CONSOLIDATED FINANCIAL STATEMENT OF KOPEX S.A. CAPITAL GROUP

drawn up for the period
01 January to 31 December 2011

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Consolidated Statement of Financial Position of KOPEX S.A. Capital Group drawn up as at 31 December 2011 in thousand zlotys

Note	Assets	31 December 2011	31 December 2010
	Fixed assets	**2 344 963**	**2 066 414**
1	Intangible assets	82 758	52 729
2	Goodwill of the subordinated entities	1 250 594	1 241 228
3	Tangible assets	751 484	663 086
4	Investment real estates	22 896	1 559
5	Investments accounted for by equity method	59 645	17 136
6	Long-term financial assets available for sale	1 516	1 520
7	Long-term other receivables	10 734	1 247
8	Long-term lease receivables	83 361	15 469
9	Long-term loans granted	1 044	687
10	Other long-term financial assets	6	5 541
11	Deferred income tax assets	74 580	63 694
12	Long-term accruals	6 345	2 518
	Current assets	**1 441 484**	**1 296 739**
13	Inventories	436 398	450 315
14, 16	Short-term receivables from supplies and services	476 110	405 223
15, 16	Short-term other receivables	118 443	74 908
8	Short term lease receivables	61 401	9 716
17	Short-term loans granted	58 013	83 949
	Current income tax receivables	16 815	8 342
	Short-term financial assets available for sale		
18	Derivative financial instruments	1 655	1 362
19	Financial assets at fair value through profit or loss	510	
20	Cash and its equivalents	136 461	164 708
21	Short-term accruals	135 678	98 216
	Fixed assets available for sale	**1**	**883**
	Total assets	**3 786 448**	**3 364 036**
	Liabilities		
	Equity	**2 486 207**	**2 358 547**
22	Share capital	74 333	74 333
22	Own shares	-2 979	-2 979
23	Spare capital	2 156 633	2 105 432
24	Revaluation reserve	30 825	34 869
25	Other reserve capitals	67 188	55 409
	Exchange rate differences from conversion	37 220	26 490
	Retained profit	92 106	4 208
26	Minority shareholders capital	30 881	60 785
	Long-term liabilities	**273 520**	**119 886**
27	Long-term credits and loans	129 997	34 767
28	Long-term other liabilities	12 120	21 633
29	Long-term lease liabilities	69 397	17 829
30	Deferred income tax reserve	40 012	26 351
31	Long-term reserve for post employment benefits	14 308	15 413
32	Other long-term reserves for liabilities	5 104	1 631
33	Long-term accruals	2 582	2 262
	Short-term liabilities	**1 026 721**	**885 603**
34	Short-term credits and loans	521 669	513 152
35,37	Supplies and services short-term liabilities	276 482	194 645
36,37	Short-term other liabilities	123 211	102 786
29	Short term lease receivables	22 143	10 059
	Current income tax liabilities	10 513	6 786
38	Derivative financial instruments	6 931	3 028
	Financial liabilities at fair value through profit or loss		
39	Short-term reserve for post employment benefits	8 126	5 811
40	Other short-term reserves for liabilities	13 712	18 180
41	Short-term accruals	43 934	31 156
	Total liabilities	**3 786 448**	**3 364 036**
	Book value	**2 486 207**	**2 358 547**
	Number of shares	**74 056 038**	**74 056 038**
	Book value per share (BVSP) in [PLN]	**33.57**	**31.85**

Consolidated Separate Income Statement of KOPEX S.A. Capital Group drawn up for the period 01 January to 31 December 2011 in thou zlotys

Note		01 Jan. 2011 to 31 Dec. 2011	01 Jan. 2010 to 31 Dec. 2010
	Net income from sale of products, goods and materials, incl:	**2 125 767**	**2 134 176**
42	Net income from sale of products	1 535 121	1 257 097
43	Net income from sale of goods and materials	590 646	877 079
	Costs of products, goods and materials sold, incl:	**1 727 218**	**1 813 400**
44	Manufacture cost of products sold	1 150 599	947 701
	Value of goods and materials sold	576 619	865 699
	Gross profit (loss) on sales	**398 549**	**320 776**
45	**Other income**	**46 396**	**38 382**
44	**Selling costs**	**46 263**	**41 226**
44	**Overheads**	**169 929**	**174 860**
46	**Other costs**	**57 370**	**59 834**
	Operating profit (loss)	**171 383**	**83 238**
47	**Financial revenues, incl:**	**43 742**	**28 595**
	Dividends and share in profits		
	Interest	18 019	11 414
	Investments sold revenues	4 444	1 493
	Revaluation of investments	2 712	8 905
	Exchange rate differences	14 193	
	Other	4 374	6 783
48	**Finance costs, incl.**	**60 330**	**66 464**
	Interest	40 337	32 518
	Value of investments sold	4 174	1 059
	Revaluation of investments		137
	Exchange rate differences		21 786
	Other	15 819	10 964
	Write off of goodwill of subsidiaries	**-1 491**	
	Loss of control over the subsidiary	**24 619**	**-1 975**
	Profit (loss) from allocation of multi-stage takeovers		**-835**
	Gross profit (loss)	**177 923**	**42 559**
49	**Income tax, incl:**	**33 423**	**13 795**
	current	38 312	28 898
	deferred	-4 889	-15 103
	Share in profit (loss) of the subordinated entities evaluated by equity method	**12 575**	**1 466**
	Net consolidated profit (loss)	**157 075**	**30 230**
	Profit (loss) attributable to minority shareholders	**9 335**	**6 513**
50	**Profit (loss) attributable to controlling company shareholder**	**147 740**	**23 717**
	Weighted average number of common shares	**74 056 038**	**74 056 038**
	Profit (loss) per one common share [PLN]	**1.99**	**0.32**

Total Income Statement of KOPEX S.A. Capital Group drawn up for the period 01 January 2011 to 31 December 2011 in thousand zlotys

	01 Jan. 2011 to 31 Dec. 2011	01 Jan. 2010 to 31 Dec. 2010
Consolidated net profit (loss)	**157 075**	**30 230**
Other total incomes:		
Essential error correction	135	-150
Exchange rate differences from conversion	20 094	5 538
Financial assets available for sale	-5	7
Hedging cash flow	593	30 377
Changes in revaluation surplus	-2 288	99
Other incomes	-84	-841
All other total incomes after taxation	**18 445**	**35 030**
Total incomes:	**175 520**	**65 260**
attributable to minority shareholders	10 969	7 163
attributable to KOPEX S.A. shareholders	164 551	58 097

Consolidated Changes in Equity Statement of KOPEX S.A. Capital Group drawn up for the period 01 January 2011 to 31 December 2011 in thousand zlotys

	Share capital	Own shares	Spare capital	Revaluation reserve				Other reserve capitals	Exchange rate differences from conversion	Retained earnings	Total	Equity attributable to minority shareholders	Total equity
				Hedging instruments	Financial assets available for sale	Revaluation surplus	Deferred Income tax						
Balance as at 01 January 2010	**74 333**	**-2 979**	**2 083 555**	**-37 416**	**-7**	**47 598**	**-1 868**	**36 841**	**20 185**	**38 913**	**2 259 155**	**47 877**	**2 307 032**
Essential error corrections									**77**	**-227**	**-150**		**-150**
Exchange rate differences from conversion									4 890		4 890	648	5 538
Financial assets available for sale					7						7		7
Hedging cash flow				37 503			-7 126				30 377		30 377
Changes in revaluation surplus			615			-2 518	454			1 546	97	2	99
Other incomes			25							-866	-841		-841
Income tax from other components of total incomes											0		0
Net profit (loss)										23 717	23 717	6 513	30 230
Total incomes	**0**	**0**	**640**	**37 503**	**7**	**-2 518**	**-6 672**	**0**	**4 967**	**24 170**	**58 097**	**7 163**	**65 260**
Share issue											0		0
Share buyback											0		0
Profit distribution			43 624					18 568		-62 192	0		0
Dividends											0	-598	-598
Other			-172							172	0		0
Acquisition/ increase or decrease of control			-19 491								-19 491	8 205	-11 286
Loss of control			-2 724		4	-1 957	195		1 337	3 145	0	-1 862	-1 862
Balance as at 31 December 2010	**74 333**	**-2 979**	**2 105 432**	**87**	**4**	**43 123**	**-8 345**	**55 409**	**26 490**	**4 208**	**2 297 762**	**60 785**	**2 358 547**
Balance as at 01 January 2011	**74 333**	**-2 979**	**2 105 432**	**87**	**4**	**43 123**	**-8 345**	**55 409**	**26 490**	**4 208**	**2 297 762**	**60 785**	**2 358 547**
Essential error corrections										**135**	**135**		**135**
Exchange rate differences from conversion									18 412		18 412	1 682	20 094
Financial assets available for sale					-5		1				-4	-1	-5
Cash flow hedging				732			-139				593		593
Changes in revaluation surplus			32			-5 312	679			2 360	-2 241	-47	-2 288
Other incomes										-84	-84		-84
Income tax from other income components											0		0
Net profit (loss)										147 740	147 740	9 335	157 075
Total incomes	**0**	**0**	**32**	**732**	**-5**	**-5 312**	**541**	**0**	**18 412**	**150 151**	**164 551**	**10 969**	**175 520**
											0		**0**
Share issue											0		0
Share buyback											0		0
Profit distribution			55 120					16 816		-71 936	0		0
Dividends											0	-7 386	-7 386
Other											0		0
Acquisition/ increase or decrease of control			-3 845								-3 845	-23 020	-26 865
Loss of control			-106					-5 037	-7 682	9 683	-3 142	-10 467	-13 609
Balance as at 31 December 2011	**74 333**	**-2 979**	**2 156 533**	**819**	**-1**	**37 811**	**-7 804**	**67 188**	**37 220**	**92 106**	**2 455 326**	**30 881**	**2 486 207**

Consolidated Statement of Cash Flow of KOPEX S.A. Capital Group drawn up for the period 01 January to 31 December 2011 in thou. zlotys

	01 Jan. 2011 to 31 Dec. 2011	01 Jan. 2010 to 31 Dec.2010
CASH FLOW FROM OPERATING ACTIVITY		
Gross profit (loss)	**177 923**	**42 619**
Corrections by:		
Depreciation	102 689	82 928
(Profit) loss from exchange rates differences	6 937	-2 211
Interest and share in profits (dividends)	15 618	35 642
(Profit) loss from investment activity	-5 596	-6 985
Change in reserves	215	-6 631
Change in inventories	13 917	-17 009
Change in receivables from supplies, services and other receivables	-240 201	-49 570
Change in short-term liabilities from supplies, services and other receivables	99 769	23 041
Change in accruals	-30 128	93 534
Income tax paid	-36 014	-30 859
Other corrections	-14 896	56 279
Net cash flow from operating activity	**90 233**	**220 778**
CASH FLOW FROM INVESTMENT ACTIVITY		
Sale of intangible, legal and material fixed assets	24 110	5 064
Sale of investments in real property and intangible assets		
Sale of financial assets	4 648	2 968
Dividends and share in profits received		
Repayment of long-term loans	2 022	
Interest received	2 270	1 751
Other investment receipts	160 411	177 749
Acquisition of intangible, legal and material fixed assets	-185 921	-109 936
Investments in real property and intangible assets		-32
Acquisition of financial assets	-64 764	-103 059
Long-term loans granted	-29	
Other investment expenses	-125 777	-194 331
Net cash flow from investment activity	**-183 030**	**-219 826**
CASH FLOW FROM FINANCIAL ACTIVITY		
Receipts from share issue, other capital instruments and capital surcharge		
Credits and loans	340 928	297 425
Issue of indebted securities		
Other financial receipts	11 248	3 940
Acquisition of own shares		
Dividends and other payments for owners	-415	-159
Expenses from profit distribution other than payments for owners		-311
Repayments of credits and loans	-227 411	-246 444
Redemption of debt securities		
Expenses on other financial liabilities	-264	
Payments of liabilities from financial lease agreements	-21 544	-3 625
Interest paid	-37 805	-30 888
Other financial expenses	-142	1 591
Net cash flow from financial activity	**64 595**	**21 529**
TOTAL NET CASH FLOW	**-28 202**	**22 481**
Balance change in cash, incl:	**-28 247**	**25 282**
-change in cash from differences in exchange rates	-45	2 801
Cash at the beginning of period	**164 708**	**139 426**
Cash at the end of period, incl:	**136 461**	**164 708**
- restricted cash	2 868	4 786

ADDITIONAL INFORMATION
TO THE SEPARATE FINANCIAL STATEMENT

1. General information

KOPEX S.A. based in Katowice is a joint stock company registered on 3 January 1994 in the District Court in Katowice, VIII Economic Division under the number RHB 10375. By virtue of the decision of the District Court in Katowice, Economic Division dated 11 July 2001, KOPEX S.A. was entered into the Register of Companies under the number KRS - 0000026782.The Company was constituted for an indefinite period. The Company's seat is Grabowa 1 street.

The principal activity of the Company (code PKD 4521E) is an export, import of raw materials, products and services, including complete industrial plants, equipment and machinery, industrial and consumer goods (the company acts in this area as an intermediary both in domestic and foreign trade), as well as rendering a wide range of services including consulting, promotional activity and so on. The company is listed on the Stock Exchange in Warsaw in the continuous trading system and was classified to the sector of electromechanical industry.

The presented financial report is a separate financial statement and includes data for the year 2011 as well as comparative financial data for the year 2010.

Internal organizational units preparing their own financial reports are excluded from KOPEX financial statement.

The financial statement for the year 2011 has been prepared assuming that economic activity will be continued. There are no circumstances indicating a risk to interrupt the activity.

KOPEX S.A. is a dominant entity (a parent company) and prepares a consolidated financial statement.

The currency used is Polish Zloty. Data are presented in thousand zlotys.

The structure of share capital as at 31.12.2011 is as follows:

- 59,06% of share capital 43 896 459 akcji - Pan Krzysztof Jędrzejewski
- 5,92% of share capital 4 399 695 akcji - ING OFE
- 5,10% of share capital 3 789 840 akcji - Aviva OFE Aviva BZ WBK
- 29,92% of share capital 22 246 544 akcji - other shareholders

The aforementioned financial statement was approved for publication and signed by the Management Board on 12 April 2012.

2. Management Board and Supervisory Board

The Management Board

The Management Board as at 31 December 2011

Marian Kostempski	Chairman of the Management Board
Joanna Parzych	Vice Chairman of the Management Board
Józef Wolski	Vice Chairman of the Management Board

The Management Board on the day of approval for publication and signature of the present financial statement presents itself as follows:

Krzysztof Jędrzejewski	Chairman of the Management Board
Joanna Parzych	Vice Chairman of the Management Board
Józef Wolski	Vice Chairman of the Management Board
Artur Kucharski	Member of the Management Board
Andrzej Meder	Member of the Management Board

The Supervisory Board

The Supervisory Board as at 31 December 2011:

Krzysztof Jędrzejewski	Chairman of the Supervisory Board
Artur Kucharski	Vice Chairman of the Supervisory Board
Michał Rogatko	Secretary of the Supervisory Board
Marzena Misiuna	Member of the Supervisory Board
Adam Kalkusiński	Member of the Supervisory Board

The Supervisory Board on the day of approval for publication and signature of the present financial statement presents itself as follows:

Michał Rogatko	Chairman of the Supervisory Board
Marzena Misiuna	Vice Chairman of the Supervisory Board
Bogusław Bobrowski	Secretary of the Supervisory Board
Zofia Dzik	Member of the Supervisory Board
Adam Kalkusiński	Member of the Supervisory Board

3. Entity auditing the financial statement

The financial statement was audited by MW RAFIN Spółka z ograniczoną odpowiedzialnością Spółka Komandytowa with a registered seat in Sosnowiec, ul. Kilińskiego 54/III/3, basing on the Agreement dated 13 June 2011. This agreement was concluded as a result of KOPEX S.A. Supervisory Board Resolution No 83/VI/2011 dated 30 May 2011.

4. Base of preparing the financial statement

The financial statement for 2011 has been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the European Union.

From January 1st , 2005, KOPEX S.A., in accordance with the Resolution No. 27 of the Annual General Meeting dated 21 April 2005 (adopted under the art. 45 par. 1c of the Accounting Act – the content being in force since January 1st, 2005), prepares an individual financial statement in accordance with International Accounting Standards.

5. List of subsidiaries of KOPEX Group as at 31 December 2011:

Entity	*Linkage*
KOPEX S.A.	Parent company
ZZM S.A.	Subsidiary
TAGOR S.A.	Indirect subsidiary
DOZUT-TAGOR Sp. z o.o.	Indirect subsidiary
BREMASZ Sp. z o.o.	Indirect subsidiary
GRUPA ZARZĄDZAJĄCA HBS Sp. z o.o.	Indirect subsidiary
KOPEX GmbH (Germany)	Subsidiary
KOPEX-ENGINEERING Sp. z o.o.	Subsidiary
KOPEX-FAMAGO Sp. z o.o.	Subsidiary
KOPEX CONSTRUCTION Sp. z o.o.	Subsidiary
HSW ODLEWNIA Sp. z o.o.	Indirect subsidiary
WAMAG S.A.	Subsidiary
KOPEX – PRZEDSIĘBIORSTWO BUDOWY SZYBÓW S.A.	Subsidiary
PBSz INWESTYCJE Sp. z o.o.	Indirect subsidiary
Grupa HANSEN (Germany)	Subsidiary
KOPEX MIN-MONT (Serbia)	Subsidiary
KOPEX MIN-OPREMA (Serbia)	Subsidiary
KOPEX MIN-LIV (Serbia)	Subsidiary
PT KOPEX MINING CONTRACTORS (Indonesia)	Subsidiary
ZZM-MASZYNY GÓRNICZE Sp. z o.o.	Indirect subsidiary
ZAKŁAD ELEKTRONIKI GÓRNICZEJ ZEG S.A.	Indirect subsidiary
KOPEX-EKO Sp. z o.o.	Subsidiary
POLAND INVESTMENTS 7 Sp. z o.o.	Indirect subsidiary
KOPEX TECHNOLOGY Sp. z o.o.	Indirect subsidiary
KOPEX AUSTRALIA Pty Ltd (Australia)	Indirect subsidiary
KOPEX-EX-COAL (formerly: GRUPA ZZM-KOPEX Sp. z o.o.)	Subsidiary
KOPEX WARATAH Pty Ltd (Australia)	Indirect subsidiary
RYBNICKA FABRYKA MASZYN RYFAMA S.A.	Subsidiary
KOPEX SIBIR Sp. z o.o.	Indirect subsidiary
ŚLĄSKIE TOWARZYSTWO WIERTNICZE DALBIS Sp. z o.o.	Subsidiary
SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING CO. Ltd (China)	Associated
WS BAILDONIT Sp. z o.o.	Associated
TIEFENBACH Sp. z o.o.	Associated
ODLEWNIA STALIWA ŁABĘDY Sp. z o.o.	Indirectly associated
EKOPEX (Ukraine)	Associated
NEPEAN LONGWALL (formerly: INBYE MINING SERVICES (Australia))	Indirectly associated
ANHUI LONG PO ELECTRICAL CORPORATION Ltd (China)	Associated

Detailed information regarding the entities directly associated with the Issuer have been included in the further part of the financial statements (Note 8C).

6. Relevant accounting rules

6.1. Statement of compliance

The financial statement of KOPEX S.A. has been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union.

6.2. Applied accounting rules

The Company uses the following rules for valuation of assets and liabilities, and the following rules for determining the financial result:

- Intangible assets

Intangible assets are declared in the purchase price or in the cost of manufacture from which amortization and the total sum of depreciation charges related to the loss of value are deducted. Writing down the value of a component of intangible assets should be uniformly spread throughout the period of its usage estimated as best as possible. Amortization should commence when the asset is ready for use. The method used reflects the way of consuming economic benefits from the asset.
Intangible assets, excluding the goodwill, are amortized using straight line-method, as follows:
- licenses for the use of computer software 10%-30%,
- computer software 20%,
- other intangible assets – in accordance with the duration of the contract or the estimated useful life.

Intangible assets with a low purchase price (original value of less than 3.5 thousand PLN) are subject to a single write – off into the costs. Other intangible assets are amortized using a line-method throughout the period of their useful life estimated as best as possible.
The period and method of depreciation of intangible assets with a significant original value are reviewed at least at the end of each fiscal year.
Amortization of intangible assets is included in the following items of the profit and loss account: processing costs of products sold, costs of sale, overhead expenses.
Disclosure of information on intangible assets is made by dividing them into homogeneous groups and marking out those intangible assets which are manufactured by the company on its own.
The following items are not included in the intangible assets: goodwill generated by the company on its own; trademarks, magazine titles, publication titles, customer lists and items of similar form generated by the company on its own; expenditures incurred on commencing the business activity, on advertising, promotion, training and restructuring the part or all the company.

- Goodwill

Goodwill is defined as the surplus of a) over b), where:
a) is the sum of the following amounts:
- payment valued in accordance with IFRS 3, which generally requires fair value valuation. It is a transferred payment, i.e. one that excludes costs related to the direct acquisition,
- amounts of all non-controlling interests in the acquired entity, valued at fair value or on the basis of the ratio of the non-controlling interests to identifiable net assets of the acquired entity,
- in the case of stage-by-stage mergers, fair value as of the date of acquiring an interest in the equity of the acquired entity, previously owned by the acquiring entity,

b) net amount of the value (as of the acquisition date) of identifiable acquired assets and assumed liabilities, valued in accordance with IFRS 3.
In the case of negative goodwill, a revision of net fair values of each acquired asset is required. If following such revision goodwill continues to be negative, it is disclosed accordingly in the profit and loss account.
The goodwill from the acquisition of the subsidiaries of KOPEX S.A. is disclosed as fixed assets.
Subsequent goodwill valuation consists of impairment testing and disclosure in the balance sheet in accordance with the cost less aggregated impairment loss. The impairment loss itself is disclosed in the profit and loss account.
For the purpose of impairment testing, goodwill is allocated to individual cash generating units, which are expected to benefit from the synergy achieved as a result of the merger. Each unit or group of units to which such goodwill is allocated should:

- correspond to the lowest level at which goodwill is monitored for internal management purposes,
- not be larger than an operating segment based on either the entity's primary or the entity's secondary reporting format.

A cash generating unit of a given asset is the smallest identifiable group of assets that generates cash which is largely independent from cash receipts from other assets or group of assets. If it is not possible to determine the recoverable value of a given asset, the Company should identify the smallest group of assets largely generating cash receipts. Determination of cash generating units corresponding to a given asset or group of assets should be consistent over consecutive periods, unless a change is required (if so, the Company will report all necessary information regarding the unit in question).

Cash generating units to which goodwill is allocated are tested for impairment once a year, or more frequently if it can be reasonably assumed that impairment has taken place. If the recoverable value of a cash generating unit is lower than its balance sheet value, impairment is allocated firstly to reduce the balance sheet value of goodwill allocated to the unit in question, and then to the remaining assets of that unit, in proportion to the balance sheet value of its individual assets. Impairment loss allocated to goodwill is not reversible in the future periods. Upon the sale of a subsidiary the part of goodwill attributable to it is taken into account when calculating the profit/loss on such sale (loss of control).

Goodwill generated as a result of purchasing a unit operating abroad is expressed in the functional currency of such unit, and then converted using the average exchange rate of the National Bank of Poland in effect on the reporting date. The resulting F/X differences are disclosed accordingly in the statement of changes in equity.

Goodwill of affiliated entities is disclosed at the carrying value of the investment. Impairment testing applies to the entire carrying value of the investment, and not to goodwill as such.

- Research and development costs

Research expenses are disclosed in the profit and loss account as and when incurred. Development expenses are disclosed when capitalisation criteria are met. After initial disclosure, the cost of development works is reduced by the accumulated depreciation and value impairment.

Depreciation is charged at a flat rate over the expected period of generating income from sales related to the project in question, not more than 5 years.

- Fixed assets

The initial value of tangible fixed assets is determined at the purchase price, and in case the asset is manufactured using own means – as a total production cost. Borrowing costs which arose as a result of and during the investment period increase the purchase price or the cost of production. The initial value of fixed assets is increased by expenditures incurred on their improvement, provided that they are expected to be used for a period longer than just one season and it is likely that economic benefits connected with a given asset will be gained. If the residual value of the tangible fixed asset reaches and increases the amount that is higher than or equal to its carrying amount, so the depreciation of this asset ceases until its residual value drops and is lower than its carrying amount. The value of the fixed asset is subject to amortization, taking into account the planned usage period and recovery value in case of liquidation.

Fixed assets having a low initial value (lower than 3.5 thousand zlotys) are depreciated only once at the moment of their receipt for use.

Fixed assets are subject to amortization using the straight-line method during the period corresponding to the estimated period of their useful life. The residual value and useful lives are subject to annual reviews and they are amortized with the depreciation rate applicable in the subsequent periods.
For taxation purposes, the adopted depreciation rates shall be the rates under the Legal Persons Income Act dated 15 February 1992. The act determines the amount of depreciation constituting tax deductible costs.
The rates of depreciation for fixed assets are as follows:
- buildings and structures – 2,5%-4,5%,
- technical equipment and machinery – 10%-38,72%,
- transport means – 20%-33,06%,
- others – 14%-40%,
- the right of perpetual usufruct of land, purchased for the property
  - acquisition value up to 500 thousand zlotys – 20%,
  - acquisition value over 500 thousands zlotys – in the period of the contract, in which these rights can be used.

The right of perpetual usufruct of land obtained free of charge from the Treasury is recorded off-balance sheet.
Freehold lands are not subject to amortization.

- Fixed assets held for sale

The fixed assets which are highly likely to be sold, for which, there is an active program to find a buyer and for which the plan of sales is expected to be completed within one year are classified as non-current assets held for sale and their depreciation ceases.

- Investment properties

Investment properties – held in order to achieve the revenue from leasing and/or increase of their value – are measured on the balance sheet day at the cost reduced by previous depreciation write -offs. The period and method of depreciation of the investment properties with a significant initial value are reviewed at least at the end of each financial year in terms of their expected utility. Investment properties are amortized using a straight-line method during the estimated period of their economical utility. The rates of depreciation for investment properties are as follows:
- buildings and structures – 2,5%-4,5%,
- the right of perpetual usufruct of land, purchased as a property:
  - acquisition value up to 500 thousand zlotys – 20%,
  - acquisition value above 500 thousand zlotys – in the period of the contract, in which these rights can be used.

Feehold lands are not subject to amortization.

- Fixed assets under construction

On the balance sheet date, fixed assets under construction are measured in the total costs incurred on their direct purchase or on the production reduced by depreciation due to their permanent impairment.

- Long-term receivables

Long-term receivables are receivables other ones than those due to supplies and services for which payment falls during a period of time longer than one year from the balance sheet day. Long-term receivables are measured by the company at amortized cost using the method of the effective interest rate. As at the balance sheet date, long-term receivables in foreign currencies are measured at the average rate fixed by NBP (National Bank of Poland) for this day. Negative exchange differences resulting from that valuation as a whole charge financial costs, and positive exchange differences are reported respectively in financial incomes.

- <u>Leasing</u>

- Financial lease

A lease agreement is classified as financial lease if essentially all risks and rewards associated with the legal title to the leased item are transferred to the lessee. If the entity is a lessee under a financial lease agreement, the leased asset and the liabilities arising therefrom are disclosed as of the lease commencement date at fair value or at the current value of minimum lease charges determined as of such date, whichever is lower. Subsequently, the leased item is depreciated in the same way as other tangible fixed assets. If it is not certain that the entity will own the title before the end of the lease period, the asset in question is depreciated over the shorter of the following periods: lease period or operation period. Financial costs are accounted for in this way in each period within the lease period, so as to achieve a fixed periodical percentage rate in relation to the outstanding balance of the liability. Lease agreement liabilities are presented in the financial statements as a separate entry, with a breakdown into short-term and long-term. Financial costs are disclosed in the profit and loss account as financial costs ("Interest"). If the entity is a lessor under a financial lease agreement, the leased asset is disclosed as receivables at the value corresponding to the gross value of the lease investment, with unrealized gains being disclosed in "Deferred income". Lease agreement receivables are presented at the value corresponding to the net value of the lease investment in the financial statements as a separate entry, with a breakdown into short-term and long-term. Financial gains are disclosed reasonably and systematically, to reflect the fixed periodical rate of return. Financial gains are disclosed in the profit and loss account as financial revenues ("Interest").

- Operating lease

A lease agreement is classified as operating lease if essentially all risks and rewards associated with the legal title to the leased item are not transferred to the lessee. If the entity is a lessee under an operating lease agreement, operating lease fees are disclosed as cost at a flat rate over the entire lease period, unless using another systematic method better reflects the distribution of benefits experienced by the entity over time. If the entity is a lessor under an operating lease agreement, the leased item is presented in a manner reflecting the nature thereof, and income is disclosed at a flat rate over the entire lease period, unless using another systematic method better reflects the distribution of benefits experienced by the entity over time. In the financial statement the entity makes disclosures relating to the lease as required by IFRS/IAS.

- <u>Financial instruments</u>

Financial instruments have been classified in the following categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity investments
- Loans and financial receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss
- Other financial liabilities
- Derivatives for which hedge accounting is applied

<u>Financial assets at goodwill (fair value) through financial result</u>

include assets purchased for short sale as well as other financial assets constituting part of a portfolio of similar assets that are highly likely to deliver expected economic gains over a short period of time, as well as those financial assets which were determined as valued at fair value through profit or loss upon initial recognition, if that serves the purpose of obtaining more useful information. Upon initial recognition, they are valued at fair value excluding transaction costs which can be directly attributed to the purchase or issuance of these instruments. Upon initial recognition they are valued at fair value and taken to financial costs or revenues under "Revaluation of investments"

In particular, the company classifies in this category the following:

- derivatives for which no hedge accounting is applied – in financial statements they are presented under "Derivative financial instruments" in current assets. Their valuation is taken to financial costs or revenues under "Investment revaluation". Realization of a derivative instrument is also taken to financial costs or revenues. For currency buy/sell forward contracts, realization is taken to "F/X differences" within financial costs or revenues;

- shares in entities other than subsidiaries or affiliates held for short resale; in financial statements they are presented under current assets: "Financial assets at fair value through profit or loss". The result of valuation is taken to financial losses or revenues under "Investment revaluation", and the sale of such assets is recognized separately: under "Revenues from the sale of investments" in financial revenues and under "Value of investments sold" in financial costs.

Held-to-maturity investments

include financial assets which are not derivatives but are characteristic for determined or determinable payments and predefined maturity dates, provided that the entity not only intends to hold them to maturity, but also is capable of delivering on that intention. They exclude assets which upon initial recognition are classified as assets at fair value through profit or loss, or as assets held for sale, or assets that are defined as loans and receivables. Upon initial recognition, they are valued at fair value increased by transaction costs which can be directly attributed to their purchase or issue. After initial recognition, held-to-maturity investments are valued at depreciated cost using the effective interest rate method. The result of valuation is taken to financial losses or revenues under "Investment revaluation". These assets are presented in the financial statements as a separate entry, with a breakdown into short-term and long-term.

Loans and receivables

are financial assets other than derivatives with determined or determinable payments which are not quoted in an active market. Upon initial recognition, they are valued at fair value, and then at depreciated cost using the effective interest rate method (except for loans and receivables maturing earlier than 12 months after the reporting date – these are recognized at the value of the payment due). The result of valuation is taken to financial costs or revenues under "Investment revaluation".

The category of loans and receivables includes:

- trade accounts receivable – presented as a separate entry in the financial statements (as current assets);

- other financial receivables, including in particular: employee receivables, receivables from the sale of financial assets, prepayments, dividend receivables, receivables from the sale of fixed assets – presented in the financial statements under "Long-term other receivables" (maturing later than 12 months) and under "Short-term other receivables" (maturing earlier than 12 months after the reporting date).

- loans granted – presented as a separate entry in the financial statements, with a breakdown into long-term (maturing later than 12 months after the reporting date) and short-term (maturing earlier than 12 months after the reporting date).

Financial assets held for sale

are financial assets other than derivatives which have been classified as held for sale or which do not constitute: loans/receivables, held-to-maturity investments, or financial assets at fair value through profit or loss. Upon initial recognition, financial assets held for sale are valued at fair value increased by transaction costs which can be directly attributed to their purchase or issue. After initial recognition, they are valued at fair value, and the result of such valuation is taken to other total revenues, thus increasing or decreasing the revaluation capital. Value impairment charges and F/X differences are recognized in the profit and loss account. Upon exclusion of an asset from the financial statements, accumulated gains or losses previously recognized in other total revenues are moved from equity to profits or losses. For financial assets held for sale without a fixed maturity date, when no fair value can be determined, valuation is made at purchase price.

Financial assets held for sale include in particular shares in entities other than subsidiaries or affiliates purchased not for the purpose of short sale – they are presented in the financial statements as a separate entry, with a breakdown into short-term and long-term.

Financial liabilities at fair value through financial result

include liabilities incurred for the purpose of short resale, constituting part of a portfolio of similar financial instruments that are highly likely to be realized on unfavourable terms in a short period of time, as well as those financial liabilities which were determined as valued at fair value through profit or loss upon initial recognition, if that serves the purpose of obtaining more useful information. Upon initial recognition, they are valued at fair value excluding transaction costs which can be directly attributed to the purchase or issuance of these instruments. Upon initial recognition they are valued at fair value and taken to financial incomes or costs under "Revaluation of investments". In particular, the company classifies in this category derivatives that do not qualify for hedge accounting – in financial statements they are presented under "Derivative financial instruments" in current assets. Realization of a derivative instrument is taken to financial incomes or costs. For currency buy/sell forward contracts, realization is taken to "F/X differences" within financial incomes or costs.

Other financial liabilities

In this category, the entity recognizes financial liabilities other than those valued at fair value through profit or loss. Upon initial recognition they are valued at fair value, and then at depreciated cost using the effective interest rate method (except for short-term liabilities which are recognized at the value of the payment due).

Other financial liabilities include in particular:

- credits and loans received – presented in the financial statements under "Long-term credits and loans" (maturing later than 12 months after the reporting date) and under "Short-term credits and loans" (maturing earlier than 12 months after the reporting date),

- trade accounts payable – presented as a separate entry in the financial statements (as short-term liabilities),

- other financial liabilities, including in particular: employee liabilities, liabilities related to the purchase of fixed assets – presented in the financial statements under the following: "Long-term other liabilities" (maturing later than 12 months after the reporting date) and "Short-term other liabilities" (maturing earlier than 12 months after the reporting date).

Derivatives for which no hedge accounting is applied

are instruments determined in accordance with the principles of hedge accounting whose fair value or cash flows resulting from them serve the purpose of balancing fair value or cash flows of the hedged position.

The entity can use hedge accounting if all conditions listed in IFRS/IAS are met:

- hedging relationship, the purpose of risk management and hedging strategy must be formally designated and documented upon establishing the hedging,

- it is expected that hedging will be highly effective,

- for cash flow hedges, the planned hedged transaction must be highly probable and subject to cash flow change risks that can affect profit and loss account,

- hedge effectiveness can be reliably assessed,

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

Derivatives that qualify for hedge accounting are presented under “Derivative financial instruments” in assets or in liabilities – depending on whether their value is positive or negative.

Revaluation of fair value of a hedging instrument is taken to:

- profits or losses – in the case of instruments used to hedge fair value

- other total incomes – in the case of instruments used to hedge future cash flows, by increasing or decreasing revaluation capital (to the extent corresponding to effective hedge)

- profits or losses – in the case of instruments used to hedge future cash flows (to the extent corresponding to ineffective hedge) under financial costs or revenues (for currency sale contracts – under “F/X differences”).

When hedging future cash flows, if the planned transaction affects the financial result, the profit or loss associated to the hedging position that was originally recognized directly in equity is moved in the same period(s) to other revenues or other costs.

The occurrence of the planned transaction, involving the realization of the hedging instrument, results in taking the realized hedging instrument to “Other incomes” or “Other costs”.

The entity discontinues to use the principles of hedge accounting in each of the following cases:

- the hedging instrument expires, is sold, dissolved or executed,

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

- the entity invalidates the hedging relationship,

in such cases, the aggregated gains or losses related to the hedging instrument which were taken to total revenues in the period in which the hedge was effective, continue to be disclosed in equity under “Revaluation capital” until the planned transaction takes place;

- realization of the planned transaction is no longer expected – in such a case all accumulated gains or losses related to the hedging instrument which were taken to total revenues in the period in which the hedge was effective are taken to financial costs or revenues (for currency sale contracts – under “F/X differences”). The company does not use hedge accounting for shares in net assets of foreign entities.

- Investments in subsidiaries and associated companies

The investments made in the subsidiaries or associated companies are recognized in the financial statement at the purchase price decreased by eventual write-offs due to impairment and presented as Fixed assets, in the position “Other long term financial assets”.

- Inventories

Inventories are measured at their cost or net value likely to obtain, depending on which of them is lower. On the balance sheet day, write – offs updating the value of inventories are made if there are reasons justifying the aforementioned depreciation. Write – offs are recognized in the balance sheet as other operating costs. On the balance sheet date, inventories are stated at a purchase price reduced by depreciation made. Outgoing of inventories is made by the Company in the following ways:
- materials according to weighted average method,

- materials purchased for a specific order and goods acquired prior a specific identification of the real price of these components, irrespective of the date of their purchase or manufacture,
- energy measured at average prices, it means, fixed in the amount of the weighted average price for a given period.

- Short-term receivables

Receivables and claims are stated at the amount owed, i.e. including interest accrued. Interest is accrued and accounted for towards financial revenues under “Interest”. When accruing interest, the materiality criterion is applied. Furthermore, interest on receivables from customers who are normally not charged with default interest (e.g. to sustain good business relationship) is not accounted for.

For short-term receivables are classified:

- receivables from supplies and services, regardless of a contractual due date – presented in distinct item of the statement of financial position,
- other financial receivables, including in particular: employee receivables, receivables from the sale of financial assets, dividend receivables, receivables from the sale of fixed assets – presented in the financial statements under “Long-term other receivables” (maturing later than 12 months after the reporting date) and under “Short-term other receivables” (maturing earlier than 12 months after the reporting date),
- non-cash receivables, such as: prepayments and advance payments granted, public receivables – presented in the financial statements under „Long term other receivables” (maturing later than 12 months after the reporting date) and under “Short-term other receivables” (maturing earlier than 12 months after the reporting date).

Receivables and claims are reported at net amounts, it means they are reduced by the revaluation write-offs, in connection with the risk of their irrecoverability.
Revaluation write-offs on receivables are established:
- on the receivables from debtors in liquidation or under bankruptcy proceedings – up to the amount of receivables not covered by the guarantee or other security instrument, notified to the liquidator or official receiver in bankruptcy proceedings, or up to the amount of proposed redemption,
- receivables from debtors in case of dismissal of bankruptcy petition if the debtor's assets are insufficient to cover the costs of bankruptcy proceedings,
- receivables contested by debtors (controversial) to the amount not covered by the guarantee or other hedging instrument,
- on all receivables the due date of which did not expire or has already expired and the debtor’s economical and financial situation is unfavorable – up to the amount of the receivable,
- on the total amount of unpaid interests on overdue payments, making allowance for the criterion for significance.

Write-down provisions for receivables are disclosed under “Other costs”, except for provisions for receivables resulting from interest which are disclosed under “Other financial costs” in financial costs.

Release of a write-down provision takes place when payment is received. It is disclosed in the profit and loss account under “Other incomes” except for provisions for receivables resulting from interest which are released to “Other financial incomes” in financial incomes. Receivables denominated in foreign currencies, except for non-monetary items in the form of prepayments, are measured on the balance sheet date at the average exchange rate fixed for a given currency by the National Bank of Poland for this day. Exchange differences from receivables denominated in foreign currencies arising from the valuation date and the payment date are recognized in the balance sheet as follows: negative ones as financial costs and positive ones as financial income, in the position “Exchange differences”. In justified cases, they are recognized as a production cost of fixed assets or intangible assets (in order to increase or decrease these costs, respectively).

- Cash means of payment

Cash and cash equivalents are shown at nominal value. Denominated in foreign currencies, cash and cash equivalents are measured on the balance sheet date at the average exchange rate fixed for a given currency by the NBP for this day. Exchange differences relate to the income or financial costs.

- Prepaid expenses and accruals

Prepayments take place when the costs incurred relate to future reporting periods.
The following items are submitted to settlement over time:
- rent for the lease of premises, machinery and equipment,
- energy paid for several months in advance,
- property insurance,
- annual fees for land taken in perpetuity,
- annual appropriation to the company's social benefits fund,
- paid up magazine subscription for the next year,
- other costs related to the number of reporting periods if their activation has been evidenced with an appropriate document confirming that they were incurred.

Excess of established from valuation cumulative revenues over the sum of disclosed losses and receivables contingent on contract performance (invoiced partial revenues) is presented in short-term accrued assets.
Titles of prepayments that do not relate to the normal operating cycle of the company and their period of settlement exceeds 12 months from the balance sheet date, are recognized in the balance sheet as long-term prepayments.

Accruals
are liabilities payable for goods or services that have already been received/performed, but not yet paid for, invoiced or formally arranged with the supplier. Although sometimes it is necessary to assess the amount or date of payment, the degree of uncertainty is lower than in the case of provisions. Accruals include planned costs of financial statement revision, value of unpaid employee bonuses, value of services provided to the company but not yet paid for (as long as the service provider is not contractually obliged to invoice such services), cost of pollution charges, cost attributable to the current period but invoiced in the next period. Accruals are disclosed as short-term liabilities under "Accrued expenses".

Deferred incomes
include in particular cash received to finance the purchase or manufacturing of fixed assets, including investments in progress and development works, unless it does not increase equity in accordance with other standards. Amounts classified as deferred incomes gradually increase operating revenues, in parallel with depreciation charges or write-offs of fixed assets or costs of development works financed with other sources. Deferred incomes are disclosed in liabilities under "Deferrals" with a breakdown into short-term and long-term.

- Equities

Equity capital includes original capital (share capital), spare capital and reserve capital, revaluation reserve, net profit (loss) for a given period and undistributed profit from previous years.
Original capital is shown in the amount specified in the Articles of Association and entered in the trade register. Declared but not paid capital contributions are recognized as called up share capital. Shareholders may increase or decrease the equity in accordance with the Commercial Code. If the increase results from an increase in the share capital, it is booked only with a date on which the court registered the amendment.

Original capital is valuated in liabilities at nominal value.
Treasury shares are recognized in the balance sheet at purchase price as a decrease in capital. In case of sale, issuance or redemption of treasury shares, no profits or losses are recognized in the profit or loss account.

- Provisions for liabilities

Provisions are liabilities whose amount and term of payment are not certain.
Provision is created when:
a) the entity assumes the obligation (legal or customary) arising from past events,
b) it is likely that fulfilling of the obligation will cause an outflow of resources representing economic benefits,
c) it is possible to estimate accurately the amount of that obligation.
If these conditions are not met, provisions are not created.
The amount of provisions should reflect the best estimated expenditures required to fulfill the existing obligation on the balance sheet date, it means:
- the amount - which according to rational premises, the Company would pay on the balance sheet date fulfilling the obligation or,
- the amount which the Company would pay to a third party in return for taking over the obligation in question at the same time.
Provision is valued taking into account risk and uncertainty. If the result of a change in money value over time is significant, the amount of the provision corresponds to the current value of the expenses that will be necessary to fulfil the obligation. Assessments of financial result and effect are made on the basis of the judgment of the Company's management, assisted by previous experience from similar transactions and possibly by reports of independent experts. The uncertainty relating to the amount for which a provision needs to be made is arrived at using various means, depending on the circumstances.
Provisions are created for the following titles:
- loss from business transactions in progress,
- guarantees and warranties granted,
- results of pending litigation and appeal proceedings,
- value of unused annual employee leaves,
- severance payments on retirement/pension,
- provision for financial costs,
- future costs related to restructuring.
Provisions for employee benefits are estimated by the actuary.
The Company has chosen the method of immediate recognition of actuarial gains and losses both those being within the range described in the IAS 19, par. 92, as well as those going beyond it.

- Assets and provision for income tax

In connection with temporary differences between the carrying value of assets and liabilities and their tax value and tax losses deductible in the future, the entity creates a provision and identifies deferred income tax assets.
Deferred income tax assets are determined taking into account the precautionary principle, at an amount corresponding to the future income tax deduction resulting from:
- negative temporary differences,
- carrying over of unused tax losses
- carrying over of unused tax credits.
Negative temporary differences result in tax deductible amounts occurring in determining taxable profit (tax loss) in future periods, if the carrying amount of an asset or a liability is realized or accounted for. A deferred income tax asset is disclosed with respect to all negative temporary differences up to the likely amount of taxable profit allowing for setting off temporary differences. Deferred income tax assets are assessed at the amounts reimbursable by tax authorities in accordance with tax rates expected to be in effect when the asset is realized, on the basis of tax rates (and tax regulations) in effect on the reporting date.

The provision for a deferred income tax is established at the amount of income tax requiring payment in the future due to positive temporary differences, it means, the differences which will increase the basis for calculating income tax in the future. The provision is valuated according to the tax rates which will be applied when the provision is released, taking for a base the tax rates (and tax regulations) that would be effective or were actually effective on the balance sheet date.
Provision for a deferred income tax as well as for activated income tax are updated in reporting periods, following the titles under which they were created. The deferred income tax should be recognized in the profit and loss account as "Income tax".
Provision for a deferred income tax as well as for activated income tax is created only for temporary adjustments.
Deferred tax is disclosed outside the profit and loss account if the tax relates to items that – in the same or in another period – were also disclosed outside the profit and loss account. If it relates to items that were disclosed in total revenues in the same or in another period, then deferred tax is disclosed in total revenues as well. If it relates to items disclosed directly in equity, deferred income is disclosed in equity.
If temporary differences result from joint ventures, then – in accordance with IFRS 3 – the Company discloses all deferred income tax assets or provisions as an asset or liability, identifiable as of the merger. Such assets and provisions affect the value of the firm or profit resulting from bargain purchase disclosed by the Company. However, the Company does not disclose provisions on deferred income tax resulting from the initial recognition of the value of the firm.

- Liabilities

Liabilities are understood to include an obligation of a credible value, resulting from past events, which will result in consuming the Company's current or future assets.
Liabilities include:
- credit and loan liabilities – presented as a separate item in the financial statements, with a breakdown into short-term and long-term;
- trade accounts payable, irrespectively of the contractual maturity date – presented as a separate item in the financial statements (short-term);
- other financial liabilities, including in particular: employee liabilities, liabilities related to the purchase of fixed assets – presented in the financial statements under the following: "Long-term other liabilities" (maturing later than 12 months after the reporting date) and "Short-term other liabilities" (maturing earlier than 12 months after the reporting date);
- non-cash liabilities, such as: prepayments and advance payments received, public liabilities, surplus of disclosed losses and receivables contingent on contract performance (partial invoices) over cumulatively revaluated revenues – presented in the financial statements under „Long term other liabilities" (maturing later than 12 months after the reporting date) and under "Short-term other liabilities" (maturing earlier than 12 months after the reporting date).

Long-term liabilities include liabilities or their part for which the due date falls at least one year after the balance sheet date, excluding liabilities for supplies and services.
This item also contains long-term bank loans and borrowings. The division of credit and loan into short-term and long-term is made in accordance with the principles described above.
In the moment of initial recognition, bank credits and loans are recorded at the purchase price equal to the fair value of cash received and reduced by the costs of credit or loan. In the following periods, long-term credits and loans are valued at amortised purchase price, using effective interest rate. When determining the amortised purchase price, all costs related to obtaining credit or loan, as well as discounts and premiums obtained in the course of its repayment, are taken into account.
Long-term liabilities, beyond the normal operating cycle, are valuated on the balance sheet date at amortized cost using the effective interest rate.

All effects relating to valuation of long-term liabilities by amortised cost, as well as all the effects of removing the liabilities from the balance sheet are disclosed in the profit and loss account.
Short-term liabilities are all the liabilities for deliveries and services, as well as other liabilities or a part of them which are due within 12 months from the balance sheet date.
Short-term liabilities are valuated at the amount payable, i.e. liabilities whose maturity date of has expired are augmented by interests due to delay in payment. The materiality criterion must be applied when calculating default interest. Furthermore, default interest cannot be accounted for if one is reasonably certain that the party authorized to charge the interest will refrain from doing so. In other cases, interest is accounted for in reporting periods.
Long-term and short-term liabilities denominated in foreign currencies, excluding non-monetary liabilities, are valuated on the balance sheet date at the average exchange rate fixed for a given currency by the NBP for this day. Exchange differences from liabilities denominated in foreign currencies arising on the valuation date and the payment date are recognized in the balance sheet as follows: negative ones as financial costs and positive ones as financial income respectively, in the item "Exchange rate differences". In justified cases, they are charged to manufacture costs of fixed assets or intangible assets.

- Revenues

Revenues are gross earnings in a given period, being a result of regular operations of a given company, and leading to an increase in equity other than the increase due to contributions made by shareholders. Income and expenses of the same transaction are recorded at the same time.
Revenues are recognized when it is likely that the company will have the economic benefits from a given transaction and the amount of revenues may be accurately determined. Revenues are recognized after the value added tax deductions, discounts and reductions.
Revenues on sale of assets are recognized upon delivery thereof and when the significant risk and benefits resulting from ownership of the assets have been transferred to the purchaser.
Revenues from provision of services (excluding contracts of construction services) are recognized when providing services to a third party.
Dividend income is recognized when the Company is granted the right to dividends.

- Goverment grants:

Government grants, including non-monetary grants at fair value are recognized when it is certain that:
- the Company will meet the conditions related to obtaining grants,
- grants will be given.

The word "government" refers to government, governmental institutions, governmental agencies and other similar bodies whether local, national or international. Government grants are recognized systematically as an income in particular periods in order to match them with the related costs which the grants ought to compensate. The grants do not increase directly in equity. A government grant that becomes due as compensation for costs already incurred or losses or that is given to the company in order to provide an immediate financial support, without any future related costs, shall be recognized as an income in the period in which it becomes due. Non-monetary government grants may have the form of transfer of non-monetary asset such as land, or other assets given to the company to use. In such cases, a non-monetary asset shall be valuated and booked at fair value. Government grants till to assets, including non-monetary grants at fair value, are presented in the balance sheet as a deferred income of the future periods or the amount of grants is subtracted in order to obtain the carrying amount of the assets. The Company has adopted the method of presenting non-monetary grants related to the assets at fair value as deferred income of the future periods and recognizing them in the balance sheet as an income during the period of their utilization. Grants are presented in the profit and loss account as other operating income.
Government grants being subject to repayments are recognized as a change in the estimated value. It means that the repayment of the grant is firstly referred to the unpaid balance of a deferred revenue. The remaining part is referred to the costs of the current period. The standard does not resolve the matter of the EU subsidies. The Company treats the EU subsidies as government grants.

- Contracts of construction services

Construction services contracts include individually concluded agreements on construction of an asset or group of assets that are closely related owing to a project, technology and function or intended use.
The majority of contracts are concluded in set prices and are accounted by using the method of the contract progress degree.
The contract realization progress degree is calculated as percentile quotient of factually incurred costs, which are recorded in appropriate accounting documents, and estimated total costs of contract.
Total revenues from a contract include the original amount stated therein as well as any changes made thereafter, as well as claims and bonuses.
Changes in incomes from a contract is taken into account if it is likely that they would be accepted by the service user and if their value can be reliably determined. Revenues from contracts are valued at fair value of the payment due or received. Total costs of an agreement include costs directly related to a given contract, overheads attributable to the business in question which can be linked to a given contract, as well as other costs which – in accordance with the terms of the contract – can be charged to the service user. A revision and update of total costs and revenues from agreements is carried out periodically (at least on the last day of the reporting period) and upon each significant change in assessment of such costs and revenues. The effect of changes in the assessment of costs and revenues from agreements as well as the effect of changes in the assessment of the contract's result are disclosed as a change of assessed value. Changed assessments are used to determine the amount of revenues and costs recognized in the result of the reporting period in which the change took place, as well as in the following periods. Revenues as of the end of a reporting period is determined in proportion to the degree of the contract's completion, after deduction of revenues that affected the financial result in the previous reporting periods.
If the estimated total and final income as well as costs related to the contract of construction services which is being executed indicate a loss, in this case, the provision for the whole loss is created in the balance sheet and credited to costs.
Revenues from contracts underway are disclosed with regard to the degree of the agreement's completion, and the resulting differences are recognized in the following way:
- excess of recorded cumulative revenues over the sum of losses and receivables conditioned by contract execution (partial invoiced incomes) is recognized in the position "Short-term prepayments" and presented in the assets, in the position "Prepayments and accruals".
- excess of recorded losses and receivables conditioned by contract execution (partial invoiced incomes) over the cumulative revenues is recognized in the position "Short-term accruals" and shown in the liabilities, in the position – "Other liabilities".

- Net profit or loss

The financial result (net profit or loss) of the Company is determined using the accrual basis of accounting and matching the revenues with the expenses.

6.3. The published standards and interpretations that entered into force on 1 January 2011 and their impact on the financial statement

- The amendments to IAS 32 "Financial Instruments: Presentation" – classification of rights issues, approved in EU on 23 December 2009 (effective to annual periods beginning on or after 1 February 2010);
- The amendments to IFRS 1 "First-time Adoption of International Financing Reporting Standards" – limited discharge of entities applying IFRS for the first time from disclosure of comparative information, pursuant to IFRS 7, approved in EU on 30 June 2010 (effective to annual periods beginning on or after 1 July 2010);
- The amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – prepayments within the minimal financing requirements, approved in EU on 19 July 2010 (effective to annual periods beginning on or after 1 January 2011);
- The interpretation of IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", approved in EU on 23 July 2010 (effective to annual periods beginning on or after 1 July 2010);

- Changes of different standards and interpretations "The Amendments to IFRS (2010)" – modifications made within the procedure of yearly amending of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 oraz IFRIC 13) oriented mainly on dissolution of discrepancies and clarification of terminology, approved in EU on 18 February 2011 (effective to annual periods beginning on or after 1 January 2011);
- IAS 24 – "Related Party Disclosures" is effective to annual periods beginning on or after 1 January 2011. The amended standard simplifies the definition of related company, precises the meaning and eliminates imprecisenesses from the definition.

Application of the above-mentioned amendments did not have any significant effect on the Group's financial position or activity results.

6.4. The published standards and interpretations that did not enter into force and were not accepted by the European Union

- IFRS 9 – "Financial Instruments". The standard was published by the IASB on 12 November 2009 and on 28 September 2010 (amendment). The standard will be effective from 1 January 2015.
- IFRS 1 – "First-time Adoption of International Financing Reporting Standards". The changes to the standard were published by the IASB on 20 December 2010 and they are effective for annual periods beginning on 1 July 2011.
- IFRS 7 – "Financial Instruments: Disclosures". The amended standard was published by the IASB on 7 October 2010 and it will be effective for annual periods beginning on or after 1 July 2011
- IAS 12 – "Income Taxes". The amendments to this standard were published by the IASB on 20 December 2010 and they will be effective for annual periods beginning on or after 1 January 2012.
- IAS 27 – "Separate Financial Statement". The amendments will be effective for annual periods beginning on or after 1 January 2013. These amendments have not been accepted by the European Union.
- IAS 28 – "Investments in Associates". The amendments will be effective for annual periods beginning on or after 1 January 2013. These amendments have not been accepted by the European Union.
- IAS 1 – "Presentation of Financial Statements". The amendments will be effective for annual periods beginning on or after 1 July 2012. These amendments have not been accepted by the European Union.
- IAS 19 – "Employee Benefits". The amendments will be effective for annual periods beginning on or after 1 January 2013. These amendments have not been accepted by the European Union.
- IFRS 10 – "Consolidated Financial Statements". The standard will be effective for annual periods beginning on or after 1 January 2013. This standard has not been accepted by the European Union.
- IFRS 11 – "Joint Arrangements". The standard will be effective for annual periods beginning on or after 1 January 2013. This standard has not been accepted by the European Union.
- IFRS 12 – "Disclosure of Interests in Other Entities". The standard will be effective for annual periods beginning on or after 1 January 2013. This standard has not been accepted by the European Union.
- IFRS 13 – "Fair Value Measurement". The standard will be effective for annual periods beginning on or after 1 January 2013. This standard has not been accepted by the European Union.

7. Capital management

The company KOPEX S.A. manages the capital in order to preserve ability to continue its activity, including planned investments, considering changing economic circumstances.
The aims of capital management are:

- maintaining good financial standing
- maintaining safe capital ratios
- maximisation of profitability for shareholders

Hereunder basic components of managed capital due to the situation as at 31.12.2011:

in thousand zlotys

	31.12.2011	31.12.2010
Total capital (liabilities)	**1 809 476**	**1 610 550**
Equity, including:	**1 370 179**	**1 349 454**
Share capital	74 333	74 333
Own shares	-2 979	-2 979
Supplementary capital	1 261 164	1 262 464
Revaluation reserve	875	-85
Other reserve capitals	17 021	17 021
Retained profits	19 765	-1 300
Long-term liabilities	**18 952**	**14 217**
Short-term liabilities	**420 345**	**246 879**

The Management Board of KOPEX S.A. monitors the following capital ratios up to date:

	31.12.2011	31.12.2010
• average net debt ratio / average equity ratio	0,27	0,13
• structure of liabilities ratio / sources of financing ratio	0,76	0,84
• ROE	1,45	-0,10
• overall debt ratio	0,24	0,16

External capital requirements imposed on Kopex S.A. by the banks crediting the Company:

No.	Indicators	As at the day of 31.12.2011
1.	Keeping in reference to KOPEX Group the NET DEBT/EBITDA ratio on the level not higher than 3,5 during the whole period of contract's validity /calculation will be made for 4 last quarters/	2,89
2.	Keeping by KOPEX Group the SHARE CAPITAL/BALANCE SHEET TOTAL ratio on the level not lower than 60%	65,5%
3.	The IBD/EBITDA ratio for KOPEX Group on the level not higher than 4; IBD signifies engagement under interests together with off-balance-sheet liabilities (without doubling off-balance-sheet liabilities); EBITDA signifies result on operational activity of the Group adjusted by result on sale of non-financial fixed assets plus amortisation	3,99

During 2011, the KOPEX Capital Group was meeting these requirements.

8. Financial Risk Management Policy and Hedging

KOPEX S.A., as any other entity engaged in economic activities, consciously takes various risks, and in order to achieve measurable economic effects, it takes only this risk which is necessary to achieve previously determined objectives and to implement the Board-approved strategy.

Adoption of an appropriate financial risk management strategy allows to eliminate or reduce to the absolute minimum the risk of problems related to liquidity and changing of capital markets.

The Company manages its capital in a way to ensure a smooth continuation of the activity and, at the same time, the maximum profitability for shareholders.

The capital structure of the Company as at 31.12.2011 and as at 31.12.2010 includes:

Credits (notes No. 23, 28)

Loans (notes No. 23, 28)

Cash and cash equivalents (note No. 17)

Equity (notes No. 19, 20, 21, 21)

Liabilities (notes No. 24, 29, 30, 31)

The Company seeks to maintain a liquidity ratio and a debt ratio at a safe level, and follows the so called "Golden rule of balance sheet" which means the maintenance of financial stability.

The Company implements an active policy of financial risk management, which includes processes of risk identification, measurement, monitoring and consequently, the choice of the most appropriate hedging instruments for the risks identified. Financial Risk Management in KOPEX S.A. is coordinated by the Financial Director – Member of the Board.

The Company does not use financial instruments (including derivatives) for speculative purposes.

The Company is exposed primarily to the following groups of risk:

- market risk, including price risk, interest rate risk and exchange rate risk (in particular, the latter one is a specific risk since it has direct influence on valuation of the items within assets and liabilities as well as on cash flows),

- liquidity risk,

- credit risk.

The detailed description of particular groups of risk (scope of occurrence, degree of concentration, hedging procedures, sensitivity analysis) is presented in the further part of the report.

The Company applies the procedures aiming to minimize the risk of not being paid for the sale of goods and services. Particular stages related to commencing a cooperation with a given contractor shall involve verification of that contractor's financial standing, then making the delivery conditional on obtaining an acceptable security for payment (letter of credit, guarantees, bills of exchange, etc.).

The Company prepares daily reports on available cash, incomes obtained and expenses realized, monthly controlling reports, monthly detailed reports on indebtedness and commitments in banks, including those on the use of guarantee lines, reports on overdue debts, report on planned cash flows.

This information allows a current analysis of the financial standing of the Company, which enables to take the appropriate action aiming to minimize the identified groups of risk.

Price risk

Considering investments of unimportant value in equity securities classified in financial statement as available on sale and valuated in goodwill for financial result, the Company is not significantly exposed to the price risk concerning price changes of this type of investments.

Interest rate risk

The Company is exposed to an interest rate risk related mainly to the bank loans which are characterized by a variable interest based on the WIBOR and a constant bank margin of lending banks during the period of crediting.

Interest rate risk appears in the loans granted by the Company both in PLN and foreign currencies.

As at 31.12.2011, the Company had also the liabilities in relation of received loans for the amount of 13 898 thousand PLN (loans from controlled companies). As at 31.12.2010, the Company did not have any liabilities in relation of received loans.

In turn, the lack of interest rate risk on purchased bonds is due to the fact that those are discounted at a determined WIBOR rate fixed on the Day of Issuance Order and increased by a fixed margin.

Incomes/costs from obtained/paid interests earned on loans varied due to changes in interest rates on which the interests were counted. For loans in the Polish currency, a calculated interest rate based on the variable WIBOR 1M + margin, for long-term loans it based on WIBOR 1R + margin, and for loans in a foreign currency on EURIBOR 1M + margin or LIBOR 1M + margin.

As at 31.12.2011 and as at 31.12.2010, the Company did not have at its disposal financial instruments hedging the interest rate risk, reducing only the aforementioned risk to use of the variable WIBOR/EURIBOR for the loans granted by the Company and to continuous monitoring of the decisions taken by the Monetary Policy Council in the matter of the interest rate changes.

Foreign exchange risk

The Company is exposed to foreign exchange risk arising mainly from the core business i.e. the sale and purchase of goods and services in foreign currencies (mainly EUR and USD).

The main financial instruments hedging the exchange risk are forward foreign exchange transactions and options.

In order to reduce the foreign exchange risk, the Group implemented a strategy which consists in application the procedure for actual cash flow hedging.

The Company is not engaged in speculative trading.

In 2005, KOPEX company adopted “The Strategy of Hedging the Exchange Risk and Interest Rate Risk” under which foreign exchange risk hedging transactions are made while signing a trade contract and in case of contracts for sale/purchase of coal/energy, the hedging transaction is made while placing an order for shipment of goods/purchase of energy.

The Company applies hedge accounting (for detailed description see the accounting rules) and natural hedging.

On the day of 31.12.2011, the Company had open positions hedging the foreign exchange risk amounting to:

- 5 087 thousand USD

- 34 299 thousand EUR

- 1 708 thousand AUD

On the day of 31.12.2011, the fair value of the above mentioned forward transactions was estimated for the total amount of -4 718 thousand PLN (negative value), of which -59 thousand PLN was realized hedging transactions, retained in the equity capitals till the moment of occurrence of the planned hedged transaction, and -4 659 thousand PLN was unrealized transactions according to valuation models used by the banks in which the transactions were carried out.

The fair value of -4 718 thousand PLN includes:

- the amount of +1 050 thousand PLN (of which -59 thousand PLN was realized transactions and +1 110 thousand PLN was unrealized transactions), which was recognized as revaluation of shareholders' equity,

- the amount of -5 768 thousand PLN in the profit and loss account (of which -4 944 thousand PLN relates to the transaction for which hedging accounting is used).

Negative valuation of the hedging transactions of the Company as at 31.12.2011 was carried out by the banks basing on the USD spot rate 3,4174, EUR 4,4168, AUD 3,467, CZK 0,1711.

On the day of 31.12.2010, the Company had open positions hedging the foreign exchange risk amounting to:

- 8 500 thousand USD

- 4 502 thousand EUR

On the day of 31.12.2010, the fair value of the above mentioned forward transactions was estimated for the total amount of 707 thousand PLN (positive value), which is the valuation of unrealized transactions according to valuation models used by the banks in which the transactions were carried out.

The fair value of 707 thousand PLN includes:

- the amount of 135 thousand PLN (negative value) which was recognized as revaluation of shareholders' equity,

- the amount of 842 thousand PLN (positive value) which was recognized in the profit and loss account (of which 522 thousand PLN relates to the transaction for which hedging accounting is used).

Positive valuation of the hedging transactions of the Company as at 31.12.2010 was carried out by the banks basing on the USD spot rate 2,9641 or EUR 3,9603.

Financial instruments

Carrying amount

Categories of financial instruments – carrying amount

Classes of financial instruments	Note	Financial assets available for sale	Financial assets held to maturity	Financial assets at fair value through profit and loss account	Financial loans and receivables	Financial liabilities at fair value through profit and loss account	Other financial liabilities		Hedging instruments	Total
							Financial liabilities measured at amortized cost	Financial liabilities arising from factoring and liabilities excluded from the scope of IAS 39		
As at the day of 31.12.2011										
Shares	4, 16	1 125		510						**1 635**
Receivables from supplies and services (net)	11				154 572					**154 572**
Leasing receivables	6				8 939					**8 939**
Cash and deposits	17			25 047						**25 047**
Bonds and loans granted	7, 14				137 807					**137 807**
Other financial assets (net)	5, 12				126 704					**126 704**
Derivative financial instruments – currency	15, 32			12		-836			-3 835	**-4 659**
Liabilities for supplies and services	29, 31						-121 570			**-121 570**
Credits and borrowings	23, 28						-253 385			**-253 385**
Other financial liabilities	24, 30, 31						-32 422			**-32 422**
		1 125	**0**	**25 569**	**428 022**	**-836**	**-407 377**	**0**	**-3 835**	**42 668**
As at the day of 31.12.2010										
Shares	4, 16	1 125								**1 125**
Receivables from supplies and services (net)	11				104 207					**104 207**
Leasing receivables	6				10 218					**10 218**
Cash and deposits	17			20 959						**20 959**
Bonds and loans granted	7, 14				117 936					**117 936**
Other financial assets (net)	5, 12				30 909					**30 909**
Derivative financial instruments – currency	15, 32			320					387	**707**
Liabilities for supplies and services	29, 31						-61 466			**-61 466**
Credits and borrowings	23, 28						-171 735			**-171 735**
Other financial liabilities	24, 30, 31						-12 077			**-12 077**
		1 125	**0**	**21 279**	**263 270**	**0**	**-245 278**	**0**	**387**	**40 783**

Fair value

Categories of financial instruments – fair value

							Other financial liabilities			
Classes of financial instruments	**Note**	Financial assets available for sale	Financial assets held to maturity	Financial assets at fair value through profit and loss account	Financial loans and receivables	Financial liabilities at fair value through profit and loss account	Financial liabilities measured at amortized cost	Financial liabilities arising from factoring and liabilities excluded from the scope of IAS 39	Hedging instruments	**Total**
As at the day of 31.12.2011										
Shares	4, 16			510						**510**
Receivables from supplies and services (net)	11				154 572					**154 572**
Leasing receivables	6				8 939					**8 939**
Cash and deposits	17			25 047						**25 047**
Bonds and loans granted	7, 14				137 807					**137 807**
Other financial assets (net)	5, 12				126 704					**126 704**
Derivative financial instruments – currency	15, 32			12		-836			-3 835	**-4 659**
Liabilities for supplies and services	29, 31						-121 570			**-121 570**
Credits and borrowings	23, 28						-253 385			**-253 385**
Other financial liabilities	24, 30, 31						-32 422			**-32 422**
		0	**0**	**25 569**	**428 022**	**-836**	**-407 377**	**0**	**-3 835**	**41 543**
As at the day of 31.12.2010										
Shares	4, 16									
Receivables from supplies and services (net)	11				104 207					**104 207**
Leasing receivables	6				10 218					**10 218**
Cash and deposits	17			20 959						**20 959**
Bonds and loans granted	7, 14				117 936					**117 936**
Other financial assets (net)	5, 12				30 909					**30 909**
Derivative financial instruments – currency	15, 32			320					387	**707**
Liabilities for supplies and services	29, 31						-61 466			**-61 466**
Credits and borrowings	23, 28						-171 735			**-171 735**
Other financial liabilities	24, 30, 31						-12 077			**-12 077**
		0	**0**	**21 279**	**263 270**	**0**	**-245 278**	**0**	**387**	**39 658**

Fair value hierarchy

Classes of financial instruments	Note	As at the day of 31 December 2011 Fair value hierarchy		
		level 1	**level 2**	**level 3**
Shares	16	510		
Derivative instruments, including:	15, 32		-4 659	
Assets			1 531	
Liabilities			-6 190	

Classes of financial instruments	Note	As at the day of 31 December 2010 Fair value hierarchy	
		level 2	**level 3**
Shares	4	0	
Derivative instruments, including:	16, 32	707	
Assets		1141	
Liabilities		-434	

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

For financial instruments valuated according to godwill in the financial position statement, the following levels of valuation were accepted:

- level 1 – prices quoted from active markets for identical assets or liabilities,

- level 2 – data-in different than quoted prices classified to the level 1, which are observable to a component of assets or liabilities – directly (i.e. as prices) or indirectly (i.e. basing on prices),

- level 3 – data-in for valuation component of assets or liabilities, which are not based on observable market data.

The goodwill of the financial instruments classified to the level 2 was determined with application of appropriate techniques of valuation (carried out by banks).

The Company cannot credibly determine the goodwill of owned shares in the companies not quoted on active markets, qualified as financial actives available on sale. The Company valuates this group of assets according to purchase price reduced by write-offs due to impairment.

Categories of financial instruments – fair value hierarchy LEVEL 1

Classes of financial instruments	Note	Financial assets available for sale	Financial assets held to maturity	Financial assets at fair value through profit and loss account	Financial loans and receivables	Financial liabilities at fair value through profit and loss account	Other financial liabilities		Hedging instruments	Total
							Financial liabilities measured at amortized cost	Financial liabilities arising from factoring and liabilities excluded from the scope of IAS 39		
As at the day of 31.12.2010										
Shares	16			510						**510**

Categories of financial instruments – fair value hierarchy LEVEL 2

Classes of financial instruments	Note	Financial assets available for sale	Financial assets held to maturity	Financial assets at fair value through profit and loss account	Financial loans and receivables	Financial liabilities at fair value through profit and loss account	Other financial liabilities		Hedging instruments	Total
							Financial liabilities measured at amortized cost	Financial liabilities arising from factoring and liabilities excluded from the scope of IAS 39		
As at the day of 31.12.2011										
Derivative financial instruments – currency	15, 32			12		-836			-3 835	**-4 659**
As at the day of 31.12.2010										
Derivative financial instruments – currency	15, 32			320					387	**707**

Analysis of sensitivity

Assuming that the range of fluctuations in exchange rates at the day of 31.12.2011 might have achieved the level of +/-10%, the Company's gross profit would have been lower or higher by 13 226 thousand PLN (8 670 thousand PLN as at 31.12.2010).

Assuming that the range of fluctuations in exchange rates at the day of 31.12.2011 might have achieved the level of +/-1%, the Company's gross profit would have been lower or higher by 914 thousand PLN (330 thousand PLN as at 31.12.2010).

Analysis of sensitivity as at 31.12.2011 (in thousand zlotys)

		Interest rate risk		**Exchange rate risk**			
		plus / minus 1%		**plus 10% (price weakness PLN)**		**minus 10% (price rebound PLN)**	
	Carrying amount	**Profit/loss**	**Profit/loss**	**Profit/loss**	**Changes in equity**	**Profit/loss**	**Changes in equity**
FINANCIAL ASSETS							
Cash in PLN	5 342	53	-53				
Cash in USD per zloty	345	3	-3	35		-35	
Cash in EUR per zloty	19 237	192	-192	1 924		-1 924	
Receivables from supplies and services, leasing receivables and other receivables in PLN	213 295						
Loans granted plus interests in PLN	88 454	885	-885				
Receivables form supplies and services and other receivables in EUR	74 437			7 444		-7 444	
Loans granted plus interests in EUR	45 936	459	-459	4 594		-4 594	
Receivables form supplies and services and other receivables in USD	23 040			2 304		-2 304	
Loan granted plus interests in USD	3 417	34	-34	342		-342	
Receivables form supplies and services and other receivables in other currencies	8 394			839		-839	
Derivatives at fair value through profit and loss account	12			1		-1	
Derivatives remaining in hedging instruments	1 519			**1**	151	-1	-151
Influence on financial assets before tax		**1 626**	**-1 626**	**17 484**	**151**	**-17 484**	**-151**
FINANCIAL LIABILITIES							
Credits	239 487	-2 395	2 395				
Loans:							
Loans received plus interests in PLN	13 898	-139	139				
Liabilities for supplies and services and remaining liabilities in PLN	117 200						
Liabilities for supplies and services and remaining liabilities in EUR	36 139			-3 614		3 614	
Liabilities for supplies and services and remaining liabilities in USD	638	-6	6	-64		64	
Derivatives at fair value through profit and loss account	836			-84	0	84	0
Derivatives remaining in hedging instruments	5 354			-496	-40	496	40
Influence on financial liabilities before tax		**-2 540**	**2 540**	**-4 258**	**-40**	**4 258**	**40**

According to the Board of Management, the aforementioned sensitivity analysis is not representative for foreign exchange risk and interest rate risk due to the fact that exposure at the end of the year to the above mentioned risks does not reflect the risk exposure throughout the year. The volumes of receivables, liabilities, valuation of derivative instruments change during the year.

In accordance with an adopted accounting policy, the Company applies hedge accounting.

Analysis of sensitivity as at 31.12.2010 (in thousand zlotys)

		Interest rate risk		Exchange rate risk			
		plus / minus 1%		plus 10% (price weakness PLN)		minus 10% (price rebound PLN)	
	Carrying amount	Profit/loss	Profit/loss	Profit/loss	Changes in equity	Profit/loss	Changes in equity
FINANCIAL ASSETS							
Cash in PLN	10 316	103	-103				
Cash in USD per zloty	2 166	22	-22	217		-217	
Cash in EUR per zloty	8 364	83	-83	836		-836	
Receivables from supplies and services, leasing receivables and other receivables in PLN	105 702						
Loans granted plus interests in PLN	89 879	899	-899				
Receivables form supplies and services and other receivables in EUR	25 163			2 516		-2 516	
Loans granted plus interests in EUR	28 039	280	-280	2 804		-2 804	
Receivables form supplies and services and other receivables in USD	30 213			3 021		-3 021	
Loan granted plus interests in USD	18	0	0	2		-2	
Derivatives at fair value through profit and loss account	320			32		-32	
Derivatives remaining in hedging instruments	821			82		-82	
Influence on financial assets before tax		**1 387**	**-1 387**	**9 510**		**-9 510**	
FINANCIAL LIABILITIES							
Credits	171 735	-1 717	1 717				
Loans:							
Loans received plus interests in PLN	0	0	0				
Liabilities for supplies and services and remaining liabilities in PLN	65 396						
Liabilities for supplies and services and remaining liabilities in EUR	6 304			-630		630	
Liabilities for supplies and services and remaining liabilities in USD	1 802			-180		180	
Derivatives at fair value through profit and loss account	0						
Derivatives remaining in hedging instruments	434			-30	-13	30	13
Influence on financial liabilities before tax		**-1 717**	**1 717**	**-840**	**-13**	**840**	**13**

Liquidity risk

The Company manages the liquidity risk by maintaining an appropriate access to the source of funding using a wide range of banking services within the credit lines as well as banking and insurance guarantee limits that allow a smooth handling of transactions within the trade and non-trade obligations.

The Company prepares monthly cash flow predictions for the period of six months (for the anticipated major settlements – for longer periods) in order to obtain information on the foreseen negative cash flows and to take relevant precautions aiming to obtain a positive cash flow.

The separate entity’s report on cash flow is combined with the reports of major companies from the Group in order to elaborate a consolidated cash flow, which permits the utilization of temporary surpluses generated in one company to cover the negative cash flow in the other companies. The conclusions resulting from the cash-flow, as well as information on temporary transfers of the capitals within the Group are transmitted every time and consulted with the Management Board of the Company.

The Group uses the method of mutual loans. Surpluses of funds are directed to the bank accounts type overnight bearing individual interest rates negotiated by the Group.

In 2011 the Company raised additional cash:

a) from the dividend obtained from ZZM S.A., amounting to 6 067 thousand PLN,
b) from the sale of financial fixed assets (sale of registered shares of the company Elgór S.A.), amounting to 42 000 thousand PLN.

During the year 2011, the registered shares of series 31, 33, 35, 38, 40, 41, 43 of the total nominal value of 121 500 thousand PLN (186 500 thousand PLN in 2010) emitted by Katowicki Holding Węglowy SA with the registered seat in Katowice were acquired by the Company. Acquisition of the shares will be done through a non-monetary performance in the form of supply of coal in 2011 and 2012. Supplies of coal within the redemption of the bond tranches of series 31, 33 and 35 were executed in 2011.

Aging of receivables due to purchase of bonds:

Series 31
- nominal value 18 million PLN, purchased at 28.02.2011
- Bonds with 6 months' redemption period
- term of repayment from May 2011 to August 2011

Series 33
- nominal value 19,5 million PLN, purchased at 14.04.2011
- Bonds with 6 months' redemption period
- term of repayment from June 2011 to September 2011

Seria 35
- nominal value 20 million PLN, purchased at 27.05.2011
- Bonds with 6 months' redemption period
- term of repayment from August 2011 to November 2011

Seria 38
- nominal value 14,5 million PLN, purchased at 28.07.2011
- Bonds with 6 months' redemption period
- term of repayment from October 2011 to January 2012

Seria 40
- nominal value 15,5 million PLN, purchased at 28.09.2011
- Bonds with 6 months' redemption period
- term of repayment from December 2011 to March 2012

Seria 41
- nominal value 18 million PLN, purchased at 25.11.2011
- Bonds with 6 months' redemption period
- term of repayment from February 2012 to May 2012

Seria 43
- nominal value 16 million PLN, purchased at 29.12.2011
- Bonds with 6 months' redemption period
- term of repayment from March 2012 to June 2012

The Company has available multi-purpose credit limits on the current account both for the current regulation of payments as well as for guarantees and letters of credit – allowing for flexible allocation of the particular products in order to ensure the smooth running of the activity by the Company. One of the credit lines is secured by a mortgage on the property of the Company, located in Katowice, ul. Grabowa 1.

In 2011 the Company obtained from the bank PKO BP S.A. special-purpose credit amounting to 110 236 thousand PLN destined for financing sfinansowanie the contract signed with KHW S.A. for deliveries of currycomb conveyors, sections of mechanized jackets, crushers and electric equipment for exploitation alongside dumping longwalls for KHW S.A. KWK Mysłowice-Wesoła.

The Company has available credit limits on guarantees and letters of credit.

The credit lines preferred by the Company enable an easy access to funds. Conditions negotiated with the banks allow the Group to rollover repayment of its credit liabilities.

As at 31.12.2011, the Company had at its disposal not used multi-purpose credit and guarantee limits in the total amount of 156 399 thousand PLN (102 848 thousand PLN as at 31.12.2010).

The Company cooperates with many banks in order to disperse the risk. The cooperating banks are among the leading banks with a high rating and operating on the Polish market.

The Company carries out a current analysis of liquidity and debt ratios – the principle is to maintain these ratios at a safe level.

There are no overdue liabilities – the Company has a full ability of debt servicing. It seeks to prolong the terms of payments and shorten the maturities of receivables.

The liabilities for supplies and services as at 31.12.2011 and as at 31.12.2010 together with their temporary structure are presented in the note No. 29. The book value of short-term liabilities for deliveries and services corresponds to their fair value due to their short-term nature.

Contractual maturities of financial liabilities

Financial liabilities	Contractual maturities from the end of reporting period					Total (without discount)	Carrying value
As at 31.12.2011	**not exceeding 3 months**	**3-12 months**	**1-3 years**	**3-5 years**	**over 5 years**		
Liabilities for supplies and services	101 625	11 230	8 715	-	-	**121 570**	**121 570**
Credits and loans taken	-	242 201	11 184	-	-	**253 385**	**253 385**
Financial derivative instruments – currency	4 123	1 130	937			**6 190**	**6 190**
Other financial liabilities	13 813	18 597	12	-	-	**32 422**	**32 422**
Total financial liabilities in the various segments of maturity	**119 561**	**273 158**	**20 848**	**0**	**0**	**413 567**	

As at 31.12.2010							
Liabilities for supplies and services	54 112	7 354	-	-	-	**61 466**	**61 466**
Credits and loans taken	-	162 735	9 000	-	-	**171 735**	**171 735**
Financial derivative instruments – currency	300	134	-			**434**	**434**
Other financial liabilities	3 601	7 828	648	-	-	**12 077**	**12 077**
Total financial liabilities in the various segments of maturity	**58 013**	**178 051**	**9 648**	**0**	**0**	**245 712**	

The occurrence of out of-balance sheet liabilities is closely related to the nature of the activity the Company is engaged in, and collaterals in the form of promissory notes or guarantees are granted mainly for the companies within the Capital Group.
Ongoing monitoring and undertaken actions almost exclude the likelihood of using/payment from a guarantee, a promissory note or warranty.
The financial standing of the Company enables obtaining and using many forms of financing, including credit on current account, buyer credit, government credit, tied-aid credit, leasing, loans.
Cooperation with many banks, granted extensions of payments and increase of credit limits available on favorable conditions prove that the company is positively assessed by those banks.
Taking into account the accuracy and minuteness of the monitoring regularly conducted by banks, any potential risks would have been the indicator obliging the Company to normalize the situation.

Credit risk

Credit risk should be understood as the incapability of the Company's debtors to fulfill their obligations. The credit risk policy in KOPEX S.A. is of a particular importance due to, inter alia, the 16% share of liabilities in the total assets. The above mentioned credit risk may involve various areas of the Company, which in case of a commercial company such KOPEX S.A. is, has a significant impact on the form of a credit risk management.

The credit risk understood as the debtors' inability to meet their obligations towards the Company is related to three main areas:

- credit risk of the customers with whom the transactions of sales of products are concluded,
- credit risk of financial institutions which are a go-between in hedging transactions or the aforementioned transactions are concluded with,
- credit risk of the entities in which investments are made or whose shares are purchased.

Credit risk policy in KOPEX S.A. regarding the credibility of contractors (to whom we sell our products and services), and in particular, regarding the occurrence of transactions with new partners, is based primarily on:

- verification of a given contractor in the business intelligence,

- obtaining updated documents illustrating the contractor's current financial situation,

- requirement to submit by the above mentioned contractor, a payment security in favor of KOPEX S.A. in a form acceptable for the Company.

A new contractor means the contractor with whom KOPEX S.A. has never traded before, traded a long time ago or such one with whom the Company signed a contract of a significant value. The contractors to whom we sell goods and services on deferred payment terms are always judged in terms of credit risk connected with a given transaction.

The most popular collaterals for payment used by the Company include:

- for domestic trade: bank guarantees, insurance, mortgages, assignments, registered pledge, bill of exchange, warranties, mutual compensation;

- for foreign trade: letters of credit, confirmed letters of credit, bank guarantees, settlements under a buyer credit, repayment of debts under a government credit, mutual compensation;

- for leasing transactions the Company stipulates, that a property of a leasing object passes on a lessee at a date of a payment of the last leasing instalment.

Several years ago, the Company adopted the policy of limiting the credit risk associated with timing of repayments of debts.

Receivables turnover ratio for KOPEX S.A. expressed in days is 61 days.

Receivables from a large number of contractors with whom the Company cooperates are regularly monitored by respective financial departments in accordance with prepared written instructions and procedures for recovery of debts (both judicial and extrajudicial).

Consultations on this subject, with the people from respective sales and financial departments responsible for a given transaction, take place once a month. During the consultations, there are being made the decisions about how to recover debts.

In relation to the financial crisis in the world and signals of possible difficulties related to customers' payments as well as announced bankruptcies, the Company has intensified, within its policy, the acts on supervising the status of receivables as well as has increased requirements concerning the necessary forms of hedging its receivables from contractors.

The status of overdue receivables from deliveries and services is shown in the notes 11B and 11C. In accordance with the accounting policy applicable by the Company, revaluation write-offs due to impairment of receivables are made on an ongoing basis during the financial year. In 2011, the level of the aforementioned write-offs in the total amount of overdue debts amounted to 83,89% of the total overdue debts, while in 2010 it amounted to 64,17% in the total amount of overdue debts.

The credit risk policy in the Company regarding the credibility of financial institutions the Company cooperates with is manifested by cooperation only with banks or insurance companies with a good financial standing and high international rating. The credit risk concerning derivative instruments is limited. The Company enters into agreements for derivative transactions and cooperates in this field only with the leading banks on the international financial market characterized by a significant equity and strong market position.

The Company applies a policy of framework agreements with the above mentioned banks as well as a policy of limited credit concentration, cooperating, for this purpose, with many banks without being limited only to a single entity – a bank.

Credit risk associated with loans is limited in KOPEX company due to the fact that loans are granted to the companies operating within the KOPEX Group. Repayment of debts due to the above loan agreements is monitored on an ongoing basis by the department of vindications and the controlling department and, within the corporate governance, by the Supervisory Boards of the Companies, which enables the possession and control of the current information on financial standing and liquidity, and consequently reduces the above mentioned risk to minimum.

The maximum exposure to credit risk is represented by:

- gross value of receivables amounting to: 319 166 thousand PLN (164 004 thousand PLN as at 31.12.2010),

- value of received financial guarantees and sureties amounting to: 1 825 thousand PLN (1 487 thousand PLN as at 31.12.2010) in total.

The concentration of receivables as at 31.12.2011 was as follows:

* Trade receivables from deliveries and services for 2011 amounted to 154 572 thousand PLN, which represents approximately 53,26% of total receivables.

Receivables from sales on domestic market: 91 749 thousand PLN.

Receivables from sales abroad: 62 823 thousand PLN.

** The entities whose liabilities to the Company as at 31.12.2011 were at the highest level are as follows:*

1. Entity 1 – 29,50% of the total receivables from supplies and services

2. Entity 2 – 14,04% of the total receivables from supplies and services

3. Entity 3 – 9,25% of the total receivables from supplies and services

4. Entity 4 – 6,58% of the total receivables from supplies and services

The concentration of receivables as at 31.12.2010 was as follows:

* Trade receivables from deliveries and services for 2010 amounted to 104 207 thousand PLN, which represents approximately 71,7% of total receivables.

Receivables from sales on domestic market: 49 112 thousand PLN.

Receivables from sales abroad: 55 095 thousand PLN.

** The entities whose liabilities to the Company as at 31.12.2010 were at the highest level are as follows:*

1. Entity 1 – 26,38% of the total receivables from supplies and services

2. Entity 2 – 4,83% of the total receivables from supplies and services

3. Entity 3 – 2,75% of the total receivables from supplies and services

4. Entity 4 – 2,34% of the total receivables from supplies and services

9. Information on conversion of selected financial data

- Assets and liabilities were calculated according to the average exchange rate fixed by the NBP (National Bank of Poland) for the currency of EURO, being in force on the balance sheet date:
  - - as at 31.12.2011 - 4,4168
  - - as at 31.12.2010 - 3,9603
- Items of the profit and loss account and cash flows were calculated according to the arithmetic average of rates for the currency of EURO being in force at the end of each month during the reporting period:
  - - in 2011 - 4,1401
  - - in 2010 - 4,0044
- Maximum rates in the period:
  - - in 2011 - 4,5494
  - - in 2010 - 4,1458
- Minimum rates in the period:
  - - in 2011 - 3,9345
  - - in 2010 - 3,8622

10. Estimates

Due to the fact that a lot of information contained in the financial statement cannot be precisely measured, elaboration of the financial statement requires from the Management Board to make estimates. The Management Board verifies the adopted estimates taking into account changing factors while making them, new information and experience from the past. That is why the estimates made as at 31.12.2011 may change in the future. The main estimates have been described in the relevant principles of accounting and presented in the following notes:

Note	Estimates	Type of information disclosed
7A, 14A	Revaluation write-offs on loans and receivables	The methodology adopted to determine the recoverable value – significant principles of accounting, point concerning short-term and long term receivables.
9, 25	Income tax	Assumptions to identify assets due to deferred tax and reserves – significant principles of accounting, point concerning the assets and reserves on income tax.
26	Employee benefits	Reserves estimated by an actuary – significant principles of accounting, point concerning reserves for liabilities.
15	Fair value of derivative instruments	Model and assumptions adopted for fair value – significant principles of accounting, point concerning financial instruments.
34	Provisions	Provisions for benefits due to termination of the employment relationship, discount rates and other assumptions – significant principles of accounting.
1, 2	Utilization life of tangible and intangible assets	Utilization life and amortization method – significant principles of accounting, point concerning intangible and tangible assets.

11. Subjective assessment

In case when a given transaction is not regulated by any standard or interpretation, the Management Board guided by the subjective assessment, identifies and applies the accounting policy aiming to ensure that the financial statement will contain credible information and a coherent and genuine presentation of the financial position of the Company, the results from operating activity and cash flows. The subjective assessment is carried out in such a way so the statement might reflect an economic character of the transactions, contain complete data and be prepared in accordance with the principle of prudent valuation in all relevant aspects. The subjective assessment as at 31.12.2011 concerns provisions for claims and litigation and contingent liabilities.

12. Explanatory notes to the statement of financial position of KOPEX S.A. drawn up as at 31 December 2011 in thousand PLN

Note 1A

INTANGIBLE ASSETS	31.12.2011	31.12.2010
a) costs of completed R&D works		
b) costs of R&D works in progress	5 022	2 694
c) goodwill		
d) obtained concessions, patents, licences and other similar assets	1 888	650
e) other intangible assets	3	5
e) intangible assets in progress	2	1 518
Total intangible assets	**6 915**	**4 867**

Nota 1B

INTANGIBLE ASSETS (OWNERSHIP STRUCTURE)	31.12.2011	31.12.2010
a) own	6 913	3 349
- including those manufactured using own means		
b) used under rent, lease or other agreement, including leasing contract		
Total intangible assets	**6 913**	**3 349**

Intangible assets, excepting goodwill, are depreciated by the straight-line method, under following principles:
- computer programs use licences 10% - 30%
- computer programs 20%
- other intangible assets – in accordance with term of agreement or estimaded useful life.

Intangible assets having low unit purchase price (original value under 3.5 thousand zlotys) are written off once into costs.

Costs of completed R&D works in progress amounting to 5 022 thousand PLN are the costs incurred till 31 December 2011 on an innovative project "Automatic longwall control system" co-financed by the European Regional Development Fund within the Operative Program of Innovative Economy 2007-2013 according to the point 1.4 "Support of target projects", priority axis 1 "Research and development of recent technologies", and to the point 4.1 "Support for the implementation of results of R&D", priority axis 4 "Investments in innovative undertakings". Till 31.12.2010 the costs amounting to 2 694 thousand PLN were incurred.

In 2011, the project received grants to the total amount of 746 thousand PLN. In the comparative period, the amount of 147 thousand PLN was granted. The total amount, 893 thousand PLN, is recognized in the item "Long-term accruals" (liabilities) - Note No. 27. Those grants will refer to the profit and loss account in a systhematic way during the useful life of subsidized item of asset.

Research expenditures are recognised in profit or loss account when they are incurred.
Expenditures incurred on development projects are recognised if criteria for activation are met. After initial recognition, development costs are reduced by cumulative amortisation write-offs and impairment losses.
Amortisation is recognised on a straight-line basis in the period of earning expected sales incomes connected with a given project of maximum 5 years in duration.

The expenditures on research and development works were not included as an expense in the profit and loss account.

Intangible assets do not constitute liability hedges.

There are no limits of the Issuer's legal titles to owned intangible assets.

Useful life of intangible assets are determined.

The Issuer does not have any contractual obligations to acquisition of intangible assets in the future.

Items within the profit and loss account in which depreciation of intangible and legal assets was included	31.12.2011	31.12.2010

- costs of products, commodities and materials sold	171	162
- costs of sales		3
- overheads	201	185
Total	**372**	**350**

Note 2A

TANGIBLE ASSETS	31.12.2011	31.12.2010
a) fixed assets, including:	17 053	12 828
- land (incl. perpetual usufruct right)		
- buildings, premises and civil engineering objects	11 328	11 251
- technical equipment and machines	4 943	549
- means of transport	679	892
- other fixed assets	103	136
b) capital work in progress	224	339
Total tangible assets	**17 277**	**13 167**

Depreciation rates applied to tangible assets are as follows:
- buildings and constructions – 2,5% - 4,5%,
- technical equipment and machines – 10% - 38,72%,
- means of transport – 20% - 33,06%,
- other – 14% - 40%,
- perpetual land usufruct, purchased as property:

purchase price up to 500 thousand zlotys – 20%,
purchase price over 500 thousand zlotys – in contractual period during which these rights can be exercised.

Fixed assets are encumbered by mortgage up to the amount of 391 500 thousand PLN and secure the liability due to a bank loan.

There are no restrictions on the legal title of an entity to fixed assets.

There are no outstanding contractual obligations made in order to acquire fixed assets.

The amount of compensation received from third parties for tangible assets that have been lost or impaired amounted to 69 thousand PLN in 2011 and to 13 thousand PLN in 2010 and was recognized in the separate profit and loss account - Note No. 39.

In the reporting period and comparative periods, the costs of external financing were not activated.

In the reporting period and comparative periods, there was no case in which means were borrowed without strict specification of the purpose, and then spent on obtaining an assets item subject to adjustment.

Note 2B

BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	31.12.2011	31.12.2010
a) own	17 053	12 828
b) used under rental, lease or other agreement, incl. leasing contract		
Total balance sheet fixed assets	**17 053**	**12 828**

Note 2C

OFF-BALANCE SHEET FIXED ASSETS	31.12.2011	31.12.2010
- used under rental, lease or other agreement, incl. leasing contract	143	428
Total off-balance sheet fixed assets	**143**	**428**

Note 3A

INVESTMENT REAL ESTATES	31.12.2011	31.12.2010
a) investment real estates, including:	7 834	1 287
- land (including perpetual usufruct right)	2 721	1 287
- buildings, premises, civil engineering objects	5 113	
Total investment real estates	**7 834**	**1 287**

Depreciation rates applied to investment real estates are as follows:
- buildings and constructions – 2,5% - 4,5%,
- perpetual land usufruct, purchased as property:
purchase price up to 500 thousand zlotys – 20%,
purchase price over 500 thousand zlotys – in contractual period during which these rights can be exercised.
Own lands are not subject to depreciation.

Real estates are not liability hedge of the Company.

There are no limitations related to the benefits of investment real estates or a transfer of revenue and profit in this respect.

There are no contractual obligations to purchase, construction or development of investment real estate and there are no obligations for repairs,
maintenance and improvements of a real estate.

Note 3B

INCOMES AND COSTS RELATED TO INVESTMENT REAL ESTATES	31.12.2011	31.12.2010
a) income from rent relating to investment real estate	254	
b) direct operating costs under income from rent related to investment real estate	24	
c) direct operational costs related to investment real estate not producing income from rent	4	5

NOTE 4A

LONG-TERM FINANCIAL ASSETS AVAILABLE FOR SALE	31.12.2011	31.12.2010
- situation as at the beginning of the period	1 125	2 389

- sale		-1 264
- situation as at the end of the period - balance sheet value	**1 125**	**1 125**

As available-for-sale financial assets, the entity classifies, in particular, shares in entities which are not subsidiaries or associated entities, purchased without intention of selling them in the near term.

After initial recognition, the Company measures available-for-sale financial assets at fair value (goodwill) and recognises the results of the said measurement in other total incomes, adding to or reducing revaluation reserve. Impairment losses and exchange rate differences are recognised in profit or loss account. On derecognition of a financial asset in the statement of financial position, cumulative profits or loss previously recognised in other total incomes are transferred from equity to profit or loss. For available-for-sale financial assets which do not have fixed maturity date and their fair value (goodwill) cannot be determined, measurement is made at purchase price.

As at 31 December 2011 and 31 December 2012, the Company held shares of a company for which no active market existed. Value of shares of that company was measured at purchase price.

NOTE 4B	**31.12.2011**	**31.12.2010**
NET PROFIT OR LOSS PRESENTED FOR LONG TERM FINANCIAL ASSETS AVAILABLE FOR SALE		
- amounts from sale		503
Total		**503**

Note 5A

LONG-TERM OTHER RECEIVABLES	**31.12.2011**	**31.12.2010**
a) from related entities		
b) from other entities, including:		821
- caution money		821
Other net long-term receivables		**821**
c) write-offs revaluating receivables		
d) evaluation of long-term receivables in accordance with depreciated cost		
Other gross long-term receivables		**821**

Note 5B

LONG-TERM OTHER GROSS RECEIVABLES (CURRENCY STRUCTURE)	**31.12.2011**	**31.12.2010**
a) in Polish currency		
b) in foreign currencies (as per currencies and after conversion into zlotys)		821
b1. unit/currency thousand/EUR		8
thousand zlotys		31
b2. other currencies in thousand zlotys		790
Total long-term receivables		**821**

Note 6

LEASING RECEIVABLES	**31.12.2011**	**31.12.2010**

a) minimal lease payments, including:	10 942	14 918
- up to 1 year	5 157	4 797
- up to 5 years	5 785	10 121
- over 5 years		
b) unrealised financial profits, including:	1 272	1 824
- up to 1 year	722	517
- up to 5 years	550	1 307
- over 5 years		
c) current value of minimal charges due to financial lease:	9 670	13 094
- up to 1 year	4 435	4 280
- up to 5 years	5 235	8 814
- over 5 years		
d) provision on nonrecoverable lease payments (revaluation write-offs)	731	2 876
e) leasing receivables in financial position statement, including:	8 939	10 218
- long-term, including:	5 235	6 787
from related entities	*1 858*	*2 547*
- short-term, including those from related entities:	3 704	3 431
from related entities	*1 921*	*1 149*

Total amount of unguaranteed final values amounts to 1 075 thousand zlotys.

During the reporting period and comparative period, no conditional lease payments, expressed as profit, occured.

General provisions of important leasing agreements:

- leasing agreements are concluded for an indefinite period of time,
- after leasing period ended, lessee has a right to purchase an object of leasing as propriety for a price provided in an agreement,
- average duration of financial lease in the frameworks of concluded agreements totals 3 years,
- transport means are objects of the majority of leasing agreements,
- all leasing agreements are concluded in PLN.

Note 7A	**31.12.2011**	**31.12.2010**
GRANTED LONG-TERM LOANS		
a) granted long-term loans to related entities		
- situation as at the beginning of the period	4 356	23 056
- granting of loans	29 272	4 356
- payment of loans	-4 356	
- transfer to granted short-term loans		-23 056
- transfer from granted short-term loans	1 033	
- evaluation of granted loans in accordance with adjusted purchase price	243	
- situation as at the end of the period	**30 548**	**4 356**
b) granted long-term loans to other entities		

Total granted long-term loans	**30 548**	**4 356**

Note 7B	**31.12.2011**	**31.12.2010**
GRANTED LONG-TERM LOANS (CURRENCY STRUCTURE)		
a) in Polish currency	6 082	
b) in foreign currencies (as per currencies and after conversion into zlotys)	24 466	4 356
b1. unit/currency thousand/EUR	5 539	1 100
thousand zlotys	24 466	4 356
b2. other currencies in thousand zlotys		
Total granted long-term loans	**30 548**	**4 356**

Note 8A	**31.12.2011**	**31.12.2010**
OTHER LONG-TERM FINANCIAL ASSETS		
- shares in subsidiaries	1 294 793	1 276 211
- shares in associated entities	13 712	13 712
Total other long-term financial assets	**1 308 505**	**1 289 923**

In the item "Other long-term financial assets", there are presented investments in subsidiaries and associated entities, classified as for sale, in compliance with IFRS 5. They are presented at purchase price, in compliance with IAS 27, less write-offs due to impairment, in compliance with IAS 36.

A registered pledge on shares of ZZM S.A. amounting to 332 671 thousand zlotys was made, which is collateral for liabilities due to bank credit.

Note 8B	**31.12.2011**	**31.12.2010**
OTHER LONG-TERM FINANCIAL ASSETS		
- value according to purchase price	1 308 778	1 299 293
- revaluation as at the beginning of the period	-9 370	-219
- transfer of write-offs to other receivables - receivables from liquidator from liquidated company	9 102	
- revaluation in the period	-5	-9 151
- balance sheet value	**1 308 505**	**1 289 923**

Note 9A

CHANGE OF ASSETS DUE TO DEFERRED INCOME TAX	**31.12.2011**	**31.12.2010**
Assets due to deferred income tax, including:	9 902	8 739

a) related to financial result	9 827	8 713
b) related to other elements of total income	75	26

Apart from asset calculated for future liabilities due to jubilee awards and retirement bonuses, that shall be realised within the period of 40 years from the balance sheet date, the remaining transition differences shall be realised within the period of 12 months from the balance sheet date.

Assets due to deferred income tax are appointed, against the carefulness rule, to an amount provided to deduction from income tax in the future because of:
- negative transition differences,
- transfer of uncleared tax losses to the next period,
- transfer of unused tax allowances to the next period.

Negative transitive differences result in taxable amounts in determining taxable profit (tax loss) of future periods when carrying amount of assets or liabilities is realised or cleared.

Asset due to deferred income tax is presented for all negative transitive differences up to a value, up to which it is probable that profit for taxation will be made, which will allow to deduct these negative transitive differences.

With regard to conduction of a part of the activity of KOPEX S.A. in France, Czech Republic and Germany - regarding localization of department (in view of double taxation agreements), assets due to deferred income tax were valuated in the amount of sums repayable from tax authorities as per application of tax rates, which for returnable sums amount to 19% in Poland, 33,33% in France, 25% in Germany and 24% in the Czech Republic.

Deferred income tax is presented as income or cost affecting the result of a period (item „Income tax" including „Deferred part" and/or "Financial incomes/costs - exchange rate differences"), excepting taxes arising from transactions or events which are presented in the same or other period out of the result, in other total profits or directly in equity - and excepting joint of ventures.

Deferred tax is presented apart from the result, provided that the tax refers to items which are presented in the same or other period out of the result. If the tax referred to items which were presented in the same or other period in other total profits, then deferred tax should be presented in other total profits. If the tax referred to items which were presented directly in equity, then deferred tax should be presented in equity.

Note 10A

INVENTORIES	**31.12.2011**	**31.12.2010**
a) materials	84	91
b) half-products and work-in-progress	1 235	
c) finished products		
d) commodities	143	3 099
Total inventories	**1 462**	**3 190**
e) revaluation write-offs on inventories - commodities	1 710	980
Total gross inventories	**3 172**	**4 170**

Inventories are not charged by pledge.

Inventories are valuated at purchase prices, production costs or net realisable values, depending on which of them are lower. As at the balance sheet date, revaluation write-offs on inventories should be made if causes of their effectuation occurred. Write-offs are classified to other operating costs.
As at the balance sheet date, inventories are presented at purchase prices less created revaluation write-offs.

Note 10B

CHANGE OF REVALUATION WRITE-OFFS ON INVENTORIES	**31.12.2011**	**31.12.2010**
Situation as at the beginning of the period	980	1 119
a) increases presented in the period in the profit and loss account, including:	730	15
- revaluation of commodities	730	15
b) decreases presented in the period in the profit and loss account, including:		154
- termination of write-off's causes - commodities		154
Situation as at the end of the period	**1 710**	**980**

Note 11A

SHORT-TERM TRADE RECEIVABLES	**31.12.2011**	**31.12.2010**
a) from related entities	14 173	11 021
- with a payback period up to 12 months	9 360	4 504
- with a payback period longer than 12 months	4 813	6 517
b) from other entities	140 399	93 186
- with a payback period up to 12 months	132 370	93 151
- with a payback period longer than 12 months	8 029	35
Total net short-term trade receivables	**154 572**	**104 207**
c) revaluation write-offs	20 543	11 856
Total gorss short-term trade receivables	**175 115**	**116 063**

Trade receivables up to 33 962 thousand zlotys are one of the hedging forms for credit/hedge contracts.

Note 11B

TRADE RECEIVABLES (GROSS) - WITH A PAYBACK PERIOD REMAINING SINCE THE BALANCE SHEET DATE:	**31.12.2011**	**31.12.2010**
a) up to 1 month	51 981	55 950
b) over 1 month and up to 3 months	17 509	1 526
c) over 3 months and up to 6 months	21 336	14 230
d) over 6 months and up to 1 year	46 958	12 191
e) over 1 year	12 842	6 552
f) overdue receivables	24 489	25 614
Total gross trade receivables	**175 115**	**116 063**
g) revaluation write-offs on trade receivables	-20 543	-11 856
Total net trade receivables	**154 572**	**104 207**

Note 11C

OVERDUE TRADE RECEIVABLES (GROSS) - WITH DIVISION ON THOSE NOT PAID WITHIN A PERIOD OF:	31.12.2011	31.12.2010
a) up to 1 month	1 262	1 121
b) over 1 month and up to 3 months	555	1 491
c) over 3 months and up to 6 months	268	3 331
d) over 6 months and up to 1 year	42	5 345
e) over 1 year	22 362	14 326
Total overdue trade receivables (gross)	**24 489**	**25 614**
g) revaluation write-offs on overdue trade receivables	-20 543	-11 856
Total overdue trade receivables (net)	**3 946**	**13 758**

Note 12	**31.12.2011**	**31.12.2010**
OTHER SHORT-TERM RECEIVABLES		
a) from related entities	68 810	2 574
- advances on supplies	44 880	11
- dividend due	21 065	
- due to financial activity	2 865	2 563
b) from other entities	57 894	27 514
- advances on supplies	881	59
- due to financial activity	17 562	13 350
- due to taxes, subsidies, customs, social insurance, health insurance and other benefits	26 088	7 133
- receivables from the liquidator of the liquidated subsidiary	6 959	
- deposits	5 851	3 206
- other	553	3 766
Total net other short-term receivables	**126 704**	**30 088**
c) revaluation write-offs	7 677	3 938
Total gross other short-term receivables	**134 381**	**34 026**

Note 13A	**31.12.2011**	**31.12.2010**
CHANGE OF REVALUATION WRITE-OFFS ON SHORT-TERM TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES		
Situation as at the beginning of the period	15 794	23 928
a) increases, including:	18 470	2 029
- revaluation of doubtful receivables	9 368	2 029
- relocation from other long-term assets - receivable from the liquidator of the liquidated company	9 102	
b) decreases, including:	6 044	10 163
- use of revaluation write-off on receivables	1 658	9 519
- payment of receivables	2 961	644

- other	1 425	
Revaluation write-offs on short-term receivables at the end of the period	**28 220**	**15 794**

Note 13C	**31.12.2011**	**31.12.2010**
SHORT-TERM TRADE RECEIVABLES AND OTHER GROSS SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE)		
a) in Polish currency	203 625	92 608
b) in foreign currencies (as per currencies and after conversion into zlotys)	105 871	57 481
b1. unit/currency thousand/USD	6 719	10 193
thousand zlotys	23 040	30 213
b2. unit/currency thousand/EUR	16 803	6 346
thousand zlotys	74 437	25 132
b3. other currencies in thousand zlotys	8 394	2 136
Total short-term receivables	**309 496**	**150 089**

Receivables and claims are presented in the amount which should be paid, i.e. including interest due. Interest is accrued and booked on account of financial incomes at the item „Interest”. When accruing the interest, the materiality criterion is presupposed.

Receivables and claims are presented in net amount, i.e. less created revaluation write-offs in connection with risk of their uncollectibility.

Revaluation write-offs into receivables are created:
- for receivables from debtors put into liquidation or bankruptcy - up to the amount of receivables not covered by a guarantee or other security for receivables or up to the amount of a remission proposal,
- for receivables from debtors where a petition for bankruptcy is turned down if the debtor's assets are not sufficient to pay costs of bankruptcy proceedings,
- for receivables contested by debtors (under litigation) up to the amount not covered by a guarantee or other security,
- for any receivables which are not due yet or are past due and economic and financial situation of a debtor is unfavourable - up to the amount of receivable,
- for total amount of unpaid interest for late payment, taking into consideration the materiality criterion.

Revaluation write-offs on receivables are presented at the item „Other costs”, excepting write-offs on receivables due to interest, which are presented in financial costs at the item „Other financial costs”.
Dissolution of a revaluation write-off occurs in case of obtaining a payment and is presented in profit and loss account at the item ”Other incomes”, excepting write-offs on receivables due to interest, which are dissolved into in financial incomes at the item „Other financial incomes”. Receivables denominated in foreign currencies, excepting non-monetery items in form of advances, are valuated as at reporting day at average rate fixed for the currency and for this day by the National Bank of Poland. Exchange rate differences from receivables denominated in foreign currencies which occured as at valuation day and as at the moment of payment are presented, accordingly, negative for finance costs and positive for finance incomes at the item „Exchange rate differences”.

Information about concentration of receivables was presented in the point No. 9 of the Additional Information: "Financial risk management policy and securement".

Note 14A	31.12.2011	31.12.2010
GRANTED SHORT-TERM LOANS		
a) granted short-term loans to related entities		
- situation as at the beginning of the period	48 367	18 887
- granting of loans	36 401	25 899
- repayment of loans	-34 460	-18 663
- transfer from long-term loans	4 356	23 056
- transfer to long-term loans	-1 033	
- exchange rate differences	2 686	-812
- situation as at the end of the period	**56 317**	**48 367**
b) granted short-term loans to other entities		
- situation as at the beginning of the period	65 213	54 881
- purchase of bonds	121 171	180 398
- granting of loans	3 200	1 808
- repayment of bonds	-138 642	-169 793
- repayment of loans		-1 841
- exchange rate differences		-240
- situation as at the end of the period	**50 942**	**65 213**
Total granted short-term loans	**107 259**	**113 580**

Note 14B	31.12.2011	31.12.2010
GRANTED SHORT-TERM LOANS (CURRENCY STRUCTURE)		
a) in Polish currency	82 372	89 879
b) in foreign currencies (as per currencies and after conversion into zlotys)	24 887	23 701
b1. unit/currency thousand/EUR	4 861	5 980
thousand zlotys	21 470	23 683
b2. unit/currency thousand/USD	1 000	6
thousand zlotys	3 417	18
b3. other currencies in thousand zlotys		
Total granted short-term loans	**107 259**	**113 580**

Note 15A	31.12.2011
HEDGING DERIVATIVE FINANCIAL INSTRUMENTS - FINANCIAL ASSETS	
a) hedging cash flows for which hedge accounting is applied	**1 519**
- forward sales contracts USD - volume 288 thousand zlotys, averaged exchange rate 3.289	12
- forward sales contracts EUR - volume 82 552 thousand zlotys, averaged exchange rate 4.588	1 507

b) hedging cash flows for which hedge accounting is not applied	**12**
- forward sales contracts EUR - volume 344 thousand zlotys, averaged exchange rate 4.585	12
Total derivative financial instruments	**1 531**

Note 15A.	**31.12.2010**
HEDGING DERIVATIVE FINANCIAL INSTRUMENTS - FINANCIAL ASSETS	
a) hedging cash flows for which hedge accounting is applied	821
- forward sales contracts USD - volume 12 211 thousand zlotys, averaged exchange rate 3.2291	816
- forward sales contracts EUR - volume 1 071 thousand zlotys, averaged exchange rate 3.6868	5
b) hedging cash flows for which hedge accounting is not applied	320
- forward sales contracts USD	
- forward sales contracts EUR - volume 8 217 thousand zlotys, averaged exchange rate 4.1285	320
Total derivative financial instruments	**1 141**

Note 15B	**31.12.2011**	**31.12.2010**
RESULT ON DERIVATIVES HEDGING CASH FLOWS - INCLUDED DIRECTLY IN THE EQUITY		
a) cumulated result on financial instruments hedging cash flows as at the beginning of the turnover period	-135	-37 703
b) amount included in the equity in the reporting period due to concluded effective hedging transactions	-361	725
c) realised hedging transactions retained in the equity till the moment of occurrence of planned (hedged) transaction	-59	
d) amount transferred from the equity to profit and loss account in the reporting period	-1 605	-36 843
- open transactions	-302	-1
- closed transactions	-1 303	-36 842
e) cumulated in the equity result on financial instruments hedging cash flows as at the end of the turnover year (a+b+c-d)	**1 050**	**-135**

Note 15C		
RESULT ON DERIVATIVES VALUED IN GOODWILL VIA THE PROFIT AND LOSS ACCOUNT	**31.12.2011**	**31.12.2010**
a) calculated at the initial presentation as valued in goodwill via the profit and loss account		
- realised derivatives	351	-14 091
- valuation of unrealised derivatives	-1 143	4 322
Total	**-792**	**-9 769**

Derivatives for which hedge accounting is not applied are presented in statement of financial position at the item of current assets: ”Derivatives”. Valuation of these instruments is assigned into financial incomes or costs at the item ”Revaluation of investments”. A result due to realisation of a derivative is also assigned into financial incomes or costs. For forward contracts on currency sale/purchase a result due to realisation is assigned into financial incomes or costs at the item ”Exchange rate differences”.

Derivatives for which hedge accounting is applied are instruments designated in accordance with hedge accounting principles, whose fair value or cash flows are expected to offset changes at fair value or cash flows of a hedged item.
The Company applies hedge accounting if all conditions provided in IFRS/IAS are met, i.e.:
- at a moment of creation of a hedge, there is formal designation and documentation of hedging relationship, risk management objective and strategy for undertaking the hedge,
- a hedge is expected to be highly effective,
- for cash flow hedges a forecast that is an object of the hedge is highly probable and presents exposure to variations in cash flows that could affect profit and loss account,
- effectiveness of a hedge can be reliably measured,
- a hedge is assessed on an ongoing basis and its effectiveness is being retained during all reporting periods.

The result on realised derivatives for which no hedge accounting had been applied was included in the result of 2011 in the Separate Profit and Loss Account in the item "Financial incomes - Exchange rate differences" in the amount of 351 thousand zlotys (Note 41).

The result on realised derivatives for which no hedge accounting had been applied was included in the result of 2010 in the Separate Profit and Loss Account in the item "Financial costs - Exchange rate differences" in the amount of 1 545 thousand zlotys (Note 42).

Cumulated losses in the amount of 12 546 thousand zlotys related to instruments for which hedge accounting had been applied was removed from the equity and included in 2010 in the profit and loss account in consequence of cessation of waiting for realisation of planned transaction. These losses was recognized in the item "Financial costs - Exchange rate differences" (Note 42).

Valuation of derivatives for which no hedge accounting had been applied was included in 2011 in the Separate Profit and Loss Account in the item "Financial costs – Revaluation of investment value" in the amount of 1 143 thousand zlotys (Note 42).

Valuation of derivatives for which no hedge accounting had been applied was included in 2010 in the Separate Profit and Loss Account in the item "Financial incomes – Revaluation of investment value" in the amount of 4 322 thousand zlotys (Note 41).

Note 16	**31.12.2011**	**31.12.2010**
CHANGE OF SHORT-TERM FINANCIAL ASSETS VALUATED IN GOODWILL VIA FINANCIAL RESULT		
a) situation as at the beginning of the turnover year		
- purchase	1 255	
- valuation included in financial result of the period	1	
- sale	-746	
b) situation as at the end of the turnover year	**510**	

As financial assets measured at fair value (goodwill) through financial result, the Company classifies assets acquired with a view to resale them in a near term and other financial assets being part of a portfolio of similar assets with respect to which there is a high probability that expected economic benefits will be realised within a short period, and those financial assets that, on initial recognition, were designated as measured at fair value through financial result, if it allows more useful information to be obtained.

At the item of short-term financial assets valuated at fair value (goodwill) through financial result, the Company presented shares of a joint-stock company listed on the Warsaw Stock Exchange.

Note 17A	**31.12.2011**	**31.12.2010**
CASH AND OTHER MONETARY ASSETS (CURRENCY STRUCTURE)		
a) in Polish currency	5 342	10 316
b) in foreign currencies (as per currencies and after conversion into zlotys)	19 705	10 643
b1. unit/currency thousand/USD	101	731
thousand zlotys	345	2 166
b2. unit/currency thousand/EUR	4 355	2 112
thousand zlotys	19 237	8 364
b3. other currencies in thousand zlotys	123	113
Total cash and other monetary assets	**25 047**	**20 959**

Note 17B	**31.12.2011**	**31.12.2010**
STRUCTURE OF CASH		
a) cash in banks	24 887	20 814
b) cash in hands	160	145
Total cash	**25 047**	**20 959**

Cash is presented at nominal value. In case of cash on bank accounts, nominal value includes interest added or eventually discounted by a bank.

During a turnover period, for cash in a foreign currency the following valuation methods are applied:
- for valuation of ingoing of currencies to bank account – average exchange rate of NBP from a day before a day of payment
- for outgoing of currencies – exchange rate calculeted by a FIFO approach – "first in, first out".

The abovementioned methods of measurement are applied also for foreign currencies paid into and withdrawn from a currency account operated by the Company. During a turnover year and as at a reporting date, cash is recognised at nominal value in Polish currency.

Cash presented in foreign currencies is measured as at the reporting day at a average exchange rate fixed for a given currency on that day by National Bank of Poland. Exchange rate differences resulting from measurement of cash constitute financial incomes or costs and are included at the item "Exchange rate differences".

Note 18	**31.12.2011**	**31.12.2010**
SHORT-TERM PREPAYMENTS AND ACCRUALS		
a) prepayments of costs, including:	401	388
- subscription, insurances, write-off for ZFŚS (Company Fund for Social Benefits)	401	388
b) other prepayments and accruals, including:	818	
- long-term contracts - not invoiced incomes	451	
- memorially classified incomes due to leasehold	129	

- fees concerning elecrticity trade	238	
Total short-term prepayments and accruals	**1 219**	**388**

Prepayments are made if incurred costs concern future reporting periods. Titles of prepayments which do not concern normal cycle of the Company's operational activity and clearing period of which will occur in more than 12 months from the balance sheet date, are presented in long-term prepayments and accruals.

Note 19	**31.12.2011**	**31.12.2010**
SHARE CAPITAL (STRUCTURE)		
- class of shares	na okaziciela	na okaziciela
- class of privileging	nieuprzywilejowane	nieuprzywilejowane
- date of registration	03.01.1994	03.01.1994
- entitlement to dividends (since date)	03.01.1994	03.01.1994
- number of shares	1 989 270	1 989 270
- nominal value of a share	10 zł	10 zł
- date of stock split	01.08.2006	01.08.2006
- number of shares	**19 892 700**	**19 892 700**
- nominal value of a share	**1 zł**	**1 zł**
- issue of shares of series "B" (date of registration)	10.08.2007	10.08.2007
- entitlement to dividends (since date)	10.08.2007	10.08.2007
- number of shares	**47 739 838**	**47 739 838**
- nominal value of a share	**1 zł**	**1 zł**
- issue of shares of series "C" (date of registration)	01.12.2009	01.12.2009
- entitlement to dividends (since date)	01.12.2009	01.12.2009
- number of shares	**6 700 000**	**6 700 000**
- nominal value of a share	**1 zł**	**1 zł**
Total number of shares	**74 332 538**	**74 332 538**
Nominal value of a share	**1 zł**	**1 zł**
Total share capital	**74 333**	**74 333**

The Management Board of KOPEX S.A., acting pursuant to authorisation granted by the Resolution No. 1 of Extraordinary Meeting of Shareholders of KOPEX S.A. from 11 December 2008 on expressing consent and establishing conditions for purchase of own shares by the Company and by the Resolution No. 2 of Extraordinary Meeting of Shareholders of KOPEX S.A. from 11 December 2008 on granting an authorisation for the Management Board of the Company to purchase their own shares in the mode of Art. 362 § 1 section 8) of the Commercial Companies Code, started the Purchase (Repurchase) of Own Shares of KOPEX S.A. Programme. Since the day of the Programme's initiation, i.e. since 15 December 2008 till 5 February 2009, in total 276 500 own shares of KOPEX S.A. were purchased at an average purchase price of 10.75 PLN per share. Own shares in the amount of 2 979 thousand PLN purchased by the Issuer since the day of the Programme's start till 22 December 2008 constitute 0.409% of KOPEX S.A. share capital. The shares do not give the right to vote and therefore in the Financial Statement there is disclosure of profit per 1 share having the right to vote.

Subsidiaries and associated companies do not own shares of KOPEX S.A.

Note 20	**31.12.2011**	**31.12.2010**
SUPPLEMENTARY CAPITAL		
a) from issuance above the nominal value	1 054 942	1 054 941

b) created in accordance with the statute/agreement	206 175	207 476
c) from revaluation reserve of fixed assets	68	68
d) from merger of entities	-21	-21
Total supplementary capital	**1 261 164**	**1 262 464**

Note 21A	**31.12.2011**	**31.12.2010**
REVALUATION RESERVE		
a) revaluation of fixed assets	24	24
b) cash flow hedging	1 050	-135
c) deferred income tax due to cash flow hedging	-199	26
Total revaluation reserve	**875**	**-85**

Note 21B	**31.12.2011**	**31.12.2010**
REVALUATION RESERVE - DEFERRED TAX		
Situation as at the beginning of the period	26	7 164
Negative transitory differences concerning valuation of hedging instruments (asset due to deferred income tax)	50	-4 578
Positive transitory differences concerning valuation of hedging instruments (reserve for deferred income tax)	-286	1 535
Deferred income tax due to realised forward transactions asigned to the reserve (capital)	11	-4 095
Total situation as at the end of the period	**-199**	**26**

Note 22

OTHER RESERVE CAPITAL (BY PURPOSE)	**31.12.2011**	**31.12.2010**
- destined for purchase of own shares	17 021	17 021
Total other reserve capital	**17 021**	**17 021**

Note 23A	**31.12.2011**	**31.12.2010**
LONG-TERM CREDITS AND LOANS		
a) long-term credits and loans from related entities		
- situation as at the beginning of the period	9 000	
- raising a credit, loan		13 800
- payment of a credit, loan		-4 800
- relocation to short-term credits and loans	-6 000	
- valuation of granted credits and loans in accordance with adjusted purchase price		
- situation as at the end of the period	**3 000**	**9 000**
b) long-term credits and loans from other entities		
- situation as at the beginning of the period		

- raising a credit, loan	8 184	
- payment of a credit, loan		
- valuation of granted credits and loans in accordance with adjusted purchase price		
- situation as at the end of the period	**8 184**	
Total long-term credits and loans	**11 184**	**9 000**

At a moment of initial recognition, bank credits and loans are recognised at purchase price corresponding to fair value (goodwill) of received cash less costs connected with obtaining a credit or loan.
During following periods, long-term credits and loans are valuated at amortised purchase price, using an effective interest. When determining an amortised purchase price, all costs related to obtaining a credit or loan are taken into account as well as discounts and premiums obtained while clearing of a liability.

Note 23B	31.12.2011	31.12.2010
LONG-TERM CREDITS AND LOANS (CURRENCY STRUCTURE)		
a) in Polish currency	11 184	9 000
b) in foreign currencies		
Total long-term credits and loans	**11 184**	**9 000**

Note 24A

OTHER LONG-TERM LIABILITIES	31.12.2011	31.12.2010
a) towards related entities		
b) towards other entities, including:	12	648
- due to inwestment activity	12	256
- received advances for deliveries		392
Other net long-term liabilities	**12**	**648**
c) valuation of long-term liabilities according to depreciated cost		
Other gross long-term liabilities	**12**	**648**

Note 24B	31.12.2011	31.12.2010
OTHER GROSS LONG-TERM LIABILITIES (CURRENCY STRUCTURE)		
a) in Polish currency	12	256
b) in foreign currencies (as per currencies and after conversion into zlotys)		392
b1. unit/currency thousand/EUR		100
thousand zlotys		392
Total long-term liabilities	**12**	**648**

Note 24C	31.12.2011	31.12.2010
OTHER LONG-TERM LIABILITIES, WITH A PAYBACK PERIOD REMAINING SINCE THE BALANCE SHEET DATE:		
a) over 1 year and up to 3 years	12	648

Total long-term liabilities	**12**	**648**

Long-term liabilities transcending normal operational cycle are valuated as at reporting day według amortised cost, using effective interest. In the profit and loss account, there are presented all effects of long-term liabilities' valuation according to amortised cost and effects of a liability's removal from the balance sheet.

<u>**Note 25A**</u> **CHANGE OF PROVISION DUE TO DEFERRED INCOME TAX**	**31.12.2011**	**31.12.2010**
Provision due to deferred income tax, including:	6 413	4 049
a) assigned for financial result	6 127	4 049
b) assigned for equity	286	

Provision due to deferred income tax is created in the amount of income tax to be paid in the future, in connection with occurence of transitive differences, i.e. differences which will result in an increase of a basis on which income tax will be computed in the future. The provision is valuated using tax rates which are expected to be used when the provision is released, assuming the tax rates (and tax regulations) being factually in effect as at the reporting date, i.e. 19% in Poland, 33,33% in France, 25% in Germany and 24% in the Czech Republic.

Provision on deferred tax is revalued in reporting periods, basing on titles on basis of which it has been created.
Deferred tax is included in the item "Income tax" in the profit and loss account.
Provision on income tax and activated income tax assets is created only with respect to temporary adjustments. Deferred tax is recognised outside the profit and loss account if the tax refers to items that have been recognised outside the profit and loss account in the same or other period. If it refers to items that in the same or other period were recognised in other total profits, then deferred tax is recognised in other total profits. If it refers to items that were recognised directly in equity, then deferred tax is recognised in equity.

<u>**Note 26**</u> **CHANGE OF LONG TERM PROVISION FOR PENSION BENEFITS AND SIMILAR BENEFITS**	**31.12.2011**	**31.12.2010**
Situation as at the beginning of the period:	373	319
- change during the period	77	54
Situation as at the end of the period	**450**	**373**

The employees of KOPEX S.A. have a right to certain benefits for retirement, disability and death pays resulting from the Labour Code.

Provisions for employee benefits are estimated by the actuary. For actuarial valuation the rate of wages growth on the level of 4.5% annually and the discount rate on the level of 5,9% were assumed. The company has chosen the method of immediate recognition of actuarial gains and losses.

Employees of KOPEX S.A. are covered by a state retirement program implemented by the authorities. The only obligation of KOPEX S.A. is paying contributions to the Social Insurance Institution when they become payable. Those contributions constitute a determined percentage of wages costs.

<u>**Note 27**</u> **LONG-TERM PREPAYMENTS AND ACCRUALS**	**31.12.2011**	**31.12.2010**

grants in the framework of the project co-financed from the European Regional Development Fund	893	147

Costs of R&D works in progress, presented in Note No. 1 "Intangible assets", amounting to 5 022 thousand PLN are the costs incurred till 31 December 2011 on an innovative project "Automatic longwall control system" co-financed by the European Regional Development Fund within the Operative Program of Innovative Economy 2007-2013 according to the point 1.4 "Support of target projects", priority axis 1 "Research and development of recent technologies", and to the point 4.1 "Support for the implementation of results of R&D", priority axis 4 "Investments in innovative undertakings". Till 31.12.2010 the costs amounting to 2 694 thousand PLN were incurred.

In 2011, the project received grants to the total amount of 746 thousand PLN. In the comparative period, the amount of 147 thousand PLN was granted. The total amount equals 893 thousand PLN. Those grants will refer to the profit and loss account in a systhematic way during the useful life of subsidized asset.

Government grants, together with non-monetary grants presented at fair value (goodwill), are presented by the Company when sufficient certainty exists that:
– the Company will meet the conditions connected with grants,
– grants will be obtained.
The Company treats EU grants and government grants equally.

Note 28A	31.12.2011	31.12.2010
SHORT-TERM CREDITS AND LOANS		
a) short-term credits and loans from related entities		
- situation as at the beginning of the period	7 652	
- raising a credit, loan		7 652
- payment of a credit, loan	-2 822	
- relocation from long-term credits and loans	6 000	
- valuation of granted credits and loans in accordance with adjusted purchase price	68	
- situation as at the end of the period	**10 898**	**7 652**
b) short-term credits and loans from other entities		
- situation as at the beginning of the period	155 083	63 213
- raising a credit, loan	224 173	263 243
- payment of a credit, loan	-147 953	-171 373
- situation as at the end of the period	**231 303**	**155 083**
Total short-term credits and loans	**242 201**	**162 735**

Note 28B	31.12.2011	31.12.2010
SHORT-TERM CREDITS AND LOANS (CURRENCY STRUCTURE)		
a) in Polish currency	242 201	162 735
b) in foreign currencies		
Total short-term credits and loans	**242 201**	**162 735**

NOTE 29	31.12.2011	31.12.2010

SHORT-TERM TRADE LIABILITIES		
a) from related entities	86 227	26 727
- with payment period up to 12 months	77 512	26 727
- with payment period over 12 months	8 715	
b) from other entities	35 343	34 739
- with payment period up to 12 months	35 343	34 739
- with payment period over 12 months		
Total short-term trade liabilities	**121 570**	**61 466**

<u>Note 30</u>

OTHER SHORT-TERM LIABILITIES	31.12.2011	31.12.2010
a) towards related entities	15	
- due to investment activity	15	
b) towards other entities, including:	32 395	11 429
- due to investment activity	1 881	299
- advances received for supplies	20 716	66
- due to taxes, customs, insurances and other benefits	1 801	1 440
- due to remunerations	508	623
- surplus of conceived losses and receivables conditioned by realization of a contract over incomes appointed cumulatively form valuation	5 393	6 499
- due to settlement of construction sites and branch offices abroad	897	1 290
- Company Fund of Social Benefits (ZFŚS)	1 157	1 158
- other liabilities	42	54
Total other short-term liabilities	**32 410**	**11 429**

<u>Note 31</u>	**31.12.2011**	**31.12.2010**
SHORT-TERM TRADE LIABILITIES AND OTHER LIABILITIES (CURRENCY STRUCTURE)		
a) in Polish currency	117 188	65 140
b) in foreign currencies (as per currencies and after conversion into zlotys)	36 792	7 755
b1. unit/currency thousand/EUR	8 464	1 492
thousand zlotys	36 139	5 912
b2. unit/currency thousand/USD	187	608
thousand zlotys	638	1 802
b3. other currencies in thousand zlotys	15	41
Total short-term liabilities	**153 980**	**72 895**

<u>Note 32A</u>

HEDGING DERIVATIVES - FINANCIAL LIABILITIES	31.12.2011

a) hedging cash flows for which hedge accounting is applied	**5 354**
- forward sales contracts USD - volume 14 255 thousand zlotys, averaged exchange rate 2.851	2 875
- forward sales contracts EUR - volume 70 709 thousand zlotys, averaged exchange rate 4.3564	2 479
b) hedging cash flows for which hedge accounting is not applied	**836**
- forward sales contracts AUD - volume 5 080 thousand zlotys, averaged exchange rate 2.974	836
Total derivatives	**6 190**

Note 32A. HEDGING DERIVATIVES - FINANCIAL LIABILITIES	**31.12.2010**
a) hedging cash flows for which hedge accounting is applied	434
- forward sales contracts USD - volume 13 726 thousand zlotys, averaged exchange rate 2.9089	300
- forward sales contracts EUR - volume 8 844 thousand zlotys, averaged exchange rate 3.9431	134
b) hedging cash flows for which hedge accounting is not applied	
Total derivatives	**434**

Description concerning derivatives is insetted in the Note 15C.

The result on derivatives hedging cash flows, included directly in equity, and profits (losses) concerning financial liabilities and assets valuated in goodwill via financial result are presented in the Notes 15B and 15C.

Note 33A	**31.12.2011**	**31.12.2010**
CHANGE OF SHORT-TERM PROVISION (RESERVE) FOR PENSION BENEFITS AND SIMILAR BENEFITS		
Situation as at the beginning of the period	236	220
- change during the period	3	16
Situation as at the end of the period, including:	**239**	**236**
- reserve for unused leaves	185	186
- reserve for retirement and pension compensations and death benefits	54	50

Note 33B	**31.12.2011**	**31.12.2010**
CURRENT VALUE OF LIABILITIES DUE TO DEFINED BENEFITS		
current value of liability as at the beginning of the period	**342**	**358**
- service costs	59	71
- capital costs (interest)	25	20
- actuary profit for the period	1	-91
- benefits paid during the current period		-16

current value of liability as at the end of the period	**427**	**342**
unrecognized actuary profits	77	81
provision as at the balance sheet date, including:	**504**	**423**
long-term	450	373
short-term	54	50

The employees of KOPEX S.A. have a right to certain benefits for retirement, disability and death pays resulting from the Labour Code.

Provisions for employee benefits are estimated by the actuary. For actuarial valuation the rate of wages growth on the level of 4.5% annually and the discount rate on the level of 5,9% were assumed. The company has chosen the method of immediate recognition of actuarial gains and losses.

Employees of KOPEX S.A. are covered by a state retirement program implemented by the authorities. The only obligation of KOPEX S.A. is paying contributions to the Social Insurance Institution when they become payable. Those contributions constitute a determined percentage of wages costs.

<u>**Note 34**</u>

CHANGE OF OTHER SHORT TERM PROVISIONS (BY TITLES)	**31.12.2011**	**31.12.2010**
a) situation as at the beginning of the period, including:	**201**	**936**
- provision for predicted costs and claims	109	829
- provision for predicted financial costs (exchange rate differences)	38	53
- provision for predicted liabilities	54	54
- provision for warranty repairs		
b) increases, including:	**2 544**	
- provision for predicted claims, court cases	2 509	
- provision for predicted financial costs (exchange rate differences)	35	
- provision for predicted liabilities		
- provision for warranty repairs		
c) use, including:		**-720**
- provision for predicted claims, court cases		-720
- provision for predicted financial costs (exchange rate differences)		
- provision for predicted liabilities		
- provision for warranty repairs		
d) release, including:	**-56**	**-15**
- provision for predicted claims, court cases		
- provision for predicted financial costs (exchange rate differences)	-2	-15
- provision for predicted liabilities	-54	
- provision for warranty repairs		
e) situation as at the end of the period, including:	**2 689**	**201**
- provision for predicted claims, court cases	2 618	109
- provision for predicted financial costs (exchange rate differences)	71	38
- provision for predicted liabilities		54
- provision for warranty repairs		

In 2011, a provision to the amount of 2 509 thousand zlotys was made in connection with a judicial sentence of a court in Spain in favour of the Social Insurance Institution in Spain. On February 2012, the provision was dissolved in connection with the payment of the face of judgement by the Company.

Note 35

SHORT-TERM PREPAYMENTS AND ACCRUALS	31.12.2011	31.12.2010
a) accruals of costs	**15 046**	**9 918**
- accruals - costs of contracts	13 404	9 591
- accruals - overheads, trade expenses	1 642	327
b) prepayments and accruals of incomes		
Total short-term prepayments and accruals	**15 046**	**9 918**

Accruals are liabilities to be paid for goods or services that were received/performed, but were not paid, invoiced or formally agreed with a supplier. Although amount or payment date sometimes has to be estimated, uncertainty degree is lower than for provisions. As accrued expenses, the Company classifies planned costs of auditing of financial statement, sums of unpaid bonuses for employees, value of performances delivered for the Company which have not been invoiced and under a contract a contractor was not obliged to invoice them, costs due to pollutants' emission charges, costs of current period documented with an invoice during following period.

Note 1C 31.12.2011

FLOW OF INTANGIBLE ASSETS (according to type groups)

	costs of completed R&D works	- incl. those manufactured using own means	costs of R&D works in progress	goodwill	obtained concessions, patents, licences and similar assets	other intangible assets	total intangible assets
a) gross value at the begining of the period			2 694		2 883	11	5 588
b) increases, incl. due to:			2 328		1 608		3 936
- purchase			2 328		1 608		3 936
c) decreases							
d) gross value at the end of the period			5 022		4 491	11	9 524
e) cumulated redemption at the begining of the period					2 233	6	2 239
f) redemption for the period, incl. due to:					370	2	372
- amortization					370	2	372
g) cumulated redemption at the end of the period					2 603	8	2 611
h) net value of intangible assets at the begining of the period			2 694		650	5	3 349
i) net value of intangible assets at the end of the period			5 022		1 888	3	6 913

Note 1C 31.12.2010

FLOW OF INTANGIBLE ASSETS (according to type groups)

	costs of completed R&D works	- incl. those manufactured using own means	costs of R&D works in progress	goodwill	obtained concessions, patents, licences and similar assets	other intangible assets	total intangible assets
a) gross value at the begining of the period					2 798	11	2 809
b) increases, incl. due to:			2 694		99		2 793
- purchase			2 694		99		2 793
c) decreases, incl. due to:					14		14
- liquidation					14		14
d) gross value at the end of the period			2 694		2 883	11	5 588
e) cumulated redemption at the begining of the period					1 899	4	1 903
f) redemption for the period, incl. due to:					334	2	336
- amortization					348	2	350
- liquidation					-14		-14
g) cumulated redemption at the end of the period					2 233	6	2 239
h) net value of intangible assets at the begining of the period					899	7	906
i) net value of intangible assets at the end of the period			2 694		650	5	3 349

Note 2D 31.12.2011

FLOW OF FIXED ASSETS (by type groups)

	own land, including perpetual usufruct right	buildings and building structures	technical equipment and machines	means of transport	other fixed assets	Total fixed assets
a) gross value of fixed assets at the begining of the period	36	12 756	3 841	2 498	1 686	20 817
b) increases, including due to:		480	5 024	286	39	5 829
- purchase		346	4 921	286	39	5 592
- modernization		134	103			237
c) decreases, including due to:			97	653		750
- sale			20	653		673
- long-term use			77			77
d) gross value of fixed assets at the end of the period	36	13 236	8 768	2 131	1 725	25 896
e) cumulated depreciation (redemption) at the begining of the period	36	1 505	3 292	1 606	1 550	7 989
f) depreciation for the period, incl. due to:		403	533	-154	72	854
- depreciation		403	630	265	72	1 370
- sale			-20	-424		-444
- long-term use			-77			-77
- other				5		5
g) cumulated depreciation (redemption) at the end of the period	36	1 908	3 825	1 452	1 622	8 843
h) write-offs due to permanent loss of value at the begining of the year						
- increases						
- decreases						
i) write-offs due to permanent loss of value at the end of the year						
j) net value of fixed assets at the begining of the period		11 251	549	892	136	12 828
k) net value of fixed assets at the end of the period		11 328	4 943	679	103	17 053

Note 2D 31.12.2010
FLOW OF FIXED ASSETS (by type groups)

	own land, including perpetual usufruct right	buildings and building structures	technical equipment and machines	means of transport	other fixed assets	Total fixed assets
a) gross value of fixed assets at the begining of the period	36	12 641	8 877	2 384	1 821	25 759
b) increases, including due to:		115	124	507	13	759
- purchase			84	507	13	604
- modernization		115	40			155
c) decreases, including due to:			5 160	393	148	5 701
- sale			4 818	393	9	5 220
- long-term use			327		117	444
- for sale			15		22	37
d) gross value of fixed assets at the end of the period	36	12 756	3 841	2 498	1 686	20 817
e) cumulated depreciation (redemption) at the begining of the period	36	1 107	3 529	1 426	1 638	7 736
f) depreciation for the period, incl. due to:		398	-237	180	-88	253
- depreciation		398	671	325	56	1 450
- sale			-580	-145	-9	-734
- long-term use			-327		-117	-444
- for sale			-1		-18	-19
g) cumulated depreciation (redemption) at the end of the period	36	1 505	3 292	1 606	1 550	7 989
h) write-offs due to permanent loss of value at the begining of the year						
- increases						
- decreases						
i) write-offs due to permanent loss of value at the end of the year						
j) net value of fixed assets at the begining of the period		11 534	5 348	958	183	18 023
k) net value of fixed assets at the end of the period		11 251	549	892	136	12 828

Note 3C 31.12.2011

CHANGE OF INVESTMENT REAL ESTATES

	land (including perpetual usufruct right)	buildings, premises and civil engineering objects	Total investment real estates
a) gross value of investment real estates at the beginning of the period	1 287		1 287
b) increases, including due to:	1 439	5 135	6 574
- purchase	1 439	5 135	6 574
c) decreases			
d) gross value of investment real estates at the end of the period	2 726	5 135	7 861
e) cumulated depreciation (redemption) at the beginning of the period			
f) depreciation for the period, including due to:	5	22	27
- depreciation write-offs	5	22	27
g) cumulated depreciation (redemption) at the end of the period	5	22	27
h) net value of investement real estates at the beginning of the period	1 287		1 287
i) net value of investement real estates at the end of the period	2 721	5 113	7 834

Note 3C. 31.12.2010

CHANGE OF INVESTMENT REAL ESTATES

	land (including perpetual usufruct right)	buildings, premises and civil engineering objects	Total investment real estates
a) gross value of investment real estates at the beginning of the period	1 336		1 336
b) increases			
c) decreases, including due to:	49		49
- sales	49		49
d) gross value of investment real estates at the end of the period	1 287		1 287
e) cumulated depreciation (redemption) at the beginning of the period	49		49
f) depreciation for the period, including due to:	-49		-49
- sales	-49		-49
g) cumulated depreciation (redemption) at the end of the period			
h) net value of investement real estates at the beginning of the period	1 287		1 287
i) net value of investement real estates at the end of the period	1 287		1 287

Note 8C 31.12.2011

SHARES

No.	name (legal name) of company, with indication of its legal form	official seat	type of affiliation (subsidiary, co-subsidiary, associated company, incl. details of direct and indirect affiliations)	consolidation method applied / measurement by equity method or information that entity is not subject to consolidation / measurement by equity method	date of taking control / joint control / gaining significant influence	% of share capital owned	participation in the total number of shares at the General Meeting of Shareholders	other then pointed in letter j) or k) basis for control / joint control / significant influence
1	WAMAG S.A.	WALBRZYCH	SUBSIDIARY	FULL	12.05.2004	100,00%	100,00%	
2	KOPEX GMBH	GERMANY	SUBSIDIARY	FULL	14.08.2003	100,00%	100,00%	
3	WS BAILDONIT SP. Z O.O.	KATOWICE	ASSOCIATED	OF PROPERTY RIGHTS	06.11.1996	29,41%	29,41%	
4	KOPEX - PRZEDSIĘBIORSTWO BUDOWY SZYBÓW S.A.	BYTOM	SUBSIDIARY	FULL	14.09.2004	94,77%	94,77%	
5	EKOPEX	UKRAINE	ASSOCIATED	OF PROPERTY RIGHTS	07.08.2006	20,00%	20,00%	
6	KOPEX CONSTRUCTION SP. Z O.O.	KATOWICE	SUBSIDIARY	FULL	14.08.2007	100,00%	100,00%	
7	ZABRZAŃSKIE ZAKLADY MECHANICZNE S.A.	ZABRZE	SUBSIDIARY	FULL	03.08.2007	97,99%	97,99%	
8	KOPEX MIN-MONT	SERBIA	SUBSIDIARY	FULL	01.08.2007	84,85%	84,85%	
9	KOPEX MIN-OPREMA	SERBIA	SUBSIDIARY	FULL	01.08.2007	87,77%	87,77%	
10	KOPEX MIN-LIV	SERBIA	SUBSIDIARY	FULL	01.11.2007	89,74%	89,74%	
11	SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING CO. LTD	CHINA	ASSOCIATED	OF PROPERTY RIGHTS	01.07.2007	50,00%	50,00%	
12	HANSEN SICHERHEITSTECHNIK AG	GERMANY	SUBSIDIARY	FULL	23.11.2007	97,58%	97,58%	
13	TIEFENBACH POLSKA SP. Z O.O.	RADZIONKÓW	ASSOCIATED	OF PROPERTY RIGHTS	08.11.2007	49,00%	49,00%	
14	KOPEX EKO SP. Z O.O.	KATOWICE	SUBSIDIARY	FULL	31.01.2008	100,00%	100,00%	
15	PT. KOPEX MINING CONTRACTORS	INDONESIA	SUBSIDIARY	FULL	19.05.2008	60,00%	60,00%	
16	Rybnicka Fabryka Maszyn RYFAMA S.A.	RYBNIK	SUBSIDIARY	FULL	14.06.2010	100,00%	100,00%	
17	KOPEX-FAMAGO Sp. z o.o.	ZGORZELEC	SUBSIDIARY	FULL	28.06.2000	100,00%	100,00%	
18	KOPEX-ENGINEERING Sp. z o.o.	KATOWICE	SUBSIDIARY	FULL	28.02.2000	100,00%	100,00%	
19	GRUPA ZZM-KOPEX Sp. z o.o. (presently: KOPEX-EX-COAL Sp. z o.o.)	KATOWICE	SUBSIDIARY	FULL	31.05.2007	98,00%	98,00%	
20	ANHUI LONG-PO	CHINA	ASSOCIATED	OF PROPERTY RIGHTS	12.01.1998	20,00%	20,00%	
21	ŚLĄSKIE TOWARZYSTWO WIERTNICZE DALBIS Sp. z o.o.	BYTOM	SUBSIDIARY	FULL	15.09.2011	75,00%	75,00%	

Note 8C 31.12.2010

SHARES

No.	name (legal name) of company, with indication of its legal form	official seat	type of affiliation (subsidiary, co-subsidiary, associated company, incl. details of direct and indirect affiliations)	consolidation method applied / measurement by equity method or information that entity is not subject to consolidation / measurement by equity method	date of taking control / joint control / gaining significant influence	% of share capital owned	participation in the total number of shares at the General Meeting of Shareholders	other than pointed in letter j) or k) basis for control / joint control / significant influence
1	WAMAG S.A.	WALBRZYCH	SUBSIDIARY	FULL	12.05.2004	100,00%	100,00%	
2	KOPEX GMBH	GERMANY	SUBSIDIARY	FULL	14.08.2003	100,00%	100,00%	
3	WS BAILDONIT SP. Z O.O.	KATOWICE	ASSOCIATED	OF PROPERTY RIGHTS	06.11.1996	29,41%	29,41%	
4	KOPEX - PRZEDSIĘBIORSTWO BUDOWY SZYBÓW S.A.	BYTOM	SUBSIDIARY	FULL	14.09.2004	94,74%	94,74%	
5	EKOPEX	UKRAINE	ASSOCIATED	OF PROPERTY RIGHTS	07.08.2006	20,00%	20,00%	
6	KOPEX CONSTRUCTION SP. Z O.O.	KATOWICE	SUBSIDIARY	FULL	14.08.2007	100,00%	100,00%	
7	ZABRZAŃSKIE ZAKLADY MECHANICZNE S.A.	ZABRZE	SUBSIDIARY	FULL	03.08.2007	97,99%	97,99%	
8	KOPEX MIN-MONT	SERBIA	SUBSIDIARY	FULL	01.08.2007	84,85%	84,85%	
9	KOPEX MIN-FITIP w likwidacji	SERBIA	SUBSIDIARY	FULL	01.08.2007	86,51%		
10	KOPEX MIN-OPREMA	SERBIA	SUBSIDIARY	FULL	01.08.2007	87,77%	87,77%	
11	KOPEX MIN-LIV	SERBIA	SUBSIDIARY	FULL	01.11.2007	89,74%	89,74%	
12	SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING CO. LTD	CHINA	ASSOCIATED	OF PROPERTY RIGHTS	01.07.2007	50,00%	50,00%	
13	HANSEN SICHERHEITSTECHNIK AG	GERMANY	SUBSIDIARY	FULL	23.11.2007	88,94%	88,94%	
14	TIEFENBACH POLSKA SP. Z O.O.	RADZIONKÓW	ASSOCIATED	OF PROPERTY RIGHTS	08.11.2007	49,00%	49,00%	
15	KOPEX EKO SP. Z O.O.	KATOWICE	SUBSIDIARY	FULL	31.01.2008	100,00%	100,00%	
16	PT. KOPEX MINING CONTRACTORS	INDONESIA	SUBSIDIARY	FULL	19.05.2008	60,00%	60,00%	
17	EL-GÓR S.A..	CHORZÓW	SUBSIDIARY	FULL	06.02.2009	100,00%	100,00%	
18	Rybnicka Fabryka Maszyn RYFAMA S.A.	RYBNIK	SUBSIDIARY	FULL	14.06.2010	78,97%	78,97%	
19	KOPEX-FAMAGO Sp. z o.o.	ZGORZELEC	SUBSIDIARY	FULL	28.06.2000	100,00%	100,00%	
20	KOPEX-ENGINEERING Sp. z o.o.	KATOWICE	SUBSIDIARY	FULL	28.02.2000	100,00%	100,00%	
21	GRUPA ZZM-KOPEX Sp. z o.o. (presently: KOPEX-EX-COAL Sp. z o.o.)	KATOWICE	SUBSIDIARY	FULL	31.05.2007	98,00%	98,00%	
22	ANHUI LONG-PO	CHINA	ASSOCIATED	OF PROPERTY RIGHTS	12.01.1998	20,00%	20,00%	

Note 9B 31.12.2011

ASSET DUE TO DEFERRED INCOME TAX

	Situation as at 01.01.2011	Increase/Decrease (-) of profit due to change of state of transition differences and due to tax loss	Increase/Decrease (-) of other total incomes due to change of state of transition differences	Situation as at 31.12.2011
Accruals (accrued expenses)	1 684	909		2 593
Reserves for employee benefits	116	15		131
Interest	168	-24		144
Write-downs concerning receivables	527	-150		377
Fixed assets	181	-181		0
Exchange rate differences	354	349		703
Revaluation of derivatives		159		159
Revaluation of hedging instruments	82	885	50	1 017
Revaluation of receivables/long-term liabilities		13		13
Tax loss for 2008	328	-328		0
Tax loss for 2009	3 759	-361		3 398
Negative transition differences concerning foreign branches (accrued expenses)	1 375	-230		1 145
Other	165	57		222
Total	**8 739**	**1 113**	**50**	**9 902**

including:	
Financial incomes - exchange differences concerning valuation of asset due to deferred income tax denominated in a foreign currency (Note 41)	216
Income tax - deferred tax (Note 43)	-897

Note 9B 31.12.2010

ASSET DUE TO DEFERRED INCOME TAX

	Situation as at 01.01.2010	Increase/Decrease (-) of profit due to change of state of transition differences and due to tax loss	Increase/Decrease (-) of other total incomes due to change of state of transition differences	Situation as at 31.12.2010
Accruals (accrued expenses)	1 372	312		**1 684**
Reserves for employee benefits	103	13		**116**
Interest	86	82		**168**
Write-downs concerning receivables	378	149		**527**
Fixed assets	109	72		**181**
Exchange rate differences	438	-84		**354**
Revaluation of derivatives	803	-803		**0**
Revaluation of hedging instruments	4 802	-142	-4 578	**82**
Tax loss for 2008	656	-328		**328**
Tax loss for 2009	3 880	-121		**3 759**
Negative transition differences concerning foreign branches (accrued expenses)	1 397	-22		**1 375**
Other	177	-12		**165**
Total	**14 201**	**-884**	**-4 578**	**8 739**

including:	
Financial costs - exchange differences concerning valuation of asset due to deferred income tax denominated in a foreign currency (Note 42)	44
Income tax - deferred tax (Note 43)	840

Note 23C 31.12.2011

LONG-TERM CREDITS AND LOANS

Name (legal name) of lender/creditor indicating its legal form	Official seat	Amount of a credit/loan specified in the agreement		Amount of a credit/loan - outstanding		Interest rate conditions	Date of repayment	Hedging instruments
		zlotys	currency	zlotys	currency			
ZABRZAŃSKIE ZAKŁADY MECHANICZNE S.A.	ZABRZE	9 000	PLN	3 000	PLN	WIBOR 1M + margin	31.12.2013	none
PKO BP	KATOWICE	110.235 non-renewable turnover credit	PLN	8 184	PLN	WIBOR 1M + margin	09.05.2013	cessions of receivalbes from contracts of KOPEX, PBSz, Famago; warranty from ZZM; promissory note
TOTAL		**119 235**		**11 184**				

Note 23C. 31.12.2010

LONG-TERM CREDITS AND LOANS

Name (legal name) of lender/creditor indicating its legal form	Official seat	Amount of a credit/loan specified in the agreement		Amount of a credit/loan - outstanding		Interest rate conditions	Date of repayment	Hedging instruments
		zlotys	currency	zlotys	currency			
ZABRZAŃSKIE ZAKŁADY MECHANICZNE S.A.	ZABRZE	9 000	PLN	9 000	PLN	WIBOR 1M + margin	31.12.2013	none
TOTAL		**9 000**		**9 000**				

Note 25B 31.12.2011

RESERVE DUE TO DEFERRED INCOME TAX

	Situation as at 01.01.2011	Increase/Decrease (-) of profit due to change of state of transition differences and due to tax loss	Increase/Decrease (-) of other total incomes due to change of state of transition differences	Situation as at 31.12.2011
Prepayments		86		86
Interest	466	269		735
Fixed assets		31		31
Exchange rate differences	641	1 763		2 404
Non-obtain penalties		89		89
Revaluation of derivatives	61	-58		3
Revaluation of hedging instruments	156	-153	286	289
Revaluation of financial assets valuated in goodwill via financial result		89		89
Revaluation of long-term receivables/liabilities	116	14		130
Positive transition differences concerning foreign branches (prepayments)	2 609	-65		2 544
Other		13		13
Total	**4 049**	**2 078**	**286**	**6 413**

including:		
Financial incomes - exchange differences concerning valuation of asset due to deferred income tax denominated in a foreign currency (Note 41)		-161
Income tax - deferred tax (Note 43)		1 917

Note 25B. 31.12.2010

RESERVE DUE TO DEFERRED INCOME TAX

	Situation as at 01.01.2010	Increase/Decrease (-) of profit due to change of state of transition differences and due to tax loss	Receivalbes due to foreign tax	Increase/Decrease (-) of other total incomes due to change of state of transition differences	Situation as at 31.12.2010
Interest	249	217			**466**
Exchange rate differences	1 090	-449			**641**
Revaluation of derivatives	42	19			**61**
Revaluation of hedging instruments	1 535	156		-1 535	**156**
Revaluation of long-term receivables/liabilities	64	52			**116**
Positive transition differences concerning foreign branches (prepayments)	2 416	-320	513		**2 609**
Other	1 829	-1 829			**0**
Total	**7 225**	**-2 154**	**513**	**-1 535**	**4 049**

including:		
Financial costs - exchange differences concerning valuation of asset due to deferred income tax denominated in a foreign currency (Note 42)		-6
Income tax - deferred tax (Note 43)		-2 148

Note 28C 31.12.2011

SHORT-TERM CREDITS AND LOANS

Name (legal name) of lender/creditor indicating its legal form	Official seat	Amount of a credit/loan specified in the agreement		Amount of a credit/loan - outstanding		Interest rate conditions	Date of repayment	Hedging instruments
		zlotys	currency	zlotys	currency			
ZABRZAŃSKIE ZAKŁADY MECHANICZNE S.A.	ZABRZE	9 000	PLN	6 068	PLN	WIBOR 1M + margin	31.12.2012	none
ZABRZAŃSKIE ZAKŁADY MECHANICZNE S.A.	ZABRZE	4 500	PLN	4 500	PLN	WIBOR 1M + margin	31.12.2012	blank bill with a declaration
PRIPIK Kopex Engineering	KATOWICE	300	PLN	330	PLN	5% p.a. till 31.12.2011; WIBOR 1M + margin since 01.01.2012	31.12.2012	none
PKO BP SA	KATOWICE	179 000 limit in current account	PLN	163 923	PLN	WIBOR 1M + margin	01.07.2014	KOPEX's real estate bail mortgage + cession from insurance policy; cessions of receivalbes from contract of PBSz; power of attorney for bank accounts in ING, BRE, CITI, BPH; warranty from ZZM; shares of ZZM pledge
PKO BP SA	KATOWICE	110 235 non-renewable turnover credit	PLN	31 815	PLN	WIBOR 1M + margin	09.12.2012	cessions of receivalbes from contracts of KOPEX, PBSz, Famago; warranty from ZZM; promissory note
ING BSK SA	KATOWICE	36 000 limit in current account	PLN	35 565	PLN	WIBOR 1M + margin	27.06.2012	ZZM's real estate bail mortgage; registered pledge on machines and metallurgic supplies of ZZM S.A. with cession from insurance policy; power of attorney for a bank to managing accounts of borrowers in PKO BP and ING; cession from the contract PBSZ - JSW; cession from the contract PBSZ - ZGH "Boleslaw"; cession from the contract Kopex S.A. - Alpiq Energy SE; cession from contracts of Famago; registered pledge on a machine of Famago; PBSz's real estates mortgages
TOTAL		**339 035**		**242 201**				

Note 28C 31.12.2010

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Name (legal name) of lender/creditor indicating its legal form	Official seat	Amount of a credit/loan specified in the agreement		Amount of a credit/loan - outstanding		Interest rate conditions	Date of repayment	Hedging instruments
		zlotys	currency	zlotys	currency			
ZABRZAŃSKIE ZAKŁADY MECHANICZNE S.A.	ZABRZE	4 628	PLN	4 629	PLN	WIBOR 1M + margin	31.12.2011	blank bill with a declaration
KOPEX-ENGINEERING Sp. z o.o.	KATOWICE	300	PLN	315	PLN	5% p.a. till 31.12.2011; WIBOR 1M + margin since 01.01.2012	31.12.2012	none
AUTOKOPEX	KATOWICE	2 708	PLN	2 708	PLN	WIBOR 1M + margin	30.06.2011	none
PKO BP S.A.	KATOWICE	179,000 limit in current account	PLN	155 083	PLN	WIBOR 1M + margin	01.07.2011	bail mortgage to the amount of 313 200 thousand zlotys on the real estete localized ul. Grabowa, Katowice + cession from insurance policy; cession of receivables on trade contracts; power of attorney for bank accounts in BRE, CITI, BPH; warranty from ZZM S.A. to the amount of 261 000 thousand zlotys; shares of ZZM S.A. pledge up to the amount of 302 029 thousand zlotys; fixed payment instruction from BGK
TOTAL		**186 636**		**162 735**				

13. Explanatory notes to the separate profit and loss account of KOPEX S.A. prepared for the period from 1 January 2011 to 31 December 2011 in thousand zlotys

Note 36A

NET INCOME FROM SALE OF PRODUCTS (MATERIAL STRUCTURE - KINDS OF ACTIVITY)	31.12.2011	31.12.2010
- mining services	10 231	9 649

- machines and devices	130 817	1 369
- other services	15 468	17 451
- including incomes from related entities	*12 155*	*14 951*
Total net income from sale of products	**156 516**	**28 469**
- including incomes from related entities	*12 155*	*14 951*

Note 36B

NET INCOME FROM SALE OF PRODUCTS (TERRITORIAL STRUCTURE)	31.12.2011	31.12.2010
a) homeland	**145 817**	**17 357**
- mining services		
- machines and devices	130 613	
- other services	15 204	17 357
- including incomes from related entities	*12 155*	*14 951*
b) export	**10 699**	**11 112**
- mining services	10 231	9 649
- machines and devices	204	1 369
- other services	264	94
Total net income from sale of products	**156 516**	**28 469**
- including incomes from related entities	*12 155*	*14 951*

Note 37A

NET INCOME FROM SALE OF COMMODITIES AND MATERIALS (MATERIAL STRUCTURE – KINDS OF ACTIVITIES)	31.12.2011	31.12.2010
- machines and devices	79 018	207 099
- coal	172 830	204 012
- electricity	360 075	590 434
- including incomes from related entities	*4 439*	*3 259*
- other commodities	1 037	11 795
- including incomes from related entities		*1 897*
Total net incomes from sale of commodities and materials	**612 960**	**1 013 340**
- including incomes from related entities	*4 439*	*5 156*

Note 37B

NET INCOME FROM SALE OF COMMODITIES AND MATERIALS (TERRITORIAL STRUCTURE)	31.12.2011	31.12.2010
a) homeland	**345 108**	**598 611**
- machines and devices	1 485	
- coal	136 055	172 412
- electricity	206 531	414 404
- including incomes from related entities	*4 439*	*3 259*

- other commodities	1 037	11 795
- including incomes from related entities		*1 897*
b) export	**267 852**	**414 729**
- machines and devices	77 533	207 099
- coal	36 775	31 600
- electricity	153 544	176 030
- other commodities		
Total net incomes from sale of commodities and materials	**612 960**	**1 013 340**
- including incomes from related entities	*4 439*	*5 156*

Note 38

COSTS BY TYPE	**31.12.2011**	**31.12.2010**
a) depreciation	1 769	1 801
b) consumption of materials and energy	136 036	5 224
c) outsourcing	21 430	25 102
d) taxes and fees	2 723	961
e) remuneration	19 433	21 240
f) social insurance and other benefits	3 057	3 700
g) other costs by type (due to)	4 649	3 722
Total costs by type	**189 097**	**61 750**
Change of product stock and pre-payments and accruals	696	-1 802
Manufacture costs of goods to own needs (negative value)		
Costs of sale (negative value)	18 431	21 121
Overhead costs (negative value)	22 808	21 076
Manufacture costs of sold goods	**148 554**	**17 751**

In 2011, payable contributions amounting to 2 442 thousand PLN (2 616 thousand PLN in 2010) were included in the Separate profit and loss account in the item f) - Social insurance and and other benefits - of the note No. 38.

KOPEX S.A. employees are covered by a state retirement program implemented by the authorities. The only obligation of KOPEX S.A. is the payment of contributions to the Social Insurance Institution when they become payable. Those contributions constitute a determined percentage of wage costs.

As at the balance sheet day of 31.12.2011, the Company did not pay contributions constituting a determined percentage of wage costs to the amount of 318 thousand PLN to the Social Insurance Institution (238 thousand PLN as at 31.12.2010) referring to the reporting period of 2011 (2010) . These amounts were payed after the balance sheet day. The liability due to this title was recognized in the note No. 30. - Other short-term liabilities from related entities - due to taxes, customs duties, social insurance and other benefits.

Note 39

OTHER INCOMES	**31.12.2011**	**31.12.2010**
a) sold items of fixed assets	**7 450**	**4 595**
b) subsidies		
c) release of write-offs due to revaluation of non-financial assets, including:	**4 215**	**10 293**

- revaluation write-off on inventories		136
- revaluation write-off on receivables	4 215	10 157
d) release of provision, including due to:	**54**	**720**
- end of reasons for liabilities provision	54	
- end of reasons for court claims		720
e) other, including:	**1 517**	**1 240**
- received penalties, compensations	590	104
- written-off liabilities	805	15
- court costs	41	39
- other	81	1 082
Total other incomes	**13 236**	**16 848**

Note 40

OTHER COSTS	31.12.2011	31.12.2010
a) value of sold fixed assets' items	**7 357**	**4 261**
b) write-offs due to revaluation of non-financial assets, including:	**10 832**	**1 560**
- revaluation write-offs on value of inventories and fixed assets	735	18
- revaluation write-offs on receivables	10 097	1 542
c) created provisions, including due to:	**2 509**	
- future liabilities	2 509	
d) other, including:	**11 525**	**33 245**
- compensations, post-accident claims	1 226	576
- donations	43	57
- penalties, court costs	1 379	46
- non-obligatory contributions	53	56
- written-off receivables	1 846	9 026
- liquidation of fixed assets		136
- evaluation of currency transactions - hedge accounting - included in the profit and loss account	5 467	-1 568
- result on cash flow hedging instruments in effective part	980	24 514
- other	531	402
Total other costs	**32 223**	**39 066**

Note 41

FINANCIAL INCOMES	31.12.2011	31.12.2010
Dividends and shares in profits	**27 618**	**11 883**
Financial incomes due to interests, including:	**10 231**	**7 786**
a) due to granted loans	3 941	2 307
- from related entities	3 492	2 247
- from other entities	449	60
b) due to leasing	1 033	
- from related entities	278	
- from other entities	755	
c) other interests	5 257	5 479
- from related entities	184	674
- from other entities	5 073	4 805

Incomes from sale of investments	**51 023**	**16 350**
Investment revaluation, including:	**1 625**	**4 416**
- valuation of unrealized derivatives for which no hedge accounting is conducted		4 322
- revaluation of financial assets	1 388	94
- valuation of loans by amortised cost	237	
Exchange rate differences, including:	**11 962**	
a) realised	4 387	
- result of realisation of derivatives for which no hedge accounting was conducted	351	
- other money transactions	4 036	
b) valuation	7 575	
Other financial incomes, including:	**1 167**	**426**
- end of reasons for provision concerning exchange rate differences	2	49
- release of revaluation write-offs on financial receivables	1 028	288
- other	137	89
Total financial incomes	**103 626**	**40 861**

Note 42

FINANCIAL COST	**31.12.2011**	**31.12.2010**
Financial costs due to interests, including:	**10 676**	**6 889**
a) on credits and loans	10 284	6 372
- for related entities	881	
- for other entities	9 403	6 372
b) other interests	392	517
- for related entities		
- for other entities	392	517
Value of sold investments	**40 908**	**10 318**
Revaluation of investments, including:	**1 148**	**9 151**
- valuation of unrealized derivatives for which no hedge accounting is conducted	1 143	
- revaluation write-offs on shares	5	9 151
Exchange rate differences, including:		**17 967**
a) realised		15 989
- result of realisation of derivatives for which no hedge accounting was conducted		1 545
- accumulated profits and losses connected with derivates - withdrawal of waiting for realisation of planned transaction		12 546
- other money transactions		1 898
b) valuation		1 978
Other financial costs, including:	**1 228**	**1 202**
- provision for financial liabilities	36	35
- revaluation write-offs on financial receivables	450	958
- bank commissions	739	184
- other	3	25
Total financial costs	**53 960**	**45 527**

Note 43A

CURRENT INCOME TAX (ALIGNMENT OF TAX RESULT TO ACCOUNTING RESULT)	31.12.2011	31.12.2010
1. Gross profit (loss)	22 237	-5 773
2. Differences between gross profit (loss) and taxation base for income tax (according to titles)	-22 237	8 975
- incomes excluded from taxation	-91 527	-60 379
- tax incomes that are not accounting incomes	4 689	6 521
- accounting incomes fixedly not included in the taxation base	-6 090	-17 174
- accounting incomes transitionally not constituting tax income	-17 051	-11 633
- accounting incomes from previous years fiscally realised in business period	3 447	5 598
- costs concerning incomes excluded from taxation	58 741	53 017
- accounting costs fixedly not included in the tax deductible expenses	18 385	36 696
- statistical costs fixedly constituting tax deductible expenses	-3 569	-5 894
- accounting costs transitionally non constituting tax deductible expenses	24 992	13 960
- accounting costs from previous years fiscally realised in business period	-10 631	-9 344
- deduction of loss from previous years from income	-3 619	-2 363
- other income deductions (-)	-4	-30
4. Base for taxation with income tax		**3 202**
6. Income tax in accordance with 19% rate		609
7. Tax increases, omissions, exemptions, deductions and reductions		
8. Tax paid abroad	1 441	310
9. Tax adjustment from previous years		1
10. Current income tax included (revealed) in tax return for the period, including:	**1 441**	**920**
- revealed in profit and loss account	1 441	920

Current fiscal charge is calculated upon binding tax regulations. Gross profit differs from taxable revenue by transitionally non-taxable incomes, by costs transitionally non constituting tax deductible expenses, by incomes and costs fixedly not included in the taxation base and by revenues realised by the foreign branches. Since 2004, the income tax rate amounts 19%. Current regulations do not assume any change of tax rate in the future periods.

KOPEX S.A. possess departments (according to double taxation agreements) registered in foreign countries. Revenues realised by that departments, decreased by a part of overheads incurred by the Company, are taxed under the tax regulations binding in that countries, i.e.: Czech Republic 24%, France 33,33%, Germany 25%.

Note 43B

DEFERRED INCOME TAX PRESENTED IN THE PROFIT AND LOSS ACCOUNT	31.12.2011	31.12.2010
- decrease (increase) due to creation or reverse of transition differences	1 031	-5 403
Total deferred income tax	**1 031**	**-5 403**

Note 44

Basic profit per 1 (common) share	31.12.2011	31.12.2010
Net profit	19 765	-1 290
Number of (common) shares	74 056 038	74 056 038
Net profit per 1 (common) share (in zlotys)	**0,27**	**-0,02**

The Management Board of KOPEX S.A. will recommend allocating the net profit from 2011 for increasing the supplementary capital of the Company to the General Meeting of Shareholders.

14. Explanatory note to the cash flow statement

Cash flow from operating activity

1) change in receivables according to the statement of financial position	-145 271
investment activity	6 105
dividend due	21 550
sales of claims	-3 386
change in the cash flow statement	-121 002

2) change in liabilities according to the statement of financial position	86 205
investment activity	-2 100
change in the cash flow statement	84 105

Cash flow from investment activity

Other investment receipts:	
redemption of bonds	138 602
repayment of granted short-term loans	32 588
hire of immobilities	402
sales of short-term investments(shares)	864
Total other investment receipts	172 456

Other investment expenditures:	
purchase of bonds	-117 107
granted short-term loans	-38 468
purchase of short-term investments(shares)	-1 256
Total other investment expenditures	-156 831

Cash flow from financial activity

Other financial incomes – sales of claims	3 494

15. Assets and contingent liabilities

	As at 31.12.2011	As at 31.12.2010
1. Contingent receivables	**1 427 376**	**883 063**
1.1. From the related entities	1 323 658	867 102
- received guarantees and sureties	641 393	329 381
- received promissory notes	682 265	537 721
1.2. From the other entities	103 718	15 961
- received guarantees and sureties	103 451	12 716
- received promissory notes	267	3 245
2. Contingent liabilities	**1 297 130**	**799 042**
2.1. For the related entities	515 711	429 592
- granted guarantees and sureties		94 119
- issued promissory notes	515 711	335 473
2.2. For the other entities	781 419	369 450
- granted guarantees and sureties	208 078	65 065
- issued promissory notes	75 385	6 385
- indemnities for credits and loans	497 956	298 000

On 8 and 11 January 2010 the following copies of lawsuits were delivered to KOPEX S.A. by the Regional Court in Katowice:
a) lawsuit for payment filed by Fazos S.A. against the companies Kopex S.A. and Tagor S.A. (entity indirectly related). The value of the claim in the lawsuit amounts to 51 876 thousand PLN.
b) lawsuit for payment filed by Fazos S.A. against the companies Kopex S.A. and Tagor S.A. (entity indirectly related). The value of the claim in the lawsuit amounts to 22 207 thousand PLN.
c) lawsuit filed by Famur S.A. against Kopex S.A., subject of the lawsuit is the demand for payment of the sum of 40 262 thousand PLN.

According to the opinion of the lawyer's office representing KOPEX S.A. and TAGOR S.A., the aforementioned claims are totally unjustified and devoid of any factual and legal basis. KOPEX S.A. and TAGOR S.A., basing on the legal opinion and on the available evidence, has concluded that a present obligation arising from the past events does not exist (IAS 37 §15), therefore, in accordance with the IAS 37 §14, no reserve debited to the profit and loss account was created.

Financial liabilities of the Company as at 31.12.2011:

Liabilities due to a bank credit are secured by a mortgage in the amount of 391 500 thousand PLN established on the real estate of the Company and by a registered pledge on long-term financial assets – shares of ZZM S.A. to the amount of 332 671 thousand PLN.

Financial receivables of the Company as at 31.12.2011:

The agreement on granting bank guarantee is secured by a pledge on movables in the amount of 1 150 thousand PLN. The granted loans are secured by a real estate mortgage in the amount of 13 250 thousand PLN. The granted loans are secured also by a registered pledge on movables in the total amount of 3 265 thousand PLN.

16. Reporting by business and geographical segments

Bearing in mind the regulations of IFRS 8, which is in force from 01.01.2009, the activity of the Capital Group was divided into operational segments reflecting the main directions of activity. Basic division is the division into sectoral segments resulting from the management structure and from the Company's internal reporting.

The business segments are as follows:

- mining services,
- production and sales of machines and equipment for underground mining,
- production and sales of machines and equipment for industry,
- production and sales of electronic and electric machines and equipment,
- sales of energy,
- sales of coal,
- metal castings,
- other activity.

The segment "other activity" comprises construction services, maintenance services, rental services, agency services, forwarding and transport services, leasing services, after sales services, consulting services and repair services.

The Company is engaged in different types of activities which consist in sale of raw materials, machines and devices for underground mining and industry, providing a range of services, e.g. construction and mining services, consulting services, and intermediation in the already-mentioned aspects in both domestic and foreign trade.

The above-mentioned scope of activity to a large extent is not mass activity, but specific activity, conditional upon individual needs of the clients.

When choosing the operational segments, the main consideration influencing the contents of the business segment was reliability and comparability of information provided with reference to different groups of goods and services rendered by the Company throughout the time; another factor was the organizational structure of the Company.

It is necessary to mention that not all of the identified segments meet the quantitative threshold of 10% or more of total external and internal revenues. Deciding to present them, the Company considered their importance.

Decision-making body in the Company evaluates results of activity in particular operational segments relying on gross profit (loss) on sales and operating profit (loss), what is reflected in their presentation.

The Company operates in many geographical areas, that is why the management team of the Entity considered complementation of presented incomes from sales in particular countries necessary, in view of the complexity of the Company's territorial activity. Following charts present information on consolidated operational segments in sectoral division and in geographical approach.

INFORMATION ON OPERATIONAL SEGMENTS BY BUSINESS ACTIVITIES

in thousand PLN

	Mining services		Production and sales of machines and equipment for underground mining		Sales of energy		Sales of coal		Other activity		Total sales	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Incomes from segment	10 231	9 649	209 835	208 468	360 075	590 434	172 830	204 012	16 505	29 246	769 476	1 041 809
Result from segment – gross result on sales	3 449	3 279	11 663	41 458	9 964	10 226	3 121	1 769	4 600	6 576	32 797	63 308
Operational result from segment	887	1 501	-2 910	2 377	631	2 057	819	1 305	-26 856	-8 347	-27 429	-1 107
Result from financial activity											49 666	-4 666
Gross profit (loss)											22 237	-5 773
Income tax											2 472	-4 483
Net profit (loss)											19 765	-1 290

INFORMATION ON REVENUES IN GEOGRAPHICAL LAYOUT

in thousand PLN

	Mining services		Production and sales of machines and equipment for underground mining		Sales of energy		Sales of coal		Other activity		Total sales	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
ARGENTINA			227	110							227	110
AUSTRALIA			5 074								5 074	-
AUSTRIA					8 676	18 118		2 435			8 676	20 553
CHINA			25 106	194 496							25 106	194 496
CZECH REP.					50 589	52 885					50 589	52 885
DENMARK							4 988	4 664			4 988	4 664
FRANCE	9 512	8 345									9 512	8 345
SPAIN							6 789	6 664			6 789	6 664
IRAN				1 510							-	1 510
KOSOVO									181	40	181	40
GERMANY				9	89 452	101 097		158	83	54	89 535	101 318
NORWAY							6 266	7 375			6 266	7 375
POLAND			132 098		206 531	414 404	136 055	172 412	16 241	29 152	490 925	615 968
RUSSIA			40 687	11 927							40 687	11 927
ROMANIA			577								577	-
SLOVAKIA					4 827	3 930	18 732	5 438			23 559	9 368
SLOVENIA			77								77	-
SWEDEN								4 866			-	4 866
TURKEY	719										719	-
UKRAINE			5 977								5 977	-
HUNGARY			12	416							12	416
ITALY		1 304									-	1 304
Total sales	10 231	9 649	209 835	208 468	360 075	590 434	172 830	204 012	16 505	29 246	769 476	1 041 809

In the year 2011, the quantitative criterion determining the main customer was achieved for two contractors. The revenues realized with the first contractor, within the segment of coal sales, amounted to 136 055 thousand PLN. There is no formal linkage between the customer and KOPEX S.A.
The revenues realized with the second contractor, within the segment of equipment and machinery for underground mining, amounted to PLN 130 033 thousand. There is no formal linkage between this customer and KOPEX S.A.

Two of the suppliers have exceeded the threshold of 10% of share in revenues from sales of KOPEX SA in 2011. In the first case, it was a company operating in the segment of coal sales whose share in sales achieved 21,0%. The is no formal linkage between this supplier and KOPEX S.A.
In the second case, it was a company operating in the segment of production and sales of equipment and machinery for underground mining whose share in sales achieved 18,8%. The aforementioned supplier is a company indirectly related with KOPEX S.A.

Fixed assets (other than financial instruments, deferred income tax assets, assets from employee benefits after employment period and rights from insurance contracts) of the Issuer are located in Poland in 100,0%.

17. Transactions with related companies

Revenues from sale to related companies

	from 01.01.2011 to 31.12.2011		
	Revenues from sale of products, commodities and materials	**Other sales**	**Financial incomes**
From subsidiaries	16 192	7 183	73 892
From associated companies	402	-	-
From other related companies	-	125	945
Total	**16 594**	**7 308**	**74 837**

	from 01.01.2010 to 31.12.2010		
	Revenues from sale of products, commodities and materials	**Other sales**	**Financial incomes**
From subsidiaries	20 107	4 904	14 336
From associated companies	-	-	-
From other related companies	-	-	-
Total	**20 107**	**4 904**	**14 336**

Purchase from related companies

	from 01.01.2011 to 31.12.2011		
	Purchase of foods and services	**Purchase of tangible and intangible assets**	**Financial costs**
From subsidiaries	195 010	7 183	-
From associated companies	-	-	-
From other related companies	325	-	-
Total	**195 335**	**7 183**	**-**

	from 01.01.2010 to 31.12.2010		
	Purchase of foods and services	**Purchase of tangible and intangible assets**	**Financial costs**
From subsidiaries	164 398	2 918	519
From associated companies	-	-	-
From other related companies	221	-	-
Total	**164 619**	**2 918**	**519**

Receivables from related companies

	31.12.2011	31.12.2010
From subsidiaries	86 762	17 291
From associated companies	-	-
From other related companies	-	-

Liabilities to related companies

	31.12.2011	31.12.2010
To subsidiaries	86 242	26 473
To associated companies	-	-
To other related companies	-	-

Revaluation write-offs on receivables from related companies

	31.12.2011	31.12.2010
From subsidiaries and associated companies:		
State at the beginning of the period	512	107
Creation of the write-off	-	451
Release of the write-off	175	46
State at the end of the period	**337**	**512**

From other related companies:	**31.12.2011**	**31.12.2010**
State at the beginning of the period	-	-
Creation of the write-off	6 647	-
Release of the write-off	-	-
State at the end of the period	**6 647**	**-**

18. Information on revenues, costs and results of operations discontinued during a given period or expected to be discontinued in the next period

During the reporting period, there was no abandonment (discontinuation) of the activity (production), and no discontinuation of any significant activity is expected in the nearest period.

19. Information related to average employment as per occupational categories

Average employment in 2011 was 174 persons, including:

- average domestic employment 152 persons
- average employment abroad 22 persons

In terms of occupational categories, average employment in 2011 was as follows:

Total staff	**174 persons**
including:	
- average employment of white-collar workers	160 persons
- average employment of blue-collar workers	14 persons

20. Information about mergers of the companies

On 1 July 2011 the company KOPEX S.A. (Issuer) merged with the company KOPEX EQUITY Sp. z o.o., on the basis of Art. 492 § 1 pt 1 of the Polish Code of Commercial Companies (KSH) with respect to Art. 515 § 1 and Art. 516 § 6 of the KSH, i.e. by transfer of all assets of the acquired company (KOPEX EQUITY Sp. z o.o.) to the acquiring company (KOPEX S.A.) without raising the share capital of the acquiring company. This merger is a merger of economic entities being under common control. Settling of the merger in the Issuer's separate financial statement was made by means of the pooling of interest method.

Comparative data in the separate financial statement were presented as though the merger took place at the beginning of previous financial year. In consequence of settling of the merger, the following items of the financial position statement as at 31.12.2010 changed:

- fixed assets: + 1 690 thousand zlotys
- current assets: + 18 768 thousand zlotys
- supplementary capital: + 408 thousand zlotys
- retained profit: + 2 587 thousand zlotys
- long-term liabilities: + 9 089 thousand zlotys
- short-term liabilities: + 8 374 thousand zlotys

In the separate income statement for comparative period from 01.01.2010 to 31.12.2010, the following items changed:

- incomes from sale of products, commodities and materials: + 11 795 thousand zlotys
- costs of products, commodities and materials sold: + 11 139 thousand zlotys
- gross profit on sales: + 656 thousand zlotys
- other incomes: + 982 thousand zlotys
- selling costs: + 101 thousand zlotys
- overheads: + 617 thousand zlotys
- other costs: + 1 806 thousand zlotys
- operating profit (loss): - 886 thousand zlotys
- financial incomes:+ 3 061 thousand zlotys
- financial costs: - 55 thousand zlotys
- gross profit (loss): + 2 120 thousand zlotys
- income tax: - 477 thousand zlotys

- net profit (loss): + 2 597 thousand zlotys

21. Information about significant events concerning previous years which were included in the financial statement for the current period

No such events took place.

22. Information about significant events which took place after the balance sheet date and were not included in the financial statement

No such events took place.

23. Declaration by the Management Board

The annual financial statement and comparative data have been prepared in compliance with the rules of valid accounting standards. They present a coherent and genuine picture of the financial standing of KOPEX S.A.
The annual report of the Management Board presents a genuine picture of the development and achievements of KOPEX S.A. including the description of the principal risks and threats.
The entity authorized to audit the financial reports, which audited the aforementioned annual financial statement has been selected in accordance with the applicable provisions of the law.
Both this entity and the auditor who examined the statement, met all the criteria for issuing an unprejudiced and independent report on results of the audit, in accordance with the applicable legislation of domestic law.

SIGNATURES

Signatures of the Management Board Members and the person responsible for keeping the accounting books

Date	*Name and Surname*	*Position/Function*	*Signature*
	Krzysztof Jędrzejewski	Chairman of the Management Board	
12.04.2012	**Joanna Parzych**	Vice Chairman of the Management Board	
12.04.2012	**Józef Wolski**	Vice Chairman of the Management Board	
12.04.2012	**Artur Kucharski**	Member of the Management Board	
12.04.2012	**Andrzej Meder**	Member of the Management Board	
12.04.2012	**Joanna Węgrzyn**	Person responsible for keeping the accounting books	