FINANCIAL STATEMENTS

OF JASTRZĘBSKA SPÓŁKA WĘGLOWA S.A.

for the financial year ended 31 December 2012

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Statement of financial position

	Note	31 Dec 2012	31 Dec 2011
Assets			
Non-current assets			
Property, plant and equipment	6	5,892.5	5,185.4
Intangible assets	7	19.6	17.9
Investment property	8	23.1	-
Investments in subsidiaries, co-subsidiaries and associates	9	2,249.0	2,245.2
Deferred income tax assets	19	142.9	123.5
Other long-term assets	11	408.2	379.3
		8,735.3	**7,951.3**
Current assets			
Inventories	13	475.6	297.1
Trade receivables and other receivables	14	1,005.2	1,020.5
Income tax overpaid		-	14.8
Financial derivatives	12	3.9	3.2
Other short-term financial assets	15	947.4	10.6
Cash and cash equivalents	16	1,245.6	2,358.9
		3,677.7	**3,705.1**
TOTAL ASSETS		**12,413.0**	**11,656.4**

Statement of financial position (continued)

	Note	31 Dec 2012	31 Dec 2011
Equity			
Share capital	17	1,251.9	1,260.9
Share premium account		905.0	905.0
Retained earnings	18	5,617.7	5,430.5
Total equity		**7,774.6**	**7,596.4**
Liabilities			
Long-term liabilities			
Employee benefit liabilities	20	1,943.0	1,663.9
Provisions	21	501.1	434.9
Trade liabilities and other liabilities	22	99.4	102.9
		2,543.5	**2,201.7**
Short-term liabilities			
Financial derivatives	12	0.1	-
Current income tax liabilities		39.7	-
Employee benefit liabilities	20	247.4	219.7
Provisions	21	203.9	141.9
Trade liabilities and other liabilities	22	1,603.8	1,496.7
		2,094.9	**1,858.3**
Total liabilities		**4,638.4**	**4,060.0**
TOTAL EQUITY AND LIABILITIES		**12,413.0**	**11,656.4**

Statement of comprehensive income

	Note	For the financial year ended 31 Dec	
		2012	2011 restated *
Sales revenues	24	8,737.1	7,962.9
Cost of products, materials and merchandise sold	25	(6,688.6)	(4,815.6)
Gross sales profit		**2,048.5**	**3,147.3**
Cost of sales	25	(259.7)	(127.0)
Administrative costs	25	(509.1)	(433.0)
Employee share ownership plan	5	-	(293.0)
Other income	26	97.4	50.5
Disputed property tax on underground mine workings	27	(48.5)	359.7
Other costs	28	(66.1)	(36.5)
Other net profits	29	19.3	5.4
Operating profit		**1,281.8**	**2,673.4**
Financial income	30	106.0	104.3
Financial costs	30	(116.8)	(133.2)
Pre-tax profit		**1,271.0**	**2,644.5**
Income tax	31	(275.1)	(581.5)
Net profit		**995.9**	**2,063.0**
Other comprehensive income:			
Actuarial profit/(loss)	20	(229.6)	24.1
Income tax	31	43.6	(4.6)
Total other comprehensive income		**(186.0)**	**19.5**
Total comprehensive income		**809.9**	**2,082.5**

** Explanation given in Note 2.1.1.*

Statement of changes in equity

	Note	Share capital	Share premium account	Retained earnings	Total equity
As at 1 January 2011		**1,209.1**	**387.4**	**3,614.3**	**5,210.8**
Total comprehensive income: **restated**		-	-	2,082.5	2,082.5
- net profit		-	-	2,063.0	2,063.0
- other comprehensive income		-	-	19.5	19.5
Dividends	32	-	-	(257.0)	(257.0)
In-kind contribution of KK Zabrze SA shares	9	32.0	235.4	-	267.4
Employee share ownership plan – issue of series C shares	5	19.8	282.2	(9.0)	293.0
Others		-	-	(0.3)	(0.3)
As at 31 Dec 2011		**1,260.9**	**905.0**	**5,430.5**	**7,596.4**
As at 1 January 2012		**1,260.9**	**905.0**	**5,430.5**	**7,596.4**
Total comprehensive income:		-	-	809.9	809.9
- net profit		-	-	995.9	995.9
- other comprehensive income		-	-	(186.0)	(186.0)
Dividends	32	-	-	(631.7)	(631.7)
Retirement of series C shares	17	(9.0)	-	9.0	-
As at 31 Dec 2012		**1,251.9**	**905.0**	**5,617.7**	**7,774.6**

Cash flow statement

	Note	For the financial year ended 31 Dec	
		2012	**2011**
Cash flow on operating activity			
Cash inflows on operating activity	33	2,084.3	3,148.3
Interest paid		(1.9)	(1.8)
Movement in financial derivatives		(0.7)	(2.5)
Income tax paid		(196.4)	(465.1)
Net cash flow on operating activity		**1,885.3**	**2,678.9**
Cash flow on investing activity			
Acquisition of property, plant and equipment		(1,577.1)	(1,135.5)
Acquisition of intangible assets		(0.8)	(0.9)
Acquisition of financial assets		(941.8)	(747.2)
Proceeds on the sale of property, plant and equipment		0.5	2.3
Dividends received		54.2	12.7
Interest received		113.7	104.1
Net cash flow on investing activity		**(2,351.3)**	**(1,764.5)**
Cash flow on financing activity			
Dividends paid to the Company's shareholders		(631.7)	(298.0)
Other net cash flow on financing activity		(15.5)	(13.8)
Net cash flow on financing activity		**(647.2)**	**(311.8)**
Change in the net balance of cash and cash equivalents		(1,113.2)	602.6
Cash and cash equivalents at the beginning of the period	16	2,358.9	1,756.0
Foreign exchange differences from the conversion of cash and cash equivalents		(0.1)	0.3
Cash and cash equivalents at the end of the period	16	**1,245.6**	**2,358.9**

Notes to the financial statements

Additional information

1. General information

1.1. Name, registered office and line of business

Jastrzębska Spółka Węglowa S.A. ("Company"; "JSW S.A.") was established on 1 April 1993. On 17 December 2001, JSW S.A. was entered in the National Court Register kept by the District Court in Gliwice, 10th Commercial Division of the National Court Register, under file number KRS 0000072093. The Company has been given the following statistical number: REGON 271747631. The Company's registered office is located at Al. Jana Pawła II 4 in Jastrzębie-Zdrój. The Company's shares are publicly traded since 6 July 2011.

The Company is the parent company in the JSW S.A. Capital Group ("Group", "Capital Group") consisting of JSW S.A. and its subsidiaries. The Group has drawn up its consolidated financial statements for the 12 months ended 31 December 2012.

The Company's core business is:

– black coal mining,
– sale of coke and hydrocarbons.

1.2. Approval of the financial statements

These financial statements for the financial year ended 31 December 2012 were approved for publication and signed by the Company's Management Board on 12 March 2013.

1.3. Going concern assumption

These interim condensed financial statements have been prepared based on the assumption that the Company will continue its business activity as a going concern in the foreseeable future. As at the date of approval of these financial statements, there are no circumstances indicating a threat to the Company's continued operations.

2. Description of significant accounting policies applied

The fundamental accounting principles used in the preparation of these financial statements are presented below.

2.1. Basis for drawing up the financial statements

These financial statements of Jastrzębska Spółka Węglowa S.A. have been prepared in accordance with the IFRS approved by the European Union.

In order to appreciate the financial standing and the results of the Company as the Parent Company in the Capital Group, these standalone financial statements should be read in conjunction with the consolidated financial statements of the JSW S.A. Capital Group for the financial year ended 31 December 2012. The statements will be available on the Company's website at www.jsw.pl on the date consistent with the current report pertaining to the delivery date of the Company's annual report and the Capital Group's consolidated annual report for 2012.

These financial statements have been drawn up in accordance with the historical cost principle, except for financial derivatives measured at fair value.

Preparation of the financial statements in accordance with IFRS requires that certain significant accounting estimations be used. It also requires the Management Board to exercise its judgment when applying the accounting principles adopted by the Company. The matters that require more judgment, that are more complex or that assumptions and estimations regarding them are more significant from the standpoint of the financial statements are disclosed in Note 4.

These financial statements have been prepared using the same accounting principles for the current period and for the comparative period, while the comparative period has been adjusted to the comparative conditions to reflect the change to the accounting and presentation principles adopted in the statements in the current period in connection with the early application of changes to IAS 19 "Employee Benefits". Detailed information about the effect of applying changes to IAS 19 on the financial statements is presented in Note 2.1.1.

2.1.1. New standards, interpretations and their changes

a) New and amended standards and interpretations used

In these financial statements, the following new and amended standards and interpretations have been applied for the first time:

- **Changes to IAS 19 "Employee benefits"**

The changes to IAS 19 "Employee benefits" were published by the International Accounting Standards Board in June 2011 and are applicable to annual periods commencing 1 January 2013 or after that date, with an early application option. These changes implement new requirements on capturing and measuring the costs of defined benefit plans related to employee benefits after the employment period and additional guidelines for job severance benefits; they also change the required disclosures concerning all employee benefits. The changes to IAS 19 were approved by the European Union on 5 June 2012.

The Company decided to apply the changes to IAS 19 starting on 1 January 2012 and to capture actuarial profits/losses arising from the measurement of defined benefit plans after the employment period in other comprehensive income. Since the changes were applied retrospectively, the statement of comprehensive income contains restated data for the financial year ended 31 December 2011. The statement of changes in equity as at 31 December 2011 was changed accordingly. These changes have not affected the statement of financial position as at 1 January 2011.

The impact of the early application of the changes to IAS 19 on the statement of comprehensive income for the financial year ended 31 December 2011 is presented in the table below:

	31 Dec 2011 approved data	**Adjustment due to early application of changes to IAS 19**	**31 Dec 2011 restated data**
Cost of products, materials and merchandise sold	(4,809.9)	(5.7)	(4,815.6)
Gross sales profit	3,153.0	(5.7)	3,147.3
Administrative costs	(414.6)	(18.4)	(433.0)
Operating profit	2,697.5	(24.1)	2,673.4
Pre-tax profit	2,668.6	(24.1)	2,644.5
Income tax	(586.1)	4.6	(581.5)
Net profit	**2,082.5**	**(19.5)**	**2,063.0**

	31 Dec 2011 approved data	Adjustment due to early application of changes to IAS 19	31 Dec 2011 restated data
Actuarial profit/loss	-	24.1	24.1
Income tax	-	(4.6)	(4.6)
Total other comprehensive income	**-**	**19.5**	**19.5**
Total comprehensive income	**2,082.5**	**-**	**2,082.5**

- **Changes to IFRS 7 – Transfers of financial assets**

The changes to IFRS 7 "Financial Instruments: Disclosures" about the transfer of financial assets were published by the International Accounting Standards Board in October 2010 and are applicable to annual periods commencing 1 July 2011 or after that date. These changes require the disclosure of information relating to the risk stemming from the transfer of financial assets. They include the requirement of disclosure, by asset class, nature, book value and description of the risk and benefits concerning the financial assets transferred to some other entity, but which continue to remain in the entity's statement of financial standing. If the financial assets are removed from the accounts, but the entity is exposed to some risk and may obtain some benefits associated with the transferred asset component, it is additionally necessary to make a disclosure of information making it possible to understand the effects of that risk.

The Company has applied the changes to IFRS 7 as of 1 January 2012.

The amendments have no effect on the Company's financial statements.

Other changes of standards applicable from 1 January 2012 do not apply to these financial statements.

b) The published standards and interpretations which are not yet effective and which have not been applied by the Company before:

With respect to these financial statements, the Company has not chosen early application of the following published standards, interpretations or amendments to the existing standards before their effective date.

- **IFRS 9 "Financial Instruments Phase 1: Classification and Measurement"**

IFRS 9 published by the International Accounting Standards Board on 12 November 2009 supersedes those parts of IAS 39 that refer to the classification and measurement of financial assets. In October 2010 IFRS 9 was modified to include the problem of classifying and measuring financial liabilities. In accordance with the changes introduced in December 2011, the new standard applies to annual periods beginning on or after 1 January 2015. This standard implements a single model contemplating only two categories for the classification of financial assets: fair value measurement and amortized cost measurement. The assets are classified upon the initial recognition and depend on the financial instruments management model adopted by the entity and the characteristics of contractual cash flows from these instruments. Most of the IAS 39 requirements relating to classification and measurement of financial liabilities were transferred to IFRS 9 without any modification. The crucial change is the requirement imposed on entities to present in other comprehensive income the effects of changes in their own credit risk on account of financial liabilities subject selected for measurement at fair value through profit or loss.

The Company plans to apply IFRS 9 as of 1 January 2015.

The Company is in the course of analyzing the impact of this new standard on the financial statements.

At the time of preparing these consolidated financial statements IFRS 9 has not yet been approved by the European Union.

- **IFRS 10 "Consolidated Financial Statements"**

IFRS 10 was published by the International Accounting Standards Board in May 2011 and is applicable to annual periods commencing 1 January 2013 or after that date (mandatory application in the European Union from 1 January 2014). The new standard supersedes the guidelines on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 interpretation "Consolidation– Special-Purpose Entities". IFRS 10 alters the definition of control in such a manner that the same criteria for determining control will apply to all entities. The adjusted definition is accompanied by extensive guidelines concerning application.

The Company will apply IFRS 10 as of 1 January 2014.

It is expected that the application of this new standard will have no effect on the future financial statements, since the evaluation of the holding control, performed in accordance with the new standard, will not change any conclusions regarding control over entities comprising the Capital Group.

- **IFRS 11 "Joint Ventures"**

IFRS 11 was published by the International Accounting Standards Board in May 2011 and is applicable to annual periods commencing 1 January 2013 or after that date (mandatory application in the European Union from 1 January 2014). The new standard supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 interpretation "Jointly Controlled Entities – Non-Monetary Contributions by Venturers" The changes in the definitions curtailed the number of types of joint ventures to two: joint operations and joint ventures. At the same time, the current possibility of selecting pro rata consolidation in reference to entities under joint control was eliminated. All participants in joint ventures currently have the duty of consolidating them by the equity method.

The Company will apply IFRS 11 as of 1 January 2014.

The new standard does not apply to the separate financial statements of the Company.

- **IFRS 12 "Disclosure of Interests in Other Entities"**

IFRS 12 was published by the International Accounting Standards Board in May 2011 and is applicable to annual periods commencing 1 January 2013 or after that date (mandatory application in the European Union from 1 January 2014). This new standard applies to entities holding interests in a subsidiary, joint venture, associated entity or in an unconsolidated entity managed under a management contract. The standard replaces the disclosure requirements that were previously included in IAS 27 "Consolidated and Separate Financial Statements", IAS 28 "Investment in Associates" and IAS "Interest in Joint Ventures". IFRS 12 requires entities to disclose information to assist the users of financial statements in assessing the nature, risk and financial effects of the entity's investments in subsidiaries, associates, joint ventures and entities managed under a management contract. To this end the new standard imposes the requirement of information disclosure regarding many areas, including significant judgments and assumptions made when determining whether the entity controls, co-controls or exercises significant influence over other entities, extensive information on the importance of non-controlling interests in a group's operations and cash flows; summary financial information on subsidiaries with substantial non-controlling interests as well as specific information on stakes in unconsolidated entities managed under a management contract.

The Company will apply IFRS 12 as of 1 January 2014.

The application of the new standard will increase the number of required disclosures about investments in other entities.

- **IFRS 13 "Fair Value Measurement"**

IFRS 13 was published by the International Accounting Standards Board in May 2011 and is applicable to annual periods commencing 1 January 2013 or after that date. The new standard aims to enhance consistency and attenuate complexity by

articulating a precise definition of fair value and concentrating in a single standard the requirements concerning fair value measurement and the disclosure of relevant information.

The Company will apply IFRS 13 as of 1 January 2013.

It is expected that the application of this new standard will have no effect on the Company's future financial statements, as the methods and assumptions used for measuring asset components at fair value are consistent with IFRS 13

- **Amended IAS 27 "Separate Financial Statements"**

The amended IAS 27 "Separate Financial Statements" was published by the International Accounting Standards Board in May 2011 and is applicable to annual periods beginning on or after 1 January 2013 (mandatory application in the European Union from 1 January 2014). IAS 27 was amended in connection with the publication of IFRS 10 "Consolidated Financial Statements". The purpose of the amended IAS 27 is to define the requirements for recording and presenting investments in subsidiaries, joint arrangements and associates in a situation when the entity prepares separate financial statements. The guidelines on control and consolidated financial statements have been replaced by IFRS 10.

The Company will apply the amended IAS 27 starting from 1 January 2014.

The application of these changes will result in additional disclosures of investments in subsidiaries and affiliates.

- **Amended IAS 28 "Investments in Associates and Joint Ventures"**

The amended IAS 28 "Investments in Associates and Joint Ventures" was published by the International Accounting Standards Board in May 2011 and is applicable to annual periods beginning on or after 1 January 2013 (mandatory application in the European Union from 1 January 2014). The amendments to IAS 28 resulted from the project carried out by the International Accounting Standards Board regarding joint ventures. The Board decided to include the principles for recording joint ventures using the equity method of accounting in IAS 28, since the method is applicable to both joint ventures and associates. Other than this exception, no other guidelines were changed.

The Company will apply the amended IAS 28 starting from 1 January 2014.

These changes will have no effect on the Company's financial statements.

- **Changes to IAS 12 – Recovery of Underlying Assets**

The changes to IAS 12 "Income Tax" concerning the recovery of underlying assets were published by the International Accounting Standards Board in December 2010 and are applicable to annual periods beginning on or after 1 January 2012 (mandatory application in the European Union from 1 January 2013). These changes concern the measurement of deferred tax assets and liabilities on investment properties measured at fair value in accordance with z IAS 40 "Investment Property" and implement the supposition, that may be refuted, that the value of an investment property may be totally recovered by sale. This supposition may be refuted if the investment property is maintained in a business model whose objective is basically to use all the economic benefits represented by an investment property over time, and not at the time of sale. The SIC-21 interpretation "Income Taxes – Recovery of Revalued Non-Depreciable Assets" referring to similar questions pertaining to non-depreciable assets, which are measured according to the revaluation model presented in IAS 16 "Property Plant and Equipment" was included in IAS 12 after removal of the guidelines pertaining to investment properties carried at fair value.

The Company will apply the changes to IAS 12 as of 1 January 2013.

The foregoing changes will not exert an influence on the Company's financial statements.

- **Changes to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters of IFRS**

The changes to IFRS 1 "First-time Adoption of International Financial Reporting Standards" were published by the International Accounting Standards Board in December 2010 and are applicable to annual periods commencing 1 July 2011 or after that date (mandatory application in the European Union from 1 January 2013). The change concerning severe hyperinflation creates an additional exclusion in the event that an entity which underwent severe hyperinflation, re-commences or intends for the first time to prepare its financial statements in compliance with IFRS. This exclusion enables the entity to choose asset and liability measurement using fair value and to use this fair value as the assumed cost of these assets and liabilities in the opening balance in the first statement of financial standing according to IFRS. IASB also changed IFRS 1 to exclude any references to fixed dates for one exception and one exclusion for financial assets and liabilities. The first change requires first-time adopters of IFRS to prospectively apply the requirements pertaining to the derecognition according to IFRS from the IFRS adoption date instead of 1 January 2004. The other change pertains to financial assets or liabilities carried at fair value upon first recognition, where the fair value is determined using valuation techniques since there is no active market and permits for the application of the guidelines prospectively from the IFRS adoption date instead of 25 October 2002 or 1 January 2004. This means that the first-time adopters of IFRS do not have to determine the fair value of financial assets and liabilities before the IFRS adoption date. IFRS 9 has also been adapted to these changes.

The amendments have no effect on the Company's financial statements.

- **Amendments to IAS 1 – Presentation of items of Other Comprehensive Income**

The changes to IAS 1 "Presentation of Financial Statements" pertaining to the presentation of items of other comprehensive income were published by the International Accounting Standards Board in June 2011 and are applicable to annual periods commencing 1 July 2012 or after that date. These changes require that entities split the line items presented in other comprehensive income into two groups on the basis of whether they may be captured in the financial result in the future. In addition, the title of the statement was changed from statement of comprehensive income to "statement of financial result and other comprehensive income".

The Company will apply the changes to IAS 1 as of 1 January 2013.

The Company has only one item of other comprehensive income – actuarial profit/loss on the valuation of defined benefit plans after the employment period. This item is not revalued through profit or loss.

- **Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities,**

The amendments to IAS 32 "Financial Instruments: Presentation" pertaining to the offsetting of financial assets and financial liabilities were published by the International Accounting Standards Board in December 2011 and are applicable to annual periods beginning on or after 1 January 2014. The amendments introduce additional explanations pertaining to IAS 32 in order to clarify certain inconsistencies found in the application of certain offsetting criteria. They include, among others, an explanation what the phrase "has a legally enforceable right to set off the amounts" means and that some mechanisms for settlement on a gross basis may be treated as settlement on a net basis when certain conditions are met.

The Company will apply the changes to IAS 32 as of 1 January 2014.

Application of the above changes will have no material effect on the future financial statements of the Company.

- **Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities,**

The amendments to IFRS 7 relating to disclosures – offsetting financial assets and financial liabilities, were published by the International Accounting Standards Board in December 2011 and are applicable to annual periods beginning on or after 1 January 2013. The amendments introduce an obligation to make new disclosures, which will allow users of financial

statements to evaluate effects or potential effects of arrangements that allow for settlements on a net basis, including the rights to perform offsetting.

The Company will apply the changes to IFRS 7 as of 1 January 2013.

Application of the above changes will have no material effect on the future financial statements of the Company.

- **Amendment to IFRS 1 – Government Loans**

The amendments to IFRS 1 "First adoption of International Financial Reporting Standards" pertaining to government loans were published by the International Accounting Standards Board in March 2012 and are applicable to annual periods beginning on or after 1 January 2013. The changes pertaining to government loans and borrowings received by the entity on preferential terms (below-market rate of interest) allow the first-time adopters of IFRS drawing up financial statements to be exempt from the requirement of full retrospective recognition of those transactions in accounting records. Therefore, these changes introduce the same exemption for first-time adopters of IFRS as the one that exists for all other entities.

The Company plans to apply the amendments to IFRS 1 as of 1 January 2013.

The foregoing changes will not exert an influence on the Company's financial statements.

At the time of preparing these financial statements the amendments to IFRS 1 have not yet been approved by the European Union.

- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**

IFRIC Interpretation 20 was published by the International Accounting Standards Board in October 2011 and is applicable to annual periods beginning on or after 1 January 2013. The interpretation pertains to the settlement of the stripping costs in the production phase of a surface mine. The interpretation that the stripping process costs are recorded as costs of ongoing production activity in accordance with the principles of IAS 2 "Inventories" if benefits from stripping take the form of producing inventories. On the other hand, if stripping leads to benefits in the form of a better access to ore, the entity should recognize those costs as "stripping assets" in non-current assets, provided that the conditions specified in the interpretation are met.

Since the Company owns underground mines only, this interpretation will not affect the financial statements.

- **Amendments to IFRS 2009-2011**

In May 2012, the International Accounting Standards Board published the "Improvements to IFRSs 2009-2001" amending 5 standards. The improvements include changes to presentation, recognition, measurement and contain changes in terms and editorial changes. The changes will apply for the annual periods starting on 1 January 2013.

The Company plans to apply the improvements to IFRSs 2009-2011 as of 1 January 2013.

The changes will have no material effect on the financial statements, as the improvements are mainly explanations or elimination of accidental inconsistencies between the published standards.

At the time of preparing these financial statements the Improvements to IFRSs 2009-2011 have not yet been approved by the European Union.

- **Changes to transition guidance for IFRS 10, IFRS 11 and IFRS 12**

In June 2012, the International Accounting Standards Board published changes to transition guidance for IFRS 10, IFRS 11 and IFRS 12. The changes will apply to the annual periods starting on 1 January 2013 or earlier, if the underlying standards (IFRS 10, 11 or 12) are applied from an earlier date. The changes define in detail the transition guidance for IFRS 10 "Consolidated financial statements". The entities adopting IFRS 10 should assess whether or not they have control on the

first day of the annual period, for which IFRS 10 was applied for the first time and if conclusions from that assessment are different from the conclusions in IAS 27 and SIC 12 then comparative data should be transformed, unless impracticable. The changes also introduce additional transition guidance providing relief from the full application of IFRS 10, IFRS 11 and IFRS 12 by limiting the obligation to present adjusted comparative information to a single reporting period directly preceding the current one. Moreover, the changes abolish the requirement to present comparatives for disclosures relating to unconsolidated entities managed under a management contract for periods preceding the first time adoption of IFRS 12

The Company plans to apply these changes as of 1 January 2014.

These changes will have no effect on the Company's separate financial statements.

At the time of preparing these financial statements the amendments to transition guidance for IFRS 10, IFRS 11 and IFRS 12 have not yet been approved by the European Union.

- **Changes to IFRS 10, IFRS 12, IAS 27 – Investment Entities**

The changes to IFRS 10, IFRS 12, IAS 27 "Investment Entities" were published by the International Accounting Standards Board in October 2012 and are applicable to annual periods beginning on or after 1 January 2014.

The changes introduce a definition of an investment entity into IFRS 10. Such entities will be required to measure investments in subsidiaries at fair value through profit or loss and consolidate only those of the subsidiaries that provide services that are related to the entity's investment activity. Also, IFRS 12 was changed by introducing new disclosures about investment entities.

The Company plans to apply these changes as of 1 January 2014.

These changes will have no effect on the Company's financial statements, as the Company currently does not conduct any such operations.

At the time of preparing these financial statements the amendments to IFRS 10, IFRS 11 and IFRS 12 have not yet been approved by the European Union.

2.2. Measurement of items in foreign currencies

(a) Functional currency and presentation currency

The items included in the Company's financial statements are measured in the currency of the main economic environment in which the Company conducts its operations ("functional currency"). The functional currency of JSW S.A. is the Polish zloty. The financial statements are presented in Polish zloty ("PLN") which is the Company's presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are converted at their initial capture to the functional currency at the exchange rate from the day preceding the transaction date, the weighted average exchange rate or the exchange rate actually used by the bank, depending on the nature of the transaction.

At the end of each reporting period:

- cash items denominated in a foreign currency are converted using the closing rate effective on that date, i.e. the average NBP exchange rate set for the currency,
- non-cash items carried at historical cost in a foreign currency are converted using the exchange rate in effect on the transaction date,
- non-cash items at fair value in a foreign currency are converted using the exchange rate from the date the fair value is determined.

Foreign exchange gains and losses obtained as a result of settlements of those transactions and book value measurement of the assets and liabilities denominated in foreign currencies are recorded in the financial result, provided they are not deferred in other comprehensive income, when they are are eligible for recognition as security of cash flows.

2.3. Property, plant and equipment

Property, plant and equipment are the assets:

- which are held by the Company in order to be used in the production process, in deliveries of goods and provision of services, or for administrative purposes,
- which are expected to be used for a period longer than one year,
- for which it is probable that the entity will obtain economic benefits in the future associated with the asset component, and
- the value of which may be reliably determined.

As at the initial recording date, property, plant and equipment is measured at the purchase price or manufacturing cost.

Upon initial recording, the purchase price (production cost) of property, plant and equipment includes the expected cost of dismantling and removing them and restoring the place where the asset component is located to its initial state; the obligation to perform those actions arises upon installation or use of the asset component. In particular, the initial value of property, plant and equipment includes the discounted liquidation cost of property, plant and equipment used in underground mining activity which, according to the applicable Geological and Mining Law Act, must be liquidated after the operations are discontinued.

The mine liquidation costs included in the initial value of property, plant and equipment are depreciated with the depreciation method used for depreciation of the property, plant and equipment to which they are related, starting from the moment the given property, plant and equipment item is commissioned for use, throughout the period set in the liquidation plan of facility groups being part of the anticipated mine liquidation schedule.

Specialized spare parts with significant initial value, the use of which is expected after a period longer than one year, are classified as property, plant and equipment. The same approach is adopted for those maintenance-related spare parts and equipment which may only be used for specific items of property, plant and equipment. Other maintenance-related spare parts of insignificant value are classified as inventories and recognized in the financial result upon their utilization.

The value of property, plant and equipment includes costs of regular and material inspections (including certification inspections) which are mandatory.

On the date ending the financial period, property, plant and equipment items are measured at purchase price or manufacturing cost plus the expected cost of dismantling and removing the property, plant and equipment item and minus the accumulated depreciation charges and impairment charges.

The subsequent expenditures are recognized in the book value of the property, plant and equipment item or captured as a separate property, plant and equipment item (where applicable) only when it is probable that the Company will obtain economic benefits from this item and the cost of this item may be measured reliably. All other expenditures towards repairs and maintenance are posted in the financial result of the financial period in which they are incurred.

Depreciation of property, plant and equipment, with the exception of expensable mining pits, is calculated using the linear method to distribute their initial values or restated values, minus their final values, over their useful life periods, which are as follows for respective groups of property, plant and equipment:

- Buildings and structures (including capital pits) 10-65 years;
- Technical equipment and machinery 2-40 years;
- Means of transportation 5-27 years;

- Other property, plant and equipment 3-20 years.

The useful life periods may not be longer than the useful life of the mine.

Land is not depreciated.

Depreciation begins when a property, plant and equipment item is available for use. Depreciation is discontinued on the earlier of the following dates: when the property, plant and equipment item is classified as held for sale (or included in the group classified as held for sale) in accordance with IFRS 5 "Non-Current Assets Held For Sale And Discontinued Operations" or removed from the accounting records as a result of its liquidation, sale or retirement.

Depreciation charges are calculated based on the initial value of property, plant and equipment minus their estimated final value.

Certain significant component parts of property, plant and equipment (components) the useful life of which differs from the useful life of the whole property, plant and equipment item and the purchase price (manufacturing cost) of which is significant as compared to the purchase price (manufacturing cost) of the whole property, plant and equipment item are depreciated separately, using the depreciation rates reflecting the expected period of their use.

The correct application of depreciation periods and rates and the final value are subject to verification annually (in the fourth quarter) in order to make appropriate adjustments to depreciation rates in the subsequent financial years.

If the book value of a given property, plant and equipment item exceeds its estimated recoverable value then its book value is subject to an impairment charge down to the amount of its recoverable value. The principles for making impairment charges are described in Note 2.6.

Profits and losses on the sale of property, plant and equipment are determined by comparing proceeds on the sale with their book value and recognized in the financial result as other net profits/losses item.

The property, plant and equipment that is being built or installed is measured at purchase price or manufacturing cost minus any impairment charges and are not depreciated until the building process is completed.

2.3.1. Expensable mining pits

Upon initial recognition, mine workings that are used to access operational mining pits, i.e. expensable mining pits, are measured at the accumulated cost incurred to build them, minus the value of coal mined during their construction measured at the normative production cost of the mined coal. Capitalized cost of expensable mining pits (which are classified as prepayments and accruals) are presented in the financial statements as a separate item of property, plant and equipment. The expenditures for expensable mining pits are settled pro rata to the production of coal in respective wall areas. This is presented as depreciation in the financial result.

2.4. Investment property

Investment property includes property that is held to earn rentals or for value appreciation or both and property that is being constructed or developed for future use as investment property.

Investment property does not include any facilities that are used in the production or supply of goods or services or for administrative purposes and property held for sale in the ordinary course of business.

Investment property is initially measured at purchase cost or manufacturing cost, including the costs of transaction and external financing. External financing costs incurred for the construction or production of investment property are capitalized as part of the manufacturing cost. External financing costs are capitalized in the period when the purchase transaction was completed or in the property construction period until the construction is completed and adapted for use.

After initial recognition, the Company measures all investment property according to the purchase price or manufacturing cost model.

Investment properties are depreciated using the straight-line method over their useful life, taking their residual value into account. The estimated useful life of investment property is the same as for property, plant and equipment.

In a situation where the use of any property changes, as evidenced by the property being adapted for sale, the investment property is transferred to the inventories item. If the company decides to sell the property before it is adapted then it will treats the property as investment property until it is removed from the accounting ledgers. Therefore, it is never classified in inventories.

Investment properties are removed from the ledgers when sold or withdrawn from use permanently, provided that no benefits from its disposal are expected in the future.

2.5. Intangible assets

(a) Geological information

The right to use geological information is capitalized at the amount of expenses incurred to purchase it. The capitalized expenses are written off throughout the estimated useful life of information. The estimated useful life of geological information is from 11 to 65 years.

b) Perpetual usufruct right

The Company recognizes the perpetual usufruct rights acquired against payment as intangible assets and amortizes them throughout the period for which such right had been granted. Perpetual usufruct rights acquired gratuitously are recorded in off-balance sheet records, at the value specified in the administrative decision about the perpetual usufruct fee.

c) Software

Purchased software licenses are capitalized at the amount of expenses incurred for the purchase and preparation for use of specific computer software. The capitalized costs are written off throughout the estimated useful life of the software, which is 3 to 8 years.

2.6. Impairment of non-financial assets

Assets with unspecified useful lives, such as goodwill, are not depreciated but tested for impairment on an annual basis. The assets that are subject to depreciation and amortization are analyzed for impairment any time any events or changes in circumstances indicate that their book value may not be realized.

Impairment loss is recognized at the surplus of the asset's book value over its recoverable value. Recoverable value is the higher of: fair value of the assets minus the cost of sale, or usable value.

For the purpose of the impairment analysis, assets are grouped at the lowest level where there are identifiable separate cash flows (cash flow centers). Impairment tests of property, plant and equipment components are conducted based on the principle that a mine or another subsidiary company constitutes the smallest group of assets.

If an impairment test shows that the recoverable value of an asset component is lower than its book value then a revaluation charge is made at the amount of the difference between the recoverable value and the book value of the asset component.

The revaluation charge associated with impairment of the cash flow center to which goodwill had been allocated is allocated first of all to goodwill and then to other assets in the cash flow center, pro rata to the percentage of the asset's book value in the value of the entire cash flow center.

The impairment charge is recognized instantly in the financial result.

After the revaluation charge associated with impairment is recognized the depreciation charge for the asset is adjusted.

Non-financial assets other than goodwill, impairment of which had been found earlier, are evaluated as at every end date of the financial period for the occurrence of premises indicating that the impairment charge may be reversed.

A reversal of an asset impairment charge is recognized instantly as other income in the financial result.

2.7. Investments in subsidiaries, associates and joint ventures

In the financial statements, investments in subsidiaries, jointly controlled entities and associates which are not classified as held for trading (or not included in a group classified as held for trading) are recognized at purchase price minus impairment charges.

2.8. Financial assets

2.8.1. Classification – financial instruments

The Management Board determines the classification of its financial assets upon their initial capture. The classification is based on the purpose of acquiring the financial assets. The classification of derivatives depends on their purpose and whether the requirements for the use of hedge accounting as specified in IAS 39 have been met. Derivatives are divided into hedging derivatives and derivatives at fair value through profit or loss.

The following rules for classification of financial instruments into respective categories have been adopted:

(a) Financial assets carried at fair value through profit or loss

This category includes financial assets held for trading. An asset is classified in this category if it was purchased with the main purpose of being sold in a short period. This category also includes derivatives, provided that they are not subject to hedge accounting. Assets from this category are classified as current assets.

(b) Loans and receivables

Loans and receivables include financial assets with determined or determinable payments, not listed on an active market, which are not classified as derivative instruments. They are classified as current assets unless their maturity exceeds 12 months from the end-date of the financial year (otherwise they are classified as non-current assets). The "Loans and receivables" category includes trade receivables and other receivables and cash and cash equivalents.

(c) Financial assets held to maturity

Investments held to maturity include financial assets except for derivatives, with determined or determinable payments and with a specified maturity, for which the Company has a positive intention and ability to hold to maturity, except for assets classified by the Company as assets at fair value through profit or loss or designated by the Company as available for sale or those that satisfy the definition of loans and receivables.

(d) Financial assets available for sale

Financial assets available for sale are non-financial derivatives designated for this category or those that are not classified in any of the other categories. They are classified as non-current assets, provided that the Management Board has no intention of selling them within 12 months of the final day of the reporting period.

2.8.2. Recognition and measurement

Regular financial asset purchase and sale transactions are recognized as at the date of the transaction, i.e. the date on which JSW S.A. undertakes to purchase or sell the respective asset. As at the day of concluding the transaction, financial instruments are carried at fair value, increased by transaction costs which are directly ascribed to purchase or issue of the financial asset or financial liability, excluding financial assets and liabilities carried at fair value through profit or loss, which are initially carried at fair value.

After initial recognition, financial assets measured at fair value through profit or loss and financial assets available for sale are carried at fair value. Loans and receivables and financial assets held to maturity are measured at amortized cost using the effective interest rate method. Unlisted financial instruments included in the available for sale category, for which it is not possible to reliably determine the fair value, are carried at cost, i.e. the purchase price.

Financial assets are excluded from the accounting ledgers when the rights to obtain cash flows from them have expired or have been transferred and the Company transferred principally all risk and all benefits following from their ownership. If there is no transfer of principally all risk and all benefits following from the ownership of an asset, then the asset is derecognized when JSW S.A. loses control over it.

2.8.3. Impairment

On every final day of a reporting period, JSW S.A. evaluates whether there are objective proofs that the financial asset or group of financial assets has been impaired. A financial asset or a group of financial assets is considered to have been impaired and loss on the impairment is considered to have been incurred only if there exist objective proofs indicating impairment resulting from one or more events that have taken place after the initial capture of the asset (the ‘loss-causing event’) and the loss-causing event(s) has influenced the expected future cash flows resulting from the financial asset or the group of financial assets whose reliable estimation is possible.

(a) Assets measured at amortized cost, including trade receivables and other receivables of financial nature

The amount of loss is defined as the difference between the carrying value of an asset and the current value of estimate future cash flows (excluding future credit losses that have not been incurred so far) discounted according to the original effective interest rate for the respective financial asset. The carrying value of the asset is reduced and the amount of the impairment charge is recognized in the financial result. If a loan or investment is held to maturity, it bears interest at the variable interest rate; the discount rate for the purpose of determining the amount of the impairment loss is the current effective interest rate envisaged in the agreement. As a practical solution, the Company may verify impairment on the basis of the fair value of the instrument determined using the observable market price.

If, at a later date, the amount of the impairment loss decreases, and such decrease can be objectively tied to an event that took place after showing the impairment, the previously recognized impairment loss is reversed in the financial result.

(b) Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment charges are not reversed.

(c) Assets classified as available for sale

If there are premises for impairment of financial assets available for sale in the case of which the decrease of the fair value was recognized in other comprehensive income, then the cumulative losses – defined as the difference between the

purchase price and the current fair value minus all impairment losses of such assets, previously recognized in the financial result – are subject to reclassification from equity to profit or loss, as an adjustment resulting from reclassification.

Equity instrument impairment losses are not reversed in the financial result. If at a later date the fair value of a debt instrument classified as available for sale increases and the increase can be objectively attributed to an event that took place after showing the impairment loss in the financial result, the impairment charge is reversed also in the financial result.

2.9. Derivatives

Derivatives are carried at fair value as at the date of concluding the contract and then revalued to fair value as at each final day of the reporting period. Derivatives are shown as assets when their value is positive and as liabilities when their value is negative, and the profit or loss from their valuation is shown immediately in the financial result. The instruments are presented as fixed assets or long-term liabilities if the period remaining to maturity of the instrument exceeds 12 months and it is not expected that it will be realized or settled within the next 12 months. Other derivatives are shown as current assets or short-term liabilities.

2.10. Inventories

Inventories are shown at purchase price or production cost which, however, is not higher than net sales prices. The value of material and merchandise consumption is determined using the "first in first out" (FIFO) method. The consumption of finished goods is determined using the weighted average method. The cost of finished goods and production in progress comprises direct labor, auxiliary materials, other direct costs and pertinent general production costs (based on normal production capacity). The net sales price is the estimate sales price in normal course of business, minus pertinent variable costs of sales.

2.11. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits in banks, other short-term investments with high liquidity and original maturity up to 3 months. Current account overdraft is presented in the cash flow statement as a component of the financial cash flows.

According to the provisions of the Geological and Mining Law Act and the Minister of Economy's Regulation on the principles of establishing and managing a mining plant decomissioning fund, the Company is obligated to accumulate funds on a separate bank account of the Mining Plant Decomissioning Fund *(Fundusz Likwidacji Zakładów Górniczych – FLZG)*, which may be expended solely and exclusively to finance a total or partial decomissioning of a mining plant Cash and cash equivalents of the Mining Plant Decomissioning Fund, due to restrictions on their disposal, are presented in the statement of financial position as long-term financial assets, regardless of their maturity.

2.12. Share capital

Ordinary shares are classified as share capital. The share capital is recognized in the amount specified in the articles of association and registered in the court register of the parent company, taking into account an adjustment for hyperinflation of the part of the share capital which comes from before 31 December 1996.

The costs incurred directly in connection with the issue of new shares and options are presented in the equity as decrease, after tax, of proceeds from the issue.

2.13. Trade liabilities and other liabilities

Liabilities are the current obligation of the Company, resulting from past events, whose fulfillment, according to expectations, will cause outflow from the Company of resources comprising future economic benefits.

Short-term liabilities comprise trade liabilities and other liabilities maturing within 12 months of the final day of the reporting period. Initially liabilities are recognized at fair value, but this measurement corresponds to the required payment amount or the amount of the liability and, in later periods, financial liabilities are shown at amortized cost, using the effective interest rate method (for trade liabilities this corresponds to the required payment amount), while other non-financial liabilities at the required payment amount.

Long-term liabilities are initially recognized at fair value minus the transaction costs incurred, and in the next periods are shown at amortized cost, using the effective interest rate method.

Increase (decrease) of a liability in connection with elapse of time, is recognized as financial expense (income).

2.14. Loans and borrowings

Loans and borrowings are recognized initially at fair value minus the transaction costs incurred. Loans and borrowings are then presented at adjusted purchase price (amortized cost). Any and all differences between the received amount (minus transaction costs) and the redemption amount are recognized using the effective interest rate method in the financial result throughout the term of pertinent agreements.

2.15. Current and deferred income tax

Income tax for the reporting period comprises current tax and deferred tax. The tax is recognized in the financial result, excluding the extent to which it applies directly to items recognized in other comprehensive income or equity. In this case the tax is also recognized respectively in other comprehensive income or equity. The current income tax liability is calculated on the basis of the applicable tax regulations. The Management Board periodically reviews the calculation of tax liabilities with reference to situations in which pertinent tax regulations are subject to interpretation, creating provisions, if any, for the amounts due to tax authorities.

The deferred income tax liability resulting from temporary differences between the tax value of assets and liabilities and their carrying value in the financial statements – is recognized in the full amount, using the balance sheet method. However, if the deferred income tax results from original recognition of an asset or liability in a transaction other than combination of business entities, which does not influence the financial result or the income tax (tax loss) it is not presented. Deferred income tax is determined using tax rates (and regulations) actually or legally applicable as at the final day of the reporting period which, pursuant to expectations, will prevail at the time of realization of pertinent deferred income tax assets or settlement of the deferred tax liability.

Deferred income tax assets are recognized if it is probable that in the future taxable income will be generated which will make it possible to use the temporary differences.

A deferred income tax liability resulting from temporary differences resulting from investments in subsidiaries and associates is recognized unless the timing of the reversal of temporary differences is controlled by the Company and it is probable that in the foreseeable future these differences will not be reversed.

Deferred income tax assets and liabilities are subject to compensation if there is an enforceable legal title for the compensation of current income tax assets with the current income tax liabilities and if the deferred income tax assets and liabilities pertain to income taxes accrued by the same tax authorities from the entity subject to taxation or other entities subject to taxation if there is an intention and possibility to settle the accounts in net amounts.

2.16. Employee benefits

Pursuant to Company Collective Bargaining Agreements (ZUZP) and pertinent provisions of law, the Company pays benefits from the following main titles:

a) retirement and disability severance pays,
b) jubilee awards
c) adjustment disability benefits,
d) write-offs for the Company Social Benefit Fund for pensioners and recipients of disability benefits
e) in-kind allowance of coal for pensioners and recipients of disability benefits,
f) death benefits.

JSW S.A. recognizes in the statement of financial position disbursements of the above benefits at the present value of the liability as at the final day of the reporting period.

The amount of the post-employment benefit liability in the form of defined benefit plans (retirement and disability severance pays, adjustment disability benefits, write-offs for the Company Social Benefit Fund for pensioners and recipients of disability benefits, in-kind allowance of coal for pensioners and recipients of disability benefits) and other long-term employee benefits (jubilee awards) is calculated by an independent actuarial advisory company using the projected unit benefit method.

Liabilities on account of employee benefits are calculated using an individual method, for each employee separately. The liability for an employee is calculated based on the anticipated amount of the respective benefit that the Company undertakes to pay out on the basis of internal regulations and pertinent provisions of law. The amount calculated is subject to actuarial discounting as at the final day of the reporting period and then decreased by actuarially discounted amounts of annual provision charges, as at the same day, which the Company makes to increase the provision of the respective employee. The actuarial discount means the product of the financial discount and probability of survival of the respective employee as a JSW S.A. employee until the time of receipt of the benefit.

The cost components of the post-employment defined benefits are classified as follows:

- costs of current employment – as operating expenses,
- net interest on the net liability derived from a changing value of provisions due to the passage of time – as financial costs,
- actuarial profit/loss resulting from changes in actuarial assumptions – as other comprehensive income.

On the other hand, with respect to other long-term employee benefits, current employment costs and actuarial profits/losses are recognized as operating expenses, while net interest as financial costs.

The provision for death benefits is calculated on the basis of historical data, using the discount rate recommended by the actuary and the expected inflation rate and statistical number of years remaining to be worked by JSW S.A. employees, constituting the difference between the average retirement age of the Company's employees and the average age of the employees as at the final day of the reporting period.

2.17. Provisions

Provisions are recognized if the Company has a legal or customary obligation following from past events and is probable that fulfillment of the obligation will cause the necessity to pay out funds comprising economic benefits and payment amount has been reliably estimated.

JSW S.A. establishes provisions, in particular for:

(a) Decommissioning of a mining plant

The provision for future costs associated with decommissioning of a mining plant is established, inter alia, on the basis of the obligations following from the Geological and Mining Law imposing on mining enterprises an obligation to decommission mining plants upon completion of operation, in the amount of anticipated costs associated with:

- securing or decommissioning of mining workings and facilities and mining plant equipment;
- securing the unused part of the mineral deposit;
- securing the neighboring mineral deposits;
- securing the workings of neighboring mining plants;
- undertaking necessary measures to protect the environment and reclaim the land and develop the sites left after mining operations.

The provision amounts are presented in the present value of the expenditures which are expected to be required to fulfill the obligation. The interest rate before tax is then used, which reflects the current assessment of the market regarding the value of money over time and the risk associated specifically with the given liability. The initial estimation of the provision for decommissioning of a mining plant increases the value of property, plant and equipment (Note 2.3). Increase of the provisions associated with elapse of time is recognized as interest expenses. Changes in the amount of the provisions associated with updating the estimates pertaining to them (discount rate, inflation rate, expected nominal value of liquidation expenditures) are recognized as an adjustment correction of the value of fixed assets subject to the liquidation obligation.

(b) mining damages

The provision for removing mining damages is calculated based on a reliable estimation of cost of repairing the facilities, structures and compensation being the effect of the mining operations or protective measures taken by the Company against the effects of mining operations on the areas covered by the concessions. The starting point for recognition of the provision are the impacts of mining operations, resulting from execution of mine operation plans, identified on the surface. The provision is presented as the present value of expenditures required to fulfill this obligation.

(c) other reserves

The provision for environment reclamation, property tax, legal claims, warranty repairs et al. is recognized when the Company has the legal or customary obligation resulting from past events and it is probable that fulfillment of the obligation will cause the necessity to pay out funds, and its size has been reliably estimated. Provisions are not created for future operating losses.

The balance of provisions is verified as at each final day of the reporting period and is adjusted to reflect the current, most appropriate estimate.

2.18. Subsidies

Subsidies are not recognized until obtaining reasonable certainty that the Company will satisfy the required conditions and receives such subsidies.

Subsidies which involve a principal condition that the Company acquires or develops fixed assets, are recognized in the statement of financial position in the deferred income line item and charged to the financial result systematically throughout the anticipate economic life of such assets.

Other subsidies are systematically recognized in revenues, over a period required to compensate the costs which such subsidies were intended to compensate. Subsidies due as compensation of costs or losses already incurred or as a form of direct financial support for the Company without incurring future costs, are recognized in the financial result over the period in which they are due.

2.19. Contingent items

Contingent assets are formed as a result of past events or events whose existence will be confirmed only at the time of occurrence or non-occurrence of one or more uncertain future events which are not fully in the company's control, or They are assessed on an ongoing basis to make sure that they are properly reflected in the financial statements. If the impact of economic benefits becomes certain then this asset component is carried through revenues and recognized in the financial statements for the period in which the change occurred. Contingent assets are not recognized in the statement of financial position but disclosed in notes.

A contingent liability is:

- a possible obligation that results from past events, whose existence will be confirmed only at the time of occurrence or non-occurrence of one or more uncertain future events which are not fully in the Company's control, or
- a current obligation which results from past events but is not recognized in the report because it is not probable that it will be necessary to spend funds comprising economic benefits to satisfy the obligation or the amount of the obligation (liability) cannot be sufficiently reliably valuated.

Contingent liabilities are not recognized in the statement of financial position but are disclosed in the notes, unless the probability of disbursement of funds embodying economic benefits is low.

2.20. Revenues

Revenues on sales are shown at fair value of the received or due payment on account of sale of products, merchandise, materials or services in the ordinary course of the Company's operations, taking into account the rebates granted and other sales price reductions.

The Company recognizes revenues when the amount of the revenues can be reliably determined, the costs incurred to obtain the revenues can be reliably measured when the Company transferred to the buyer significant risk and benefits resulting from the ownership rights and when it is probable that the Company will obtain economic benefits in the future. It is recognized that the value of revenues cannot be reliably measured until all contingent events associated with the sale are clarified. JSW S.A. bases its estimates on historical results, taking into account the customer type, transaction type and details of specific agreements.

(a) Revenues on the sales of products, merchandise and materials

Revenues on the sales of products, merchandise and materials are recognized upon delivery of the products by the Company to the recipient. Delivery takes place at the time of transferring significant risk and benefits resulting from the ownership rights to the products, merchandise and materials to the buyer, pursuant to the terms and conditions of the deliveries set forth in the sales agreements. Revenues on sales are presented on the basis of the prices specified in sales agreements, after reduction by estimate rebates and other sales decreases.

(b) Revenues on the sale of services

Revenues on the sale of services are recognized if a service has been provided as at the date ending the reporting period.

(c) Interest income

Interest income is recognized pro rata to the elapse of time, using the effective interest rate method. Interest income on granted loans which have been impaired are recognized according to the original effective interest rate in the remaining income.

(d) Dividend income

Dividend income is recognized at the time of determining the shareholders' rights to receive the dividends and is presented in other income.

2.21. Costs

Costs are construed as probable decreases, in the reporting period, in economic benefits with a reliably determined value in the form of a decrease in the value of assets or an increase in the value of liabilities and reserves which will lead to a decrease in equity or an increase in a shortage of equity in a manner different than a withdrawal of funds made by the shareholders or owners.

Costs are recognized in the statement of comprehensive income on the basis of the direct relation between the costs incurred and the specific income earned, i.e. using the commensurability principle, through the prepayments and accruals and deferred income account.
JSW S.A. keeps full records of costs, i.e. the costs are captured by type and by business segments. The Company presents a division of costs captured in the financial result by function of expenditure.

2.22. Cost of external funding

The cost of external funding, which includes interest on incurred liabilities and FX differences resulting from loans and borrowings in foreign currencies to the extent to which they are recognized as adjustment of the interest expense which can be directly ascribed to acquisition, construction or production of an adjusted asset, are capitalized as part of the purchase price or production cost of such asset. The amount of costs of external funding subject to capitalization is determined pursuant to IAS 23.

2.23. Lease

A lease in which a significant portion of risk and benefits derived from the ownership title remain with the lessor (financing party) constitutes an operating lease. Leasing fees paid under operating lease, after reduction by special promotional offers, if any, obtained from the lessor (financing party) are charged to costs using the straight-line method throughout the term of the lease.

Operating lease comprises also the right of perpetual usufruct of land. The purchase price paid for the possibility using this right is amortized over the term of the lease in line with the timing of drawing benefits from such right. The right of perpetual usufruct of land is recognized in the intangible assets line item.

A lease in which all the risks and benefits derived from the possession of a leased item (asset) are transferred, even though the legal title to the asset may but does not have to be ultimately transferred – is classified as a financial lease.

The subject matter of a financial lease is recognized in assets on the lease commencement date, at the lower of the two amounts: the fair value of the leased item or the present value of the minimum leasing fees. The present value of the minimum leasing fees is recorded as liabilities on account of financial lease, divided into a short-term part (payable within 1 year) and a long-term part (payable in over 1 year). When calculating the present value of the minimum leasing fees, the discount rate used is the lease interest rate, provided it can be determined. Otherwise, the lessee's marginal interest rate is used. All of the lessee's initial direct costs are added to the amount recognized as an asset component.

The minimum leasing fees are divided between financial costs and reduction of the liability on account of leases. Financial costs are settled over the individual periods covered by the term of the lease, to obtain a fixed interest rate for the outstanding balance of liabilities. Conditional leasing fees are recognized as costs in the period in which they are incurred.

Depreciable assets acquired under financial leases are depreciated over the useful lives of the assets if the agreement envisages transfer of the ownership title to the leased item to the lessee. If the agreement does not envisage ultimate transfer of the leased item to the lessee the asset is amortized over the term of the lease.

2.24. Dividend payment

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

3. Financial risk management

3.1. Financial risk factors

The business conducted by the Company exposes it to the following financial risks: market risk (including: price risk, foreign exchange risk and cash flow risk related to changes in interest rates), credit risk and liquidity risk.

Financial risk management is performed at the Management Board level. The Company has departments that monitor its exposure to various kinds of financial risk.

(a) Price risk

The Company has no material investments in capital securities classified in the statement of financial position as available for sale or carried at fair value through profit or loss and therefore is not exposed to price risk related to changes in the prices of such investments.

(b) Foreign exchange risk

The Company is exposed to significant foreign exchange risk due to its foreign currency exposure which may affect the amounts of future cash flows and the financial result.

The overriding objective of the Company's policy is to mitigate as much as possible the Company's FX risk arising from its foreign currency exposure and which results from the uncertainty as to the level of future cash flows and financial result due to changes of the exchange rate. The Company is exposed to a significant foreign exchange risk associated with the sales of products to domestic and international markets. In 2012, in order to mitigate the foreign exchange risk, JSW S.A. concluded FX forward transactions. The Company also makes small purchases of materials, services or investment assets in foreign currencies. This naturally mitigates some foreign exchange risk resulting from product sales transactions.

The Company does not apply hedge accounting.

Potential impact of an increase in the EUR/PLN exchange rate on net profit:

	31 Dec 2012	31 Dec 2011
% change	5%	5%
Change in the value of financial assets:	11.2	3.5
Change in the value of financial liabilities	(7.5)	(9.8)
Impact on pre-tax profit	3.7	(6.3)
Tax effect	(0.7)	1.2
Impact on net profit	**3.0**	**(5.1)**

Potential impact of a decrease in the EUR/PLN exchange rate on net profit:

	31 Dec 2012	31 Dec 2011
% change	(5%)	(5)%
Change in the value of financial assets:	(11.2)	(3.5)
Change in the value of financial liabilities	7.5	9.8
Impact on pre-tax profit	(3.7)	6.3
Tax effect	0.7	(1.2)
Impact on net profit	**(3.0)**	**5.1**

Changes in exchange rates of currencies other than EUR do not have a material impact on JSW S.A.'s net profit.

(c) Cash flow volatility risk caused by changes in interest rates

The Company is exposed to the risk of changing cash flows caused by changing interest rates. This risk entails mainly a possible increase in the loan interest rate if the available credit facility is used and lower income from bank deposits and extended loans, interest on which is based on floating interest rates. In 2012, JSW S.A. did not use any external funding, but it had free cash invested in financial assets bearing interest at floating and fixed interest rates. Accordingly, the risk of changing cash flows is related to the change of interest rates on cash held.

The Company does not use derivatives to hedge against interest rate risk. However in 2012, in order to minimize the adverse effect of the declining interest rates on the Company's performance, action was taken to maintain income on term deposits, i.e. before the announced interest rate decrease, term deposits maturing in over 3 months were concluded which may be terminated without waiving any interest.

In 2012, the Company acquired registered variable rate cash bonds issued by Spółka Energetyczna Jastrzębie S.A. ("SEJ"), as described in Note 15. Moreover, the Company granted a floating rate loan to a subsidiary "Advicom" Sp. z o.o., which is described in Note 11.

The tables below present the potential impact of a +/- 50 basis point change in interest rates on net profit.

The impact of an interest rate increase on net profit:

	31 Dec 2012	31 Dec 2011
Volatility (+/-) in basis points	50bp	50bp
Change in the value of financial assets:	12.9	13.7
Change in the value of financial liabilities	-	-
Impact on pre-tax profit	12.9	13.7
Tax effect	(2.5)	(2.6)
Impact on net profit	**10.4**	**11.1**

Impact of an interest rate decrease on net profit:

	31 Dec 2012	31 Dec 2011
Volatility (+/-) in basis points	(50)bp	(50)bp
Change in the value of financial assets:	(12.9)	(13.7)
Change in the value of financial liabilities	-	-
Impact on pre-tax profit	(12.9)	(13.7)
Tax effect	2.5	2.6
Impact on net profit	**(10.4)**	**(11.1)**

(d) Credit risk

Credit risk at JSW S.A. is concentrated in the following areas:

- trade receivables,
- cash and bank deposits,
- derivatives,
- debt securities and loans granted.

Credit risk identified in trade receivables is related to their concentration and timely service. Compared to the most recent annual financial statements, there were changes in credit risk linked to receivables following from the introduction of a new

coke sales policy, i.e. credit risk shifts from related entities (coking plants and Polski Koks S.A.) directly to JSW S.A. This change however did not cause any significant concentration of receivables. The ArcelorMittal Group and companies controlled by the State Treasury remain the principal buyers, responsible for respectively 31.55% and 11.33% of receivables as at 30 September 2011.

Structure of trade receivables by customers, 2011-2012

	31 Dec 2012	**31 Dec 2011**
ArcelorMittal Group	31.55%	28.21%
Companies controlled by the State Treasury	11.33%	20.01%
Related entities	28.17%	35.76%
Other entities	28.95%	16.02%

In order to mitigate the risk of uncollectible receivables, the following security interest is established:

- blank promissory notes,
- sureties extended by companies with a strong position on the market.

In the case of new customers or customers with an uncertain financial position, JSW S.A. makes the sale after the business partner has made a prepayment. In the case of some buyers using commercial credit, their trade receivables are covered by trade receivables insurance from insurance companies. The Company does not require any security interest from buyers with a strong market position, considering the strategic nature of the cooperation and the ability to assess their financial documents. Taking into account the above security interest and the history of cooperation, the risk of uncollectible receivables is deemed to be very low. As at 31 December 2012, the insurance covered 12.1% of JSW S.A.'s trade receivables; additionally, 31.6% receivables were secured through one of the aforementioned contractual securities.

In order to minimize the risk associated with investing its financial resources, the Company reduced the number of financial institutions with which it cooperates to solely banks with an established market position. The banks selected for cooperation are evaluated on the basis of their equity value, investment ratings and solvency ratio. Based on those parameters, the maximum concentration limits are set in order to diversify the risk associated with the deposited funds. Within the framework of the concentration limits, the funds are deposited in those banks that offer the highest interest rates. The process of depositing available funds is monitored.

Concentration of financial resources in banks:

Bank	**Rating**	**Rating organization**	**31 Dec 2012**	**31 Dec 2011**
A	A2	Moody's	22.4%	13.8%
B	Baa2	Moody's	21.1%	0.0%
C	A2	Moody's	16.0%	15.9%
D*	A2	Moody`s	14.8%	23.8%
E*	Aa2	Moody`s	13.4%	23.0%
F	Baa1	Moody`s	6.8%	1.2%
G	Baa1	Moody`s	3.1%	12.6%
Others	-	-	2.4%	9.7%

* *100% shareholder's rating*
Concentration limits take into account the funds originating from the Mining Plant Decomissioning Fund.
Rating awarded solely on the basis of publicly available information about the bank

In 2012, the Company acquired registered variable rate cash bonds issued by Spółka Energetyczna Jastrzębie S.A. (“”SEJ”), as described in Note 15. Moreover, the Company granted a floating rate loan to a subsidiary “Advicom” Sp. z o.o., which is described in Note 11.

The Management Board of the Company does not see any risk associated with the settlement of the above amounts.

According to the Company's assessment, the maximum exposure to credit risk on the final day of the reporting period is the full book value of trade receivables without the fair value of security accepted, cash and cash equivalents and financial assets in the form of bank term deposits.

(e) Liquidity risk

Prudent management of liquidity risk requires the Company, among others, to maintain an appropriate level of cash and an available credit facility. The Company regularly forecasts and monitors liquidity based on expected cash flows.

JSW S.A. has an active overdraft facility limit of PLN 40 million in ING Bank Śląski. In 2012, the Company incurred no costs associated with the utilization of this facility.

Taking into account the Company's accumulated financial reserves and the level of liabilities, we may assume that the risk of losing financial liquidity is slight.

The table below contains an analysis of the Company's financial liabilities in respective age groups, distributed according to time to contractual maturity on the final day of the reporting period. The amounts presented in the table represent undiscounted contractual cash flows. The balance to be repaid within 12 months is posted at book values, since the impact of discounting is not significant.

	Under .	From 1 up to 2 years	From 2 up to 5 years	Above 5 years	Total
As at 31 Dec 2011					
Trade liabilities and other financial liabilities	882.0	18.6	3.3	-	903.9
Financial derivatives (gross settled)	183.9	-	-	-	183.9
Total	**1,065.9**	**18.6**	**3.3**	**-**	**1,087.8**
As at 31 Dec 2012					
Trade liabilities and other financial liabilities	985.8	6.3	6.1	5.9	1,004.1
Financial derivatives (gross settled)	149.9	-	-	-	149.9
Total	**1,135.7**	**6.3**	**6.1**	**5.9**	**1,154.0**

3.2. Capital risk management

The key objective of capital risk management is to safeguard the Company's ability to continue as a going concern and carry out the planned investment projects, while increasing the Company's shareholder value.

In 2012, the level of short-term external financing is lower than the value of the Company's liquid financial resources (cash and cash equivalents). Accordingly, the Management Board considers equity as the capital employed to finance the Company's operations.

3.3. Estimation of fair value

Financial instruments carried at fair value in the statement of financial position are analyzed for valuation procedures. The hierarchy of valuation procedures has been defined as follows:

- Listed (unadjusted) prices from active markets for identical assets or liabilities (Level 1).
- Input data other than the listings covered by this level which may be determined or observed for an asset or liability item directly (i.e. in the form of price) or indirectly (i.e. through calculations based on prices) (level 2).

- Input data for the valuation of assets or liabilities, which are not based on the observable market data (i.e. data which cannot be observed) (level 3).

As at 31 December 2012 and 31 December 2011, the only financial instruments carried at fair value in the Company were financial derivatives. With respect to valuation procedures, they are classified as level 2 in the above hierarchy.

Company's financial assets and liabilities carried at fair value:

	31 Dec 2012	**31 Dec 2011**
	Level 2	**Level 2**
Financial assets – financial derivatives	3.9	3.2
Financial liabilities – financial derivatives	0.1	-

The fair value of financial instruments which are not traded on active markets exists is measured by using adequate valuation techniques. Such valuation techniques optimize the use of observable market data where they are available and rely to the smallest possible extent on the entity-specific estimations. Where all the significant data used for measurement at fair value are observable, the financial instrument is classified as level 2. This group includes financial derivatives.

4. Significant accounting estimations and judgments

These result from the past experience and other factors, including anticipated future events that seem reasonable in the current situation. Accounting estimations and judgments are subject to regular evaluation.

Estimations

The Company makes estimations and adopts assumptions concerning the future. By definition, the resulting accounting estimations will rarely match the actual performance. The estimations and assumptions which carry a significant risk of making significant adjustment of the book value of assets and liabilities during the next financial year are discussed below.

Estimating the provision for mining plant decommissioning costs

The Company establishes a provision for mining plant decommissioning costs, which it is obligated to do by the applicable provisions of law. The main assumptions made when determining the cost of mine decommissioning include the assumptions with regards to the life of a mine, anticipated inflation and long-term discounting rates and the expected nominal cost of decomissioning the respective mining plants, which are determined inside the Company. Any changes to these assumptions affect the book value of the provision.

a) Assumptions of the life of a mine:

Based on the concessions held for the mining of black coal and methane as a concomitant mineral, the size of the documented resource base of the mines according to an official evaluation of the resources and forecasts of the mining capacity of the mines, the following periods for conducting production activities by particular mining facilities within the organizational structure of the Company are anticipated:

	According to the status	
	as at 31 Dec 2012	**as at 31 Dec 2011**
Zakład Górniczy KWK "Borynia-Zofiówka" Mining Plant		
– "Borynia" Section	till 31.12.2030	till 31.12.2030
– "Zofiówka" Section	till 31.12.2051	till 31.12.2051
Zakład Górniczy KWK "Budryk" Mining Plant	till 31.12.2077	till 31.12.2077
Zakład Górniczy KWK "Jas-Mos" Mining Plant	till 31.12.2022	till 31.12.2022
Zakład Górniczy KWK "Krupiński" Mining Plant	till 31.12.2030	till 31.12.2030
Zakład Górniczy KWK "Pniówek" Mining Plant	till 31.12.2051	till 31.12.2051

* *On 1 January 2013, KWK "Borynia-Zofiówka" and KWK "Jas-Mos" were combined into the "Borynia-Zofiówka-Jastrzębie" Mine with its registered office in Jastrzębie-Zdrój which took over all rights and obligations of the "Borynia-Zofiówka" and "Jas-Mos" Mines.*

The Management Board believes that development of new deposits or parts of new deposits or development of mined deposits on greater depths may extend the lives of mines mentioned above.

b) Other significant assumptions relating to the calculation of the mining plant decomissioning costs:

	2012	**2011**
Inflation rate	2.7%	2.5%
Nominal discount rate	4.5%	5.75%

If the discount rates used were 0.5% points lower than the Management Board's estimates then the book value of the provision for mining plant decomissioning costs would be PLN 48.1 million more and if the discount rates used were 0.5% points higher then the book value of the reserve would be PLN 40.1 million less.

Estimations of coal resources

Coal resources are the estimated volumes of coal which may be extracted legally and in an economically-justified manner from the mining areas where the Company operates. JSW S.A. estimates the size of the resources based on information prepared by properly qualified persons pertaining to the geological data about the size, depth and shape of the resources. Interpretation of this information requires complex judgments to be applied. Estimation of coal resources that are suitable for extraction is based on factors such as coal prices, future investment requirements, cost of production and assumptions and judgments regarding the deposit's geological parameters. Any changes in coal resource estimations may affect the anticipated life of mines and thus, indirectly, also the book value of property, plant and equipment, provisions for mining plant decomissioning costs, deferred tax assets and depreciation costs.

Employee benefits

The present value of employee benefit liabilities depends on a number of factors that are determined using actuarial methods, with several assumptions. The assumptions used to determine the provision for and costs of employee benefits include the discount rate assumption. The main assumptions for provisions for employee benefits are disclosed in Note 20. Any changes to these assumptions affect the book value of the provision for employee benefits. If the discount rates used were 0.5% points lower than the Management Board's estimates then the book value of the provision for employee benefits would be PLN 116.5 million more and if the discount rates used were 0.5% points higher then the book value of the reserve would be PLN 106.3 million less.

Property tax on mine workings

After a positive ruling of the Constitutional Tribunal and the judgments of the Voivodship Court of Administration, JSW S.A. estimates the risk of further administrative proceedings in courts, as a result of which some of the property, plant and equipment components located in mine workings may be taxed and revalues the provisions for potential disputes with municipalities as described in Notes 21 and 27.

Any changes in assumptions adopted on the basis of the pending administrative proceedings affect the carrying value of the provision for the disputed property tax and receivables on account of the disputed property tax on underground mine workings. A change in the taxable base by 1% of the total gross value of "capital pits" results in a PLN 3.2 million change in the current provision and a PLN 2.1 revaluation charge to receivables on account of the disputed property tax on underground mine workings.

Mining damages

The provision for removing mining damages is established for reported damages based on a reliable estimation of cost of repairing the facilities, structures and compensation being the effect of the mining operations. The provision is presented as the present value of expenditures necessary to fulfill this obligation. Details are described in Note 21.

Settlement of expensable mining pits

As described in Note 2.3.1, expensable mining pits are settled pro rata to the production of coal in respective wall areas. The length of the settlement period depends on the estimated quantity of coal in the stratum made available as part of the expensable mining pit.

Useful life period of property plant and equipment

The Management determines the estimated useful lives and consequently the depreciation rates for particular property, plant and equipment. This estimate is based on the anticipated period of economic usefulness of those assets. If any circumstances arise that change the anticipated period of use (e.g. technological changes, retirement, etc.), the depreciation rates may change. As a result the value of depreciation charges and net book value of property, plant and equipment will change.

5. Employee share ownership plan

5.1. Employee package for eligible employees

Since JSW S.A. was incorporated as a result of transformation of state-owned enterprises into a joint-stock company, pursuant to the provisions of the Act on Commercialization and Privatization, employees and other eligible persons are entitled to gratuitous receipt of 15% shares of JSW S.A. from the State Treasury. On 6 July 2011, the State Treasury introduced 39,496,196 shares into trading. Starting on 10 October 2011, the Company began to dispose, free of charge, 14,928,603 series A shares with a par value of PLN 5.00 each to eligible employees. The shares received may not be sold for a period of 2 years (or 3 years for Management Board members), starting from 7 July 2011, regardless of the date when the eligible persons actually received the shares ("lock-up").

5.2. Employee package for ineligible employees

On 12 May 2011, the Extraordinary Shareholder Meeting adopted a resolution to issue 3,954,210 series C shares with a par value of PLN 5.00 each. The share capital increase associated with the issue of new series C shares, which was used to distribute shares to ineligible employees of JSW S.A. and related companies, was registered on 19 September 2011. The share capital increase was funded with the reserve capital established by with Resolution no. 4 adopted by the Extraordinary Shareholder Meeting on 12 May 2011 and charged to the reserve capital established from the Company's profit.

According to the provisions of IFRS 2, in 2011 JSW S.A. measured its employee share ownership plan. The difference amount between the par value of the issued series C shares and their fair value, determined on the basis of the Company's market value, was recognized as the surplus of the issue price of the shares over their par value. The effects of the measurement are included in the financial result item "Employee share ownership plan". The plan was fully settled in the year in which it was implemented.

The following table presents the financial effect of the share issue carried out in 2011:

	Share capital	Share premium account	Retained earnings	Financial result
Measurement of the employee share ownership plan	19.8	282.2	(9.0)	(293.0)

On 27 February 2012, the Supervisory Board approved the JSW S.A. Management Board's resolution setting the number of shares earmarked for each group of Ineligible Employees grouped by periods of employment. In effect of the distribution of series C shares among respective employee tenure groups eligible to receive shares in this series, 2,157,886 out of 3,954,210 issued series C shares were designated for gratuitous disposal. Accordingly, there will be 1,796,324 unused series C shares remaining. The Supervisory Board issued a positive opinion on the Management Board's proposal to recommend retirement of 1,796,324 series C shares to the Shareholder Meeting of JSW S.A. On 17 April 2012, the Extraordinary Shareholder Meeting adopted a resolution to retire the surplus shares. The allocation process of series C shares started on 1 March 2012.

6. Property, plant and equipment

	Land	Buildings and structures	Expensable mining pits *	Technical equipment and machinery	Other property, plant and equipment	Property, plant and equipment under construction **	Total
As at 1 January 2011							
Gross value	32.9	2,924.2	633.8	2,853.9	203.3	513.5	7,161.6
Accumulated depreciation ***	-	(835.3)	-	(1,563.4)	(156.6)	-	(2,555.3)
Net book value	32.9	2,088.9	633.8	1,290.5	46.7	513.5	4,606.3
2011							
Net book value at the beginning of the year	32.9	2,088.9	633.8	1,290.5	46.7	513.5	4,606.3
Increases	-	-	288.6	-	-	1,004.0	1,292.6
Transfers from property, plant and equipment under construction	3.7	207.1	-	564.9	51.0	(826.7)	-
Decreases	-	(13.6)	-	(2.1)	-	-	(15.7)
Depreciation	-	(96.4)	(241.1)	(317.4)	(28.2)	-	(683.1)
Revaluation charge	-	-	-	(14.7)	-	-	(14.7)
Net book value	**36.6**	**2,186.0**	**681.3**	**1,521.2**	**69.5**	**690.8**	**5,185.4**
As at 31 Dec 2011							
Gross value	36.6	3,107.4	681.3	3,383.3	238.7	690.8	8,138.1
Accumulated depreciation ***	-	(921.4)	-	(1,862.1)	(169.2)	-	(2,952.7)
Net book value	36.6	2,186.0	681.3	1,521.2	69.5	690.8	5,185.4
2012							
Net book value at the beginning of the year	36.6	2,186.0	681.3	1,521.2	69.5	690.8	5,185.4
Increases	-	9.5	487.2	1.1	-	968.7	1,466.5
Other increases – recalculation of the mining plant decomissioning provision	-	86.7	-	-	-	-	86.7
Transfers from property, plant and equipment under construction	3.7	123.4	-	598.4	39.6	(765.1)	-
Decreases ****	(0.9)	(7.8)	(8.6)	(4.2)	-	(17.0)	(38.5)
Depreciation	-	(99.0)	(304.0)	(369.5)	(30.8)	-	(803.3)
Revaluation charge	-	-	-	(4.3)	-	-	(4.3)
Net book value	**39.4**	**2,298.8**	**855.9**	**1,742.7**	**78.3**	**877.4**	**5,892.5**
As at 31 Dec 2012							
Gross value	39.4	3,267.6	855.9	3,883.3	268.9	877.4	9,192.5
Accumulated depreciation ***	-	(968.8)	-	(2,140.6)	(190.6)	-	(3,300.0)
Net book value	39.4	2,298.8	855.9	1,742.7	78.3	877.4	5,892.5

* Expensable mining pits are settled according to the extraction volumes from respective wall areas. Upon settlement, an expensable mining pit is actually liquidated; therefore, the table does not contain any accumulated depreciation numbers

** The capital expenditures incurred by the Company (except for expenditures for expensable mining pits) are accumulated in the "Property, plant and equipment under construction" item and in the month they are commissioned for use they are transferred to the appropriate type group of property, plant and equipment.

*** This item includes accumulated depreciation and revaluation charges for property, plant and equipment

**** This item also includes reclassification of property, plant and equipment to investment property

As at 31 December 2012, revaluation changes for property, plant and equipment are PLN 10.5 million (PLN 21.7 million as at 31 December 2011). PLN 15.5 million of the revaluation charge was used in the current period.

Establishment and reversal of revaluation charges for property, plant and equipment is captured as other costs/income in the financial result.

As at 31 December 2012, the net book value of property, plant and equipment components securing the repayment of liabilities was PLN 4.2 million (PLN 101.7 million on 31 December 2011). In 2012, a mortgage of PLN 101.7 million securing other liabilities was stricken off the land and mortgage registers.

7. Intangible assets

	Geologic information	Other intangible assets	Total
As at 1 January 2011			
Gross value	23.3	20.6	43.9
Accumulated depreciation	(7.2)	(17.6)	(24.8)
Net book value	16.1	3.0	19.1
2011			
Net book value at the beginning of the year	16.1	3.0	19.1
Increases	-	1.5	1.5
Decreases	-	-	-
Depreciation	(1.4)	(1.3)	(2.7)
Net book value	**14.7**	**3.2**	**17.9**
As at 31 Dec 2011			
Gross value	23.3	21.9	45.2
Accumulated depreciation	(8.6)	(18.7)	(27.3)
Net book value	14.7	3.2	17.9
2012			
Net book value at the beginning of the year	14.7	3.2	17.9
Increases	3.3	0.8	4.1
Decreases	-	-	-
Depreciation	(1.2)	(1.2)	(2.4)
Net book value	**16.8**	**2.8**	**19.6**
As at 31 Dec 2012			
Gross value	26.5	22.5	49.0
Accumulated depreciation	(9.7)	(19.7)	(29.4)
Net book value	16.8	2.8	19.6

JSW S.A. holds the following perpetual usufruct rights which are not recorded in the financial statements:

	31 Dec 2012	31 Dec 2011
Surface area (thous. sqm)	10,970	11,007
Value (PLN million)	77.1	77.6

8. Investment property

	2012	2011
As at 1 January		
Net book value at the beginning of the period	-	-
Reclassified from property, plant and equipment, including:	20.8	-
- gross value	21.7	-
- accumulated depreciation	(0.9)	-
Current expenditures	7.6	-
Depreciation	(0.3)	-
Revaluation charge	(5.0)	-
Net book value	**23.1**	**-**
As at 31 December		
Gross value	29.3	-
Accumulated depreciation *	(6.2)	-
Net book value	23.1	-

* This item includes accumulated depreciation and a revaluation charge for investment property

In 2012, the Company reclassified PLN 20.8 million worth of property, plant and equipment to investment property. The investment property components is the "Różany Gaj" building, currently handed over to an operator for commercial activity. The further expenditures incurred in 2012 after the reclassification are PLN 7.6 million. The property was commissioned for use in Q4 2012. The expected useful life of the investment property is 40 years. Investment properties are depreciated using the straight-line method over their useful life.

JSW S.A. uses the purchase price or manufacturing cost model to measure the value of investment property.

In 2012, the Company made a revaluation charge of PLN 5.0 million due to impairment of the investment property down to the fair value calculated by an independent appraiser using the income method. Establishment of revaluation charges for investment property is captured as other costs in the financial result.

9. Investments in subsidiaries, co-subsidiaries and associates

	31 Dec 2012	31 Dec 2011
Investments in subsidiaries	2,247.6	2,243.8
Investments in co-subsidiaries	1.3	1.3
Investments in associates	0.1	0.1
	2,249.0	**2,245.2**

JSW S.A. also holds shares in the following material subsidiaries, co-subsidiaries and associates:

Name	Registered office	Net book value		Stake held (%)	
		31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Koksownia Przyjaźń S.A.	Poland	1,190.6	1,190.6	97.78%	97.78%
Wałbrzyskie Zakłady Koksownicze Victoria S.A.	Poland	413.9	413.9	85%	85%
Kombinat Koksochemiczny Zabrze S.A.	Poland	267.4	267.4	85%	85%
Spółka Energetyczna "Jastrzębie" S.A.	Poland	154.3	150.9	100%	100%
Jastrzębskie Zakłady Remontowe Sp. z o.o.	Poland	66.5	66.1	100%	100%
Others	Poland	156.3	156.3	-	-
Total		**2,249.0**	**2,245.2**		

Shares purchased in 2012

	Number of shares purchased	% of shares purchased	Purchase value (PLN thous.)
Spółka Energetyczna "Jastrzębie" S.A.	34,216	2.22	3,421.6
Jastrzębskie Zakłady Remontowe Sp. z o.o.	757	0.57	378.5
Koksownia Przyjaźń S.A.	10	0.00	10.3

Investments in subsidiaries and all the changes from 1 January to 31 December 2012 are described in detail in the Management Board report on the activity of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2012, section 1.3.

Shares purchased in 2011

In 2011, JSW S.A. and the State Treasury signed an agreement to subscribe for shares in the increased share capital by power of which the State Treasury made a contribution-in-kind to JSW S.A. in the form of 5,610,000 shares of Kombinat Koksochemiczny Zabrze S.A. ("KK Zabrze"), representing 85% of the share capital. Accordingly, this company joined the JSW S.A. Capital Group. In exchange for the above shares, the State Treasury subscribed for 6,404,110 JSW S.A. series D shares of a new issue with a par value of PLN 5.00 each. The total value of the issue of series D shares was PLN 267.4 million.

Under the agreement of 5 October 2011, JSW S.A. acquired 399,500 shares of Wałbrzyskie Zakłady Koksownicze Victoria S.A. ("WZK Victoria") representing 85% of the company's share capital from the State Treasury. The ownership title to the company's shares was transferred on 19 December 2011.

10. Financial instruments by type

Financial assets:

	Note	Financial assets carried at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Total
As at 31 Dec 2011					
Ownership interest and shares not listed on a stock exchange		-	0.1	-	0.1
Corporate bonds	11.15	-	-	144.5	144.5
Trade receivables	14	-	-	811.6	811.6
Bank deposits*	11.15	-	-	10.6	10.6
Cash and cash equivalents *	11.16	-	-	2,591.9	2,591.9
Financial derivatives	12	3.2	-	-	3.2
Total		**3.2**	**0.1**	**3,558.6**	**3,561.9**
As at 31 Dec 2012					
Ownership interest and shares not listed on a stock exchange	15	-	0.1	-	0.1
Corporate bonds	11.15	-	-	154.5	154.5
Trade receivables	14	-	-	768.4	768.4
Loans extended	11.15	-	-	3.2	3.2
Bank deposits*	11.15	-	-	954.0	954.0
Cash and cash equivalents *	11.16	-	-	1,482.9	1,482.9
Financial derivatives	12	3.9	-	-	3.9
Total		**3.9**	**0.1**	**3,363.0**	**3,367.0**

* *This item includes also funds accumulated to finance the decomissioning of a mining plant, as described in Note 11*

Financial liabilities:

	Note	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
As at 31 Dec 2011				
Financial derivatives	12	-	-	-
Trade liabilities and other financial liabilities	22	-	900.7	900.7
Total		**-**	**900.7**	**900.7**
As at 31 Dec 2012				
Financial derivatives	12	0.1	-	0.1
Trade liabilities and other financial liabilities	22	-	1,002.9	1,002.9
Total		**0.1**	**1,002.9**	**1,003.0**

None of the significant financial asset components that were not overdue were renegotiated during the last year.

11. Other long-term assets

	31 Dec 2012	31 Dec 2011
Long-term financial assets:	401.7	377.5
Bank deposits of the Mining Plant Decomissioning Fund *	18.5	-
Corporate bonds	144.5	144.5
Cash and cash equivalents of the Mining Plant Decomissioning Fund *	237.3	233.0
Loans extended	1.4	-
Other non-financial receivables	6.5	1.8
Total other long-term assets	**408.2**	**379.3**

* *This item includes funds accumulated to finance the decomissioning of a mining plant. According to the provisions of the Geological and Mining Law Act (Journal of Laws No. 163 Item 981 of 2011, as amended) and the Minister of Economy's Regulation on the principles of establishing and managing a mining plant decomissioning fund, the Company is obligated to accumulate funds on a separate bank account of the Mining Plant Decomissioning Fund (Fundusz Likwidacji Zakładów Górniczych – FLZG), which may be expended solely and exclusively to finance a total or partial decomissioning of a mining plant*

Corporate bonds include registered cash bonds issued by a Spółka Energetyczna Jastrzębie S.A. ("SEJ") with the nominal value of PLN 144.5 million, subscribed by JSW S.A. in 2011. The bonds bear interest based on a floating interest rate. Their final maturity date is the last business day of 2018.

In 2012, JSW S.A. granted a loan to a subsidiary "Advicom" Sp. z o.o.; as at 31 December 2012, the loan amount is PLN 3.2 million (long-term part of PLN 1.4 million, short-term part of PLN 1.8 million) with the final maturity of 31 October 2014. The loan bears interest based on a floating interest rate linked to the WIBOR 3M reference rate.

All the long-term financial assets are denominated in Polish zloty.

12. Financial derivatives

Financial assets:

	31 Dec 2012	31 Dec 2011
FX forward:		
– EUR	3.9	3.2
Total, of which:	**3.9**	**3.2**
long-term part	-	-
short-term part	3.9	3.2

Financial liabilities:

	31 Dec 2012	31 Dec 2011
FX forward:		
– EUR	0.1	-
Total, of which:	**0.1**	**-**
long-term part	-	-
short-term part	0.1	-

A derivative financial instrument is classified as a short-term financial instrument if the settlement date of that instrument of its part is within one year from the final day of the reporting period. If the settlement date of the financial instrument is over

one year from the final day of the reporting period then such an instrument or part thereof is classified as a long-term financial instrument.

The nominal values of contracts in respective currencies are presented in the table below:

Contract	Currency	31 Dec 2012	31 Dec 2011
FX forward	EUR	36.6	41.6
FX forward	CZK	2.3	-

13. Inventories

	31 Dec 2012	31 Dec 2011
Materials	38.5	39.7
Finished products	429.0	257.4
Merchandise	8.1	-
Total	**475.6**	**297.1**

Revaluation charges for inventories are presented in the table below:

	2012	2011
As at 1 January	**2.6**	**0.7**
Charge establishment	24.7	2.5
Utilization of charges	-	-
Reversal of charges	(2.8)	(0.6)
As at 31 December	**24.5**	**2.6**

The establishment and reversal of impairment charge amounts for inventories was recognized in the cost of products, materials and merchandise sold.

14. Trade receivables and other receivables

	Note	31 Dec 2012	31 Dec 2011
Gross trade receivables		789.7	833.7
Minus: revaluation charge		(21.3)	(22.1)
Trade receivables (net)		768.4	811.6
Prepayments and accruals		1.3	0.2
Prepayments		0.9	-
Receivables related to taxes and social security		59.5	37.4
Other receivables *	27	175.1	171.3
Total trade receivables and other receivables		**1,005.2**	**1,020.5**

* *This item presents receivables from municipalities on account of the disputed property tax on underground mine workings, which are PLN 163.8 million as at 31 December 2012 (PLN 163.9 million as at 31 December 2011). It may take more than 10 years to receive these payments.*

Fair value of trade receivables and other receivables is not significantly different from their book value.

The currency structure of the Company's trade receivables is as follows:

	31 Dec 2012	31 Dec 2011
Trade receivables [PLN]	587.1	765.7
Trade receivables [EUR]	180.5	45.9
Trade receivables [CZK]	0.8	-
Total trade receivables	**768.4**	**811.6**

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

	31 Dec 2012	31 Dec 2011
Up to 1 month	43.8	12.0
From 1 to 3 months	0.4	-
From 3 to 6 months	0.1	-
From 6 to 12 months	-	-
Above 12 months	-	-
Total	**44.3**	**12.0**

Changes in the balance of revaluation charge for trade receivables are presented in the following table:

	2012	2011
As at 1 January	**22.1**	**23.0**
Charge establishment	3.5	11.0
Utilization of the revaluation charge for uncollectible receivables	(0.7)	(3.9)
Reversal of unused amounts	(3.6)	(8.0)
As at 31 December	**21.3**	**22.1**

Establishment and reversal of revaluation charges for receivables is shown in administrative costs (the principal) and in other cost/income (overdue interest).

15. Other short-term financial assets

	31 Dec 2012	31 Dec 2011
Bank deposits	935.5	10.6
Corporate bonds	10.0	-
Loans extended	1.8	-
Others	0.1	-
Total other short-term financial assets	**947.4**	**10.6**

The appreciation of other short-term financial assets is caused by the establishment of bank deposits with maturities of 3 to 12 months.

Corporate bonds include registered cash bonds issued by Spółka Energetyczna Jastrzębie S.A. with the nominal value of PLN 10.0 million and final maturity of 27 December 2013. The bonds bear interest based on a floating interest rate.

Moreover, in 2012 JSW S.A. granted a loan to a subsidiary "Advicom" Sp. z o.o., which is described in Note 11.

16. Cash and cash equivalents

	31 Dec 2012	31 Dec 2011
Cash at bank and in hand	161.0	251.1
Short-term bank deposits	1,084.6	2,107.8
Total	**1,245.6**	**2,358.9**

On 31 December 2012, the restricted cash amount was PLN 17.2 million (PLN 21.6 million on 31 December 2011) and included primarily bid deposits and accrued interest.

17. Share capital

	Number of shares (thousand)	Par value of ordinary shares	Hyperinflation adjustment	Total
As at 1 Jan 2011 *	10,885	544.2	664.9	1,209.1
As at 31 Dec 2011	119,208	596.0	664.9	1,260.9
As at 31 Dec 2012	117,412	587.0	664.9	1,251.9

* Number of shares before a 1:10 split

The shares forming the Company's share capital have been issued and paid up in full.

1. Pursuant to a resolution adopted by the Shareholder Meeting on 12 May 2011, the Company's share capital was increased by the following amounts:

   a) PLN 32,020,550 through the issue of 6,404,110 series D shares with a par value of PLN 5.00 each, for the total issue price of PLN 267.4 million, offered to the State Treasury in exchange for 5,610,000 ordinary bearer shares in Kombinat Koksochemiczny Zabrze S.A. The share subscription agreement between JSW S.A. and the State Treasury was entered into on 29 June 2011. The share capital increase was registered pursuant to the decision made by the District Court in Gliwice on 20 July 2011. The transaction is described in Note 9.

   b) PLN 19,771,050 through the issue of 3,954,210 series C shares with a par value of PLN 5.00 each. The condition for the filing of an application with the District Court to register the share capital increase resulting from the series C share issue was a prior registration of the share capital increase resulting from the series D issue described above. The share capital increase was registered by a decision of the District Court in Gliwice on 19 September 2011.

2. On 7 June 2011, the Financial Supervision Commission approved the issue prospectus of JSW S.A. In the IPO, 39,496,196 JSW S.A. shares were offered for sale, including: 30,170,616 series A shares and 9,325,580 series B shares. All shares were purchased at PLN 136.00 each. The value of the transaction exceeded PLN 5,371.5 million. The above shares were approved for trade on 4 July 2011 and introduced to trade on 6 July 2011.

3. On 17 April 2012 the Extraordinary Shareholder Meeting adopted a resolution to retire 1,796,324 series C shares, resolution to authorize the JSW S.A. Management Board to acquire treasury shares of JSW S.A. free of charge for the purpose of retirement and resolution to reduce the share capital by PLN 8,981,620, i.e. from PLN 596,039,600 to PLN 587,057,980 and create additional reserve capital. The share capital is reduced by retiring 1,796,324 series C shares with a par value of PLN 5.00 each following the voluntary retirement procedure involving a purchase of the shares by the Company from a Shareholder Powszechna Kasa Oszczędności Bank Polski S.A. – the PKO BP Brokerage House Branch in Warsaw. The share capital reduction was registered by the decision of the District Court in Gliwice on 26 April 2012.

As at 31 December 2012, the share capital of JSW S.A. was PLN 587,057,980 and was divided into 117,411,596 common shares with no voting preference. All the shares were issued and registered as at the end date of the reporting period.

The Company's share capital as at 31 December 2012 consists of the following share series:

Series	Number of shares
A	99,524,020.
B	9,325,580.
C	2,157,886
D	6,404,110.
Total	**117,411,596**

18. Retained earnings

Retained profits include the following amounts:

	31 Dec 2012	31 Dec 2011
Additional reserve capital for the development of the Company	1,193.9	1,222.5
Reserve capital - other according to the CCC	2,853.2	1,630.7
Other retained profits	1,570.6	2,577.3
Total retained profits	**5,617.7**	**5,430.5**

19. Deferred income tax

According to the accepted accounting principles presented in Note 2.15. The Company has offset deferred income tax assets and liabilities. After the offsetting, the following amounts are shown in the financial statements:

	31 Dec 2012	31 Dec 2011
Deferred income tax assets		
– to be realized after the period of 12 months	450.3	365.2
– to be realized within the period of 12 months	104.2	92.3
Total	**554.5**	**457.5**
Deferred income tax liabilities		
– to be realized after the period of 12 months	398.9	279.2
– to be realized within the period of 12 months	12.7	54.8
Total	**411.6**	**334.0**
Deferred income tax assets (net amount)	**142.9**	**123.5**

Movement in deferred income tax is as follows:

	2012	2011 restated
As at 1 January	**123.5**	**214.9**
Charged to equity	-	(0.3)
Charged to net profit	(24.2)	(86.5)
Increase/(decrease) of other comprehensive income	43.6	(4.6)
As at 31 December	**142.9**	**123.5**

Deferred income tax assets and liabilities (before their offsetting within a single legal jurisdiction is considered) are as follows:

Deferred income tax assets	**Employee benefit liabilities**	**Provisions**	**Unpaid remuneration and other benefits**	**Tax loss**	**Others**	**Total**
As at 1 January 2011	355.4	84.1	14.3	63.2	8.6	525.6
(Charged)/credited to net profit	7.6	(20.9)	0.3	(63.2)	12.7	(63.5)
Decrease of other comprehensive income	(4.6)	-	-	-	-	(4.6)
As at 31 Dec 2011	358.4	63.2	14.6	-	21.3	457.5
Credited to net profit	14.1	18.8	2.5	-	18.0	53.4
Increase of other comprehensive income	43.6	-	-	-	-	43.6
As at 31 Dec 2012	**416.1**	**82.0**	**17.1**	**-**	**39.3**	**554.5**

Deferred income tax liabilities	**Value of expensable mining pits**	**Valuation of other property, plant and equipment**	**Others**	**Total**
As at 1 January 2011	120.4	175.1	15.2	310.7
Charged to equity	-	0.3	-	0.3
Charged to net profit	8.7	0.8	13.5	23.0
As at 31 Dec 2011	129.1	176.2	28.7	334.0
Charged to net profit	33.6	25.7	18.3	77.6
As at 31 Dec 2012	**162.7**	**201.9**	**47.0**	**411.6**

20. Employee benefit liabilities

	31 Dec 2012	31 Dec 2011
Employee benefit liabilities captured in the statement of financial position on account of:		
– retirement and disability severance pays	179.3	148.7
– jubilee awards	213.9	167.6
– adjustment disability benefits	221.8	184.3
– in-kind allowance of coal for pensioners and recipients of disability benefits	1,358.8	1,200.9
– write-offs for the Company Social Benefit Fund for pensioners and recipients of disability benefits	150.2	135.0
– other employee benefits	66.4	47.1
Total	**2,190.4**	**1,883.6**
of which:		
– long-term part	1,943.0	1,663.9
– short-term part	247.4	219.7

	2012	2011 restated
Employee benefit costs captured in pre-tax profit on account of:		
– retirement and disability severance pays	14.9	13.7
– jubilee awards	87.9	61.9
– adjustment disability benefits	9.6	7.9
– in-kind allowance of coal for pensioners and recipients of disability benefits	81.9	76.7
– write-offs for the Company Social Benefit Fund for pensioners and recipients of disability benefits	10.2	9.2
– other employee benefits	20.6	10.7
Total	**225.1**	**180.1**

	2012	2011 restated
Employee benefit costs captured in other comprehensive income on account of:		
– retirement and disability severance pays	33.3	20.1
– adjustment disability benefits	47.5	27.1
– in-kind allowance of coal for pensioners and recipients of disability benefits	138.1	(62.6)
– write-offs for the Company Social Benefit Fund for pensioners and recipients of disability benefits	10.7	(8.7)
Total	**229.6**	**(24.1)**

Movement in employee benefit liabilities

	2012	2011 restated
As at 1 January	**1,883.6**	**1,870.3**
Current headcount cost	56.6	48.0
Interest cost	102.4	89.1
Actuarial loss/(profit) captured in pre-tax profit	66.1	43.0
Actuarial loss /(profit) captured in other comprehensive income	229.6	(24.1)
Total captured in comprehensive income	**454.7**	**156.0**
Benefits paid out	(147.9)	(142.7)
As at 31 December	**2,190.4**	**1,883.6**

Total amount of employee benefit costs captured in the statement of comprehensive income:

	2012	2011 restated
Cost of products, materials and merchandise sold	95.4	71.6
Cost of sales	0.6	-
Administrative costs	26.7	19.4
Financial costs	102.4	89.1
Total captured in pre-tax profit	**225.1**	**180.1**
Amount captured in other comprehensive income	229.6	(24.1)
Total captured in comprehensive income	**454.7**	**156.0**

Key actuarial assumptions adopted for days ending the reporting periods:

	2012	2011
Discount rate	4.5%	5.5%
Assumed average annual increase in the basis for calculating the provision for retirement and disability severance pays, jubilee awards and adjustment disability benefits	2.6%	2.3%-2.6%
Assumed average annual increase in the basis for calculating the provision for in-kind allowance of coal	2.7%	2.7%
Assumed average annual increase in the basis for calculating the provision for write-offs for the Company Social Benefit Fund	4.5%	4.6%
Weighted average employee mobility ratio	2.46%	2.21%

Assumptions regarding future mortality rates and probability of the employee becoming a disability benefit recipient were estimated based on the statistical data from Polish survival tables for men and women published by the Central Statistical Office, as at the measurement date.

21. Provisions

	Property tax	Mining damages	Decommissioning of a mining plant	Environmental fee and environmental protection	Other provisions	Total
As at 1 January 2011						
Long-term	-	73.3	274.8	21.1	-	369.2
Short-term	218.7	99.2	-	3.7	6.6	328.2
	218.7	**172.5**	**274.8**	**24.8**	**6.6**	**697.4**
2011						
Establishment of additional provisions	36.8	189.0	-	0.2	6.1	232.1
Dissolution of unused provisions	(195.8)	(6.7)	(48.3)	(3.4)	(3.1)	(257.3)
Interest expenses	29.3	-	15.7	1.8	-	46.8
Provisions used during the year	(54.7)	(86.3)	-	-	(1.2)	(142.2)
As at 31 Dec 2011						
Long-term	-	169.5	242.2	23.2	-	434.9
Short-term	34.3	99.0	-	0.2	8.4	141.9
	34.3	**268.5**	**242.2**	**23.4**	**8.4**	**576.8**
2012						
Establishment of additional provisions	66.0	95.1	86.7	-	6.8	254.6
Dissolution of unused provisions	-	(34.0)	-	-	(2.4)	(36.4)
Interest expenses	13.2	-	10.9	2.1	-	26.2
Provisions used during the year	(29.4)	(85.4)	-	-	(1.4)	(116.2)
As at 31 Dec 2012						
Long-term	-	148.1	339.8	13.2	-	501.1
Short-term	84.1	96.1	-	12.3	11.4	203.9
	84.1	**244.2**	**339.8**	**25.5**	**11.4**	**705.0**

Property tax

The remaining provision for property tax in the amount of PLN 0.7 million pertains to the tax on railway infrastructure.

Mining damages

Under the adopted policy, the Company creates present-value provisions for future liabilities and recognizes and captures provisions for mining damage resulting from the extraction operations of mining enterprises in amounts resulting from documented claims which have been submitted or approved or are being examined by courts.

Decommissioning of a mining plant

The Company establishes a provision for future costs associated with the decommissioning of a mining plant based on the obligations existing under the applicable law. As at 31 December 2012, the amount of the mining plant decomissioning provision is PLN 339.8 million. The amount of the mine decommissioning costs is calculated on the basis of assumptions with regards to the life of a mine, anticipated inflation and long-term discounting rates and the expected nominal cost of

decomissioning the respective mining plants, which are determined inside the Company. Any changes to these assumptions affect the book value of the provision. The assumptions made to calculate this reserve are described in Note 4.

Environmental fee and environmental protection

Provisions for the environmental fee and environmental protection include a provision for waste storage fee which reached PLN 21.4 million as at 31 December 2012 (PLN 19.5 million on 31 December 2011). In connection with the termination of a landfill management agreement in 2007 and consequently lack of confirmations that waste has been accepted at the landfill site, there is a risk that the Company could be charged with waste storage fees for the period from 1 June 2007 to 15 August 2008. The Act of 10 July 2008 on Mining Waste (Journal of Laws of 2008 No. 138 Item 865) removes the obligation of calculating and paying waste storage fees after 15 August 2008. It is expected that the provision may be used in 2014.

22. Trade liabilities and other liabilities

	Note	31 Dec 2012	31 Dec 2011
Financial liabilities			
Trade liabilities		748.1	543.0
Accruals and deferred income		2.8	0.6
Other liabilities of a financial nature, including:		252.0	357.1
– investment liabilities		220.3	323.6
– other liabilities		31.7	33.5
Total		**1,002.9**	**900.7**
Non-financial liabilities			
Deferred income		83.7	85.8
Other liabilities of a non-financial nature, including:		616.6	613.1
– liabilities for social security and other taxes	27	369.9	376.5
– trade advances		1.1	0.5
– payroll		207.6	202.4
– other		38.0	33.7
Total		**700.3**	**698.9**
Total trade liabilities and other liabilities, including:		**1,703.2**	**1,599.6**
Long-term		99.4	102.9
Short-term		1,603.8	1,496.7

The deferred income item contains subsidies associated with the Company's acquisition or production of non-current assets. A subsidy is settled through the financial result over the useful life of the non-current assets funded fully or partially by the subsidy.

The Company has received subsidies under which it is obligated to use the funds received solely and exclusively for the performance of tasks specified in the relevant subsidy agreements and to meet the conditions set forth in the agreements. In the years 2011-2012, the conditions were fulfilled.

23. Future contractual liabilities and operating lease liabilities

Future contractual liabilities

Future contractual liabilities incurred on the dates ending the reporting periods which are not included in the statement of financial position include:

	31 Dec 2012	31 Dec 2011
Contractual liabilities incurred to purchase property, plant and equipment	659.7	513.8
Others	62.4	1.6
Total	**722.1**	**515.4**

Operating lease liabilities – Company as lessee (user)

The Company uses property, plant and equipment, including among others: longwall shearers, heading machines, mining machines, under operating leasing agreements (lease, hire). The lease periods are 1 to 5 years, with a termination period of 1 month.

As at 31 December 2012, the cost of leasing fees under operating leases (lease or hire agreements) is PLN 84.2 million (PLN 78.7 million as at 31 December 2011).

The total amounts of future minimum leasing fees under an irrevocable operating lease are:

	31 Dec 2012	31 Dec 2011
Up to 1 year	7.0	6.6

24. Sales revenues

	2012	2011
Coal sales	6,763.3	7,879.2
Coke sales *	1,873.6	-
Other operations	100.2	83.7
Total sales revenues	**8,737.1**	**7,962.9**

* This item includes revenues on sales of coke and hydrocarbons

The Company's operations are focused predominantly on Poland. Revenues from export sales in the period from 1 January 2012 to 31 December 2012 amounted to PLN 2,328.1 million, i.e. 26.6% of the total sales revenues (in the period from 1 January 2011 to 31 December 2012: PLN 620.4 million, i.e. 7.8%).

25. Costs by type

	2012	2011 restated
Depreciation	806.0	685.8
Consumption of materials and energy	1,020.7	958.8
External services	1,383.5	1,215.6
Employee benefits	2,978.4	2,789.0
Employee share ownership plan	-	293.0
Taxes and fees	145.0	141.5
Other costs by type	42.5	17.8
Value of materials and merchandise sold	1,854.5	51.6
– including: value of coke and hydrocarbons sold	*1,795.7*	-
Total costs by type	**8,230.6**	**6,153.1**
Cost of sales	(259.7)	(127.0)
Administrative costs	(509.1)	(433.0)
Disputed property tax on underground mine workings	(36.6)	-
Employee share ownership plan	-	(293.0)
Value of performances and property, plant and equipment produced for own use	(565.0)	(413.4)
Movement in products	(171.6)	(71.1)
Cost of products, materials and merchandise sold	**6,688.6**	**4,815.6**

* *The PLN 11.9 million difference between the amount PLN 48.5 million shown in the statement of comprehensive income in the "Disputed property tax on underground mine workings" and the PLN 36.6 million presented above consists of the interest on the property tax liability calculated on an accrual basis*

26. Other income

	2012	2011
Interest	24.6	12.7
Claims and penalties received	7.5	17.7
Dividends	54.2	12.7
Subsidies (written off according to their amortization)	2.1	2.6
Others	9.0	4.8
Total other income	**97.4**	**50.5**

27. Disputed property tax on underground mine workings

The table below presents items of the statement of financial position, where the assets or liabilities relating to the disputed property tax are recognized:

	Note	31 Dec 2012	31 Dec 2011
Provision for property tax,	21	84.1	34.3
of which:			
provision for the disputed property tax on underground mine workings		83.4	33.6
Liabilities for social security contributions and other taxes	22	369.9	376.5
of which:			
liabilities for disputed property tax		64.2	31.6
Contingent assets	34	14.6	14.6
of which:			
contingent assets on account of the disputed property tax		-	-
Other receivables	14	175.1	171.3
of which:			
gross receivables on account of the disputed property tax		204.8	204.9
revaluation charge on account of the disputed property tax		(41.0)	(41.0)
receivables from municipalities on account of the disputed property tax		163.8	163.9

Since 2008, JSW S.A. has become a party to administrative court proceedings regarding real property tax on mine workings. Accordingly, the Company established a provision for property tax, while the liability was recognized after tax authorities issued administrative decisions. After the liabilities were paid, the Company treated the amounts paid as contingent assets.

In 2011 the Constitutional Tribunal unambiguously excluded underground mine workings (tunnel costs) from the property tax base and ruled that the taxation of plant and facilities situated in these workings depends on their classification as structures within the meaning of the Construction Law. As a result, the Company dissolved part of its provisions for underground mine workings in the net amount of PLN 195.8 million and recognized a receivable on overpaid disputed property tax in the net amount of PLN 163.9 million.

Taking into account the Constitutional Tribunal's judgment and the course of administrative proceedings in this matter, in 2012 the Company re-estimated the provision for the disputed property tax and re-evaluated collectibility of the receivables on account of the disputed property tax, updating the level of provisions for long-term proceedings for disputed property tax by PLN 48.5 million.

The table below presents the effect of the disputed property tax on underground mine workings on pre-tax profit.

	2012	2011
Current year costs associated with the settlement of the disputed property tax with interest	(30.7)	(66.1)
(Costs)/income associated with the disputed property tax captured in the ledgers for the current financial year, which were incurred in the previous years or updated in the current year, including:	(48.5)	359.7
- net dissolution of the provision for the disputed property tax	-	195.8
- recalculation of the provision for the disputed property tax with interest	(48.5)	-

- recognized receivables from municipalities on account of the disputed property tax	-	163.9
Impact on pre-tax profit	**(79.2)**	**293.6**

28. Other costs

	2012	2011
Interest	45.6	30.3
Leases	4.2	2.1
Donations	2.3	2.1
Enforcement fees and penalties	2.9	0.9
Revaluation charge for property, plant and equipment and investment property	9.3	-
Others	1.8	1.1
Total other costs	**66.1**	**36.5**

29. Other net profits

	2012	2011
Profit/(loss) on the disposal of property, plant and equipment	0.6	(1.5)
FX gains and losses	18.7	6.9
Total other net profits	**19.3**	**5.4**

30. Financial income and costs

	2012	2011
Interest income on cash and cash equivalents	105.9	101.0
Other	0.1	3.3
Total financial income	**106.0**	**104.3**
Interest cost:		
– settlement of the discount on account of long-term provisions	116.4	131.5
Other	0.4	1.7
Total financial costs	**116.8**	**133.2**
Net financial costs	**10.8**	**28.9**

31. Income tax

Income tax captured in net profit:

	2012	2011 restated

Current tax	250.9	495.0
– current tax liability	251.0	494.2
– adjustments posted in the current period relating to tax from the previous years	(0.1)	0.8
Deferred tax	24.2	86.5
Total income tax captured in net profit	**275.1**	**581.5**

Income tax captured in other comprehensive income

	2012	2011
Current tax	-	-
Deferred tax	(43.6)	4.6
Total income tax captured in other comprehensive income	**(43.6)**	**4.6**

Reconciliation of the theoretical tax calculated on gross profit and the statutory tax rate to the income tax liability shown in net profit:

	2012	2011 restated
Pre-tax profit	1,271.0	2,644.5
Tax calculated at the rate of 19%	241.5	502.4
Tax effect of income not classified as income according to tax regulations	(10.8)	(26.5)
Tax effect of costs which are not tax-deductible expenses according to tax regulations, including:	44.5	104.8
– employee share ownership plan	-	55.7
– profit-sharing payment for employees	24.7	30.4
– other	19.8	18.7
Adjustments posted in the current period relating to tax from the previous years	(0.1)	0.8
Income tax charges to the net profit	**275.1**	**581.5**

Tax authorities may conduct inspection of accounting ledgers and tax settlements within 5 years after the end of the year in which tax returns were filed and charge the Company with additional tax liability, penalties and interest. The Company's Management Board does not anticipate any significant tax liabilities to arise on this account.

In 2012, the effective tax rate was 21.64%, which resulted from recognition in comprehensive income of the profit-sharing payments to employees in the amount of PLN 130.0 million and dividends received in the amount of PLN 54.2 million.

In 2011, the effective tax rate was 21.99%, which resulted from recognition in comprehensive income of the costs of the employee share ownership program in the amount of PLN 293.0, profit-sharing payments to employees in the amount of PLN 160.0 million and income on account of interest on property tax in the amount of PLN 75.8 million.

In connection with the adoption of IFRS and new tax interpretations being issued, on 15 June 2012 the Company filed a request with the Director of the Katowice Treasury Chamber to issue an individual interpretation on recognition of profit-sharing payments to employees as tax-deductible expenses. On 18 September 2012, JSW S.A. received a negative individual tax interpretation, which on 4 December 2012 it challenged before the Voivodship Court of Administration in Gliwice.

32. Dividends paid and proposed

Per share dividend

The per share dividend ratio is calculated as the quotient of the dividend payable to the Company's shareholders and the number of ordinary shares outstanding as at the dividend date.

	2012	2011
Dividends	631.7	257.0
Number of ordinary shares as at the dividend date	117,411,596	119,207,920
Dividend per share (in PLN per share)	**5.38**	**2.16**

In 2011, the dividend consists of obligatory payments to the State Treasury treated as an interim dividend of PLN 127.0 million and a dividend payment of PLN 130.0 million to the State Treasury from the profit generated in 2010.

According to a Resolution adopted by the Ordinary Shareholder Meeting of JSW S.A. on 31 May 2012 in the matter of net profit distributions, the amount of PLN 631.7 million, i.e. PLN 5.38 per share was earmarked for a dividend payment to Company's shareholders out of the net profit for the financial year 2011. The dividend date was set at 6 July 2012 and the dividend was paid out on 24 July 2012.

In accordance with the recommendation included in the JSW S.A. prospectus (page 59), in 2013 the Company's Management Board will propose to the Shareholder Meeting of JSW S.A. to pay out a dividend in the amount of no less than 30% of the consolidated net profit for 2012.

33. Net cash inflows on operating activity

	Note	2012	2011 restated
Pre-tax profit		**1,271.0**	**2,644.5**
Depreciation	25	806.0	685.8
(Profit) / loss on the sale of property, plant and equipment	29	(0.6)	1.5
Interest and profit-sharing		(177.0)	(113.5)
Movement in employee benefit liabilities		77.2	37.4
Movement in reserves		28.9	(120.3)
Movement in inventories	13	(178.5)	(76.1)
Change in the balance of trade receivables and other receivables	14	15.3	(397.7)
Change in the balance of trade liabilities and other liabilities		229.3	178.7
Employee share ownership plan	5	-	293.0
Other cash flows		12.7	15.0
Cash inflows on operating activity		**2,084.3**	**3,148.3**

Reconciliation the movement in employee benefit liabilities in the cash flow statement:

	Note	2012	2011
Movement in employee benefit liabilities in the balance sheet	20	306.8	13.3
Actuarial profit/(loss) captured in other comprehensive income		(229.6)	24.1
Movement in employee benefit liabilities in the cash flow statement		**77.2**	**37.4**

Reconciliation the movement in provisions in the cash flow statement:

	Note	2012	2011
Movement in provisions in the balance sheet	21	128.2	(120.6)
Movement in the mining plant decomissioning provision		(99.3)	0.3
Movement in provisions in the cash flow statement		**28.9**	**(120.3)**

34. Contingent items

Contingent assets

Until 2008 the Company in its property tax declarations included a tax on underground infrastructure. In 2008-2011 the Company gradually adjusted the declarations filed and submitted applications to assert an overpayment. Since the municipalities rejected these applications and on account of the pending dispute with the municipalities on this subject, the Company recognizes payments for the underground infrastructure tax as contingent assets. Contingent assets concerning the overpayment of the property tax on underground infrastructure as at 31 December 2012 are PLN 14.6 million and did not change from the same period of the previous year.

Contingent liabilities

Under its provisioning policy, the Company establishes provisions for mining damages in the financial statements which are the result of operating the black coal mines belonging to the Company in the amount of documented claims reported, recognized or being reviewed by the courts. The Company is not aware of a method for establishing the value of future mining damages that would make it possible to estimate in a credible manner future costs of rectifying mining damages resulting from mining operations.

Under the agreement of 7 December 2010 on the sale of a 90.59% stake in Przedsiębiorstwo Gospodarki Wodnej i Rekultywacji S.A. ("PGWiR"), concluded between the State Treasury and JSW S.A., JSW S.A. accepted an obligation that, within no more than 5 years after the agreement date, it will procure that PGWiR acquires property, plant and equipment with an aggregated value on the acquisition date of no less than PLN 20.0 million and will contribute as contribution-in-kind the property, plant and equipment items used by PGWiR on the date of the foregoing agreement under leases concluded with JSW S.A. as the lessor, worth no less than PLN 12.0 million.
As at 31 December 2012, PLN 9.9 million has been expended for the purchase of property, plant and equipment, which represents 49.5% of the total commitment amount mentioned above. As at 31 December 2012, JSW S.A. has not yet increased the capital of PGWiR by contributing property, plant and equipment as contribution-in-kind. On 22 February 2013, JSW S.A. and PGWiR signed an agreement transferring the ownership title to property, perpetual usufruct right to land and the ownership title to buildings and equipment and other property, plant and equipment. This agreement is described in Note 36.

On 29 September 2011, the State Treasury Minister signed a share sale agreement pertaining to the 85% stake in PEC with SEJ, a member company of the Capital Group. Based on the agreement, SEJ accepted an unconditional obligation to procure and ensure that, by 31 December 2014, PEC acquires property, plant and equipment components for the overall

amount of PLN 71.7 million and to acquire PEC shares from its employees for the amount of PLN 17.8 million. Under the corporate guarantee agreement, JSW S.A. undertook to secure the funding for SEJ to make the expenditures required due to the acquisition of PEC.

As at 31 December 2012, investments for the overall amount of PLN 11.7 million have been realized, which represented 16.3% of the total commitment amount mentioned above.

On 5 October 2011, JSW S.A. and the State Treasury concluded an agreement on the sale of 399,500 shares constituting 85% of the share capital of WZK Victoria seated in Wałbrzych for PLN 413.9 million. As a result of the aforementioned agreement, an investment commitment was made, under which the Buyer (JSW S.A.) undertakes to procure that within 60 months of the Transaction Closing (19 December 2011), WZK Victoria will make investments in the amount of at least PLN 220.0 million. At the same time, in connection with the acquisition of the WZK Victoria shares, JSW S.A. submitted a Statement of submitting to enforcement up to the amount not exceeding PLN 300.0 million.
As at 31 December 2012, capital expenditures of PLN 36.8 million have been made, which represented 16.7% of the total commitment amount mentioned above.

As a result of discussions conducted with the social side in the Voivodship Social Dialog Commission pertaining to, among others, guarantee of employment and matters associated with the public offering, on 5 May 2011, the Company's Management Board signed and the unions operating in the Company initialed a memorandum of agreement with the Management Board ("Memorandum of Agreement"). In the Memorandum of Agreement, the parties agreed among others that by principle the employment guarantee period for Company employees is 10 years from the date the Company's shares are made public. If the Company does not fulfill its employment guarantee it will be obligated to pay compensation equal to the product of the average monthly remuneration in the Company in the year preceding the termination of employment and the number of months remaining until the expiration of the employment guarantee period (in the case of administrative employees – no more than 60 times the average salary in the previous year). The provisions relating to the employment guarantee came into force on the date the Company's shares were made public on the Warsaw Stock Exchange.

Moreover, on 18 May 2011, KK Zabrze and the Company concluded a memorandum of agreement with the trade unions operating in KK Zabrze regarding the social guarantee package for KK Zabrze employees; its content with respect to employment guarantees is the same as the content of the Memorandum of Agreement agreed upon in the Company. The Company took the responsibility of a guarantor of KK Zabrze's commitments.

On 6 September 2011 the Company concluded a memorandum of agreement with the trade unions operating in WZK Victoria regarding the social package for WZK Victoria employees, including among others the guarantee of employment in the company for 7 years from the effective date of the WZK Victoria share purchase agreement.

The following table presents other contingent liabilities:

	31 Dec 2012	**31 Dec 2011**
Sureties granted	10.3	10.3
Assignment of receivables	10.0	-
Bill-of-exchange liabilities	80.0	80.0
Disputed claims	13.7	4.7

35. Transactions with related entities

As at 31 December 2012, the State Treasury was the majority shareholder of the Company.

Information on transactions with related entities

In 2012, the State Treasury was a higher-level parent. Accordingly, all companies owned by the State Treasury (directly or indirectly) are the Company's related entities. In these financial statements, the Management Board has disclosed transactions with significant affiliated entities identified as such according to the best knowledge of the Management Board.

In 2012, no individual transactions were identified between JSW S.A. and the State Treasury and entities related to the State Treasury which would be significant due to a non-standard scope or amount.

In the period from 1 January 2011 to 31 December 2011, two individual transactions were identified between JSW S.A. and the State Treasury which were significant due to a non-standard scope or amount. The transactions pertain to the acquisition of WZK Victoria S.A. for PLN 413.9 million and acquisition of shares in KK Zabrze S.A. in exchange for a share issue of PLN 267.4 million. A detailed description of the acquisitions is provided in Note 9.

The remaining transactions from 1 January 2012 to 31 December 2012 and from 1 January to 31 December 20111 concluded by the Company with subsidiaries of the State Treasury, which are significant in aggregate, are related to the Company's current operations. In 2012, the Company's most important State Treasury-controlled suppliers were: CSRG S.A., CBiDGP Sp. z o.o., LOTOS S.A. Group. The key purchases included: mine rescue services, maintenance reviews and tests, expert services, purchase of materials necessary for operations and other. In 2012, the Company's most important State Treasury-controlled buyers were: Węglokoks S.A., PGE Polska Grupa Energetyczna S.A., Energa Elektrownie Ostrołęka S.A., Tauron S.A. Group

Transactions with subsidiaries, associates and a co-subsidiary are presented below:

	Note	2012	2011
Transactions with subsidiaries			
Purchases in the period		2,268.6	387.2
Balance of liabilities at the end of the period *		254.7	97.6
Transactions with co-subsidiaries			
Purchases in the period		0.6	0.7
Balance of liabilities at the end of the period *		-	0.1
Transactions with associates			
Purchases in the period		38.1	15.3
Balance of liabilities at the end of the period *		13.5	6.0
Total purchases		**2,307.3**	**403.2**
Total balance of liabilities		**268.2**	**103.7**

* including VAT

Sales values and receivable amounts are presented below:

	2012	2011
Transactions with subsidiaries		
Sales in the period	2,697.9	3,538.9
Balance of receivables as at the end of the period *	370.9	436.3

	2012	2011
Transactions with associates		
Sales in the period	0.3	0.3
Balance of receivables as at the end of the period *	-	-
Total sales	**2,698.2**	**3,539.2**
Total balance of receivables	**370.9**	**436.3**

* including VAT

In its receivables, the Company posts SEJ bonds it purchased, which are described in Note 11 and Note 15. In 2012, the Company earned interest income of PLN 9.4 million on those bonds (PLN 0.4 million in 2011).

In 2012, all transactions between the Company and its related entities were typical and were executed in the normal course of business on an arm's length basis.

Information on transactions with Management Board and Supervisory Board members

The Management Board of JSW S.A. is the Company's key management personnel.

Remuneration of JSW S.A. Management Board Members

	2012 (PLN thous.)	2011 (PLN thous.)
Short-term employee benefits:		
- remuneration, management services*	4,146.1	1,454.2
- annual bonus **	2,055.0	1,378.5
- benefits, income from other sources	-	350.4
- income earned in subsidiaries	-	206.3
Total	**6,201.1**	**3,389.4**

* This item includes the cost of remuneration paid out under management contracts

** For 2012, this item includes the annual bonus due for 2012 in the maximum contractual amount. The bonus is paid out upon request of the President of the Management Board, depending on the level of KPIs achieved, after a Supervisory Board aproval. For 2011, this item includes the annual bonus paid out in 2010 and the annual bonus due for 2011

The management contracts stipulate that if the contract is terminated, the Management Board member is entitled to a severance pay equal to 6 times the fixed monthly remuneration. Moreover, under non compete agreements, Management Board members will receive compensation in the period of 12 months after their management contract is dissolved. Details of the agreements concluded with the managers are provided in section 1.6. of the Management Board report on the activity of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2012.

Remuneration of the JSW S.A. Supervisory Board

	2012 (PLN thous.)	2011 (PLN thous.)
Short-term benefits	478.3	434.4
Total	**478.3**	**434.4**

Additional information on remuneration of Management Board and Supervisory Board members for the financial year ended 31 December 2012 are provided in section 1.5 of the Management Board Report on the activity of Jastrzębska Spółka Węglowa S.A.

In 2012, no loans were granted to any members of the JSW S.A. Management or Supervisory Boards.

36. Events taking place after the final day of the reporting period

According to our knowledge, after 31 December 2012, i.e. after the end of the reporting period, in addition to the ones described below, there were no material events that could have a significant effect on the evaluation of the assets, financial standing and financial result, which have not yet been incorporated in the financial year ended 31 December 2012.

- In connection with a PLN 8.3 million increase of PGWiR's share capital through an issue of 831,729 new shares with the par value of PLN 10.00 each, on 22 February 2013 JSW S.A. and PGWiR signed an agreement transferring the ownership title to property, perpetual usufruct right to land and the ownership title to buildings and equipment and other property, plant and equipment in exchange for a subscription to all the shares in the increased share capital of PGWiR by JSW S.A. following a private subscription procedure. The subscription agreement pertaining to the subscription of series C shares of PGWiR was concluded on 25 February 2013. The 831,729 shares in the increased share capital were covered by an in-kind contribution of JSW's assets with a fair value of PLN 27.1 million and a cash contribution of PLN 3.98.

Jastrzębie-Zdrój, 12 March 2013

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

………………………
Chief Accountant
Dariusz Bernacki

Jarosław Zagórowski	President of the Management Board	……………………………………
Grzegorz Czornik	Vice-President	……………………………………
Robert Kozłowski	Vice-President	……………………………………
Andrzej Tor	Vice-President	……………………………………
Artur Wojtków	Vice-President	……………………………………