSETS	for the period from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
Write-downs on tangible fixed assets	-40 370	-11 344
Write-downs on development works	-30 185	-
Write-downs on inventories	-27 646	2 225
Write-downs on investment properties	-6 222	-
Total write-downs (increase "-" / decrease "+")	**-104 423**	**-9 119**

Note 12.31 FINANCIAL REVENUES	for the period from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
Interest onloans granted	5 656	4 110
Reversal of reserve for financial expenses	2 740	-
Other interest	2 056	3 532
Interest on lease	1 563	3 104
Fees form guarantees, warranties	1 522	2 431
Other financial revenues	1 759	456
Financial revenues, total	**15 296**	**13 633**

Note 12.32 FINANCIAL COSTS	for the period from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
Write-downs on loans granted	63 217	1 344
Other interest	7 027	1 178
Interest on credits and loans	6 490	16 528
Interest on lease	2 528	4 052
Commision on sureties, guarantees and loans	1 603	1 105
Other	1 449	1 127
Financial costs, total	**82 314**	**25 334**

Note 12.33A THEORETICL TAX RESULTING FROM PROFIT BEFORE TAX AND STATUTORY TAX RATE TO INCOME TAX RECOGNIZED IN PROFIT AND LOSS STATEMENT	for the period from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
Profit (loss) before tax	-1 488 095	130 002
Tax calculated at the rate of 19%	-282 738	24 700
Result when tax rates of other countries are applied	-631	1 737
Income not subject to tax	-6 768	-6 530
Not deductible expenses	244 785	5 275
Utilisation of previously unrecognised tax losses	509	-2 033
Tax losses in respect of which no assets were recognized from deferred tax	6 398	4 242
Release of tax assets created in previous years	18 302	-
Adjustments in respect of tax from previous years	3 427	-
Financial result burdened / (recognised) by income tax	**-16 716**	**27 391**

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

Note 12.33B INCOME TAX	for the period from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
Current income tax	9 296	22 539
Deferred income tax	-26 012	4 852
Income tax, total	**-16 716**	**27 391**

Note 12.34 REVEUNES, COSTS, RESULTS AND CASH FLOW FROM DISCONTINUED OPERATIONS	for the period from 01 Jan 2015 to 31 Dec 2015	from 01 Jan 2014 to 31 Dec 2014
Revenues and expenses from discontinued operations:		
Net revenues from sales of goods and materials	-	1 359
Value of goods and materials sold	-	886
Gross profit on sales	**-**	**473**
Cost of sales	-	322
Profit from operating activities	**-**	**151**
Gross profit	**-**	**151**
Income tax	-	29
Net profit from discontinued operations:	**-**	**122**
Net profit from discontinued operations attributable to shareholders	**-**	**122**
Cash flows from discontinued operations:		
Cash flows from operating activities	-	1 455
Cash flows from discontinued operations, total:	**-**	**1 455**

On 1 October 2013 KOPEX S.A.. discontinued activities related to electricity trading, according to decision of the Management Board.

13. Contingent liabilities and disputes

	As at 31 Dec 2015	increases (+) decreases (-)	As at 31 Dec 2014
Contingent liabilities, including:	**127 624**	**18 931**	**108 693**
1. For benefit of other related entities	400	-	400
- for companies of the KOPEX Group	400	-	400
2. For other entities	127 224	18 931	108 293
- for companies of the KOPEX Group	106 365	32 991	73 374
- for associated companies	1 650	-	1 650
- for related companies	19 209	-14 060	33 269

Claims and disputes

On 8 and 11 January 2010, the District Court in Katowice delivered to KOPEX SA. a copy of the lawsuit filed by Zakład Maszyn Górniczych Glinik Sp. z o.o., legal successor of Fazos SA, on the payment against KOPEX SA. and Tagor S.A. (sub-subsidiary). Value of the dispute in the lawsuit amounted to 51 876 PLN thousand. On 2 Apirl 2015, the Issuer received a pleading in which the plaintiff limited his claim to the amount of 33 705 PLN thou (without waiver of the claim). According to the opinion of the law firm representing KOPEX SA. and Tagor S.A., probability that the plaintiff's claim will be taken into account by the court is less than its dismissal due to the lack of a contractual basis for the formulation and the lack of adequate cause-and-effect relationship. Therefore KOPEX S.A. based on IAS 37 concluded that there is no present obligation resulting from past events and did not make financial provisions.

14. Reporting by business and geographical segments s

Considering IFRS 8, in force since 1 January 2009, activities of the Capital Group were divided into operating segments reflecting the main directions of activities, whereas mining was selected as the main segment. The division resulting from the management structure and internal reporting was the basic criterium for presentation of operating segments.

- Mining segment - covers the following areas:
  - mining services,
  - manufacture and sale of underground mining machinery and equipment,
  - manufacture and sale of opencast mining machinery and equipment,
  - manufacture and sale of electrical and electronic devices,
  - castings.

Other operating segments:

- manufacture and sale of industrial machinery and equipment ,
- sale of coal,
- other activities.
-

Core business of the Capital Group's companies covers sales of underground and opencast mining machinery and equipment as well as shaft sinking and driving coal galleries. The Group is also developing activities in non-mining segment, eg. power hydraulics and equipment for agricultural industry.

The Group's also includes companies providing specialized electrical equipment and explosion- proof systems applicable in mining and non-mining industries as well as providing industrial conditioning and power protection systems.

The Group also provides construction services, prefabricated elements for construction and railway industries as well as sprovides maintenance, repair, forwarding and transportation services, up to the customers' requirements.

Reliability and comparability of information over time for different groups of goods and services of the Capital Group as well as its organizational structure was primarily considered when selecting the operating segments.

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

The body responsible for making decisions in the Group, evaluates results of specific operating segments based on gross sales result and operating profit, which is reflected in their presentation. Consolidation adjustments and exemptions are included in revenues and financial results of individual segments, what makes segment result more objective.

Tables on pages 62 and 63 present information on consolidated operating segments, divided by industrial and geographic criteria.

INFORMATION ON CONSOLIDATED OPERATING SYSTEMS OF THE KOPEX GROUP BY INDUSTRY

	Mining		Manufacture and sale of industrial machinery and equipment		Sale of coal		Other activities		Exclusions from consolidation		**Consolidated value**	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
CONTINUATED ACTIVITIES												
Segment revenues, total	909 420	1 303 732	25 569	17 457	71 264	55 228	58 486	57 514	-	-	1 064 739	1 433 931
Segment revenue from external customers	909 420	1 303 732	25 569	17 457	71 264	55 228	58 486	57 514	-	-	1 064 739	1 433 931
Revenues between segments	-	-	-	-	-	-	57 747	37 367	-57 747	-37 367	-	-
Segment result- gross profit on sales	38 731	257 063	3 975	2 972	2 928	3 201	11 519	15 075	-	-	**57 153**	**278 311**
Segment operating profit (before write-down on goodwill)	-202 244	138 784	-971	-736	300	370	-12 584	-2 832	-	-	**-215 499**	**135 586**
Write-down on goodwill	-1 208 295	-	-	-	-	-	-	-	-	-	-1 208 295	-
Segment operating result	-1 410 539	138 784	-971	-736	300	370	-12 584	-2 832	-	-	**-1 423 794**	**135 586**
Financial result of the whole Group											-67 018	-11 701
Share in profits (losses) of subsidiaries valuated with the equity method											2 717	6 117
Gross profit/ loss											**-1 488 095**	**130 002**
Income tax											-16 716	27 391
Net consolidated profit/ loss from continuated activities											-1 471 379	102 611
Net consolidated profit/ loss from discontinuated activities											-	122
Consolidated profit/ loss, total											**-1 471 379**	**102 733**
Net profit attributable to non-controlling shares											533	1 473
Net profit/ loss attributable to shareholders of the parent company											**-1 471 912**	**101 260**
including:												
- from continuated activities											-1 471 912	101 138
- from discontinuated activities											-	122

INFORMATION ON CONSOLIDATED OPERATING SYSTEMS OF THE KOPEX GROUP IN GEOGRAPHIC DIVISION

	Mining		Manufacture and sale of industrial machinery and equipment		Sale of coal		Other activities		**Consolidated value**	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
SOUTH AFRICA	35 968	48 663	-	-	-	-	-	-	35 968	48 663
ARGENTINA	24 799	255 009	-	-	-	-	-	-	24 799	255 009
AUSTRALIA	13 020	15 418	9	3	-	-	-	935	13 029	16 356
AUSTRIA	-	21	6	-	34 334	18 292	-	-	34 340	18 313
BELARUS	4 616	1 500	9	-	-	-	-	-	4 625	1 500
BOSNIA	2 242	26 396	140	-	-	-	-	52	2 382	26 448
CHINA	2 774	32 663	-	-	-	-	-	283	2 774	32 946
CZECH REPUBLIC	11 298	34 818	2 524	2 048	-	-	641	464	14 463	37 330
FRANCE	19 884	18 699	931	143	-	-	-	750	20 815	19 592
SPAIN	17	28	-	-	12 261	14 057	-	3	12 278	14 088
GERMANY	14 120	25 950	102	707	-	-	-	755	14 222	27 412
POLAND	544 522	742 602	18 564	12 186	-	1 234	57 517	54 317	620 603	810 339
RUSSIA	148 054	42 938	-	-	-	-	-	-2 075	148 054	40 863
RUMUNIA	625	1 020	-	-	-	-	12	26	637	1 046
SERBIA	83 751	42 766	2 941	1 690	-	-	316	387	87 008	44 843
SLOVAKIA	40	98	-	-	3 448	4 343	-	-	3 488	4 441
SLOVENIA	1 113	965	-	-	-	-	-	-	1 113	965
SWEDEN	7	226	3	-	19 041	17 302	-	-	19 051	17 528
TURKEY	176	9 376	-	-	-	-	-	-	176	9 376
UKRAINE	-	1 524	-	-	-	-	-	-	-	1 524
HUNGARY	-	-	-	33	2 180	-	-	-	2 180	33
OTHER	2 394	3 052	340	647	-	-	-	1 617	2 734	5 316
TOTAL	909 420	1 303 732	25 569	17 457	71 264	55 228	58 486	57 514	**1 064 739**	**1 433 931**

Information on the main external customers whose revenues exceed 10% or more of total revenue of the Group, ie. 106,474 PLN thousand or more.

For the period from January to December 2015, quantitative criterium defining the main customer was achieved with two customers. Revenues from the first customer, in the amount of 155,406 PLN thousand were made in the mining segment. There are no formal relations between KOPEX SA and that customer.

Revenues from the second customer, in the amount of 148,030 PLN thousand were made in the mining segment. There are no formal relations between KOPEX SA and that customer.

Companies operating in the segment of mining, coal sales, and other products were the largest customers of the Group in 2015. Sale is targeted to customers located in approx. 30 markets in the world.

The main suppliers of the KOPEX Group in the year 2015:

KOPEX SA mainly operates as a central coordinator in supplying materials to the Group's companies. The KOPEX Group developed a supply network primarily based on the domestic market.

Companies operating on the domestic market were the largest suppliers of the Group in 2015.

In 2015 none of the suppliers exceeded 10% of sales revenue of the Group

Capital Group's fixed assets (other than financial instruments, deferred tax assets, post-employment benefits assets and rights arising from insurance contracts) were in 93.0% located in the country of origin of the Parent Company.

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

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

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

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

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

For the year 2014, remuneration of the Management Board amounted to 2 282 PLN thousand and remuneration of the Supervisory Board amounted to 645 PLN thousand.

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16. Transactions with related entities

	Revenues from sales of products, goods and materials	Other sales	Financial income
From 01 January 2015 to 31 December 2015			
From associated entities	2 413	1 909	50
From other related entities	3 926	127	5 647
From 01 January 2014 to 31 December 2014			
From associated entities	2 731	883	88
From other related entities	7 597	23	2 942

	Purchases of goods and services	Purchase of fixed assets and intangible assets	Financial expenses
From 01 January 2015 to 31 December 2015			
From associated entities	22 513	-	26
From other related entities	25 065	2 896	99
From 01 January 2014 to 31 December 2014			
From associated entities	24 673	-	-
From other related entities	15 343	408	1

Receivables and liabilities from related entities	31 Dec 2015	31 Dec 2014
Trade and other receivables from associated entities (net)	4 176	4 359
Trade and other receivables from other related entities (net)	18 279	23 925
Lease receivables from other related entities (net)	91	258
Liabilities to associated entities	10 190	4 192
Liabilities to other related parties	684	971

Receivables write-downs from other related entities	31 Dec 2015	31 Dec 2014
Balance at the beginning of period	5 323	4 894
Write-downs made	318	429
Write-downs released	-141	-
Balance at the end of period	5 500	5 323

Receivables and liabilities from loans	31 Dec 2015	31 Dec 2014
Loan receivable from other related parties (net)	99 314	153 854
Loan receivable from associated entities (net)	1 935	2 645
Loan liabilities to other related parties	-	-
Loan liabilities to associated entities	-	-

Loan receivable write-downs from other related entities	31 Dec 2015	31 Dec 2014
Balance at the beginning of period	7 259	6 324
Write-downs made	62 107	935
Write-downs released	-833	-
Balance at the end of period	68 533	7 259

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

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

The annual consolidated financial statements and comparative data were drawn up in accordance with principles of International Accounting Standards and reflect a true, fair and transparent view of the assets and financial position as well as financial result of the KOPEX S.A. Capital Group.

This document gives a true picture of development, achievements and situation of the KOPEX S.A. Capital Group, including a description of the main risks and threats.

The entity authorized to audit financial statements, which audited the annual consolidated financial statements was selected in accordance with the law.
This entity and chartered certified accountant who performed the audit, met the conditions to issue an impartial and independent examination report, in accordance with relevant national laws.

Member of the Management Board	Member of the Management Board	Member of the Management Board	President of the Management Board
/illegible signature/	*/illegible signature/*	*/illegible signature/*	*/illegible signature/*
Krzysztof Zawadzki	Marek Uszko	Piotr Broncel	Bogusław Bobrowski

Person responsible
for bookkeeping:

Director of Accounting
and Taxes Department
Chief Accountant

/illegible signature/

Alina Mazurczyk