

(Translation from the Polish language)

## FINANCIAL SUPERVISORY COMMISSION

### Current report No 46/2016 P

Date: 20 June 2016

Issuer's shortened name: KOPEX SA

Subject: **Information on planned restructuring measures in the Kopex Group**

Legal basis: Law on Offer, Art. 56, Par.1 Item 1 – confidential information

#### **Contents of the report:**

The Management Board of KOPEX SA with its registered seat in Katowice (the Issuer) informs that in cooperation with professional advisers it is in the process of finalizing the work on the program of Kopex Group's operational, assets and financial restructuring.

As its basic assumptions adopted three areas:

- debt restructuring,
- operational restructuring,
- involvement of strategic investor.

The program of comprehensive restructuring includes in particular the reduction of redundant assets, employment restructuring and sale and liquidation of some subsidiaries and associated companies for which the rate of return on investments and business risk do not justify the continuation of capital investment made in the past.

It assumed the implementation of several initiatives, among others centralization and standardization of purchasing, sales, logistic and investment, as well as Group's liquidity management processes.

The restructuring program also includes the consolidation of manufacturing plants.

Parallel to the work on the restructuring program there are ongoing restructuring activities and initiatives foreseen in the proposed document.

The main result of the restructuring program is to optimize the cost of the Group's activity, concentrate on core business, consolidate of individual business area and to improve the efficiency of the use of human and assets resources of the Group.

In terms of the Kopex Group structure it is assumed that the Group will include up to a dozen companies form the current thirty-one.

The effect of the implementation of the Kopex Group restructuring program is estimated to be PLN 80-100 mill. savings annually.

Moreover, it is worth noting that the sale of assets which are redundant or unrelated to the core business of the Group is expected to improve cash flow of the Group, particularly in a period of intense restructuring.

As a part of the restructuring actions including the abandonment of part of the business activity it is necessary to value the sold assets, make necessary reserves and their uphold in financial statement.

In the course of the ongoing restructuring analysis and related to it actualizations of technical and economical plans of the Issuer and its subsidiaries, there is a need to update the testing for impairment of assets in accordance with IAS 36.

As a result of the restructuring analyses and upgrade test for impairment of assets carried out to date, at the date of this report, the Issuer's Management Board expects the necessity

of making reserves and revaluation write-downs in the consolidated financial statement of the Issuer in the amount not exceeding PLN 535 mill (before tax effect).

Estimated reserves relate to, among others, restructuring costs, sureties, guarantees and claims granted, the estimated impairment loss on goodwill, fixed assets, research and development, inventory, trade receivables, loan receivables, deferred tax assets, as well as the effects of result of reclassification of assets held for sale or as a result of the loss of control over selected subsidiaries.

The Issuer's Management Board is currently conducting the detailed analysis and tests for impairment of assets in the separate financial statement of the Issuer. The Issuer will separately inform about the results of these test and analysis.

The Management Board of the Issuer hereby informs that until the end of the first half and the related process of review by the auditor the financial statements for the first half of 2016, presented above values are estimates. The final amounts of reserves and write-downs will be presented in the financial statements of kopex SA for the first half of 2016, which are scheduled for 26.08.2016.

Legal basis: Art. 56, Par.1 Item 1 of the Act of 29 July 2005 on public offering and the conditions for introducing financial instruments to the organized trading system and on public companies