



**CONSOLIDATED FINANCIAL STATEMENT OF
KOPEX S.A. CAPITAL GROUP**

drawn up for the period
01 January to 31 December 2011

Katowice, April 2012

TABLE OF CONTENTS

Consolidated statement of financial position of KOPEX S.A. Capital Group drawn up as at 31 December 2011	3
Consolidated separate income statement of KOPEX S.A. Capital Group drawn up for the period 01 January 2011 to 31 December 2011	4
Total income statement of KOPEX S.A. Capital Group drawn up for the period 01 January 2011 to 31 December 2011	5
Consolidated changes in equity statement of KOPEX S.A. Capital Group drawn up for the period 01 January 2011 to 31 December 2011	6
Consolidated Statement of cash flow of KOPEX S.A. Capital Group drawn up for the period 01 January 2011 to 31 December 2011	7
1. General information	8
2. Compositions of the Management Board and the Supervisory Board	8
3. Entity auditing the financial statement	9
4. Basis for drawing up financial statement	9
5.1. Organisational chart of KOPEX S.A. Capital Group as at 31 December 2011	10
5.2. Companies included in the consolidated financial statement	11
5.3. Companies eliminated from consolidation in 2011	11
6. Essential accounting methods	11
6.1. Statement of compliance	11
6.2. Adopted accounting principles	11
6.3. Standards and interpretations published and effective on 1 January 2011 and their impact on this financial statement	20
6.4. Standards and interpretations published but not effective and not accepted by the European Union.	20
7. Capital management	21
8. Financial Risk Management Policy and Hedging	22
9. Information on translation of selected financial data	34
10. Explanatory notes to the consolidated statement of financial position of KOPEX S.A. Capital Group as at 31 December 2011.	35
10.1 Intangible assets	35
10.2 Change in goodwill of subsidiaries	38
10.3 Tangible fixed assets	39
10.4 Real estate investment	42
10.5 Investments accounted for under the equity method	45
10.6 Long term financial assets available for sale	47
10.7 Long-term other receivables	47
10.8 Lease receivables	48
10.9 Long-term loans granted	49
10.10 Other long-term financial assets	49
10.11 Deferred income tax assets	50
10.12 Long-term accruals	53
10.13 Inventories	53
10.14 Short-term receivables for supplies and services	54
10.15 Short-term other receivables	55
10.16 Change in impairment losses on supplies and services short-term liabilities and other short-term receivables	55
10.16 Short-term receivables from supplies and services and gross short-term other receivables (currency structure)	56
10.17 Short-term loans granted	56
10.18 Hedge derivative financial instruments	57
10.19 Current financial assets at fair value through profit or loss	58
10.20 Cash and cash equivalents	59
10.21 Short-term accruals	59
10.22 Share capital	60
10.23 Spare capital	60
10.24 Revaluation reserve	60
10.25 Other reserves	61
10.26 Non-controlling share capital	61
10.27 Long-term credits and loans	61
10.28 Long-term other liabilities	64
10.29 Leasing liabilities	65
10.30 Deferred income tax reserve	65
10.31 Long-term reserve for post-employment benefits and other	68
10.32 Other long-term reserves for liabilities	68
10.33 Long-term accruals	68
10.34 Short-term credits and loans	69
10.35 Supplies and services short-term liabilities	72
10.36 Short-term other liabilities	72
10.37 Supplies and services short-term receivables and other gross receivables (currency structure)	72
10.38 Hedge derivative financial instruments – financial liabilities	73
10.39 Short-term reserve for post-employment benefits and other	73
10.40 Change in other short-term reserves	74
10.41 Short-term accruals	74
11. Explanatory notes to the consolidated separate income statement of KOPEX S.A. Capital Group drawn up for the period 01 January 2011 to 31 December 2011.	74
11.42 Net revenues from sale of products	75
11.43 Net revenues from sale of goods and materials	77
11.44 Costs by type	78
11.45 Other revenues	79
11.46 Other costs	80
11.47 Financial revenues	81
11.48 Finance cost	82
11.49 Income tax	83
11.50 Profit (loss) per one common share	83
12. Assets and contingent liabilities	84
13. Reporting by industrial and geographical segments	85
14. Information on revenues, costs and financial results of activities discontinued in the period under review or to be discontinued in the next period	88

15.	Information on significant events from previous years included in the financial statements for the current period	88
16.	Information on average employment	89
17.	Information on significant events	89
	17.1. Loss of joint control and control of the entity	89
	17.2. Mergers of economic entities	89
	17.3. Transfer of ownership of shares	90
	17.4. Increased control in subsidiaries	90
	17.5. Change of the consolidation method	90
	17.6. Mergers of legal entities accomplished between the balance sheet date and the date of approval of the financial statement	91
	17.7. Information on significant events that occurred after the balance sheet date and not included in the financial statement	91
18.	Transactions with related parties	91
19.	Statement of the Management Board of KOPEX S.A.	92

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

III. 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 January 2011 to 31 December 2011	01 January 2010 to 31 December 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

IV. 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						
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	2 307 032
Essential error corrections												
Exchange rate differences from conversion									77	-227	-150	-150
Financial assets available for sale									4 890		4 890	5 538
Hedging cash flow				37 503	7		-7 126				7	7
Changes in revaluation surplus			615			-2 518	454			1 546	97	30 377
Other incomes			25							-866	-841	99
Income tax from other components of total incomes											0	-841
Net profit (loss)										23 717	0	0
Total incomes	0	0	640	37 503	7	-2 518	-6 672	0	4 967	24 170	58 097	65 260
Share issue											0	0
Share buyback											0	0
Profit distribution			43 624					18 568		-62 192	0	0
Dividends											0	0
Other			-172							172	0	-598
Acquisition/ increase or decrease of control			-19 491								-19 491	0
Loss of control			-2 724				195		1 337	3 145	0	-11 286
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	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	2 358 547
Essential error corrections												
Exchange rate differences from conversion									18 412	135	135	135
Financial assets available for sale					-5		1				18 412	20 094
Cash flow hedging				732			-139				-4	-5
Changes in revaluation surplus			32			-5 312	679			2 360	593	593
Other incomes										-84	-84	-2 288
Income tax from other income components											0	-84
Net profit (loss)										147 740	9 335	157 075
Total incomes	0	0	32	732	-5	-5 312	541	0	18 412	150 151	164 551	175 520
Share issue											0	0
Share buyback											0	0
Profit distribution			55 120					16 816		-71 936	0	0
Dividends											0	-7 386
Other											0	0
Acquisition/ increase or decrease of control			-3 845								-3 845	-26 865
Loss of control			-106				-7 682	-5 037	-7 682	9 683	-3 142	-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	2 486 207

V.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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT OF KOPEX S.A. CAPITAL GROUP

1. General information

Kopex S.A. based in Katowice is a joint stock company and on 3 January 1994 it was registered in the District Court in Katowice, the Eighth Economic Register Division under the number RHB 10 375. On 11 July 2001, according to the decision of the Economic Division of the National Court Register it was entered in the Register of Entrepreneurs under the number KRS - 0000026782.

The Company's duration is indefinite.

The Company's headquarters is located in Katowice at 1 Grabowa Str.

The core business of the Company (NACE code 4521) covers export and import of raw materials, products and services, including export and import of complete industrial plants, machinery and equipment, industrial and consumer goods, and agency in this field in domestic and foreign trade, as well as consulting and promotional and other intangible services. The Company is listed on the main market of the WSE in Warsaw /Giełda Papierów Wartościowych w Warszawie S.A./ in the continuous trading system and it has been classified in the electrical machinery industry.

The presented financial statement is a consolidated financial statement and it includes data for the period 01 January 2011 to 31 December 2011 and comparative financial data for the period 01 January 2010 to 31 December 2010.

KOPEX S.A. Capital Group does not include internal organisational units that draw up financial statements separately.

Consolidated financial statement the KOPEX S.A. Capital Group for 2011 has been drawn up assuming continuation of economic activities. There are no circumstances indicating a threat of continuing activities.

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

Explanatory notes to the consolidated financial statements are an integral part of this financial statement.

The currency of the report is the Polish zloty [PLN].

The data are presented in thousands of zlotys.

The financial statement was authorised for release and signed by the Management Board on 24 April 2012.

2. Compositions of the Management Board and the Supervisory Board

The Management Board of the Company

Composition of the Management Board of the Company as at 31 December 2011:

Marian Kostempski	President of the Board
Joanna Parzych	Vice President of the Board
Józef Wolski	Vice President of the Board

Composition of the Management Board of the Company as at the day of release and signing this financial statement:

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

The Supervisory Board

Composition of the Supervisory Board of the Company 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

Composition of the Supervisory Board of the Company as at the day of publication and signing this financial statement:

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

Financial statement has been audited by MW RAFIN Spółka z ograniczoną odpowiedzialnością based in Sosnowiec at 54/III/3 Kilińskiego Str. under the Agreement No. 11/28/12 dated 13 June 2011. Signing of this agreement based on the Resolution of the Supervisory Board of KOPEX S.A. No. 83/VI/2011, dated 30 May 2011.

4. Basis for drawing up the financial statement

The consolidated financial statement for the year 2011 has been drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

On 1 January 2005 KOPEX S.A. commenced drawing up separate and consolidated financial statements in accordance with International Financial Reporting Standards, pursuant to Resolution No. 27 of the Ordinary General Meeting dated 21 April 2005 (adopted under Art.45, Par. 1c of the Accounting Act and in force since 1 January 2005).

5.2. Companies included in the consolidated financial statement

<i>Entity</i>	<i>Correlation degree</i>
KOPEX S.A.	Controlling company
ZZM S.A.	Subsidiary
TAGOR S.A.	Sub- subsidiary
DOZUT-TAGOR Sp. z o.o.	Sub -subsidiary
BREMASZ Sp. z o.o.	Sub- subsidiary
GRUPA ZARZADZAJACA HBS Sp. z o.o.	Sub- 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.	Sub- subsidiary
WAMAG S.A.	Subsidiary
KOPEX – PRZEDSIĘBIORSTWO BUDOWY SZYBÓW S.A.	Subsidiary
PBSz INWESTYCJE Sp. z o.o.	Sub- 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.	Sub- subsidiary
ZAKŁAD ELEKTRONIKI GÓRNICZEJ ZEG S.A.	Sub- subsidiary
KOPEX-EKO Sp. z o.o.	Subsidiary
POLAND INVESTMENTS 7 Sp. z o.o.	Sub- subsidiary
KOPEX TECHNOLOGY Sp. z o.o.	Sub- subsidiary
KOPEX AUSTRALIA Pty Ltd (Australia)	Sub- subsidiary
KOPEX-EX-COAL (formerly GRUPA ZZM-KOPEX Sp. z o.o.)	Subsidiary
KOPEX-WARATAH Pty Ltd (Australia)	Sub- subsidiary
RYBNICKA FABRYKA MASZYN RYFAMA S.A.	Subsidiary
KOPEX SIBIR Sp. z o.o. (Russia)	Sub- subsidiary
ŚLASKIE TOWARZYSTWO WIERTNICZE DALBIS Sp. z o.o.	Subsidiary
SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING CO. Ltd (China)	Associated company
WS BAILDONIT Sp. z o.o.	Associated company
TIEFENBACH Sp. z o.o.	Associated company
ODLEWNIA STALIWA LABEDY Sp. z o.o.	Sub- associated company
EKOPEX (Ukraine)	Associated company
NEPEAN LONGWALL (formerly: INBYE MINING SERVICES) (Australia)	Sub- associated company
ANHUI LONG PO ELECTRICAL CORPORATION Ltd (China)	Associated company

5.3. Companies eliminated from consolidation in 2011

The consolidation excluded EKOPEX, an associated company, based in Ukraine, due to the fact that the company had not started business.

6. Essential accounting methods

6.1. Statement of compliance

The consolidated financial statements of the Group KOPEX SA been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union on 31 December 2010.

6.2. Adopted accounting methods

The following assets and liabilities valuation methods as well methods of determining the financial result have been adopted in KOPEX S.A. Capital Group:

• Consolidation methods

Pursuant to IFRS /IAS principles, KOPEX S.A. is a controlling entity and it consolidates, i.e. it combines a financial statement of KOPEX S.A. with the financial statements of its subsidiaries by summing the relevant items of financial statements, including the necessary exclusions and adjustments.

The consolidated financial statement is a financial statement of the KOPEX S.A. Capital Group, drawn up in such a manner as if it were a financial statement of a single entity.

To draw up a consolidated financial statement, KOPEX S.A. takes up the following actions:

- elimination of the investments balance sheet values in each of the subsidiaries and elimination of those parts of subsidiaries equities that correspond to KOPEX S.A.'s interest held, on the day of taking over control
- identification of non-controlling interests in net profit or in loss of consolidated subsidiaries for the reporting period as well as defining and presenting the non-controlling interests in net assets of the consolidated subsidiaries, separately from the equity .
- Non-controlling interests in net assets include:
 - value of non-controlling interests of the original call date and
 - changes in equity attributable to non-controlling interests from the call date.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity of KOPEX S.A. Interests in profit or in loss of the capital group are also presented separately.

Balances between the entities of KOPEX S.A. Capital Group, transactions, revenues and expenses are eliminated in full.

Most of the subsidiaries apply the same accounting principles (accounting policy) that are applied at KOPEX S.A. When an entity of the capital group applies accounting policies different from those ones adopted in the consolidated financial statement, the financial statement of that entity is adjusted accordingly during drawing up the consolidated financial statement.

Separate items of the consolidated financial statement of KOPEX S.A. show the interests in the affiliated entities (being influenced by KOPEX S.A. significantly and whose major investor is KOPEX S.A.). Those interests are valued using the equity method.

The equity method is a method of accounting, whereby the investment is initially recognised at acquisition cost, and then, after the acquisition date, its value is adjusted accordingly by change of interests of KOPEX S.A. in net assets of the company. Participation of KOPEX S.A. in profit or loss of the company in which investment has been made is shown in the profit or loss account of KOPEX S.A. Payments received from the profit generated by the company in which investment has been made, reduce the balance sheet value of the investment. Adjustment of the balance sheet value may also be necessary because of changes in the interest proportion of KOPEX S.A. in that company, resulting from changes in equity of the company, that has not been included in the income statement. Those changes may also result from the revaluation of tangible fixed assets and exchange rate differences from conversion. Participation of KOPEX S.A. in those changes is shown directly in its equity.

• Intangible assets

An element of intangible assets is shown at the purchase price or manufacture cost less amortization and the total amount of impairment losses. Impairment of intangible assets should be evenly distributed over its most correctly estimated lifetime. Depreciation should commence when the element of assets is ready for use. The applied method reflects the way of consuming economic benefits from the element of assets.

Intangible assets, excluding goodwill, are depreciated on a straight-line basis, as follows:

- licenses for the use of computer programs 10 to 30 per cent
- computer programs 20 per cent
- other intangible assets - in accordance with the duration of the contract or with the estimated lifetime.

Intangible assets with a low purchase price per unit (initial value less than PLN 3.5 thousand) are impaired once in the costs. Other intangible assets are depreciated on a straight-line basis over its most correctly estimated lifetime.

Period and method of intangible assets depreciation with a significant initial value are verified at least at the end of each financial year.

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

Disclosure of information on intangible assets is divided into homogeneous groups of intangible assets, underlying the intangible assets created by the entity on its own.

The following items are not recognised as elements of intangible assets:

- the goodwill established by the entity on its own,
- brands, magazine titles, publishing titles, lists of customers and items of a similar nature manufactured by the entity on its own
- start-up expenses, training, advertising and promotional activities as well as expenses on reorganisation of a part or of the whole entity.

• Goodwill

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

a) value is the sum of the following amounts:

- the payment transferred, valued in accordance with IFRS 3, that generally requires the fair value method, it is a transfer payment it means payment, excluding any costs associated with direct acquisition,
- the amount of any non-controlling shares in the acquiree, which are valued at fair value or at the value of the proportional share of non-controlling shares in the identifiable net assets of the acquiree,
- in the case of a merger of entities, accomplished in stages, the fair value at the acquisition date of the share capital of the acquiree, previously held by the acquirer,

b) net value as at the acquisition date of the identifiable assets and liabilities acquired valued in accordance with IFRS 3.

In the case of a negative value, review of valuation of the fair values of the individual components of net assets acquired is made once more. If the result of the review is still a negative value, it is recognised in the profit and loss account.

Goodwill on acquisition of KOPEX S.A. subsidiaries is recognised in the fixed assets valuation.

The subsequent valuation of goodwill consists of its testing for impairment and showing in the balance sheet at cost less accumulated impairment loss of the value which is recognised in the income statement.

To accomplish a goodwill impairment test, the goodwill is allocated to specific cash-generating units, which are expected to have benefits from the synergy resulted from the merger.

Each unit or group of units to which goodwill has been allocated, should:

- correspond to the lowest level at which goodwill is monitored for internal management purposes,
- be not larger than one business segment with a defined basic or supplementary financial reporting format.

Cash-generating unit of a specific asset- element is the smallest definable group of assets that generates cash inflows that are largely independent from cash inflows from other assets or groups of assets. If it is not possible to determine the recoverable amount of an individual asset, the Company should determine the smallest set of assets that generate significant cash inflows.

Subordination of the cash-generating units, specific assets or a group of assets belong to, should be done in a consistent manner from period to period, unless a change is justified, but then the Company provides the necessary information about this unit. Units generating cash flow, where the goodwill is allocated, are tested for impairment once a year or more often if one can reliably assume that the loss of value occurred. If the recoverable value of the cash-generating unit is less than its balance sheet value, impairment loss is allocated in the first turn, to reduce the balance sheet value of goodwill allocated to that unit, and then to other assets of the unit, proportionately to the balance sheet value of each asset of the unit.

An impairment loss recognised for goodwill is not reversed in the subsequent period. At the time of disposal of a subsidiary, portion of the goodwill attributable to it, is included in the calculation of profit / loss on disposal (loss of control). Goodwill resulting from the acquisition of a foreign entity is expressed in the functional currency of the foreign operation and converted at the NBP average exchange rate at the reporting date. The resulting exchange differences are recognised in equity in the position - exchange rate differences. Goodwill of the associated company is recognised in the balance sheet value of the investment. The entire balance sheet value of the investment, not the goodwill, is subject to the study on impairment. Any surplus share of net fair value of identifiable assets, liabilities and contingent liabilities over the cost of the acquisition after the revaluation is recognised immediately in the income statement.

• Costs of research and development

Expenditures on research are recognised in the income statement when incurred.

Expenditures incurred on development projects are included when the activation criteria are met. After initial recognition, development costs are reduced by accumulated depreciation and goodwill impairment write-offs.

Depreciation write-offs are made by the linear method in the period of expected revenue from sales related to the specific project, but not exceeding 5 years.

• Fixed Assets

The initial value of fixed assets is determined as a purchase price, and in case of fixed asset creation on its own, in the amount of production technical cost. External financing costs arose as a result and during the period of accomplishment of the project, increase the acquisition price or production cost. The initial value of fixed assets shall be increased by expenditures on their improvement, if it is expected that they are used longer than during one period, and if it is probable to get economic benefits related to a specific assets component. If the exit value of fixed assets component is increased to the value higher or equal to its balance sheet value, then it is ceased to depreciate this fixed assets component until its residual value falls below the balance sheet value. Value of the fixed assets is subject to depreciation, having regard to the planned period of their operation and recovery in case of liquidation.

Fixed assets of the initial value below PLN 3,500 are depreciated once at the time of adoption for use for the purposes of balance and tax sheets.

Fixed assets are amortised by the straight line method from the month following the month of adoption for use, during the corresponding period of their estimated economic utility. The exit value and fixed asset life are subjects to annual reviews and are updated in the subsequent periods by the depreciation rate.

For tax purposes, depreciation rates are adopted under the Act on Corporate Income Tax dated 15 February 1992, specifying the amount of depreciation that is the cost of earnings income.

Depreciation rates used for fixed assets are as follows:

- buildings and structures 2.5 per cent to 4.5 per cent,
- technical equipment and machinery 10 per cent to 38.72 per cent
- means of transport 20 per cent to 33.06 per cent
- other 14 per cent to 40 per cent
- the right of perpetual usufruct of land, purchased for possession:
acquisition value of up to PLN 500 thou 20 per cent,
acquisition value of more than PLN 500 thou - duration of the contract.

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

Own land is not subject to depreciation.

• Fixed assets available for sale

Fixed assets, whose sale is highly probable, for which there is an active programme to find a buyer, and it is expected to complete a selling plan in one year, are classified as fixed assets available for sale and their depreciation is ceased.

• Investment real- estates

Investment real estates - held in order to achieve income from the lease and / or to achieve increase of their value, are valued at the balance sheet day at acquisition cost less depreciation write-offs. Period and the method of depreciation of investment properties with a significant initial value are verified at least at the end of each financial year in terms of their expected useful economic lives.

Investment real estates are depreciated by the straight-line method, starting from the month following the month of service, in the period corresponding to the estimated period of their useful economic lives.

Depreciation rates used for investment properties are as follows:

- buildings and structures 2.5 per cent to 4.5 per cent
 - the right of perpetual usufruct of land, purchased for possession:
acquisition value of up to PLN 500 thou 20 per cent,
acquisition value of more than PLN 500 thou - duration of the contract.
- Own land is not subject to depreciation.

• Fixed assets under construction

At the balance sheet day, assets under construction are valued at the amount of all expenses incurred in direct connection with their acquisition or creation, less goodwill impairment write-offs.

• Long-term receivables

Long-term receivables are receivables from other titles than charges for supplies and services whose payment falls in a period longer than one year from the balance sheet date. Long-term loans and receivables are valued by the Company at depreciated costs, using the effective interest rate method. At the balance sheet date, long-term receivables in foreign currencies are valued at the average NBP exchange rate on that day. The arising negative exchange rate differences are recognised in financial expenses and the positive exchange rate differences are fully recognised in financial income.

• Financial Instruments

Financial instruments have been classified to the following categories:

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

- Financial assets at fair value through profit or loss

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

Upon initial recognition they are valued at fair value without increasing transaction costs that are directly attributable to the acquisition or issue of such instruments. After initial recognition, they are valued at fair value and recognised in financial income or expenses in the item "Revaluation of investment value".

The following financial assets, in particular, are included by the Group to this category of assets:

- derivatives for which no hedge accounting is kept - in the statement of financial position they are presented in current assets: "Derivative Financial Instruments".

- shares in companies that are not subsidiaries or affiliates and are destined to be resold quickly, in the statement of financial position they are shown in current assets: "Financial assets at fair value through profit or loss". Results of valuation of such financial assets are recognised in financial income or expenses in the item "Revaluation of investments", while their sale is recognised in the financial income in the item "Income from sales of investments" and in the financial costs in the item: "Investments sale value."

- Investments held to maturity

include financial assets that are not derivatives, but are determined or determinable by payments and by fixed maturity, provided that the entity is not only going to keep them to maturity, but is able to accomplish this plan, other investments than those ones designated by entity upon initial recognition as at fair value through profit or loss, designated as available for sale or meeting the definition of loans and receivables.

Upon initial recognition they are valued at fair value plus transaction costs that can be directly attributable to the acquisition or issue of a specific asset.

After initial recognition, investments held to maturity are valued at depreciated cost using the effective interest method. Valuation result is also recognised in financial income or expenses in the item: "Revaluation of investments". These assets are presented by the Company in the statement of financial position as a separate item in the distribution of long-term and short-term assets.

- Loans and financial receivables

include financial assets that are not derivatives, with determined or determinable payments that are not quoted in an active market. Upon initial recognition, loans and receivables are valued at fair value and then at depreciated costs using the effective interest method, excluding receivables with maturities under 12 months of reporting, that are recognised in the due payment value. Valuation result is also recognised in financial income or expenses in the item "Revaluation of investments".

The following items are included in this category of loans and receivables:

- receivables for goods and services - presented as current assets in a separate item of the statement of financial position
- other financial receivables, in particular : employee receivables, receivables from sales of financial assets, receivables from dividends, receivables from sale of fixed assets - presented in the statement of financial position in the item "Long-term other receivables" (with maturity over 12 months) and in the item "Short-term other receivables" (with maturity of 12 months from the date of reporting).
- loans granted - presented in the statement of financial position as a separate item, divided into long-term receivables (maturity over 12 months after reporting date) and short-term receivables (maturity less than 12 months after reporting date).

- Financial assets available for sale

include financial assets that are not derivatives and that were previously designated as available for sale or financial assets that are not: loans and receivables, investments held to maturity or financial assets at fair value through profit or loss. Upon initial recognition of financial assets available for sale they are valued

at fair value plus transaction costs that can be directly attributable to the acquisition or issue of an asset component. After initial recognition they are valued at fair value, and the consequences of this valuation are recognised in other comprehensive income, increasing or decreasing the revaluation reserve. Write-offs for impairment losses and exchange rate differences are recognised in the income statement.

When the asset component is derecognised from the statement of financial position, cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. For financial assets available for sale that have no fixed maturity date and it is not possible to determine their fair value, their valuation is made at purchase cost.

In particular, shares in entities that are not subsidiaries or affiliates, purchased without the intention to resell them quickly and being recognised in the statement of financial position as separate items, divided into long-term and short-term ones, they are included in the financial assets available for sale by the entity.

- Financial liabilities at fair value through profit or loss

include liabilities raised for quick resale in a short term, as a part of a portfolio of similar financial instruments for which there is a high likelihood of achieving them in a short period under unfavourable conditions, and those ones that after initial recognition are designated as valued at fair value through profit or loss, if this leads to gaining more relevant information. Upon initial recognition they are valued at fair value without increasing by transaction costs that are directly attributable to acquisition or issue of such instruments. After initial recognition, they are valued at fair value and recognised in financial income or expenses in the item: "Revaluation of investments".

Derivatives for which no hedge bookkeeping is maintained, are in particular included in the statement of financial position and recognised in current liabilities in the item: "Derivative Financial Instruments". Implementation of the derivatives is recognised in income or in financial costs. For forward contracts on sale / purchase of currency, the implementation is referred to in the item: "Exchange rate differences", under the income or financial costs.

- Other financial liabilities

Other financial liabilities than liabilities at fair value through profit or loss are qualified to this category by the Company. Upon initial recognition they are recognised at fair value, and then at depreciated cost using the effective interest rate, except for short-term financial liabilities that are recognised at the amount due.

The following items are recognised in other financial liabilities by the Company:

- credits and loans received - recognised in the liabilities of financial statements in the item "Long-term credits and long-term loans "(in the part with a maturity exceeding 12 months from the date of reporting) and in the item "Short-term credits and loans "(in the part with a repayment term of 12 months from the date of reporting)
- liabilities for goods and services recognised in the liabilities of financial statements in a separate item as current liabilities,
- other financial liabilities, in particular the following ones: employee liabilities, liabilities from purchase of fixed assets- recognised in the statement of financial position in the item "Long-term other liabilities " (with maturity over 12 months) and in the item: "Short-term other liabilities " (with maturity of 12 months from the date of reporting).

- Derivatives for which hedge accounting is maintained

include instruments designated in accordance with the principles of hedge accounting, whose fair value or cash flows resulting from them balance the changes in fair value or cash flows of the hedged item.

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

- hedging relationship is formally designated and documented, risk management objective and hedging inception strategy upon inception of the hedge,
- the hedge is expected to be highly effective,
- for cash flow hedges, the hedged planned transaction is highly probable and is subject to risk changes in cash flows that could affect profit and loss
- hedge efficiency can be assessed reliably,
- hedge is reviewed continuously and the hedge efficiency is maintained in all reporting periods.

Derivatives for which hedge accounting is maintained are recognised in assets or liabilities - appropriately for the valuation of the instrument in the positive or negative item of the "Derivative Financial Instruments".

The revaluation of the hedging instrument fair value refers to:

- the gain or loss - for the fair value of hedging instruments
 - other total income - in the case of the hedging instruments for future cash flows that increase or decrease the revaluation reserve (the effective hedge portion)
 - the gain or loss - in the case of the hedging instruments for future cash flows (in the ineffective hedge portion),
- in the item of income or financial costs (for the sale of foreign currency contracts - under "Exchange rate differences").

To hedge future cash flows, if the hedged forecast transaction affects the financial result, so the profits or losses associated with the item hedging the profits or losses, that were recognised directly in equity, are transferred to other income or other expenses in the same period or periods.

If the forecast transaction happens and the hedging instrument is implemented, it will result in the recognition of the result of the hedging instrument in the item "Other revenue" or "Other expense".

An entity discontinues to apply hedge accounting principles in each of the following cases:

- hedging instrument expires, is sold, terminated or implemented;
- hedge no longer meets the criteria for hedge accounting, as set out in IFRS / IAS,
- entity invalidates the hedging relationship.

In such cases, the cumulative earnings or losses related to the hedging instrument, that have been recognised in other total income for the period in which the hedge was effective, will still remain in equity under "Revaluation reserve" until the occurrence of the forecast transaction;

- the forecast transaction is no longer expected to be implemented, and in this case, all the accumulated earnings or losses related to the hedging instrument are recognised in other total revenue during the period in which the hedging was effective and are recognised in revenue or finance costs (in the item: "Exchange rate differences" for forward contracts to sell currency). Company does not apply hedge accounting for net assets in foreign entities.

• Inventories

Inventories are valued at purchase price or at production cost or at net realisable value to obtain, depending on whichever is lower. At the balance sheet date, write-offs of inventories will be made if there are reasons for making them. Write-offs are included in other operating expenses.

At the balance sheet date inventories are recognised at acquisition price less any impairments.

The Capital Group makes inventory disbursement by the following methods:

- materials according to the weighted average method,
- materials purchased for a specific order and goods through the detailed identification of the actual prices of the components, regardless of the date of purchase or manufacture,
- electricity at average costs, i.e. fixed at the amount of weighted average prices for a specific period.
- ready made products, in accordance with the weighted average method.

• Short-term receivables

Receivables and claims are recognised in the amount due, i.e. taking into account the interest due. Interest is calculated and posted into the financial income in the item "Interest". Interest is charged in accordance with significance criterion. Besides, no interest is charged on the receivables due from customers, who are not usually charged with interest for late payment, due to maintain good business relations.

Short-term receivables include:

- receivables from goods and services regardless of the contractual maturity date – recognised in a separate item in the statement of financial position,
- other financial receivables, in particular the following ones: employee receivables, receivables from sales of financial assets, dividends, sale of fixed assets - recognised in the statement of financial position in the item "Long-term other receivables" (with maturity over 12 months from the date of reporting) and in the item "Short-term other receivables" (with maturity of 12 months from the date of reporting).
- non-cash charges, such as prepayments and advances granted, public and legal duties – recognised in the statement of financial position in the item "Long-term other receivables" (with maturity over 12 months from the reporting date) and "Short-term other receivables" (with maturity of 12 months from the date of reporting).

Receivables and claims are shown on a net basis, i.e. less write downs on the irrecoverability risk.

Write downs on receivables are established for:

- receivables from debtors into liquidation (except for when it comes under the provisions on privatisation of the state-owned enterprises), bankruptcy, composition proceedings - to the amount of the receivables not covered by guarantee or other security of receivables, notified to the judge commissioner in bankruptcy or composition proceedings, or to the amount of the amortisation proposal,
- receivables from debtors in the event of dismissal of the motion for bankruptcy if the debtor's assets are insufficient to cover the costs of insolvency proceedings,
- receivables questioned by the debtors (contentious receivables) to the amount not covered by the guarantee or other hedge,
- any liabilities whose maturity has not expired yet, or has expired, and the debtor's economic and financial situations are unfavorable- to the amount of receivables,
- the total amount of unpaid interest on overdue payments, including the criterion of significance.

Write downs on receivables are recognised in the item "Other expenses", except for write downs on interest receivables, that are recognised in financial expenses in the item "Other financial expenses".

Dissolution of write downs occurs when the payment is received and it is included in the profit and loss account in the item "Other income", except for write downs for receivable deductions for interest receivable, which are resolved in a financial income in the item: "Other financial income". Receivables denominated in foreign currencies, except for non-cash items in the form of advances, are valued at the reporting date, at the average exchange rate fixed for a specific currency by the Polish National Bank on that date. Negative exchange rate differences on receivables denominated in foreign currencies arising from the valuation date and on the payment date are recognised in financial costs and positive exchange rate differences are recognised in the financial income in the item: "Exchange rate differences". In justified cases, they are also referred to the unit cost of fixed assets or to intangible assets (to increase or decrease those costs respectively).

• Cash assets

Cash assets are recognised at nominal values. Cash assets denominated in foreign currencies are valued at the balance sheet date at average exchange rate fixed for a specific currency by the Polish National Bank on that day. Exchange rate differences relate to the income or financial costs.

• Accruals

Prepaid expenses are established if the costs incurred relate to the future reporting periods.

The below items are subject to settlement over time, for example:

- rents for lease or rental of premises, machinery and equipment,
- energy paid for several months in advance,
- property insurance,
- annual fees for land taken in hereditary tenure,
- annual deduction for Company Social Benefits Fund
- magazines subscription paid in advance for the next year,
- other costs relating to several reporting periods, if the title to their activation results from the content of their documented proof.

Revenue surpluses resulting from valuation over cumulative net advances are recorded in short-term accruals and recognised in assets.

Active prepayment titles that do not affect the normal operating cycle of the Company, and their period of settlement is going to be longer than 12 months from the balance sheet date, are recognised in long-term accruals.

• Equity

Equity capital comprises core capital (share capital), spare and reserve capitals, revaluation reserve and retained profits.

Core capital is shown in the amount specified in the statutes of association and entered in the commercial register. Declared but not paid capital contributions are recognised as outstanding equity payments.

Shareholders may increase or decrease the equity in accordance with the Code of Commerce. If the increase is due to an increase in the capital, it is recorded only at the date of registration of the changes by the court.

Core capital is valued in nominal value in the balance sheet liabilities.

Own shares are included in the balance sheet at purchase cost, as a deduction from equity. In case of the sale, issue or redemption of own shares, no gains or losses are recognised.

• Reserves

Reserves are liabilities whose amount or due date is uncertain.

Reserves are established in the following cases:

- a) when the Company is obliged to fulfill legal or customary obligation arising from the past events
- b) when it is likely that the fulfillment of the obligations will result in the outflow of resources embodying economic benefits
- c) the amount of this obligation may be estimated reliably.

Unless the aforesaid conditions are met, the reserve will not be established.

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

a) the amount that the Group could pay as a fulfillment of the obligation at the balance sheet date, according to rational prerequisites or

b) the amount that the Group would have paid to a third party in return for assuming any obligation in the same period.

Reserves are valued considering risk and uncertainty, however, uncertainty does not justify to establish excess reserves or to overstate the liabilities deliberately. If there is a significant change of money value in time, the amount of reserves is equal to the current value of the expenditure that will be necessary to fulfill the obligation.

Estimates of the outcome and the financial effect are made according to the opinion of the Company's management, supported by the previous experiences on similar transactions and possible reports from independent experts.

Reserves are established for the following titles:

- loss from business transactions in progress,
- guarantees and sureties granted,
- results of pending litigations and appeals,
- value of unused annual employee leaves,
- retirement bonuses and death benefits,
- reserve for future financing costs,
- future liabilities related to restructuring.

Reserves for employee benefits are estimated by the actuary.

The Company has chosen the method of immediate recognition of actuarial profits and losses, both included in IAS 19, Par. 92, as well as outside it.

• Assets and reserve for income tax

As a result of temporary differences recorded in the accounting books between the value of assets, liabilities as well as between their tax value and the possible tax loss to be deducted in the future, the entity establishes a reserve and establishes assets for deferred income tax, which is taxable.

Deferred income tax assets are fixed, considering the precautionary principle in the amount to be deducted in the future from the income tax, due to:

- deductible temporary differences,
- transfer to another period of unused tax losses
- transfer to another period of unused tax credits.

Deductible temporary differences will result in amounts to be tax deductible, in the course of determining taxable profit (tax loss) of future periods when the carrying amount of an asset or liability is recovered or settled. Deferred tax liabilities are valued at the amounts recoverable from tax authorities in accordance with the tax rates that are expected to be applied when the asset is realised, based on tax rates (and tax laws), which are enacted or binding at the reporting date.

Reserve for deferred income tax is established in the amount of income tax that is required to be paid in the future, in respect of taxable temporary differences, i.e. the differences that will increase the tax base in the future. The reserve is valued in accordance with tax rates that are expected to be applied when the reserve is terminated, basing on tax rates (and tax laws) that were legally or factually binding at the balance sheet date.

Current and deferred taxes are recognised as income or expense that affects net profit or loss of a specific period, with the exception of taxes resulting from:

- transactions or events that are recognised directly in equity, in the same or in a different period, or
- merger of economic entities

Deferred tax from activities in a special economic zone has been activated in the consolidated financial statement. The basis for calculation of the value of deferred tax liability is the amount of investment costs incurred, because the amount of income exempted from income tax depends on it. Reserves for deferred tax and for activated one are updated in the reporting periods, basing on the titles they have been established.

Deferred tax is recognised in the income statement in the item "Income Tax".

Reserves for income tax and activated income tax are established only in relation to the adjustments of a temporary nature.

Deferred tax is recognised outside income statement if the tax relates to the items that are recognised outside profit or loss in the same or in a different period. If it applies to the items that have been recognised in the same or other periods in other total income, the deferred tax will be recognised in equity. If it applies to the items that have been directly recognised in equity, the deferred tax will be recognised in equity.

If the temporary differences arise from a merger of projects, the Company recognises all assets or deferred tax liabilities as a identifiable component assets and liabilities at the acquisition date, in accordance with IFRS 3. Such assets and deferred tax liabilities affect goodwill or profit of the bargain purchase recognised by the Company. However, the Company does not recognise reserve for deferred income arising from the initial recognition of goodwill.

• Liabilities

Liabilities are understood as fulfillment of obligations arising from the past events, of reliably determined values which will cause to use the current or the future assets of the Company.

Liabilities include:

- liabilities arising from credits and loans – recognised in a separate item of the statement of financial position, divided into long-term and short-term liabilities,
- liabilities for goods and services regardless of the contractual maturity date - recognised in a separate position statement of financial position as short-term liabilities;
- other financial liabilities, particularly: employee liabilities, for the purchase of financial assets from the sale of fixed assets – recognised in the statement of financial position in the item "Long-term other liabilities" (with maturity over 12 months from the reporting date) and in the item: "Short-term other liabilities" (with maturity to 12 months from the date of reporting)
- non-cash liabilities, such as prepayments and advance payments received, public law obligations, the excess of recognised losses and liabilities subject to the fulfillment of the contract (partial invoices) over the fixed income increasingly from the valuation- recognised in the statement of financial position in the item: "Long-term other liabilities" (with maturity over 12 months from the reporting date) and in the item: "Short-term other liabilities" (with a maturity to 12 months from the date of reporting).

Long-term liabilities include liabilities or a part thereof for which the due date is at least one year after the date of reporting, except for liabilities for goods and services.

This item also recognises a long-term portion of bank credits and loans. Division of credits and loans for short-term and long-term portions is accomplished in accordance with the terms described above.

Upon initial recognition, bank credits and loans are recognised at purchase price, equivalent to the fair value of cash received, less the cost of obtaining the loan.

In subsequent periods, long-term credits and loans are valued at the amortised cost using the effective interest rate. The depreciated purchase cost reflects all the costs associated with obtaining a credit or loan, and discounts or premiums obtained in accounting for liabilities.

Long-term liabilities outside a normal operating cycle are valued at the reporting date at depreciated cost, using the effective interest rate.

Income statement comprises all the results of the liability valuation at depreciated cost and the results of removing them from the balance sheet.

Short-term liabilities include total liabilities for goods and services as well as all or a part of other liabilities that are due within 12 months from the reporting date.

Short-term liabilities are valued at the amount due, which means that the liabilities that have already passed the due date, include the late payment interest. The criterion of significance is adopted in calculation of the late payment interest. Besides, late payment interest on overdue payments may not be charged if there is a reasonable assurance that the eligible entity ceases to calculate it. In other cases, the interest will be calculated in the reporting periods.

Long- and short-term liabilities denominated in foreign currencies, except for non-cash liabilities are valued at the reporting date at the average exchange rate fixed for a specific currency by the Polish National Bank on that date. Exchange rate differences on liabilities denominated in foreign currencies arising from the valuation date and the settlement recognised respectively: negative to the financial costs and positive to the financial income, in the item: "Exchange rate differences". In some cases, they are recognised in the unit cost of fixed assets or intangible assets.

• Accruals (liabilities)

- Accrued liabilities

include liabilities to be paid for goods or services that have been received / made, but have not been paid, invoiced or formally agreed with the supplier. Although it is sometimes necessary to estimate the amount or the payment date, the degree of uncertainty is less than in the case of reserves.

The planned costs of auditing the financial statements, reserves for unpaid bonuses for employees, value of the services rendered for the Company that have not been invoiced, and the contractor under the contract, has not been required to invoice them, the cost of fees for pollution emissions, the cost of the current period documented in the next invoice period are recognised in the accrued liabilities by the entity.

Accrued liabilities are recognised in short-term liabilities, in the item: "Accruals".

- Unearned revenues

include in particular money received to finance the acquisition or creation of fixed assets, including fixed assets under construction and development works, if they do not increase equity, in relation to other standards.

The amounts of receivables classified as accruals increase gradually the operating income in line to depreciation or amortisation write-offs of fixed assets or the development costs funded from these sources. Unearned revenues are shown in the liabilities in the item "Accruals", divided into long- and short-term ones.

• Leasing

- Financial leasing

Leasing contract is classified as financial leasing, if it transfers substantially all the risks and rewards due to ownership of the asset leased.

If the entity is a party to a financial leasing agreement as a lessee, at the first day of the lease agreement, the asset being a subject of the leasing contract and leased liabilities are recognised in the amount equal to fair value or in the amount equal to the value of the minimum lease payments determined at the inception of the lease, if it is lower than the fair value. Afterwards, the subject of the leasing contract shall be depreciated on the same basis as other tangible assets. If there is no reasonable assurance that the entity obtains ownership by the end of the leasing, the asset will be depreciated over the shorter of two periods: the leasing period or the useful life.

Finance costs are accounted for in such a way on specific periods during the leasing term, to obtain a constant periodic rate of interest on the outstanding liability. Liabilities under leasing contract are recognised in the statement of financial position in a separate item, divided into long- and short term liabilities. Finance costs are recognised in the income statement in the finance costs, in the item: "Interest".

If the entity is a party to a financial lease agreement as a lessor, on the lease commencement day, the assets leased shall be recognised in receivables in the amount equal to the gross investment in the leasing, referring to unearned financial income in the item "Unearned revenues". In the statement of financial position, receivables are shown in the amount equal to the lessor's net investment in a separate item, divided into long- and short-term receivables. Financial income is recognised rationally and systematically, to reflect a constant periodic return on investment. Financial income is recognised in the income statement in the financial income under "Interest".

- Operating Leasing

A leasing contract shall be classified as an operating leasing if it transfers substantially all the risks and rewards incidental to ownership of the leased asset.

If the entity is a party to the operating leasing as a lessee, payments under operating leases are recognised as expenses on the straight-line basis over the lease term, unless another systematic basis is more representative to reflect timing of the benefits derived by the entity.

If the entity is a party to operating leases as a lessor, it shall present an asset operationally leased pursuant to the nature of this asset, and revenues shall be recognised on the straight-line basis over the lease term, unless another systematic basis is more representative to reflect timing of reducing the benefits derived from the leased asset.

In the financial statements the entity discloses details on the lease required by IFRS / IAS.

Revenues

Revenue is gross inflow of economic benefits of a specific period, arising in the ordinary business activity and resulting in the increase in equity, other than an increase in equity resulting from shareholders' contributions.

Income and expenses of the same transaction are recognised in parallel. Revenues shall be recognised at the time when it becomes probable that the company gain economic benefits related to the specific transaction and when the amount of revenue can be reliably determined. Revenues are identified by deduction of tax on goods and of services and applicable discounts and deductions.

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

Revenues from services (except for contracts for construction services) are recognised when services are rendered to a third party.

Dividend revenues are recognised upon granting the Company the right to dividend distribution.

• Government Grants

Government grants, including non-cash grants, will be recognised at fair value if there is a sufficient certainty that:

- the Company meets the conditions related to the grants,
- they have been received.

The term "government" refers to the government, government institutions, government agencies and similar bodies whether local, national or international. Government grants are recognised systematically as revenues in specific periods, to match them with the related expenses that should be compensated by the grants.

The grants do not increase the equity directly. Government grant that becomes payable as compensation for expenses already incurred or loss or granted to the Company for the purpose of giving immediate financial support, with no future related costs, shall be recognised as income in the period in which it becomes payable.

Non-cash government grant may take the form of transfer of non-monetary asset such as land or other resources devoted to the Company for use. In such cases, the fair value of non-monetary asset is defined and is accounted for at fair value. Government grants related to assets, including non-cash grants at fair value shall be recognised in the balance sheet as deferred income or deducted the amount of subsidies to the carrying amount of the asset.

The Company adopts the method of determining non-cash grants related to assets at fair value and of presenting them as deferred income on the systematic recognition as revenue over the life. Grants are recognised in the income statement as other operating revenues.

Government grants that become repayable are recognised as a change in the size of estimates. It means that the repayment of the grant is recognised in the first place on the outstanding balance of deferred revenues. The remainder of the expenses is recognised in the current period. The standard does not settle the issue of EU grants. The company treats the EU subsidies equally with government grants.

• Construction Contracts

Construction contracts include agreements signed individually on creation of an asset or a set of assets, remaining with them in close relation or dependence, due to the design, technology, and the fulfilled functions or the final destination or use.

Most contracts are executed in fixed prices and they are accounted for by contract advancement method.

Contract advancement method is calculated as a ratio, expressed in percents, of costs actually incurred and documented by relevant accounting documents and of the estimated total costs of the contract.

Total revenues from the contract include the initial amount of revenues agreed in the contract and changes implemented during the contract, claims and premiums.

Changes in revenues from the contract shall be taken into account if there is a likelihood that they are accepted by the recipient of services and that it is possible to determine their value reliably. Revenues from contracts are valued at fair value of the payment received or of the receivables.

Total cost of the contract include costs directly related to a specific contract, costs generally associated with the activity resulting from the contract which may be attributed to the contract and other costs, which may be charged to the recipient of services under the terms of the contract. Periodically, at least at the reporting date, there is performed review and updating of total costs and revenues from contract execution, and there are always performed review and updating of the revenue estimates or contract costs, in the event of significant changes.

The effects of changes in estimates of revenues and costs associated with the contract, and the effects of changes in the result of the contract are recognised as a change of the estimated amount. Changed estimates are used to determine the amount of revenues and expenses, recognised in the reporting period where the change appeared, and in subsequent periods. Revenue at the end of the reporting period is determined in proportion to the stage of the contract advancement, less income that affected the financial results in the previous reporting periods.

If the estimated total and ultimate revenues and costs related to the accomplished construction contract indicate a loss, there is established a provision for costs in this case .

Revenues from contracts in progress are recognised in relation to the agreement advancement and the resulting differences of valuation are recognised as follows:

- surplus of valuation of fixed income accrued on the sum of recognised losses and receivables dependent on execution of the contract (partial revenues invoiced) is recognised in the short-term accruals and shown in the assets, presented in the item "Accruals".
- surplus of recognised losses and receivables dependent on execution of the contract (partial revenues invoiced) is recognised in the progress billings agreement (partial revenues invoiced) the valuation of fixed income accrued and shown in the short-term accrued expenses and liabilities, presented in the item "Other liabilities".

If total and final revenues and expenses related to the construction contract in progress reasonably valued indicate a loss, so in this case, the expected loss shall be recognised as expenses immediately.

• Net financial result

The financial result of the Company and of the Capital Group are fixed using the memorial and proportion of revenues and expenses methods.

6.3. Standards and interpretations published and effective on 1 January 2011 and their impact on this financial statement

- Amendments to IAS 32 "Financial Instruments: Presentation" - classification of pre-emptive rights issue, approved in the EU on 23 December 2009 (effective for annual periods beginning on 1 February 2010 or after that date);
- Amendments to IFRS 1 "First-time adoption" - limited relief for entities applying IFRSs for the first time from disclosure of comparative, in accordance with IFRS 7, approved in the EU on 30 June 2010 (effective for annual periods beginning on 1 July 2010 or after that date);
- Amendments to IFRSC 14 "IAS 19 - Asset valuation limit on defined benefits, minimum funding requirements and their interaction" - prepayments within the minimum funding requirements, approved in the EU on 19 July 2010 (effective for annual periods beginning on 1 January 2011 or after that date)
- IFRSC 19 "Regulating financial liabilities with equity instruments," approved in the EU on 23 July 2010 (effective for annual periods beginning on 1 July 2010 or after that date);
- Amendments to various standards and interpretations, "Improvements to IFRSs (2010)" - the changes in the procedures for annual amendments to IFRSs published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13) focused primarily on resolving inconsistencies and clarifying vocabulary, approved in the EU on 18 February 2011 (effective for annual periods beginning on 1 January 2011 or after that date).
- IAS 24 - "Disclosure of information on related party" is applicable for annual periods beginning on 1 January 2011 or later. The revised standard simplifies the definition of related entity, clarifies the meaning and eliminates the inaccuracies of definition.

Application of those changes had no effect on the financial position or results of operations of the Group.

6.4. Standards and interpretations published but not effective and not accepted by the European Union.

- IFRS 9 - "Financial Instruments". The standard has been published by the IASB on 12 November 2009 and on 28 September 2010 (amendment). The standard will be applied from 1 January 2013.
- IFRS 1 - "Application of IFRS for the first time." Changes to the standard were published by the IASB on 20 December 2010 and effective for annual periods beginning on or after 1 July 2011.
- IFRS 7 - "Financial Instruments - Disclosures". The revised standard was published by the IASB on 7 October 2010 and it will be applied for annual periods beginning on 1 July 2011 or after that date.
- IAS 12 - "Income Tax". Changes to the standard were published by the IASB on 20 December 2010 and will be applied for annual periods beginning on 1 January 2012 or after that date.

- IAS 27 - "Separate Financial Statements". The changes will apply to annual periods beginning on or after 1 January 2013 or later. The changes in question have not been accepted by the European Union.
- IAS 28 - "Investments in associates and joint ventures." The changes will apply to annual periods beginning on or after 1 January 2013 or later. The changes in question have not been accepted by the European Union.
- IAS 1 - "Presentation of Financial Statements". The changes will apply to annual periods beginning on or after 1 July 2012 or later. The changes in question have not been accepted by the European Union.
- IAS 19 - "Employee Benefits". The changes will apply to annual periods beginning on or after 1 January 2013 or later. The changes in question have not been accepted by the European Union.
- IFRS 10 - "Consolidated Financial Statements." The standard will apply to annual periods beginning on or after 1 January 2013 or later. The standard in question has not been accepted by the European Union.
- IFRS 11 - "Joint ventures". The standard will apply to annual periods beginning on or after 1 January 2013 or later. The standard in question has not been accepted by the European Union.
- IFRS 12 - "Disclosures about involvement in other entities". The standard will apply to annual periods beginning on or after 1 January 2013 or later. The standard in question has not been accepted by the European Union.
- IFRS 13 - "Valuation at fair value." The standard will apply to annual periods beginning on or after 1 January 2013 or later. The standard in question has not been accepted by the European Union.

7. Capital Management

The Group manages its capital in such a way that the changing economic conditions of its subsidiaries retained the ability to continue operations, including the planned investments.

The purpose of capital management is to:

- maintain a good financial standing
- maintain safe capital ratios
- maximise returns for shareholders

Basic components of the capital managed as at 31 December 2011:

	<u>31.12.2011</u>	[PLN thou] <u>31.12.2010</u>
Total capital (liabilities)	3 786 448	3 364 036
Equity, including:	2 486 207	2 358 547
Share capital	74 333	74 333
Own shares	-2 979	-2 979
Spare capital	2 156 633	2 105 432
Revaluation reserve	30 825	34 869
Other spare capitals	67 188	55 409
Exchange rate differences	37 220	26 490
Retained profits	92 106	4 208
Non-controlling share capital	30 881	60 785
Long term liabilities	273 520	119 886
Short term liabilities, including:	1 026 721	885 603

KOPEX Capital Group monitors the following capital indicators:

	<u>31.12.2011</u>	<u>31.12.2010</u>
• net average debt index	0,40	0,33
• liability structure index	0,66	0,70
• ROE	6,10	1,01
• total debt index	0,34	0,30

External capital requirements imposed on the KOPEX Group's creditor banks:

	Index	As at 31.12.2011
1.	Keeping the equity ratio to total assets at the level not less than 60% by the KOPEX Group	65.7%
2.	Keeping IBD / EBITDA index for the KOPEX Group at the maximum level of 4. IBD shall be understood as the involvement of interest along with off-balance sheet commitments (without duplication of off-balance sheet commitments) and EBITDA shall be understood as operating activities result adjusted by the Group's profit on sale of fixed assets plus depreciation	3.98

During 2011 KOPEX Group met the aforesaid requirements.

8. Financial Risk Management Policy and Hedging

KOPEX S.A. Capital Group, as every entity running its economic activities, intentionally takes several risks, but to achieve specific results it takes only such a risk that is necessary to achieve pre-set objectives and to accomplish strategies adopted by the Board.

Adoption of the appropriate financial risk management strategy makes it possible to eliminate or to reduce the risk of problems with financial liquidity and volatility associated with capital markets to an absolute minimum.

The Group manages its capital in such a way as to ensure a smooth continuation of the activity with simultaneous maximizing returns for shareholders.

The Company's capital structure as at 31 December 2011 and as at 31 December 2010 includes the following items:

Credits (Notes No. 27 and 34)

Loans (Notes No. 27 and 34)

Cash and cash equivalents (Note No. 20)

Equity (Notes No. 22,23,24 and 25)

Liabilities (Notes No. 28,29,35 and 36)

The Group strives to maintain the liquidity and debt ratios at safe levels, and it also preserves the "Golden balance sheet rule" indicating the maintenance of financial stability.

The Group pursues an active policy of financial risk management, which includes the processes of identification, measurement, monitoring, to choose the most appropriate instruments to hedge against the risks identified. Financial Risk Management is supervised by Chief Financial Officers in the KOPEX S.A.Group.

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

The KOPEX S.A. Group is exposed mainly to the following risk groups:

- market risk, including commodity price risk, interest rate risk and the risk of exchange rate changes (especially the latter is a specific risk, as has a direct impact on the valuation of assets and liabilities, as well as on financial flows),
- liquidity risk,
- credit risk.

A detailed description of the individual risk groups (range of occurrence, degree of concentration, security procedures, sensitivity analysis) is contained in the subsequent part of this statement.

The Group shall apply procedures which aim to minimise the risk of non-payment from the sale of goods and services. The various steps for the start of cooperation with a specific client shall include verification of its financial standing and supply dependency of acceptable payment hedging (letter of credit, guarantees, bills, etc.).

In the Group there are prepared daily reports on the state of available cash, receipts received and paid expenses, controlling monthly reports, monthly detailed reports on the state of debts and involvement in banks, including the use of the line warranty status reports overdue, report of planned movements cash.

This information allows the current analysis of the financial standing of the Group, so one can take appropriate actions to mitigate the identified risk groups.

Price risk

The Group is not significantly exposed to price risk on price changes of this type of investment, due to the negligible value in terms of investments in equity securities, classified in the accounts as available for sale and measured at fair value through profit or loss.

Interest rate risk

Interest rate risk principally occurs in the Group in connection with the use of bank loans, whose interest is variable, based on WIBOR and margin of the crediting banks is constant during the crediting time.

Interest rate risk occurs also in the loans granted by the Group, both in PLN and in foreign currencies.

The lack of interest rate risk in bonds purchased results from the fact that they are discounted by WIBOR, a specific and constant interest rate increased by a fixed margin on the Day of Issue Orders.

Income / expense for gained / paid interest on the loans granted changed, due to changes in interest rates that were basis for their calculation. In case of loans in PLN, interest rate based on the variable WIBOR 1M + margin, in case of long-term loans, interest rate based on WIBOR 1R + margin and in case of loans in foreign currency, it based on the EURIBOR 1M + margin or on LIBOR + margin.

As at 31 December 2011 and as at 31 December 2010, the Group had no hedging positions to interest rate risk through financial instruments. The Group limited the risk of using a variable WIBOR / EURIBOR for loans granted by the Group and monitored the ongoing situation related to the decisions of Monetary Policy Council on interest rate changes.

Currency risk

The Group is exposed to currency risk mainly due to running core activities, such as sale and purchase of goods and services, in foreign currencies (primarily in EUR and USD).

Foreign exchange forward transactions are the main financial instruments to hedge the currency risk.

The Group applies a procedure of the actual financial cash flow hedging to reduce foreign exchange risk, in accordance with the strategy adopted by the Group. The Group does not conclude speculative transactions.

In 2005 the KOPEX S.A. Group adopted the "Strategy for hedging currency risk and interest rates", according to which transactions hedging the foreign exchange risk are concluded upon signing commercial contracts (in relation to the exchange rate adopted in the calculation of the offer), and in case of contracts on coal / electricity trading, they are concluded upon placing the shipment order / purchase of electricity.

The Group applies hedge accounting (detailed description included in accounting policies) and natural hedging.

As at 31 December 2011, the Group held the following open hedging foreign currency items:

- 5 087 USD thou.
- 45 621 EUR
- 1 708 AUD thou.
- 2 200 CZK thou.

As at 31 December 2011 the fair value of futures was estimated at a total amount of PLN -5 335 thou (negative value), of which:
PLN -59 thou were hedging transactions realised and kept in equity until the hedged forecast transaction incident
PLN -5 276 thou were unrealised transactions according to valuation models used by banks in which the transactions were carried out.

The fair value of PLN -5 335 thou includes:

- PLN +819 thou (PLN -59 thou were realised transactions, PLN + 878 thou were unrealised transactions) was recognised as revaluation of equity
- PLN - 6 154 thou in the income statement (PLN - 5 449 thou applies to transactions for which hedge accounting is conducted).

As at 31 December 2011 the negative valuation of hedging transactions of the Group was made by the banks based on the following spot rates: USD 3.4174, EUR 4.4168, AUD 3.467 and CZK 0.1711.

As at 31 December 2010 the Group held the following open hedging foreign exchange positions

- USD 8 500 thou
- EUR 13 920 thou

As at 31 December 2010 the fair value of futures was estimated at a total amount of PLN -1 666 thou (negative value) which was the valuation of unrealised transactions, in accordance with models used by banks in which the transactions were carried out.

The negative fair value of PLN - 1 666 thou includes:

- PLN +87 thou (positive value) recognised as revaluation of equity
- PLN - 1 753 thou (negative value) recognised in the income statement, of which PLN +522 thou (positive value) applies to transactions for which hedge accounting is conducted)

As at 31 December 2010 valuation of hedging transactions of the Group was carried out by the banks based on the following spot rates: USD 2.9641 and EUR 3.9603.

Financial instruments

Balance sheet value

Categories of financial instruments - balance sheet value

Classes of financial instruments	Note	Financial assets available for sale	Financial assets held to maturity	Financial assets at fair value through profit and loss	Loans and financial liabilities	Financial liabilities at fair value through profit and loss account	Other financial liabilities			Total
							Financial liabilities measured at depreciated cost	Financial liabilities arising from factoring and liabilities excluded from the scope of IAS 39	Hedging instruments	
As at 31.12.2011										
Shares	6,19	1 516		510						2 026
Net receivables for supplies and services	14,16				476 110					476 110
Leasing receivables	8				144 762					144 762
Cash and cash deposits	20			136 461						136 461
Bonds and loans granted	9,17				59 057					59 057
Other net financial assets	7,15,16				129 177					129 177
Derivative financial and currency instruments	18,38			136		-842			-4 570	-5 276
Liabilities for supplies and services	35,37							-276 482		-276 482
Credits and loans raised	27,34							-651 666		-651 666
Other financial liabilities	28,36,37	1 516	0	137 107	809 106	-842		-135 331		-135 331
								-1 063 479	0	-4 570
As at 31.12.2010										
Shares	6	1 520								1 520
Net receivables for supplies and services	14,16				405 223					405 223
Leasing receivables	8				14 641					14 641
Cash and cash deposits	20			164 708						164 708
Bonds and loans granted	9,17				84 636					84 636
Other net financial assets	7,15,16				86 699					86 699
Derivative financial and currency instruments	18,38			320		-2 594			608	-1 666
Liabilities for supplies and services	35,37							-194 645		-194 645
Credits and loans raised	27,34							-547 919		-547 919
Other financial liabilities	28,36,37	1 520	0	165 028	591 199	-2 594		-124 419		-124 419
								-866 983	0	608

Fair value

Categories of financial instruments- fair value

Classes of financial instruments	Note	Other financial liabilities						Total				
		Financial assets available for sale	Financial assets held to maturity	Financial assets at fair value through profit and loss	Loans and financial liabilities	Financial liabilities at fair value through profit and loss account	Financial liabilities measured at depreciated cost		Financial liabilities arising from factoring and liabilities excluded from the scope of IAS 39	Hedging instruments		
As at 31.12.2011r.												
Shares	19			510								510
Net receivables for supplies and services	14,16					476 110						476 110
Leasing receivables	8					144 762						144 762
Cash and cash deposits	20			136 461								136 461
Bonds and loans granted	9,17					59 057						59 057
Other net financial assets	7,15,16					129 177						129 177
Derivative financial instruments- currency	18,38			136			-842					-5 276
Liabilities for supplies and services	35,37									-276 482		-276 482
Credits and loans raised	27,34									-651 666		-651 666
Other financial liabilities	28,36,37		0	137 107	809 106		-842		-1 063 479		-4 570	-135 331
			0	0	0	809 106	-842		-1 063 479	0	-4 570	-122 678
As at 31.12.2010r.												
Shares												405 223
Net receivables for supplies and services	14,16					405 223						405 223
Leasing receivables	8					14 641						14 641
Cash and cash deposits	20			164 708								164 708
Bonds and loans granted	9,17					84 636						84 836
Other net financial assets	7,15,16			320		86 699						86 699
Derivative financial instruments- currency	18,38						-2 594				608	-1 666
Liabilities for supplies and services	35,37									-194 645		-194 645
Credits and loans raised	27,34									-547 919		-547 919
Other financial liabilities	28,36,37		0	165 028	591 199		-2 594		-866 983	0	608	-124 419
			0	0	0	591 199	-2 594		-866 983	0	608	-112 742

The fair value hierarchy

As at 31 December 2011

Classes of financial instruments	Note	The fair value hierarchy		
		Level 1	Level 2	Level 3
Shares	19	510		
Derivative instruments, including:	18, 38		-5 276	
Assets			1 655	
Liabilities			-6 931	

As at 31 December 2010

Classes of financial instruments	Note	The fair value hierarchy	
		Level 2	Level 3
Shares			
Derivative instruments, including:	18, 38	-1 666	
Assets		1 362	
Liabilities		-3 028	

Methods and guidelines used by the Group in determining fair values

The following levels have been applied for financial instruments valued in the statement of financial position at fair value pricing,:

- Level 1 - prices quoted in active markets for identical assets or liabilities,
- Level 2 - inputs other than prices quoted included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - inputs to the valuation of an asset or liability that are not based on observable market data.

The fair value of financial instruments classified as Level 2 has been determined by using appropriate valuation techniques.

The Group is unable to determine reliably the value of its shares in companies quoted on active markets, classified as financial assets available for sale. The Group values this group of assets at purchase cost less impairment losses.

Categories of financial instruments- fair value hierarchy LEVEL 1

Classes of financial instruments	Note	Financial assets				Other financial liabilities		Total		
		Financial assets available for sale	Financial assets held to maturity	Financial assets at fair value through profit and loss	Loans and financial liabilities	Financial liabilities at fair value through profit and loss	Financial liabilities measured at depreciated cost		Financial liabilities arising from factoring and liabilities excluded from the scope of IAS 39	Hedging instruments
As at 31.12.2011										
Shares	19			510						510

Categories of financial instruments- fair value hierarchy LEVEL 2

Classes of financial instruments	Note	Financial assets				Other financial liabilities		Total			
		Financial assets available for sale	Financial assets held to maturity	Financial assets at fair value through profit and loss	Loans and financial liabilities	Financial liabilities at fair value through profit and loss	Financial liabilities measured at depreciated cost		Financial liabilities arising from factoring and liabilities excluded from the scope of IAS 39	Hedging instruments	
As at 31.12.2011											
Derivative financial instruments- currency	18.38			136						-4 570	-5 276
As at 31.12.2010											
Derivative financial instruments- currency	18.38			320						608	-1 666

Sensitivity analysis

Assuming that the range of fluctuations in exchange rates as at 31 December 2011 had been at the level of + / - 10%, the Group's gross profit would have been lower or higher by PLN 7 105 thou.

Assuming that the range of fluctuations in interest rates as at 31 December 2011 had been at the level of + / - 1% , the Group's gross profit would have been lower or higher by PLN 4 527 thou.

Sensitivity analysis [PLN thou] as at 31 December 2011

	Balance sheet value	Interest rate risk		Exchange rate risk			
		plus / minus 1%		plus 10% (weakening of PLN)		minus 10% (strengthening of PLN)	
		profit/loss	profit/loss	profit/loss	changes in equity	profit/loss	changes in equity
FINANCIAL ASSETS							
Cash [PLN]	73 742	737	-737				
Cash [USD] translated into [PLN]	500	5	-5	50		-50	
Cash [EUR] translated into [PLN]	57 572	576	-576	5 757		-5 757	
Receivables for supplies and services and other receivables [PLN]	427 115						
Loans granted together with interest [PLN]	57 705	577	-577				
Receivables for supplies and services and other receivables [EUR]	94 048			9 405		-9 405	
Loans granted together with interest [PLN]	1 352	14	-14	135		-135	
Receivables for supplies and services and other receivables [USD]	28 502			2 850		-2 850	
Receivables for supplies and services and other receivables [AUD]	27 990			2 799		-2 799	
Loans granted together with interest [USD]							
Derivative instruments classified to valuated at fair value through income statement	136			14		-14	
Derivative instruments in hedging relationships	1 519			1	151	-1	-151
Effect on financial assets before tax		1 909	-1 909	21 0 11	151	-21 011	-151
FINANCIAL LIABILITIES							
Credits [PLN]	643 553	-6 436	6 436				
Credits [EUR] translated into [PLN]							
Loans received together with interest [PLN]							
Liabilities for supplies and services and other liabilities [PLN]	256 321						
Liabilities for supplies and services and other liabilities [EUR]	87 631			-8 763		8 763	
Liabilities for supplies and services and other liabilities [USD]	2 348			-235		235	
Liabilities for supplies and services and other liabilities [AUD]	42 783			-4 278		4 278	
Derivative instruments classified to valuated at fair value through income statement	842			-84		84	
Derivative instruments in hedging relationships	6 089			-546	-63	546	63
Effect on financial assets before tax		-6 436	6 436	-13 906	-63	13 906	63

This sensitivity analysis is not representative for exchange rate risk and interest rate risk due to the fact that at the end of the year the exposure to those risk do not reflect the exposure during the entire year. Values of claims, liabilities, valuation of derivative instruments change during the year.

The Group maintains hedge accounting according to the adopted accounting policies

Assuming that the range of fluctuations in exchange rates as at 31 December 2010 had been at the level of + / - 10%, the Group's gross profit would have been lower or higher by PLN 13 670 thou .

Assuming that the range of fluctuations in interest rates as at 31 December 2010 had been at the level of + / -1%, the Group's gross profit would have been lower or higher by PLN 3 188 thou.

Sensitivity analysis [PLN thou] as at 31 December 2010.

	Balance sheet value	Interest rate risk		Exchange rate risk			
		plus / minus 1%		plus 10% (weakening of PLN)		minus 10% (strengthening of PLN)	
		profit /loss	profit /loss	profit /loss	changes in equity	profit /loss	changes in equity
FINANCIAL ASSETS							
Cash [PLN]	60 457	605	-605				
Cash [USD] translated into [PLN]	7 247	72	-72	725		-725	
Cash [EUR] translated into [PLN]	71 780	718	-718	7 178		-7 178	
Receivables for supplies and services and other receivables [PLN]	323 563						
Loans granted together with interest [PLN]	72 226	722	-722				
Receivables for supplies and services and other receivables [EUR]	105 254			10 525		-10 525	
Loans granted together with interest [PLN]	6 154	62	-62	615		-615	
Receivables for supplies and services and other receivables [USD]	29 098			2 910		-2 910	
Receivables for supplies and services and other receivables [AUD]	19			2		-2	
Loans granted together with interest [USD]	320			32		-32	
Derivative instruments classified to valuated at fair value through profit or loss	1 042			82	22	-82	-22
Effect on financial assets before tax		2 179	-2 179	22 069	22	-22 069	-22
FINANCIAL LIABILITIES							
Credits [PLN]	516 083	-5 161	5 161				
Credits [EUR] translated into [PLN]	20 598	-206	206	-2 060		2 060	
Loans received together with interest [PLN]							
Liabilities for supplies and services and other liabilities [PLN]	252 828						
Liabilities for supplies and services and other liabilities [EUR]	51 366			-5 137		5 137	
Liabilities for supplies and services and other liabilities [USD]	9 125			-913		913	
Liabilities for supplies and services and other liabilities [AUD]							
Derivative instruments classified to valuated at fair value through profit or loss	2 594			-259		259	
Derivative instruments in hedging relationships	434			-30	-13	30	13
Effect on financial liabilities before tax		-5 367	5 367	-8 399	-13	8 399	13

Liquidity risk

The Group manages liquidity risk by maintaining an appropriate level of access to finance, banking services using a wide range of credit lines, as well as banking and insurance guarantee limits, allowing for smooth handling of transactions in the commercial and non-trade obligations.

The Group draws up a monthly cash-flow in half a year perspective (for the anticipated significant accounts - in longer periods) to obtain information on the anticipated negative cash flows and to take pre-emptive actions, aiming at obtaining a positive cash flow.

A separate cash flow statement is joined to statements of major companies of the Capital Group to draw up a consolidated cash flow, which allows to use temporary surpluses in one of the companies to cover the negative cash flows in the other companies of the Group. Conclusions from the cash-flow, as well as information about the temporary capital transition within the Group are respectively transmitted to and consulted with the Management Board of the Company.

Peer-to-peer lending institution is used in the Group. Surplus funds are deposited at the overnight bank accounts whose interest rates are negotiated individually by the Group.

In 2011 there was a subscription of registered bonds (31, 33, 35, 38, 40, 41, 43 series) by KOPEXS.A. They were issued by Katowicki Holding Węglowy S.A. based in Katowice and their total nominal value amounted to PLN 121 500 thou (PLN 186 500 thou in 2010.). Redemption of the bonds will be effected through the provision of coal supplies in 2011 and 2012. Coal supplies for the tranche of the bond (31, 33 and 35 series) were made in 2011.

Aging receivables for purchase of the bonds are as follows:

31 series

- The nominal value of PLN 18 million, purchased on 28 February 2011
- Bonds with a 6-month maturity
- Maturity term: from May 2011 to August 2011,

33 series

- The nominal value of PLN 19.5 million, purchased on 14 April 2011
- Bonds with a 6-month maturity
- Maturity term: from June 2011 to September 2011

35 series

- The nominal value of PLN 20 million, purchased on 27 May 2011
- Bonds with a 6-month maturity
- To be repaid from August 2011 to November 2011

38 series

- The nominal value of PLN 14.5 million, purchased on 28 July 2011
- Bonds with a 6-month maturity
- Maturity term: from October 2011 to January 2012

40 Series

- The nominal value of PLN 15.5 million, purchased on 28 September 2011
- Bonds with a 6-month maturity
- Maturity term: from December 2011 to March 2012

41 series of

- The nominal value of PLN 18 million, purchased on 25 November 2011
- Bonds with a 6-month maturity
- Maturity term: from February 2012 to May 2012

43 series

- The nominal value of PLN 16 million, purchased on 29 December 2011
- Bonds with a 6-month maturity
- Maturity term: from March 2012 to June 2012

The Group has multi-purpose credit limits in the current account both for the current payments as well as for guarantees and letters of credit - allowing a flexible allocation of the use of specific products to ensure a smooth operation of the Group. The Group has available limits to support the guarantees and letters of credit.

Credits lines preferred by the Group in the current account allow for easy cash access. Conditions negotiated with the banks provide rollover payments of our liabilities to the Group.

The Group cooperates with several banks, in order to disperse risks. Cooperating banks belong to the leading banks with high credit rating.

The Group conducts an ongoing analysis of liquidity and debt ratios - the principle is to strive to maintain the level of those indicators at a safe level. The Group has a full capacity of debt servicing. It is targeted to extend payment terms, and to shorten maturities of receivables.

As at 31 December 2011 and as at 31 December 2010, liabilities for supplies and services together with their temporal structure are recognised in Note No. 35. The book value of short-term liabilities for goods 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 the reporting period					Total (without discount)	Balance sheet value
	As at 31.12.2011	up to 1 year	1 to 3 years	3 to 5 years	over 5 years		
Liabilities for supplies and services	259 400	16 428	654			276 482	276 482
Credits and loans raised	521 669	121 098	8899			651 666	651 666
Derivative financial instruments- currencies	5 768	1 163				6 931	6 931
Other financial liabilities	123 211	10 118	2 002			135 331	135 131
Total financial liabilities in individual maturity classifications	910 048	148 807	11 555			1 070 410	1 070 410

As at 31.12.2010							
Liabilities for supplies and services	194 568	77				194 645	194 645
Credits and loans raised	513 152	34 767				547 919	547 919
Derivative financial instruments- currencies	3 028					3 028	3 028
Other financial liabilities	102 786	17 345	3 202		1 086	124 419	124 419
Total financial liabilities in individual maturity classifications	813 534	52 189	3 202		1 086	870 011	870 011

Ongoing monitoring and practical actions taken exclude the probability of using the guarantee or making withdrawals from it, a promissory note or surety. Financial standing of the Group enables obtaining and using multiple forms of financing, including loans and overdrafts, buyer credits, government loans, special purpose loans, leasing and loans.

A good evaluation obtained at the banks is approved by cooperation with those banks, obtained graces and increasing the limits on favourable terms is confirmation to obtain a good price at those banks.

Considering the ongoing monitoring conducted by the banks accurately and frequently, any possible risks would be subject to the signals, obliging the Group to normalise the situation.

Credit risk

Credit risk should be understood as a failure to meet obligations by the debtors of the Group. The credit risk policy in the KOPEX S.A. Group is particularly important, among others due to a 20% share of receivables in the total balance sheet sum. The above-mentioned credit risk may include various areas of the Group:

- credit risk of customers, which includes sales of products,
- credit risk of financial institutions with whom hedging transactions are concluded or which mediate the hedging transactions,
- credit risk of entities in which investments are made, or whose securities are purchased.

The credit risk policy in the KOPEX S.A. Group with regard to the reliability of business clients (with whom the transactions on sales of products and services are signed), and in particular the occurrence of transactions with new clients, is based primarily on:

- verifying the client in the business intelligence agency,
- obtaining valid documents reflecting property and financial situations of the client,
- the requirement to submit the security contractor payments to the companies of the Group in a form acceptable to the Group, by the aforesaid client

"A new client" is the counterparty with whom the KOPEX S.A. Group has not cooperated yet, cooperated a long time ago or the counterparty whose value of the contract signed is important for the Group. The clients who the products of the Group are sold to, and services are provided with deferred payments are always evaluated in terms of credit risk associated with the transaction.

The payment hedgings most commonly used in the Group include:

- in domestic trade: bank guarantees, insurance guarantees, mortgages, assignments, registered pledges, promissory notes, warrants, mutual compensations;
- in foreign trade: letters of credit, confirmed letters of credit, bank guarantees, repayment of debt under the buyer loans, repayment of debt under the government credit, mutual compensations;
- in leasing transactions, there has been introduced a clause that the ownership of the leased item is transferred to the lessee at the date of payment of the last Leasing installment.

For several years the Group has adopted the credit risk mitigation policy related with the payment due dates.

Account receivable turnover ratio for the KOPEX S.A. Group is 76 days.

Receivables from a large number of clients the Group cooperates with, are monitored by the Finance Department, in accordance with a developed written instruction and vindication procedures (both judicial and non-judicial ones).

The respective meetings on how to recover receivable vindicated are held once a month by the Group.

Supervision policy of the Group has been intensified with regard to the analysis of receivables and requirements for hedging our receivables from clients have become more stringent due to the emergence of the world financial crisis and signals of possible difficulties with client payments and bankruptcy announcements.

Overdue payments are recognised in Notes No. 14B and No. 14C. Write-downs on impairment of receivables are made during the financial year on an ongoing basis, according to the accounting policy implemented in the Group. In 2011, the value of the aforesaid write-downs in the total amount of overdue receivables amounted to 31.17% of the total overdue, while in 2010 it amounted to 26.32% in the total amount of overdue receivables.

The Group's credit risk mitigation policy with regard to the reliability of the financial institutions, the companies of the Group cooperate with, is reflected in cooperation only with banks or insurance companies of good financial standings and high international ratings. Credit risk for derivative instruments is limited. The Group enters into derivative contracts relating to transactions and cooperate in this field only with the leading banks operating in the international financial market, with an in appropriate equity and strong market positions.

The Group applies a policy of framework agreements with those banks and policy of a limited credit concentration by using services of many banks for this purpose, not limited to a single entity - the bank.

Credit risk associated with loans are loans granted is limited in the KOPEX S.A. Group, due to the fact of granting loans to companies of the KOPEX S.A. Group.

The maximum exposure to credit risk is represented by:

- Gross receivables amounting to PLN 809 459 thou (PLN 548 683 thou as at 31 December 2010.)

- The value of financial guarantees received (banking and insurance) amounting in total to:

PLN 222 515 thou (PLN 26 072 thou as at 31 December 2010.)

The concentration of receivables as at 31 December 2011 was as follows:

* Trade receivables for goods and services for 2011 amounted to PLN 476 110 thou which represents approximately 63.48% of total receivables

The concentration of receivables as at 31 December 2010 was as follows:

* Trade receivables for goods and services for 2010. amounted to PLN 405 223 thou which represents approximately 79.99% of total receivables.

* *Entities whose liabilities against the Company were at the highest level as at 31 December 2011:*

1. *Client No. 1 - 16.8% of total receivables for supplies and services*

2. *Client No. 2 - 10.5% of total receivables for supplies and services*

3. *Client No. 3 - 6.2% of total receivables for supplies and services*

Estimates

Due to the fact that a lot of information contained in the financial statements can not be valued accurately, drawing up financial statement requires the Management Company to make estimates. The management verifies those estimates based on changes of the factors taken into account when its drawing up the making as well as on new information or experience of the past. Consequently, estimates made as at 31 December 2011 may change in the future. The main estimates have been described in the relevant accounting principles and recognised in the following notes:

Note	Estimates	Type of information revealed
7B, 16A	Impairment of loans granted and own receivables	The methodology adopted to determine the recoverable amount - significant accounting policies, the item refers to long-term and short-term receivables.
11,30	Income tax	The assumption adopted for recognition of deferred tax assets and reserves - significant accounting policies, the item refers to the assets and reserve for income tax
39,44	Employee benefits	Reserves estimated by the actuary - significant accounting policies, the item refers to reserves for liabilities.
18B, 18C	Fair value of derivatives	Model and assumptions to determine fair value - significant accounting policies, the item refers to the financial instruments.
44	Reserves	Reserves for termination benefits, contract reserves: discount rates and other assumptions - significant accounting policies, the item refers to the reserves for liabilities
1, 3	Useful lives of tangible and intangible assets	Useful life and depreciation method - significant accounting policies, the item refers to the value of intangible and fixed assets

Subjective assessment

If the transaction is not subject to any standard or interpretation, the Management Board basing on the subjective assessment, determines and applies the accounting policies that ensure that the financial statement will contain reliable information on the financial position of the Group, its operational results and cash flows, presented in a correct, clear and fair manner. Subjective assessment has been done in such a way that the financial statement reflects the economic substance of transactions, is objective, relevant to prudent valuation principle and is competent in all material aspects.

Subjective assessment done as at 31 December 2011 applies to reserves for claims and litigation, contract reserves and contingent liabilities.

9. Information on translation of selected financial data

• The items of assets and liabilities have been translated into EUR by the NBP Bank average exchange rate binding on the balance sheet date:

- as at 31 December 2011 - 4.4168

- as at 31 December 2010 - 3.9603

• The items of income statement and cash flow have been translated at exchange rate being the average arithmetic of the EURO exchange rates binding at the end of each month in the reporting period

-in 2011 - 4.1401

-in 2010 - 4.0044

• The maximum exchange in the reporting period

- in 2011 - 4.5494

- in 2010 - 4.1458

• The minimum exchange rates in the reporting period

-- in 2011 - 3.9345

-- in 2010 - 3.8622

10. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF KOPEX S.A. CAPITAL GROUP
DRAWN UP AS AT 31 DECEMBER 2011 in thousand zlotys

Note 1A

INTANGIBLE ASSETS	31.12.2011	31.12.2010
a) costs of the completed development works	45 396	21 169
b) costs of the development works in progress	19 339	8 886
c) goodwill	4 119	4 119
d) concessions, patents, licenses and similar values acquired	12 535	5 508
e) other intangible assets	26	41
f) intangible assets under construction	1 343	13 006
Intangible assets, total	82 758	52 729

Note 1B

INTANGIBLE ASSETS (OWNERSHIP STRUCTURE)	31.12.2011	31.12.2010
a) own	82 758	52 647
- including self-made intangible assets	16 977	9 606
b) used under tenancy, lease or other agreements, including leasing agreement		82
Intangible assets, total	82 758	52 729

Useful lives of intangible assets are defined with the exception of goodwill

Intangible assets, excluding goodwill, are depreciated by the straight line method, as follows:

- licenses for the use of computer programs 10% - 30%
 - computer programs 20%
 - other intangible assets - in accordance with duration of the contract or the estimated useful life.
- Intangible assets of low unit costs of acquisition (initial value less than PLN 3.5 thou) are written off once.

Expenditures on research are recognised in the income statement when incurred.

Expenditures incurred on development projects are recognised when the activation criteria are met. After initial recognition, development costs are decreased by accumulated depreciation write-offs due to impairment.

Depreciation write-offs are made by the straight line in the period of obtaining revenues from sales related to the project but not exceeding 5 years.

Intangible assets are not encumbered by liens.

In 2011, the Group incurred expenditures on research and development recognised as an expense in the period in the income statement in the amount of PLN 142 thou.

In 2010, the Group incurred expenditures on research and development recognised as an expense in the period in the income statement in the amount of PLN 198 thou.

Items in the income statement including depreciation of intangible and legal assets	31.12.2011	31.12.2010
- prime cost	3 189	1 310
- selling costs	441	620
- overheads	5 037	3 622
Total	8 667	5 552

Note 1C 31.12.2011	R & D expenses	- including manufactured in-house	development costs in progress	goodwill	concessions, patents, licences and similar assets acquired	other intangible assets	total intangible assets
MOVEMENT OF INTANGIBLE ASSETS (by type)							
a) gross value at the beginning of period	36 551	21 282	12 792	4 119	14 567	705	68 734
- corrections for:							
a') gross value at the beginning of period after adjustment	36 551	21 282	12 792	4 119	14 567	705	68 734
b) increase (for)	29 569	10 531	13 420		8 858		51 847
- purchase	19 026		2 776		8 398		30 200
- manufacture	10 531	10 531	10 644		55		21 230
- purchase of a company					9		9
- reclassification	12				396		408
c) decrease (for)	2 527	555	2 967		396	14	5 904
- sale			202				202
- liquidation / completed successfully	772	555	2 766		55		3 538
- liquidation							55
- reclassification of fixed assets	951		-1		194	14	1 159
- exchange rate differences	804				147		951
- elimination of a company from consolidation	63 593	31 258	23 245	4 119	23 029	691	114 677
d) gross value at the end of the period	2 676				443	19	3 138
- exchange rate differences	66 269	31 258	23 245	4 119	23 472	710	117 815
d') gross value at the end of period after translation	12 932	9 226			9 059	664	22 655
e) accumulated depreciation at the beginning of the period							
- correction for:							
e) accumulated depreciation at the beginning of period after adjustment	12 932	9 226			9 059	664	22 655
f) depreciation for the period (for)	5 099	2 605			1 684	3	6 786
- depreciation	6 694	3 160			1 957	16	8 667
- sale							
- liquidation	-555				-55		-610
- purchase of a company	-17				5		5
- reclassification	-318				17		
- exchange rate differences	-705				-106	-13	-437
- elimination of a company from consolidation	18 031	11 831			-134		-839
g) accumulated depreciation at the end of the period	392				10 743	667	29 441
- exchange rate differences	18 423	11 831			194	17	603
g) accumulated depreciation at the end of calculations	2 450	2 450	3 906		10 937	684	30 044
g) write-offs for impairment losses at the beginning of the period							
- correction of the opening balance sheet							
g) write-offs for impairment losses at the beginning of period after adjustment	2 450	2 450	3 906				6 356
- increases							

MOVEMENT OF INTANGIBLE ASSETS

	R & D expenses	- including manufactured in-house	development costs in progress	goodwill	concessions, patents, licences and similar assets acquired (including computer programs)	other intangible assets	Total intangible assets
a) gross value at the beginning of period	24 191	16 629	11 558	4 119	13 631	807	54 306
- correction of the opening balance sheet							
a') gross value at the beginning of period after adjustment	24 191	16 629	11 558	4 119	13 631	807	54 306
b) increases	14 701	5 843	3 369		3 184	11	21 265
- purchase	7 232		2 228		2 104		11 564
- manufacture	4 546	4 546	1 141				5 687
- exchange rate differences	292				59	11	362
- purchase of a company	2 631	1 297			1 021		3 652
c) decreases:	2 508	1 190	2 135		1 882	104	6 629
- sale			207		2		209
- liquidation /completed successfully/			878				878
- liquidation /completed unsuccessfully/			211				211
- liquidation	1 318		839		466	104	1 888
-requalification into tangible assets							839
- elimination of a company from consolidation					1 194		1 194
- reclassification							
- write-off of amortised intangible assets	1 190	1 190					1 410
d) gross value at the end of period	36 384	21 282	12 792	4 119	14 933	714	66 942
e) exchange rate differences	167				-366	-9	-208
f) gross value at the end of period after adjustment	36 551	21 282	12 792	4 119	14 567	705	66 734
g) accumulated depreciation at the beginning of the period	9 396	7 259			7 198	697	17 291
- correction of the opening balance sheet							
g') accumulated depreciation at the beginning of the period	9 396	7 259			7 198	697	17 291
h) amortisation for the period (for)	3 591	1 967			1 959	-26	5 524
- amortisation	4 129	2 286			2 056	41	6 226
- sale					-2	-2	-2
- liquidation	-1 207				-458	-103	-1 768
- exchange rate differences	92				35	8	135
- elimination of a company from consolidation					-403		-403
- write-off of amortised intangible assets	-1 190	-1 190			-220		-1 410
- reclassification					-28	28	
- purchase of a company	1 767	871			979		2 746
i) accumulated depreciation at the end of the period	12 987	9 226			9 157	671	22 815
j) exchange rate differences	-55				-98	-7	-160
k) accumulated depreciation at the end of the period after adjustment	12 932	9 226			9 059	664	22 655
l) write-offs for impairment losses at the end of period	2 450	2 450	3 906				6 356
- correction of the opening balance sheet							
l) write-offs for impairment losses at the beginning of period after adjustment	2 450	2 450	3 906				6 356
l) write-offs for impairment losses at the end of period	2 450	2 450	3 906				6 356
m) net value at the beginning of the period	12 345	6 920	7 652	4 119	6 433	110	30 659

m) net value at the beginning of period after adjustment	12 345	6 920	7 652	4 119	6 433	110	30 659
n) net value at the end of the period	21 169	9 606	8 886	4 119	5 508	41	39 723

Note 2

[in PLN thou]

CHANGE IN GOODWILL VALUE OF THE SUBORDINATED ENTITIES

	31.12.2011	31.12.2010
a) goodwill at the beginning of the period	1 241 228	1 195 544
- goodwill - subsidiaries	1 241 228	1 195 544
b) increases, including:	28 078	49 390
- exchange rate differences from translation - subsidiaries	10 193	
- takeover of a subsidiary	17 885	49 390
c) decreases, including:	18 712	3 706
- exchange rate differences from conversion - subsidiaries		3 003
- loss of control/ loss of joint control	17 221	703
- loss of value	1 491	
h) goodwill at the end of the period	1 250 594	1 241 228
- goodwill - subsidiaries	1 250 594	1 241 228

As a 31 December 2011 there was performed a test for impairment of goodwill, based on the IASs36. According to the IASs36, test for impairment of goodwill is performed annually. Tests for impairment of goodwill were carried out basing on a five-year forecast of future cash flows of the entities. The goodwill resulted from the accounting for the acquisition of the entities discounted by the discount rate for risk in the upcoming years at the level of ca. 8.86%. As a result of the tests there was stated a condition to make a write-down on goodwill for one subsidiary.

Note 3A

TANGIBLE FIXED ASSETS	31.12.2011	31.12.2010
a) tangible assets, including:	702 576	639 923
- land (the right of perpetual usufruct of land)	12 898	15 393
- buildings, office spaces and civil and water engineering objects	233 564	252 856
- technical equipment and machinery	430 086	341 028
- transportation means	9 982	11 661
- other fixed assets	16 046	18 985
b) intangible assets under construction	48 908	23 163
Tangible fixed assets, total	751 484	663 086

Depreciation rates used for tangible assets are as follows:

- Buildings and structures - 2.5% - 4.5%,
- Plant and machinery - 10% - 38.72%
- Means of transport - 20% - 33.06%
- Other - 14% - 40%,
- The right of perpetual usufruct of land, purchased the property:
acquisition value up to 500 PLN thou - 20%,
acquisition value of more than 500 PLN thou – in the contractual period in which these rights can be used.

Tangible assets are encumbered by a mortgage and a lien, up to the amount of PLN 619 753 thou

The amount of compensation received from third parties for tangible fixed assets that have been lost or impaired amounted to PLN 8 438 thou and was recognised in the income statement - Note 45, "received penalties, compensations".

In the reporting period and in the comparative periods there were no cases in which the funds were borrowed with no specific purpose, and then they were allocated to acquire a qualifying asset.

Note 3B

BALANCE SHEET TANGIBLE ASSETS (OWNERSHIP STRUCTURE)	31.12.2011	31.12.2010
a) own	592 722	593 086
b) used under tenancy, lease or other agreements, including leasing agreement:	109 854	46 837
- under leasing agreements -technical machinery and equipment	106 875	20 356
- under leasing agreements –transportation means	2 808	1 304
- under leasing agreements – other fixed assets (furniture)	171	25 177
Balance sheet tangible assets, total	702 576	639 923

Note 3C

OFF-BALANCE SHEET TANGIBLE ASSETS	31.12.2011	31.12.2010
- used under tenancy, lease or other agreements, including leasing agreement:	5 723	4 382
- tangible assets available for liquidation	1 230	1 230
- value of land operated under hereditary tenure	8 722	6 909
Off-sheet tangible assets, total	15 675	12 521

MOVEMENT OF TANGIBLE ASSETS (by type)

	Own land properties, including the right of perpetual usufruct of land	buildings and constructions	technical machinery and equipment	means of transport	other tangible assets	Total tangible assets
a) value of gross tangible assets at the beginning of the period	17 515	301 231	650 010	29 743	41 797	1 040 296
correction of the opening balance sheet						
a') value of gross tangible assets at the beginning of the period after adjustment	17 515	301 231	650 010	29 743	41 797	1 040 296
b) increases	721	15 821	191 224	3 778	7 007	218 551
- purchase	-70	6 291	53 974	1 630	2 583	64 408
- financial leasing			75 417	629		76 046
- adoption from investments		3 804	732	198	26	4 760
- upgrading		1 809	11 427	49	36	13 321
- purchase of a company	86	72	-4 689	911	541	6 299
- transfer from assets available for sale		2 770				2 770
- group correction			19	361	16	396
- valuation at fair value	705	1 075				1 780
- completion of own investments			44 966		3 805	48 771
c) decreases	3 558	31 096	70 908	5 361	8 279	119 202
- sale		5 106	22 397	1 729	1 143	30 375
- liquidation-scraping		34	31 318	282	2 738	34 372
- liquidation due to chance events			3 932		568	4 500
- liquidation correction			128		360	488
-requalification into investment properties		15 202				15 202
- completion of a leasing contract	281	1 571	1 524	141	336	3 952
- exchange rate differences			229		169	398
- group correction						789
- transfer to tangible assets under construction	863	9 183	11 380	789	2 965	26 571
- elimination of company from consolidation	2 414			2 180		2 414
- correction of the purchase value	14 678	285 956	770 326	28 160	40 525	1 139 645
- exchange rate differences	495	2 902	4 438	744	839	9 418
d') gross value of tangible assets at the end of the period after adjustment	15 173	288 858	774 764	28 904	41 364	1 149 063
e) accumulated depreciation at the beginning of the period	2 122	48 375	308 982	18 082	22 812	400 373
correction of the opening balance sheet	-77					-77
e') accumulated depreciation at the beginning of the period after adjustment	2 045	48 375	308 982	18 082	22 812	400 296
f) depreciation	230	6 054	33 577	348	1 988	54 463
- depreciation		6 345	77 001	3 216	7 021	93 872
- sale	289	-247	-9 168	-1 430	-657	-11 502
- liquidation-scraping			-25 623	-282	-2 681	-28 611
- depreciation correction		-25	-854	5	360	-489
- reallocation to off- balance sheet items	-59					-59
- requalification into investment properties		-866				-866
- reallocation from fixed assets available for sale		2 712				2 712
- liquidation correction			-128		-360	-488
- reallocation to fixed assets under construction				-276		-276

	-2	29	1	28
- group correction			-568	-3 690
- liquidation due to chance events	-3 122			-123
- completion of a leasing contract		-123		3 955
- purchase of a company	3 082	604	232	-11 513
- elimination of a company from consolidation	-7 353	-1 251	-1 110	-753
- exchange rate differences	-256	-144	-250	
g) depreciation at the end of the period	2 275	18 430	24 600	442 493
- exchange rate differences		865	518	3 994
g') accumulated depreciation at the end of the period after translation	2 275	18 922	25 318	446 487
h) write-offs for impairment losses at the beginning of the year				
i) write-offs for impairment losses at the end of the year	15 393	11 661	18 985	639 923
j) net value of tangible assets at the beginning of the period	341 028	11 661	18 985	639 923
k) net value of tangible assets at the end of the period	12 898	9 982	16 046	702 576

MOVEMENT OF TANGIBLE ASSETS (by type)

	Own land properties, including the right of perpetual usufruct of land	buildings and constructions	technical machinery and equipment	means of transport	other tangible assets	Total tangible assets
a) value of gross tangible assets at the beginning of the period	14 071	292 952	499 309	27 217		874 363
correction of the opening balance sheet						
a') value of gross tangible assets at the beginning of period after adjustment	14 071	292 952	499 309	27 217	40 814	874 363
b) increases	7 302	38 311	193 756	8 039	6 853	254 261
- purchase	1 645	13 464	58 348	3 478	2 094	79 029
- financial leasing			38 829	328	779	39 936
- adoption form investments	231	3 438	341	99	410	4 519
- upgrading		2 934	3 416		30	6 380
- purchase of a company		5 052				5 052
- transfer form assets available for sale	215		1 171	217		3 039
- group correction		426	27			453
- incorporation of a company into consolidation	5 211		66 064	3 917		87 462
- reclassification			141			141
- completion of own investments		106	25 419		2 725	28 250
c) Decreases	3 445	27 798	43 648	5 131	6 403	86 425
- sale		5 384	19 661	1 527	1 019	27 591
- liquidation - scrapping		971	9 751	242	4 679	15 643
- liquidation due to chance events			2			2
- completion of a leasing contract			2 712	680		3 392
- group correction	17	236			4	257
- reallocation to fixed assets available for sale			88			1 755
- inventory deficits			106	7		113
- elimination of a company from consolidation	3 428	19 741	11 328	2 675	500	37 672
d) gross value of tangible assets at the end of the period	17 928	303 465	649 417	30 125	41 264	1 042 199
- exchange rate differences	-413	-2 234	593	-382	533	-1 903
d') gross value of tangible assets at the end of the period after adjustment	17 515	301 231	650 010	29 743	41 797	1 040 296
e) accumulated depreciation at the beginning of the period	1 814	45 629	225 519	14 760	21 325	309 047
correction of the opening balance sheet						
e') accumulated depreciation at the beginning of the period after adjustment	1 814	45 629	225 519	14 760	21 325	309 047
f) depreciation	308	3 597	83 059	3 550	1 319	91 833
- depreciation	446	6 763	60 696	3 668	6 321	77 894
- sale		-4 668	-8 789	-807	-535	-14 799
- liquidation- scrapping		-696	-9 316	-240	-4 602	-14 854
- inventory deficits			-80	-4		-84
- reallocation from fixed assets available for sale		4 442				4 442
- reallocation into fixed assets available for sale			-23			-1 361
- incorporation of a company into consolidation			45 545	2 026		51 115
- group correction		-23	27		-4	

Note 4A**INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD**

	31.12.2011	31.12.2010
a) investment properties, including:	22 896	1 559
- land (including operated under hereditary tenure)	13 261	1 527
- buildings, office spaces and civil and water engineering objects	9 635	32
Investment properties, total	22 896	1 559

Depreciation rates used for investment properties are as follows:

- buildings and structures - 2.5% - 4.5%,
 - the right of perpetual usufruct of land, purchased the property:
 - acquisition value up to PLN 500 thou - 20%,
 - acquisition value of more than PLN 500 thou - the contractual period in which these rights can be used.
- Own lands are not redeemable.

Real estates do not hedge the Company's obligations.

There are no restrictions in realising the benefits from investment property or transferring revenue or profit in this respect.

There are no contractual obligations to purchase, construct or develop investment property or obligations to repairs, maintenance and improvements of the property.

Note 4B**REVENUES AND INCOME RELATED TO INVESTMENT PROPERTIES**

	31.12.2011	31.12.2010
a) revenues from rents of investment properties	1 325	30
b) direct operating costs related to revenues from rents of investment properties	775	5
c) direct operating costs related to revenues from investment properties generating no revenues from rents	4	5

Note 4C 31.12.2011

CHANGES IN INVESTMENT PROPERTIES (by type)

	Land (including the the right of perpetual usufruct of land)	Buildings, office spaces and civil and water engineering objects	Investment properties, total
a) gross value of the investment properties at the beginning of the period	1 546	76	1 622
b) increases , in :	10 415	9 201	19 616
- acquisition	1 439	5 135	6 574
- requalification of tangible assets	8 976	4 066	13 042
c) decreases, in:			
d) gross value of the investment properties at the end of the period	11 961	9 277	21 238
- exchange rate differences from translation	1 337	615	1 952
d') gross value of the investment properties at the end of the period	13 298	9 892	23 190
e) cumulated depreciation at the beginning of the period	19	44	63
f) depreciation for the period, in :	18	187	205
- depreciation write-offs	18	187	205
g) cumulated depreciation at the end of the period	37	231	268
- exchange rate differences from translation		26	26
g) cumulated depreciation at the end of the period after conversion	37	257	294
h) net value of the investment properties at the beginning of the period	1 527	32	1 559
i) net value of the investment properties at the end of the period	13 261	9 635	22 896

Note 4C 31.12.2010

CHANGES IN INVESTMENT PROPERTIES (acc. to the group types)

	Land (including the the right of perpetual usufruct of land)	Buildings, office spaces and civil and water engineering objects	Investment properties, total
a) gross value of the investment properties at the beginning of the period	1 595	3 968	5 563
b) increases , in :			
- acquisition			
- requalification of tangible assets			
c) decreases, in:	49	3 882	3 931
- sale	49		49
- elimination of a subsidiary from consolidation		3 882	3 882
d) gross value of the investment properties at the end of the period	1 546	86	1 632
- exchange rate differences from translation		-10	-10
d') gross value of the investment properties at the end of the period	1 546	76	1 622
e) cumulated depreciation (amortisation) at the beginning of the period	55	136	191
f) depreciation for the period, in :	-36	-87	-123
- depreciaiton write- offs	13	129	142
- sale	-49		-49
- elimination of a subsidiary from consolidation		-216	-216
g) cumulated depreciation (amortisation) at the end of the period	19	49	68
- exchange rate differences from translation		-5	-5
g) cumulated depreciation (amortisation) at the end of the period after conversion	19	44	63
h) net value of the investment properties at the beginning of the period	1 540	3 832	5 372
i) net value of the investment properties at the end of the period	1 527	32	1 559

Note 5A

INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD	31.12.2011	31.12.2010
- at the beginning of the period	17 136	15 527
- correction of the result of the previous years	-34	
- exchange rate differences from translation	3 860	143
- loss of control over a subsidiary	25 963	
- profit correction from top-down transactions	439	
- establishing write downs	-294	
- valuation by the equity method	12 575	1 466
- at the end of the period	59 645	17 136

KOPEX S.A. recognises investments in affiliates, i.e. which are influenced significantly using the equity method.

Where KOPEX S.A. ceases to have significant impact on the affiliated company, from that date it starts showing the investment in accordance with IAS 39, unless the affiliated company becomes a subsidiary or a joint venture. If an investment ceases to be an affiliate and is recognised under IAS 39, the fair value of investments referred to on the day on which it ceases to be an affiliate shall be regarded as the fair value of its investments at initial recognition as a financial asset in accordance with IAS 39.

In 2011, the consolidated financial statements changed the mode of recognition of financial statements of Tagao Shandong Mining Equipment Manufacturing Co. Ltd, based in China, from the full method to the equity method. Changes also included data of the previous period presented. The effects of changes are included in item 17.5. of the Supplementary Information to this financial statement.

Note 5B

FINANCIAL DATA ON AFFILIATES	31.12.2011	31.12.2010
Assets, total	567 202	333 252
Liabilities	473 500	283 084
Revenues	837 062	298 093
Profit/loss for the financial period	43 243	-790

Note 5C 31.12.2011**INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD**

	Entity	Headquarters	Percentage of the share capital held	Percentage of the total voting rights at the general meeting
1.	WS Baildonit Sp. z o.o.	Katowice /Poland/	29,41%	29,41%
2.	Anhui Long Po Electrical Corporation Ltd	China	20,00%	20,00%
3.	Tiefenbach Polska Sp. z o.o.	Radzionków /Poland/	49,00%	49,00%
4.	Odlewnia Staliwa Labędy Sp. z o.o.	Gliwice /Poland/	25,50%	25,50%
5.	Shandong Tagao Mining Equipment Manufacturing Co. Ltd	China	50,00%	50,00%
6.	Nepean Longwall	Australia	25,00%	25,00%
7.	Hansen Electric spol. S.r.o.	Czech Republic	50,00%	50,00%
6.	OOO SIB-Hansen	Russia	40,00%	40,00%

Note 5C 31.12.2010**INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD**

	Entity	Headquarters	Percentage of the share capital held	Percentage of the total voting rights at the general meeting
1.	WS Baildonit Sp. z o.o.	Katowice /Poland/	29,41%	29,41%
2.	Anhui Long Po Electrical Corporation Ltd	China	20,00%	20,00%
3.	Tiefenbach Polska Sp. z o.o.	Radzionków /Poland/	49,00%	49,00%
4.	Odlewnia Staliwa Labędy Sp. z o.o.	Gliwice /Poland/	25,50%	25,50%
5.	Shandong Tagao Mining Equipment Manufacturing Co. Ltd	China	50,00%	50,00%
6.	Hansen Group	Germany	-	-

Note 6A

LONG TERM FINANCIAL ASSETS AVAILABLE FOR SALE	31.12.2011	31.12.2010
-as at the beginning of the period	1 520	2 818
-exchange rate differences	1	-1
-sale		-1 299
- valuation at equity	-5	2
-as at the end of period- balance sheet value	1 516	1 520

-as at the end of period- fair value

Shares in entities not being subsidiaries or affiliates purchased with no intention of their quick reselling are included in the financial assets available for sale by the KOPEX Group.

Financial assets upon their initial recognition are valued at fair value and the evaluation results are recognised in other total revenues, increasing or decreasing the revaluation reserve.

Write-offs for impairment losses and exchange rate differences are recognised in the results account.

Accumulated earnings or losses recognised formerly in other total income, are transferred from the equity to profits or losses upon derecognition of the asset from the statement of financial position.

It is not possible to fix a fair value for asset available for sale that has no established due date and its valuation is done at purchase price.

As at 31 December 2011 and as at 31 December 2010 the KOPEX S.A. Group held shares of the companies for which there is no active market. Value of those shares of the Company was valued at purchase price less write-offs for impairment losses.

Note 6C

NET PROFIT OR LOSS RECOGNISED IN LONG-TERM FINANCIAL ASSETS AVAILIABLE FOR SALE	31.12.2011	31.12.2010
- write-offs for impairment losses		-7
- amounts from sale		503
Total		496

Note 7A

LONG-TERM OTHER RECEIVABLES	31.12.2011	31.12.2010
-bails	6 911	821
- Performance Guarantees		272
- agreement on repayment of revenues in installments	30	60
- accounting for projects and branch offices abroad		94
-other	3 793	
Other net long-term receivables	10 734	1 247
-write downs on receivables		
- valuation of long-term receivables at depreciated cost		7
Other gross long-term receivables	10 734	1 254

Note 7B**CHANGE IN THE VALUATION OF LONG-TERM RECEIVABLES FROM SUPPLIES AND SERVICES AND OTHER RECEIVABLE (BY DEPRECIATED COST)**

	31.12.2011	31.12.2010
At the beginning of the period	7	
a) increase included in the income statement		7
b) decrease included in the income statement	-7	
Valuation of long-term receivable (by depreciated cost method) at the end of the period		7

Note 7C**OTHER GROSS LONG-TERM RECEIVABLE (CURRENCY STRUCTURE)**

	31.12.2011	31.12.2010
a) in the Polish currency	6 992	279
b) in other currencies (acc. to currencies and after translation into PLN)	3 742	975
b1. unit/ currency EUR thou	2	8
PLN thou	9	32
b2. unit/ currency EUR thou	1 084	
PLN thou	3 704	
b3. other currencies, in PLN thou	29	943
Long term receivable, total	10 734	1 254

Note 8**LEASING RECEIVABLE**

	31.12.2011	31.12.2010
a) minimum leasing fees, including:	158 856	29 270
- up to 1 year	69 978	12 790
- up to 5 years	88 878	16 480
- above 5 years		
b) unrealised financial receivable, including:	13 346	1 209
- up to 1 year	7 846	198
- up to 5 years	5 500	1 011
- above 5 years		
c) current value of minimum financial leasing fees:	145 510	28 061
- up to 1 year	62 132	12 592
- up to 5 years	83 378	15 469
- above 5 years		
d) reserves for unrecoverable leasing fees (write downs)	748	2 876
e) leasing receivable in the statement of financial position, including:	144 762	25 185
- long-term	83 361	15 469
- short-term	61 401	9 716

Total amount of unguaranteed residual values amounts to PLN 1 075 thou.

In the reporting period contingent leasing rents recognised as income amounted to PLN 2 092 thou.

General provisions for major leasing agreements:

- leasing agreements are signed for a definite period of time,
- after the expiration of the leasing period, the lessee has the right to acquire ownership of the leased asset at the price specified in the contract,
- the average length of a financial leasing amounts to 3 years in the frame of the signed contracts

<u>Note 9A</u>	31.12.2011	31.12.2010
LONG-TERM LOANS GRANTED		
- at the beginning of the period	687	293
- Loans granted	2 024	687
- Loans repayment	-1 667	-293
- revaluation of loans granted according to adjusted purchase price		
- at the end of the period	1 044	687

<u>Note 9B</u>	31.12.2011	31.12.2010
LONG-TERM LOANS GRANTED (CURRENCY STRUCTURE)		
a) in PLN	1 044	
b) in foreign currencies (per currency and after conversion into PLN)		687
b1. unit/ currency EUR thou		174
PLN thou		687
b.3. other currencies converted into PLN		
Long-term loans granted, total	1 044	687

<u>Note 10A</u>	31.12.2011	31.12.2010
OTHER LONG-TERM FINANCIAL ASSETS		
- shares in related parties	6	5 534
- shares in other entities		7
- other		
Other long-term financial assets, total	6	5 541

In the item "Other long-term financial assets" there are recognised investments in subsidiaries, which are based on the criterion of significance are not included in the consolidated financial statements and are counted as assets held for sale, in accordance with IFRS 5. They are recognised as cost under IAS 27, decreased by allowances for impairment losses. As at 31 December 2011 and as at 31 December 2010 consolidation does not include EKOPEX, a company based in Ukraine. As at 31 December 2010 KOPEX-MIN FITIP based in Serbia, was eliminated from consolidation due to loss of control, related with putting the company into liquidation. In 2011 because of the approaching deadline for the completion of the liquidation, value of this investment is recognised in other receivables.

<u>Note 10B</u>	31.12.2011	31.12.2010
OTHER LONG-TERM FINANCIAL ASSETS		
- value as per purchase price	6	5 541
- revaluation of pricing at the beginning of the period		
- revaluation of pricing during the period		
- balance sheet value	6	5 541

Note11

CHANGE IN ASSET VALUE FOR DEFERRED INCOME TAX	31.12.2011	31.12.2010
Asset value for deferred income tax	74 580	63 694

With the exception of assets computed from future obligations for awards and retirement benefits, which shall be carried out in the period of up to 40 years after balance sheet date, the remaining temporary difference shall be carried out in the period of 12 months from the balance sheet date.

Deferred income tax is fixed, taking into account the precautionary principle in the amount provided for in the future to be deducted from the income tax due to:

- Deductible temporary differences,
- Transfer to another period of unused tax losses
- Transfer to another period of unused tax credits.

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

The deferred income tax asset shall be recognised for all deductible temporary differences up to the amount that it is likely that taxable profit is gained and it shall allow the deduction of temporary differences.

The deferred income tax is recognised as income or expense that affects the outcome of the period (item "Income Tax", including the item "Deferred tax" and / or "Income / Financial expenses- exchange rate differences"), with the exception of taxes resulting from transactions or events that are recognised, in the same or a different period, outside of the result, in other total income or directly in equity but excluding summing up of the projects.

Deferred tax is recognised outside of the result if the tax relates to items that are in the same or a different period were included off- the result. If it applies to the items that in the same or in a different period were included in other total income, the deferred tax shall be recognised in other total incomes. If it relates to items that were recognised directly in equity, deferred tax shall be also recognised in equity.

ASSETS FOR DEFERRED INCOME TAX

	As at 01 January 2011	Recognition / Burden (-) of net profit for the change of temporary differences and tax loss	Increase / Decrease (-) other total incomes due to changes in temporary differences	Loss / increase of control / foreign exchange rate differences	As at 31 December 2011
Accruals	3 714	1 862	0		5 576
Reserves	3 548	597	0		4 145
Interest	1 313	891	0		2 204
Write downs on asset value	2 043	569	0		2 612
Tangible assets	905	-92	12		825
Exchange rate differences	797	908	0		1 705
Derivatives revaluation	0	176	0		176
Hedging revaluation	553	510	94		1 157
Receivable/long term liabilities revaluation	4	12	0		16
Surplus in loss and receivable subject to accomplishment of the contract over receivables from revaluation	1 537	2 341	0		3 878
Tax loss carry forward	19 424	-3 591	0		15 833
Tax loss for 2011	0	1 682	0		1 682
Investment tax credit	17 386	9 035	0		26 421
Other	12 470	4 085	0	-8 205	8 350
Total	63 694	18 985	106	-8 205	74 580

ASSETS FROM DEFERRED INCOME TAX

	As at 01 January 2011	Recognition / Burden (-) of net profit for the change of temporary differences and tax loss	Increase / Decrease (-) other total incomes due to changes in temporary differences	Loss / increase of control / foreign exchange rate differences	As at 31.12.2011
Accruals	2 366	328	0		2 694
Reserves	3 206	-14	0		3 192
Interest	669	644	0		1 313
Write downs on asset value	1 216	827	0		2 043
Tangible assets	118	787	0		905
Exchange rate differences	563	234	0		797
Derivatives revaluation	803	-803	0		0
Hedging revaluation	6 001	-870	-4 578		553
Receivable/ long term liabilities revaluation	0	4	0		4
Surplus in loss and receivable subject to accomplishment of the contract over receivables from revaluation	3 283	-1 746	0		1 537
Tax loss carry forward	9 566	9 535	323		19 424
Minus temporary differences related to branch offices abroad	1 397	-22	0		1 375
Investment tax credit	14 399	2 987	0		17 386
Other	11 581	1 214	0	-324	12 471
Total	55 168	13 105	-4 255	-324	63 694

Note12

LONG-TERM ACCRUALS	31.12.2011	31.12.2010
- accessories for longwall shearers leased	2 683	2 349
- new production preparation costs	3 577	63
- other expenses paid in advance	85	106
Long-term accruals, total	6 345	2 518

Note 13A

INVENTORIES	31.12.2011	31.12.2010
a) materials	187 789	172 103
b) semi-products and products in progress	127 444	158 665
c) ready made products	59 849	67 099
d) goods	61 316	52 448
Inventories, total	436 398	450 315
f) inventory write-downs - materials	3 077	2 679
g) inventory write-downs - semi-products and products in progress	393	1 825
h) inventory write-downs -ready made products	4 771	3 567
i) inventory write-downs - goods	1 956	1 204
Gross inventories, total	446 595	459 590

Inventories are burdened with a lien amounting to PLN 99 121 thou to secure loans raised.

Inventories are valued at acquisition or production cost or at net realisable obtainable value, depending on whichever is lower. Write-downs of inventories are made at the balance sheet date if there are compelling reasons for their accomplishment. Write-downs are included in other operating expenses.

At the balance sheet date inventories are recognised as purchase cost less the established write downs.

Note 13B

CHANGE IN INVENTORY WRITE- DOWNS	31.12.2011	31.12.2010
At the beginning of the period	9 275	5 480
Exchange rate differences from translation	-267	
a) increases included in the income statement (for)	3 421	5 393
- revaluation of materials	1 766	1 337
- revaluation of semi-products and products in progress	55	199
- revaluation of ready-made products	828	3 030
- revaluation of goods	772	18
- inclusion of a subsidiary into consolidation		809
b) decreases included in the income statement (for)	973	1 598
- cessation of reasons for write-down - materials	452	820
- cessation of reasons for write-down - semi-products and products in progress	240	238
- cessation of reasons for write-down - ready-made products	279	307
- cessation of reasons for write-down - goods	2	233
c) Elimination of a subsidiary from consolidation	-1 259	
At the end of the period	10 197	9 275

Note 14A

SHORT-TERM RECEIVABLES FOR SUPPLIES AND SERVICES	31.12.2011	31.12.2010
- repayment period up to 12 months	464 422	405 188
- repayment period over 12 months	11 688	35
Short-term receivables for supplies and services, total	476 110	405 223
c) write-downs	41 663	34 735
Gross short-term receivables for supplies and services, total	517 773	439 958

Debts and claims are shown at the amount due, i.e. considering the interest due. Interest is calculated and recognised in the financial revenues in the item "Interest". Criterion of significance is applied when accruing interest.

Debts and claims shall be shown on a net basis, i.e. less established accruals, due to their risk of default.

Write downs on receivables are established for:

- receivables from debtors in liquidation or bankruptcy – up to the amount of receivables not covered by guarantee or other security contributions or up to the amount of the redemption proposal,
- receivables from debtors in case of dismissal of the bankruptcy if the debtor's assets are insufficient to cover the costs of insolvency proceedings
- receivables questioned by the debtors, up to the amount not covered by the guarantee or other security,
- any payments whose maturity has not expired yet, or has already expired as well as if the economic and financial situation of the debtor is not favourable- up to the amount of receivables,
- the total amount of unpaid interest on overdue payments, applying the criterion of significance.

Write downs on receivables are recognised in the item "Other expenses", except for write downs on receivables, which are recognised in financial expenses in the item "Other financial expenses".

Dissolution of write downs occurs when the payment is received and it is included in the income statement under "Other income", with the exception of write downs on interest, which are dissolved in finance revenues under "Other financial income". Receivables denominated in foreign currencies, except for non-cash items in the form of advances, are valued on the reporting date, at the average exchange rate fixed in a specific currency by the Polish National Bank on that date. Translation differences on debt denominated in foreign currencies arising from the valuation date and the payment are recognised as appropriate for the financial costs of negative and positive financial income under "Exchange rate differences".

Information on concentration of receivables is included in item 8 of the Note, "Financial Risk Management Policy and Securing"

A pledge on receivables in the amount of PLN 1 407 thou has been established as credit security.

Note 14B

GROSS RECEIVABLES FOR SUPPLIES AND SERVICES- IN THE REPAYMENT PERIOD AFTER THE BALANCE SHEET DATE	31.12.2011	31.12.2010
a) up to 1 month	160 902	125 513
b) 1 month to 3 months	111 631	96 910
c) 3 months to 6 months	27 566	46 094
d) 6 months to 1 year	80 709	42 034
e) over 1 year	26 401	34
f) overdue receivables	110 564	129 373
Gross receivables for supplies and services, total:	517 773	439 958
g) write downs on receivables from supplies and services	-41 663	-34 735
Net receivables for supplies and services, total:	476 110	405 223

Note 14C

OVERDUE GROSS RECEIVABLES FOR SUPPLIES AND SERVICES -DIVIDED INTO UNREPAID PAYMENTS IN THE FOLLOWING PERIODS:	31.12.2011	31.12.2010
a) up to 1 month	29 566	42 414
b) 1 month to 3 months	17 970	28 795
c) 3 months to 6 months	13 284	6 474
d) 6 months to 1 year	4 980	16 068
e) over 1 year	44 764	35 622
Overdue gross receivables for supplies and services, total:	110 564	129 373
g) write downs on receivables from supplies and services	-34 466	-34 050
Overdue net receivables for supplies and services, total:	76 098	95 323

Note 15

SHORT- TERM OTHER RECEIVABLES	31.12.2011	31.12.2010
- advances for supplies	7 592	4 495
- for taxes, grants, customs duties, social and health insurances and other benefits	42 736	29 521
- for financial activity	40 398	13 350
- receivables from a liquidator of a subsidiary	6 959	
- bails	5 851	
-other	14 907	27 542
Net short-term other receivables, total	118 443	74 908
c) write-downs	16 999	4 502
Gross short-term other receivables, total	135 442	79 410

Note 16A

CHANGE IN WRITE -DOWNS ON SHORT-TERM RECEIVABLES FROM SUPPLIES AND SERVICES AND SHORT-TERM OTHER RECEIVABLES	31.12.2011	31.12.2010
At the beginning of the period	39 237	56 143
Exchange rate differences from conversion	2 171	
a) increases, including:	36 976	14 794
- revaluation of doubtful accounts	27 748	10 497
- taking control over subsidiaries- incorporation into consolidation		4 297
- reallocation from other assets- from a liquidator of a liquidated company	9 102	
- other	126	
b) decreases, including:	19 722	31 700
- taking advantage of write-downs on receivables	6 335	15 861
- repayment of receivables	6 070	7 366
- cessation of reasons	208	7 086
- elimination of a subsidiary from consolidation	5 613	
- other	1 496	1 387
Write downs on short-term receivables at the end of the period	58 662	39 237

<u>Note 16B</u>	31.12.2011	31.12.2010
SHORT-TERM RECEIVABLES FROM SUPPLIES AND SERVICES AS WELL AS GROSS SHORT-TERM OTHER RECEIVABLES (CURRENCY STRUCTURE)		
a) in PLN	420 123	323 284
b) In foreign currencies (by currencies and after conversion into PLN)	233 092	196 084
b1. unit /currency thou/USD	7 256	7 158
PLN thou	24 798	29 098
b1. unit /currency thou/EUR	21 291	26 676
PLN thou	94 039	105 222
b1. unit /currency thou/AUD	8 073	1 947
PLN thou	27 990	5 876
b.2.unit /currency thou/ZAR	93 969	21 028
PLN thou	39 443	9 463
b.3.other currencies In PLN thou	46 822	46 425
Short-term receivables, total	653 215	519 368

<u>Note 17A</u>	31.12.2011	31.12.2010
SHORT-TERM LOANS GRANTED		
- at the beginning of the period	83 949	54 926
- purchase of bonds	121 170	180 398
- granting loans	6 847	28 678
- repayment of bonds	-138 642	-169 792
- repayment of loans	-15 327	-10 061
- elimination of a subsidiary from consolidation	-40	
- exchange rate differences	56	-200
- at the end of the period	58 013	83 949

<u>Note 17B</u>	31.12.2011	31.12.2010
SHORT-TERM LOANS GRANTED (CURRENCY STRUCTURE)		
a) in PLN	56 661	72 226
b) in foreign currencies (by currencies and after conversion into PLN)	1 352	11 723
b1. unit /currency thou/EUR	306	1 381
PLN thou	1 352	5 467
b.2.unit /currency thou/USD		6
PLN thou		19
b.3.other currencies in PLN thou		6 237
Short-term loans granted, total	58 013	83 949

31.12.2011

Note 18A**HEDGE DERIVATIVE FINANCIAL INSTRUMENTS – FINANCIAL ASSETS**

a) hedge cash flow , for which hedge accounting is conducted	1 519
- sale forward contracts USD - value PLN 288 thou, average exchange rate 3.289	12
- sale forward contracts EUR - value PLN 82 552 thou, average exchange rate 4.588	1 507
b) hedge cash flow , for which hedge accounting is not conducted	136
- sale forward contracts USD - value PLN, average exchange rate ...	
- sale forward contracts EUR - value PLN 16 686 thou, average exchange rate 4.4201	136
Derivative financial instruments, total	1 655

Derivatives for which no hedge accounting are carried out in the current assets, under "Derivative Financial Instruments" in the statement of financial position.

Valuation of such instruments is recognised in financial income or expenses under "Revaluation of investments". Net realisation of the derivative is also recognised in income or financial costs. For forward contracts on the sale / purchase of currency for the execution result , they are also recognised in the item "Exchange rate differences" in income or financial costs.

Derivatives for which hedge accounting is conducted are instruments designated in accordance with the principles of hedge accounting, whose fair value or its cash flows are used to balance changes in fair value or cash flows of the hedged item.

The Group shall apply hedge accounting if all the conditions set out in IFRS / IAS are met, ie:

- hedging relationships, as well as risk management objective and hedging strategy are formally designated and evidenced upon inception of the hedge,
- hedging is expected to be highly effective,
- forecast transaction that is hedged is highly probable and is subject to risk changes in cash flows that may affect the income statement for cash flow hedges,
- the hedge efficiency can be reliably measured,
- hedging is constantly evaluated and the hedge efficiency is maintained in all reporting periods.

Note 18A.

31.12.2010

HEDGE DERIVATIVE FINANCIAL INSTRUMENTS – FINANCIAL ASSETS

a) hedge cash flow , for which hedge accounting is conducted	1 042
- sale forward contracts USD - value PLN 12 211 thou, average exchange rate 3.2291	816
- sale forward contracts EUR - value PLN 10 823 thou, average exchange rate 4.0898	226
-sale options USD- value , average exchange rate	
b) hedge cash flow , for which hedge accounting is not conducted	320
-sale options USD- value , average exchange rate	
- sale forward contracts EUR - value PLN 8 217 thou, average exchange rate 4.1285	320
Derivative financial instruments, total	1 362

<u>Note 18B</u>	31.12.2011	31.12.2010
RESULT ON DERIVATIVE CASH-FLOW HEDGING INSTRUMENTS RECOGNISED DIRECTLY IN THE EQUITY		
a) cumulated result on cash flow financial hedging instrument at the beginning of the period	87	-37 416
b) value recognised in the equity for hedging transactions concluded effectively in the accounting period	-865	660
c) realised hedging transactions maintained in the equity until the scheduled (hedged) transaction	-59	
d) value transferred from the equity to the income statement in the accounting period	-1 656	36 843
- open transactions	-575	1
- close transactions	-1 081	36 842
e) cumulated result on the equity gained on the financial instruments hedging cash flow at the end of the fiscal year	819	87

<u>Note 18C</u>	31.12.2011	31.12.2010
RESULT ON DERIVATIVE INSTRUMENTS VALUATED AT FAIR VALUE THROUGH INCOME STATEMENT -FINANCIAL ASSETS		
a)valuated at fair value initially		
- realised derivative instruments	28	-18 755
- valuation of unrealised derivative instruments	1 575	8 905
Total	1 603	-9 850

<u>Note 19</u>	31.12.2011	31.12.2010
CHANGE IN SHORT-TERM FINANCIAL ASSETS VALUATED AT FAIR VALUE THROUGH FINANCIAL RESULT		
at the beginning of the period		
- acquisition	1 255	
- valuation to the financial result	1	
- sale	-746	
At the end of the period	510	

The Group shall recognise the financial assets valued at fair value through profit or loss as assets acquired for resale in a short term and as other financial assets that are a part of a portfolio of similar assets (there is a high probability of short-term economic benefits) and as financial assets that are initially recognised according to fair value through profit or loss if it leads to more relevant information.

The Group has recognised shares of the joint stock public company listed on the Warsaw Stock Exchange in the item of short-term financial assets valued at fair valued through profit or loss.

Note 20A	31.12.2011	31.12.2010
CASH AND OTHER MONEY ASSETS (CURRENCY STRUCTURE)		
a) in PLN	73 742	60 457
b) in foreign currencies (acc. to currencies and after conversion into PLN)	62 719	104 251
b1. unit/currency USD	147	2 445
in PLN	500	7 247
b2. unit/currency EUR	13 031	18 123
in PLN	57 572	71 780
b3. oother currencies in PLN	4 647	25 224
Cash and other money assets, total	136 461	164 708

Note 20B	31.12.2011	31.12.2010
CASH STRUCTURE		
a) cash in banks	134 109	151 123
b) cash in cash boxes	568	1 565
c) other	1 784	12 020
Cash , total	136 461	164 708

Cash and cash equivalents are recognised at nominal value. If the funds are held in bank accounts, their nominal values include any interest added or deducted by the bank.

Note 21	31.12.2011	31.12.2010
SHORT-TERM ACCRUALS		
a) prepaid expenses, including:	17 381	17 919
- subscriptions, insurances, write -off for the Company Social Benefits Fund	4 644	3 285
- lease costs settled over time	7 450	114
- costs of a new manufacture preparation process	3 537	12 712
- other	1 750	1 808
b) Other accruals , including:	118 297	80 297
- long-term contracts –revenues not invoiced	116 944	79 388
- revenues from sale of electricity and other ,by the memorial metod	201	43
- preparation of new works	129	39
- other	1 023	827
Short-term accruals, total	135 678	98 216

Prepaid expenses are made if the costs incurred relate to the future reporting periods. Prepaid expenses will be recognised in long-term accruals unless they relate to a normal operational activity cycle of the Group and their settlement is made in a period longer than 12 months from the balance sheet date.

<u>Note 22</u>	31.12.2011	31.12.2010
SHARE CAPITAL (STRUCTURE)		
- type of shares	bearer shares	bearer shares
- type of share privilege	non-preference shares	non-preference shares
- registration date	03.01.1994	03.01.1994
- right to the dividend (from this date onward)	03.01.1994	03.01.1994
- number of shares	1 989 270	1 989 270
- par value of one share	10 PLN	10 PLN
- split date	01.08.2006	01.08.2006
- number of shares	19 892 700	19 892 700
- par value of one share	1 PLN	1 PLN
- issue of B-series shares (registration date)	10.08.2007	10.08.2007
- dividend right (from the following date)	10.08.2007	10.08.2007
- number of shares	47 739 838	47 739 838
- par value of one share	1 PLN	1 PLN
- issue of C-series shares (registration date)	01.12.2009	01.12.2009
- right to the dividend (from this date onward)	01.12.2009	01.12.2009
- number of shares	6 700 000	6 700 000
- par value of one share	1 PLN	1 PLN
Number of shares , total	74 332 538	74 332 538
Par value of one share	1 PLN	1 PLN
Share capital, total	74 333	74 333

The Management Board of KOPEX S.A. acting under the authority granted by Resolution No.1 of the Extraordinary General Meeting of Shareholders of KOPEX S.A. dated 11 December 2008 on the approval and determination of conditions for the acquisition of own shares by the Company and by the Resolution No. 2 of the Extraordinary General Meeting of Shareholders of KOPEX S.A. dated 11 December 2008 on empowerment of the Management Board to acquire own shares, pursuant to Art. 362 Par. 1 item 8), proceeded to implementation of the Programme of KOPEX S.A. own shares buy-back. During the Programme, lasting from 15 December 2008 to 05 February 2009, there were acquired 276.500 own shares of KOPEX S.A. in total, at an average purchase price of PLN 10.75 per share. From 15 December 2008 to December 2008 the Issuer acquired own shares whose value amounted to PLN 2 979 thou. They represent 0.409% of share capital of KOPEX S.A. and have no voting rights and therefore the earnings per 1 share entitled to one vote is shown in the Financial Statement.

Subsidiaries and affiliates are not in possession of own shares of KOPEX S.A.

<u>Note 23</u>	31.12.2011	31.12.2010
SPARE CAPITAL		
- from share issue over its par value, from reverse merger settlement	1 192 379	1 189 856
- from profit	927 893	881 092
- from decreased share capital	9 907	9 907
- from revaluation reserve	17 897	17 429
- other	8 557	7 148
Spare capital , total	2 156 633	2 105 432

<u>Note 24</u>	31.12.2011	31.12.2010
REVALUATION RESERVE		
a) tangible assets revaluation	37 811	43 123
b) long-term and short-term investments revaluations	-1	4
c) deferred income tax	-7 804	-8 345
d) cash flow hedging	819	87
Revaluation reserve, total	30 825	34 869

Note 25

OTHER RESERVE CAPITALS	31.12.2011	31.12.2010
- for purchase of own shares	17 021	17 021
- other	50 167	38 208
Other reserve capitals, total	67 188	55 409

Note 26

CHANGE IN NON-CONTROLLING SHARE CAPITAL	31.12.2011	31.12.2010
Non-controlling share capital at the beginning of the period	60 785	46 452
a) increases	10 969	16 793
- non-controlling share in change of equity of subsidiaries	10 969	8 588
- decrease of control/ taking over control		8 205
b) decreases	40 873	2 460
- dividend paid to non-controlling shares	7 385	598
- loss of control/ increase of control	33 488	1 862
Non-controlling share capital at the end of the period	30 881	60 785

Note 27A**LONG-TERM CREDITS AND LOANS****Long-term credits and loans from other entities**

	31.12.2011	31.12.2010
- at the beginning of the period	34 767	206 079
- exchange rate differences from translation		803
- raising credits, loans	76 861	29 427
- reallocation from short-term credits and loans	42 580	
- repayment of credits, loans	-24 224	-1 235
- reallocation to short-term credits and loans		-199 988
- valuation of credits and loans granted by the adjusted purchase price method	13	368
- elimination of a subsidiary from consolidation		-687
- at the end of the period	129 997	34 767

Upon initial recognition, loans and borrowings are recognised at purchase price, equivalent to the fair value of cash received, less the costs of obtaining the loan.

In the subsequent periods, long-term credits and loans are valued by depreciated purchase price, using the effective interest rate.

In determining the depreciated purchase price, all the costs associated with obtaining credits, loans, discounts or bonuses received upon accounting for liabilities.

Note 27B**LONG-TERM CREDITS AND LOANS (CURRENCY STRUCTURE)**

	31.12.2011	31.12.2010
a) in PLN	129 997	21 262
b) in foreign currencies (acc. to currencies and after translation into PLN)		13 505
b1. unit/currency thou./EUR		
PLN thou		
b.3.other currencies in PLN thou		13 505
Long-term credits and loans, total	129 997	34 767

RESERVES FOR DEFERRED INCOME TAX

	As at 01.01.2011	Recognition/ Burden (-) of net profit for the change of temporary differences and tax loss	Increase/Decrease (-) of other total income for changes in temporary differences	As at 31.12.2011
Accruals	211	945	0	1 156
Interest	1 922	661	0	2 483
Tangible assets	6 848	1 512	-667	7 693
Exchange rate differences	2 765	3 389	0	6 154
Penalties (not received)	183	1 353	0	1 536
Derivative revaluation	60	-29	0	31
Hedging revaluation	198	-143	233	288
Revaluation of financial assets available for sale	0	0	-1	-1
Revaluation of financial assets at fair value through profit or loss	0	89	0	89
Receivable/ long term liabilities revaluation	459	18	0	477
Surplus in loss and receivable subject to accomplishment of the contract over receivables from revaluation	1 411	2 087	0	3 498
Plus temporary differences related to branch offices abroad	2 610	333	0	2 943
Other	9 684	3 881	0	13 565
Total	26 351	14 096	-435	40 012

ASSETS FROM DEFERRED INCOME TAX

	As at 01.01.2010	Recognition / Burden (-) of net profit for the change of temporary differences and tax loss	Increase / Decrease (-) other total incomes due to changes in temporary differences	Loss/ increase of control/exchange rate differences	As at 31.12.2010
Accruals	2 366	328	0		2 694
Reserves	3 206	-14	0		3 192
Interest	669	644	0		1 313
Write downs on assets	1 216	827	0		2 043
Tangible assets	118	787	0		905
Exchange rate differences	563	234	0		797
Derivatives revaluation	803	-803	0		0
Hedging revaluation	6 001	-870	-4 578		553
Receivable/ long term liabilities revaluation	0	4	0		4
Surplus in loss and receivable subject to accomplishment of the contract over receivables from revaluation	3 283	-1 746	0		1 537
Tax loss carry forward	9 566	9 535	323		19 424
Minus temporary differences related to branch offices abroad	1 397	-22	0		1 375
Investment tax credit	14 399	2 987	0		17 386
Other	11 581	1 214	0	-324	12 471
Total	55 168	13 105	-4 255	-324	63 694

Note 28A

	31.12.2011	31.12.2010
LONG-TERM OTHER LIABILITIES		
- investment activities	926	11 770
- other liabilities	11 194	9 863
Other net long-term liabilities	12 120	21 633
c) valuation of long-term liabilities by the depreciated cost method	1 666	1 359
Other gross long-term liabilities	13 786	22 992

Long-term liabilities beyond the normal operating cycle are valued at the reporting date at depreciated cost, using the effective interest rate. All the side-effects of the valuation of liabilities at depreciated cost and results of removing the debt from the balance sheet are recognised in the income statement.

Note 28B

	31.12.2011	31.12.2010
CHANGE IN THE VALUATION OF OTHER LONG-TERM LIABILITIES BY THE DEPRECIATED COST METHOD		
at the beginning of the period	1 359	1 381
a) increases recognised in the income statement	900	25
b) decreases recognised in the income statement	-593	-47
Change in the valuation of other long-term liabilities by the depreciated cost method at the end of the period	1 666	1 359

Note 28C

	31.12.2011	31.12.2010
OTHER GROSS LONG-TERM LIABILITIES (CURRENCY STRUCTURE)		
a) in PLN	225	10 704
b) in foreign currencies (acc. to currencies and after translation into PLN)	13 561	12 288
b1. unit/currency thou/EUR	2 214	2 961
PLN thou	9 777	11 723
b2. other currencies in PLN thou	3 784	565
Long-term liabilities , total	13 786	22 992

Note 29	31.12.2011	31.12.2010
LEASING LIABILITIES		
a) minimum leasing fees, including:	103 602	31 986
- up to 1 year	26 325	11 475
- up to 5 years	77 277	20 511
- over 5 years		
b) future financial fees, including:	12 062	4 098
- up to 1 year	4 182	1 416
- up to 5 years	7 880	2 682
- over 5 years		
c) current value of minimum fees for financial leasing:	91 540	27 888
- up to 1 year	22 143	10 059
- up to 5 years	69 397	17 829
- over 5 years		
e) leasing liabilities recognised in the statement of financial position, including:	91 540	27 888
- long-term	69 397	17 829
- short-term	22 143	10 059

For most of the contracts, the leasing object becomes the Group property at the end of the leasing contract and after payment of all the fees.

Other contracts provide for to use the buy-back option. Total final value amounts to PLN 1 572 thou.

Interest is subject to change depending on changes of WIBOR 1M rates in most leasing contracts.

Note 30	31.12.2011	31.12.2010
DEFERRED INCOME TAX RESERVE		
Deferred income tax reserve	40 012	26 351

Reserve for deferred income tax is established at the amount of income tax, that shall have to be paid in the future, in respect of taxable temporary differences, i.e. differences, that shall increase the tax base in the future.

The reserve shall be valued in accordance with the tax rates that are expected to be applied when the reserve is dissolved, based on tax rates (and tax laws) that are legally or substantively enacted as at the reporting date.

Reserve for deferred income tax is updated in the reporting periods based on the titles under which it was established. Reserve for income tax and activated income tax is established only in relation to the adjustments of a temporary nature. Deferred tax is recognised outside income statement if the tax relates to the items that were recognised off- income statement in the same or other periods.

If it relates to the items that were recognised in total income statement in the same or other periods, the deferred income tax shall be recognised in other total income.

If it relates to items that have been directly recognised in equity, deferred income tax shall be recognised in equity.

RESERVE FOR DEFERRED INCOME TAX

	As at 01.01.2011	Recognition (-) /burden of net profit for the change of temporary differences and tax loss	Increase (-) /Decrease of other total income for changes in temporary differences	As at 31.12.2011
Accruals	211	945	0	1 156
Interest	1 922	661	0	2 583
Tangible assets	6 848	1 512	-667	7 693
Exchange rate differences	2 765	3 389	0	6 154
Penalties (not received)	183	1 353	0	1 536
Derivatives revaluation	60	-29	0	31
Hedging revaluation	198	-143	233	288
Revaluation of financial assets available for sale	0	0	-1	-1
Revaluation of financial assets through profit or loss	0	89	0	89
Revaluation of long-term receivables/liabilities	459	18	0	477
Valuation surplus of income over the sum of losses and liabilities subject to execution of the contract	1 411	2 087	0	3 498
Positive temporary differences related to branch offices abroad	2 610	333	0	2 943
Other	9 684	3 881	0	13 565
Total	26 351	14 096	-435	40 012

Note 30B 31.12.2010

RESERVE FOR DEFERRED INCOME TAX

	As at 01.01.2010	Recognition (-)/Burden of net profit for the change of temporary differences and tax loss	Increase (-)/Decrease of other total income due to changes in temporary differences	As at 31.12.2010
Accruals	1 566	-1 355	0	211
Interest	1 829	93	0	1 922
Tangible assets	6 295	1 004	-451	6 848
Exchange rate differences	1 847	918	0	2 765
Penalties not received	217	-34	0	183
Derivatives revaluation	42	18	0	60
Hedging revaluation	1 589	156	-1 547	198
Revaluation of financial assets through profit or loss	694	-694	0	0
Revaluation of long-term receivables/liabilities	64	395	0	459
Valuation surplus of income over the sum of losses and liabilities subject to execution of the contract	3 580	-2 169	0	1 411
Positive temporary differences related to branch offices abroad	2 416	194	0	2 610
Other	11 803	-2 119	0	9 684
Total	31 942	-3 593	-1 998	26 351

Note 31	31.12.2011	31.12.2010
CHANGE IN LONG-TERM RESERVES FOR POST-EMPLOYMENT BENEFITS AND OTHER		
At the beginning of the period	15 413	14 783
- reserve revaluation	-1 134	-3 776
- subsidiary incorporation into consolidation	29	4 406
At the end of the period	14 308	15 413

Employees of the KOPEX S.A. Group are entitled to specific benefits for retirement bonuses and death benefits under the Labour Code and local regulations for foreign companies.

Reserves for employee benefits for the majority of the companies included in the Group KOPEX are estimated by the actuary. The Company has chosen the method of immediate recognition of actuarial gains and losses.

Employees of the KOPEX S.A. Group are covered by the state retirement programme implemented by the government. The only obligation of the KOPEX S.A. Group's companies is payment of contributions to the Social Security when they fall due. These contributions are a percentage of payroll costs.

Note 32	31.12.2011	31.12.2010
OTHER LONG-TERM RESERVES FOR LIABILITIES		
At the beginning of the period	1 631	3 339
- exchange rate differences from translation	131	
- establishing reserve	3 530	840
- elimination of a subsidiary from consolidation		-1 411
- used	-188	-747
-cessation of reasons to establish a reserve		-390
At the end of the period	5 104	1 631

Note 33	31.12.2011	31.12.2010
LONG-TERM ACCRUALS		
a) expense accruals		
b) revenue accruals	2 582	2 262
- subsidies from European Regional Development Fund	893	147
- other	1 689	2 115
Long-term accruals, total	2 582	2 262

Government grants, including non-monetary grants shall be recognised at fair value by the Group if there is reasonable assurance that:

- the Company meets the conditions related with donations,
- grants are received.

The Group treats the EU grants on a par with government grants.

<u>Note 34A</u>	31.12.2011	31.12.2010
SHORT-TERM CREDITS AND LOANS		
b) short-term credits and loans from other entities		
- at the beginning of the period	513 152	273 297
- exchange rate differences	2 855	
- raising credits, loans	266 475	263 501
- reallocation from long-term ones	200	199 988
- repayment of credits, loans	-201 279	-242 620
- reallocation from long-term	-42 780	
- subsidiary incorporation into consolidation		18 986
- elimination of a subsidiary from consolidation	-16 954	
- at the end of the period	521 669	513 152

<u>Note 34B</u>	31.12.2011	31.12.2010
SHORT-TERM CREDITS AND LOANS (CURRENCY STRUCTURE)		
a) in PLN	513 556	494 821
b) in foreign currencies (acc. to currencies and after translation into PLN)	8 113	18 331
b1. unit/currency thou/EUR		
PLN thou		
b.2. unit/currency thou/USD		
PLN thou		
b.3. other currencies in PLN	8 113	18 331
Short-term credits and loans, total	521 669	513 152

SHORT-TERM CREDITS AND LOANS

Name of lender company/ creditor company and its legal form	Headquarters	Amount of credit / loan under the contract		Amount of credit / loan outstanding		Interest rate conditions	Payment term	Payment hedging
		PLN thou	currency	PLN thou	currency			
BNP Paribas Bank	Katowice	7 150	PLN	5 103	PLN	WIBOR 1M + MARGIN	24.02.2012	blank promissory note; registered pledge on inventories amounting to PLN 11 mill., real estate on the property amounting to PLN 34mill., assignment of rights under insurance policy, assignment of receivables
PKO Bank Polski	Katowice	3 307	PLN	3 307	PLN	WIBOR 1M + MARGIN	31.12.2012	assignment of receivables, civil law surety by KOPEX S.A. amounting to PLN 10.9 mill
PKO Bank Polski	Katowice	7 824	PLN	7 824	PLN	WIBOR 1M + MARGIN	31.12.2012	assignment of receivables, civil law surety by KOPEX S.A. amounting to PLN 21.7 mill
PKO BP credit on current account	Katowice	24 750	PLN	19 322	PLN	WIBOR 1M + MARGIN	01.07.2014	In blanco promissory note, sureties by ZZM SA and KOPEX S.A.
ING Bank Śląski	Katowice	16 000	PLN	15 619	PLN	WIBOR 1M + MARGIN	30.06.2012	civil law surety by KOPEX S.A., assignment of contract receivables to the amount of PLN 15 mill; registered pledge on the machine (FRFQ planer mill) and assignment of rights under this machine insurance policy
PKO BP S.A.	Gliwice	30 000	PLN	30 000	PLN	WIBOR 1M + MARGIN	10.03.2012	real estate mortgage on the properties located in Tarnowskie Gory and Zabrze, assignment of insurance policy
ING Bank Śląski S.A.	Gliwice	20 000	PLN	7 237	PLN	WIBOR 1M + MARGIN	27.06.2012	real estate mortgage on the property ZZM S.A., registered pledge on machinery and steel stocks of ZZM S.A. together with an assignment of insurance policy, powers of attorney granted to PKO BP S.A. and ING Bank Śląski S.A. to dispose of the borrowers' bank accounts, assignment of the contract between PBSz and JSW, assignment of the contract between PBSz and ZGH Boleslaw, assignment of the contract between KOPEX S.A. and Alpiq Energy SE, assignment of the contract of Famago, mortgage on the property of PBSz
WFOŚ/GW	Katowice	1 003	PLN	200	PLN	0.6% of the rediscount rate not less than 3%	31.03.2015	general total mortgage, real estate mortgage, notary deed of execution, assignment of rights under the insurance contract; lien on the deposit
PKO BP SA	Katowice	163 922	PLN	163 922	PLN	WIBOR 1M + MARGIN	01.07.2014	real estate mortgage in the amount of PLN 391,500,000 on the property of KOPEX S.A., assignment of the policy, assignment of receivables under the contract of PBSz, power of attorney granted to the bank accounts in ING, BRE, CITI and BPH, surety of ZZM S.A. amounting to PLN 261 mill, pledge on the shares of the ZZM S.A. amounting to PLN 332,670,600.
PKO BP SA	Katowice	40 000	PLN	31 816	PLN	WIBOR 1M + MARGIN	09.06.2016	assignment of receivables under the contracts of KOPEX S.A., PBSz, Famago, surety of ZZM S.A. amounting to PLN 110 mill., promissory note

real estate mortgage on the property of ZZM SA, registered pledge on machinery and steel stocks of ZZM S.A., together with assignment of the insurance policy, power of attorney granted to PKO BP and ING to dispose of the borrowers' bank accounts, assignment of the contract between PBSZ and JSW, assignment of the contract between PBSZ and ZGH Boleslaw, assignment of the contract between KOPEX S.A. and Alpiq Energy SE, assignment of contracts of Famago, registered pledge on a machine of Famago, mortgage on the property of PBSZ

ING BSK SA	Katowice	35 564	PLN	35 564	PLN	WIBOR 1M + MARGIN	27.06.2012	27.06.2012	promissory note
ING Bank Śląski S.A.	Wałbrzych	12 062	PLN	12 062	PLN	WIBOR 1M + MARGIN	31.12.2012	31.12.2012	promissory note
REL IBIS Sp. z o.o.	Warszawa	2 599	PLN	2 599	PLN	WIBOR 1M + MARGIN			
ING BSK SA	Bytom	20 000	PLN	3 982	PLN	WIBOR 1M + MARGIN	27.06.2012		blank promissory note to ZZM S.A. and KOPEX S.A., surety under civil law by ZZM S.A., statement of execution, receivables proportional to revenues, real estate mortgage
ING Bank Śląski S.A. credit on current account	Katowice	70 000	PLN	67 890	PLN	WIBOR 1M + MARGIN	27.06.2012		Real estate mortgage on the property of ZZM S.A., registered pledge on machinery and steel stocks of ZZM S.A., together with the assignment of policy, power of attorney granted to the accounts in PKO BP and ING, assignment of the contract between PBSZ and JSW, assignment of the contract between PBSZ and ZGH Boleslaw, assignment of the contract between KOPEX S.A. and Alpiq Energym SE, assignment of contracts of Famago, registered pledge on a machine of Famago, mortgage on the property of PBSZ
Bank PKO BP S.A.	Warszawa	118 000	PLN	84 263	PLN	WIBOR 1M + MARGIN	30.11.2012		In blanco promissory note guaranteed by KOPEX S.A., civil law surety by KOPEX S.A., registered pledges of ZZM S.A. and Tagor
DZ Bank Polska SA	Warszawa	30 016	PLN	9 240	PLN	WIBOR 1M + MARGIN	21.03.2015		In blanco promissory note, surety amounting to PLN 34 mill, assignment of contract receivables, registered pledge
DZ Bank Polska SA	Warszawa	28 195	PLN	9 660	PLN	WIBOR 1M + MARGIN	12.05.2014		In blanco promissory note, surety amounting to PLN 33 mill, assignment of contract,
Overdraft Credit Line Raiffeisen Bank Polska S.A. 0703	Poland	1 081	PLN	1 081	PLN	4.65% - 5.77%	09.11.2012		
Overdraft Credit Line BRE Bank S.A. 1001	Poland	2 865	PLN	2 865	PLN	3.85% - 5.93%	01.02.2012		
Standard Bank of South Africa Acc No 020973381	South Africa	7 852	ZAR	7 852	ZAR	9% - 10%			
UNIVERSAL BANKA	NIS	213	RSD	47	RSD	20% p.a.	31.03.2012.		In blanco promissory note
AIK BANKA AD	NIŠ	213	RSD	214	RSD	1.80% p.m.	27.01.2012.		In blanco promissory note
Total		642 616		521 669					

SHORT-TERM LIABILITIES FOR CREDITS AND LOANS

Name of lender company/ creditor company and its legal form	Headquarters	Amount of credit / loan under the contract		Amount of credit / loan outstanding	Interest rate conditions	Payment term	Payment hedging	
		PLN thou	currency					PLN thou
PKO BP S.A.	Katowice	179.000 overdraft limit	PLN	155 083	PLN	WIBOR 1M + MARGIN	01.07.2011	real estate mortgage amounting to PLN 313,200 thou on the property located at 1 Grabowa Str. in Katowice plus assignment of insurance policy, assignment of contract receivables, power of attorney granted to BRE, CITI, BPH to the bank accounts, surety of ZZM S.A. amounting to PLN 261,000 thou, pledge on the shares of ZZM SA amounting to PLN 302,029 thou, standing payment instruction to BGK
WFOŚIGW	Katowice	1 003	PLN	200	PLN	0.6% of the rediscount rate not less than 3%	31.03.2015	general total mortgage, real estate mortgage, deed of execution, assignment of rights under insurance policy, pledge on treasury bills
Fortis Bank Polska SA	Katowice	15 000	PLN	11 931	PLN	WIBOR 1M + MARGIN	24.01.2011	blank promissory note, registered pledge on inventories, assignment of rights under insurance policy, real estate mortgage on the property, civil law surety by KOPEX S.A., power of attorney granted to PKO BP SA to the bank accounts
ING Bank Śląski	Katowice	5 000	PLN	3 963	PLN	WIBOR 1M + MARGIN	30.03.2011	civil law surety by KOPEX S.A.
ING Bank Śląski S.A. credit on current account	Katowice	72 000	PLN	66 369	PLN	WIBOR 1M + MARGIN	31.03.2011	In blanco promissory note, power of attorney to the bank accounts
Bank PKO BP S.A.	Warszawa	118 000	PLN	117 812	PLN	WIBOR 1M + MARGIN	25.05.2011	In blanco promissory note guaranteed by ZZM, civil law surety by KOPEX, pledge on movables
ING Bank Śląski S.A.	Gliwice	30 100	PLN	7 937	PLN	WIBOR for one-month interbank deposits plus margin	31.03.2011	real estate mortgage, promissory note, registered pledge, alienation of machinery and equipment
PKO BP SA	Gliwice	30 000	PLN	30 000	PLN	WIBOR for one-month interbank deposits plus margin	10.03.2011	real estate mortgage, assignment of rights under insurance policy

blank promissory note, power of attorney to the bank account, registered pledge;
assignment of rights under insurance policy

WIBOR for one-month
interbank deposits plus
margin

PLN

73 128

PLN

110 000

Gliwice

PKO BP SA

SA

blank promissory note, civil law surety

WIBOR 1M + MARGIN

PLN

23 202

PLN

do 24 750

Katowice

PKO BP SA - credit
on current account

SA

blank promissory note, assignment of the contract receivables,
registered pledge, assignment of rights under the insurance contract

WIBOR 1M + MARGIN

PLN

3 756

PLN

10 000

Katowice

ING Bank Śląski SA

SA

In blanco promissory note

2,00%

RSD

104

RSD

947

Serbia

Universal Banka

SA

mortgage

5,4% - 5,87%

PLN

720

PLN

720

Poland

PKO BP SA

SA

mortgage

5,4% - 5,87%

PLN

720

PLN

720

Poland

PKO BP SA

SA

financial insecurity

8,00%

CZK

11 591

CZK

12 864

Czech
Republic

OHR

SA

mortgage

2,2% - 2,5%

CZK

6 636

CZK

6 636

Czech
Republic

CSOB

SA

513 152

616 740

513 152

513 152

513 152

513 152

513 152

TOTAL

TOTAL

<u>Note 35</u>	31.12.2011	31.12.2010
SHORT-TERM LIABILITIES FOR SUPPLIES AND SERVICES		
- repayment period up to 12months	259 400	194 568
- repayment period over 12months	17 082	77
Short-term liabilities- supplies and services, total	276 482	194 645

<u>Note 36</u>	31.12.2011	31.12.2010
SHORT-TERM OTHER LIABILITIES		
- from investment activities	15 547	3 919
- account payments for supplies	25 642	8 246
- for taxes, customs-duties, insurances and other entitlements	41 827	43 892
- for remunerations	17 658	16 101
- surplus in loss and receivable subject to accomplishment of the contract over receivables from revaluation	10 869	23 371
- for settlements of projects and business trips abroad	897	1 292
- from dividend	486	
- Company Social Benefits Fund	2 214	2 408
- other liabilities	8 071	3 557
Short-term other liabilities , total	123 211	102 786

<u>Note 37</u>	31.12.2011	31.12.2010
SHORT-TERM LIABILITIES FOR SUPPLIES AND SERVICES AND OTHER LIABILITIES (CURRENCY STRUCTURE)		
a) in PLN	256 096	242 124
b) in foreign currencies (acc. to currencies and after conversion into PLN)	143 597	55 307
b1. unit/currency thou/USD	680	3 079
PLN thou	2 348	9 125
b2. unit/currency thou/EUR	17 978	10 061
PLN thou	77 854	39 643
b3. unit/currency thou/AUD	12 340	
PLN thou	42 783	
b4. other currencies PLN thou	20 612	6 539
Short-term liabilities , total	399 693	297 431

Note 38A

HEDGE DERIVATIVE FINANCIAL INSTRUMENTS – FINANCIAL LIABILITIES	31.12.2011
a) hedging cash flow for which hedge accounting is maintained	6 089
- sale forward contracts USD - value PLN 14 255 thou, average exchange rate 2.851	2 875
- sale forward contracts EUR - value PLN 104 684 thou, average exchange rate 4.3888	3 214
b) hedging cash flow for which hedge accounting is not maintained	842
- sale forward contracts AUD – value PLN 5 080 thou, average exchange rate 2.974	836
- sale option CZK – value PLN 384 thou, average exchange rate 0.1745	6
Derivative financial instruments, total	6 931

A detailed description of derivatives is included in Note 20A.

Note 38A.

HEDGE DERIVATIVE FINANCIAL INSTRUMENTS – FINANCIAL LIABILITIES	31.12.2010
a) hedging cash flow for which hedge accounting is maintained	434
- sale forward contracts USD - value PLN 13 726 thou, average exchange rate 2.9089	300
- sale forward contracts EUR – value PLN 8 844 thou, average exchange rate 3.9431	134
b) cash flow hedges, for which no hedge accounting is not maintained	2 594
- sale options EUR – value PLN 25 356 thou , average exchange rate 3.6016	2 594
- sale forward contracts EUR - value , average exchange rate	
- sale options USD - value , average exchange rate	
Derivative financial instruments, total	3 028

Result on derivatives hedging cash flows is recognised directly in equity, and profits (losses) on financial assets and liabilities valued at fair value through profit or loss are included in Notes 18B and 18C.

Note 39

31.12.2011 31.12.2010

CHANGE IN SHORT-TERM RESERVE FOR POST EMPLOYMENT BENEFITS AND OTHER

At the beginning of the period	5 811	6 588
- exchange rate differences	5	
- reserve revaluation	2 310	-1 560
- subsidiary incorporation into consolidation		847
- elimination of a subsidiary from consolidation		-64
At the end of the period	8 126	5 811

Employees of the KOPEX S.A. Group are entitled to specific retirement benefits and death bonuses under the Labour Code and local regulations for foreign companies.

Reserves for employee benefits for the majority of the companies included in the KOPEX S.A. Group are estimated by the actuary. There is assumed salary growth rate of 4.5% pa and a discount rate of 5.9% p.a. for actuarial valuation.

Note 40

CHANGE IN OTHER SHORT-TERM RESERVES	31.12.2011
a) at the beginning of the period	18 180
- reserves for expected costs and claims	1 139
- reserves for expected financial costs (exchange rate differences + interest)	1 780
- reserves for expected liabilities	5 566
- reserves for warranty repairs	9 695
b) increases for	8 833
- reserves for expected claims, court cases - subsidiary incorporation into consolidation	202
- reserves for expected claims, court cases	3 094
- reserves for expected financial costs (exchange rate differences)-	68
- reserves for expected liabilities	833
- reserves for expected warranty repairs	4 197
- reserves for warranty repairs - exchange rate differences	439
c) used for	-644
- reserves for expected claims, court cases	-94
- reserves for expected financial costs (exchange rate differences + interest)	
- reserves for expected liabilities	-247
- reserves for warranty repairs	-303
d) termination of	-12 657
- reserves for expected claims, court cases	-483
- reserves for expected financial costs (exchange rate differences + interest)	-2
- reserves for expected liabilities	-5 297
- reserves for warranty repairs	-5 148
- reserves for expected financial costs (exchange rate differences)- elimination of a subsidiary from consolidation	-1 727
e) at the end of the period	13 712
- reserves for expected claims, court cases	3 858
- reserves for expected financial costs (exchange rate differences)	119
-reserves for expected liabilities	855
- reserves for warranty repairs	8 880

Note 41

	31.12.2011	31.12.2010
SHORT- TERM ACCRUALS		
a) accrued liabilities	39 896	21 585
b) revenue accruals	4 038	9 571
- related to transfer of liabilities		36
- unearned revenues		7 067
- subsidies	1 388	
-other	2 650	2 468
Short-term accruals , total	43 934	31 156

Accrued liabilities are liabilities attributable for payment for goods or services that have been received / made, but they have not been paid, invoiced or formally agreed with the supplier. Although it is sometimes necessary to estimate the amount or timing of payment, the uncertainty is smaller than in case of reserves. The following items are recognised in accrued liabilities by the Group: costs of auditing the financial statements, amounts of bonuses unpaid to employees, value of the services realised by the Group that have not been invoiced (the contractor was not obliged to invoice them under the contract) , fees for emissions , costs of the current period documented in the next invoice period.

11. EXPLANATORY NOTES TO THE CONSOLIDATED SEPARATE INCOME STATEMENT OF THE KKOPEX S.A. CAPITAL GROUP DRAWN UP FOR THE PERIOD 02 JANUARY 2011 TO 31 DECEMBER 2011 in thousand zlotys

Note 42A

NET REVENUES FROM SALE OF PRODUCTS (ITEM STRUCTURE – TYPES OF OPERATIONS)	31.12.2011	31.12.2010
- mining services	228 160	251 154
- manufacture of machinery and equipment	1 219 415	922 872
- castings	20 428	14 718
- other services	67 118	68 353
Net revenues from sale of products, total	1 535 121	1 257 097

Note 42B

NET REVENUES FORM SALE OF GOODS AND MATERIALS (TERRITORY STRUCTURE)	31.12.2011	31.12.2010
a) Poland	1 071 286	768 849
- mining services	202 826	198 628
- manufacture of machinery and equipment	803 309	505 016
- castings	8 708	7 625
- other services	56 443	57 580
b) abroad	463 835	488 248
- mining services	25 334	52 526
- manufacture of machinery and equipment	416 106	417 856
- castings	11 720	7 093
- other services	10 675	10 773
Net revenues from sale of products, total	1 535 121	1 257 097

Nota 42C

INFORMATION RELATING TO CONSTRUCTION CONTRACTS		31.12.2011	31.12.2010
Amount of the contract revenue recognised as revenue in the defined period		665 735	250 223
Method used to determine the contract revenue recognised in the defined period	The method by which the contract revenues are matched with the contract costs incurred up to a specific stage of the contract execution.		
Method used to determine the stage of completion of the contracts	In accordance with the proportion of contract costs incurred for work performed until a specific date, to estimated total contract costs.		
Total amount of costs incurred and recognised profits (less recognised losses) as at the balance sheet date	Reported amounts of costs incurred and profits recognised (less recognized losses) from the beginning of the contract to the balance sheet date (for contracts in progress)	313 099	312 739
Amount of advances received	Advances are amounts received by the contractor before completion of the works to which they relate.	45 558	2 603
Amount of retentions	Amount of retentions are the amounts of receivables whose receipt is subject to the execution of the contracts, and which shall not be paid until certain conditions of the contract are met or until some defects are corrected (installment warranty).		0
Gross amount due from the orderer for contract works executed, as assets	Gross amount due from the orderer for work executed under the contract less the amounts as follows: a) costs incurred plus recognised profits, b) sum of recognised losses and contract progress billings (partial invoices) for all contractsexecuted on a specific day for which costs incurred exceeds progress billings	116 944	79 388
Gross amount due to the orderer for contract works executed, as liabilities	The gross amount due to the contracting authority for the work under the contract is the net amount resulting from the reduction: a) the amount of costs incurred and recognized profits b) sum of recognised losses and contract progress billings (partial invoices) for the all the contracts executed on a specific day for which costs incurred exceed progress billings	10 869	23 371

Note 43A

**NET REVENUES FROM SALE OF GOODS AND MATERIALS
(PRODUCT STRUCTURE –TYPES OF OPERATIONS)**

	31.12.2011	31.12.2010
- machinery and equipment	31 360	2 233
- coal	172 830	204 012
- electricity	355 636	587 175
- castings	838	661
- other goods	29 982	82 998
Net revenues from sale of goods and materials, total	590 646	877 079

Note 43B

**NET REVENUES FROM SALE OF GOODS AND MATERIALS
(TERRITORY STRUCTURE)**

	31.12.2011	31.12.2010
a) Poland	367 478	666 841
- machinery and equipment	1 485	1 554
- coal	136 055	172 412
- electricity	202 092	411 145
- castings	838	661
- other goods	27 008	81 069
b) abroad	223 168	210 238
- machinery and equipment	29 875	679
- coal	36 775	31 600
- electricity	153 544	176 030
- castings		
- other goods	2 974	1 929
Net revenues from sale of goods and materials, total	590 646	877 079

Note 44

COSTS BY TYPE	31.12.2011	31.12.2010
a) depreciation	102 689	82 928
b) usage of materials and energy	720 635	465 180
c) outsourced services	203 999	283 468
d) taxes and charges	14 046	12 387
e) remuneration	306 974	298 564
f) social security and other benefits	67 876	62 113
g) other costs by type	42 770	44 814
Costs by type, total	1 458 989	1 249 454
Change in reserves of products and accruals	-30 944	-39 032
Manufacture costs of the products for the entities' own use (negative value)	61 254	46 635
Cost of sales (negative value)	46 263	41 226
Overheads (negative value)	169 929	174 860
Manufacture costs of products sold	1 150 599	947 701

Note 45

OTHER REVENUES	31.12.2011	31.12.2010
a) sale of elements of fixed assets	12 659	7 190
b) grants	359	1 014
c) dissolution of write downs on revaluation of non-financial assets	10 293	16 096
- inventory write-downs	973	631
- write downs on receivables	9 320	15 465
d) dissolution of reserves (for)	4 932	3 790
- cessation of reasons to establish reserves for liabilities	4 892	1 533
- cessation of reasons to establish reserves for judicial claims	40	843
- other		1 414
e) other, including:	18 153	10 292
- penalties and indemnities received	11 529	3 700
- liability write- off	1 114	904
- return of judicial and operating costs	226	199
-re-invoices - insurances, road tax	101	463
- surplus of inventory stocks	1 261	1 512
- evaluation of receivables and long-term liabilities	900	86
- revenues from social activities	484	396
- other	2 538	3 032
Other revenues,total	46 396	38 382

Note 46

OTHER COSTS	31.12.2011	31.12.2010
a) value of the elements of the fixed assets sold	7 149	3 180
b) established write-downs of non-financial assets, including:	23 645	6 514
- write downs of inventories	3 421	4 343
- write downs of liabilities	20 163	2 022
- write downs of tangible assets and intangible assets	61	149
c) reserves established (for)	5 846	5 740
- future liabilities	4 258	3 949
- retirement bonus and other	164	164
- holidays in arrears	640	399
- other	784	1 228
d) other , including:	20 730	44 400
- compensations, accident compensations	3 611	4 299
- donations	247	231
- penalties, judicial costs	2 474	540
- discretionary pension contributions	111	78
- evaluation of receivables and long-term liabilities	593	140
- evaluation of foreign currency transactions- hedge accounting , included in the results account	5 467	-1 568
-result on hedging instruments of the effective part of cash flow	756	24 514
- liability writte-off	4 588	9 069
- liquidation of tangible assets	828	542
- inventory deficils	209	380
- ceased research works and projects written- off	251	549
- facilities maintenance costs	480	563
- losses in current assets	902	
- other	213	5 063
Other costs, including	57 370	59 834

Note 47

FINANCIAL REVENUES	31.12.2011	31.12.2010
Dividends and share in profits		
Financial income from interest, including:	18 019	11 414
- loans granted	1 920	1 035
- leasing	6 995	706
- other interest	9 104	9 673
Revenues from sales of investments	4 444	1 493
Revaluation of investments	2 712	8 905
- valuation of foreign currency transactions	1 575	8 905
- revaluation of financial assets	1 096	
- valuation of loans at amortised cost	41	
Exchange rate differences, including:	14 193	
a) realised	2 096	
- result on derivative instruments – realised, for which no hedge accounting was maintained	28	
- other cash transactions	2 068	
b) valuation	12 097	
Other financial revenues, total:	4 374	6 783
- cessation of reasons for establishment of reserves for exchange rate differences	2	
- cessation of reasons for establishment of reserves for financial liabilities		343
- termination of an interest reserve	390	1 552
- termination of write downs on receivables	1 519	2 553
- revenues from financial operations	2 046	636
- other	417	1 699
Financial revenues, total	43 742	28 595

Note 48

FINANCIAL COSTS	31.12.2011	31.12.2010
Financial costs for interest, including:	40 337	32 518
- credits and loans	34 777	23 478
- other interest	5 560	9 040
Value of investments sold	4 174	1 059
Revaluation of investments		137
- revaluation of financial assets		137
Exchange rate differences, including:		21 786
a) realised		23 294
- result on derivative instruments-realised, for which no hedge accounting was maintained		14 091
- other cash transactions		9 203
b) valuation		-1 508
Other financial costs, including:	15 819	10 964
- reserves for financial liabilities	835	70
- financial receivable write-off	104	
- financial receivable write down	7 585	382
- bank commissions	2 055	941
- loss on sale of receivables	3	6
- depreciated interest		665
- vindication costs	5 106	6 309
-other	131	2 591
Financial costs, total	60 330	66 464

Note 49A**CURRENT INCOME TAX****(ALIGNMENT OF TAX RESULT TO ACCOUNTING RESULT)**

	31.12.2011	31.12.2010
1. Gross profit (loss)	177 923	42 559
2. Consolidation adjustments	21 100	14 507
3. Differences between the profit (loss) before tax and taxable income (by category)	-73 891	41 939
- revenues excluded from taxable income	-96 298	-74 408
- taxable revenues which are not accounting revenues	4 689	25 183
- accounting revenues, durably unaccounted for in the taxable ones	-25 408	-28 432
- accounting revenues, temporarily not constituting taxable income	-241 622	4 530
- accounting revenues from previous years taxable during the financial period	9 702	10 325
- statistical revenues included in the tax base	16 518	17 960
- non-accounting revenues and profits, included permanently in the tax base (statistically)		
- costs related to revenue excluded from tax	62 912	57 050
- accounting costs, permanently unaccounted for deductible	61 475	60 250
- statistical costs which are permanently deductible	-69 853	-47 517
- accounting cost, which does not make cost of earnings income temporarily	257 700	21 034
- accounting costs from previous years taxable during the financial period	-22 803	-23 885
- cost of earnings income that is not accounting cost	-19 810	-2 213
deductions from income losses brought forward	-28 333	-29 385
- adjustment of taxable income of subsidiaries abroad	-41 646	-23 084
- loss to be deducted in subsequent years	61 715	67 721
- other deductions from income (-)	-2 829	6 810
4. Taxable income	125 132	99 005
5. Income tax rate of 19%	23 772	18 810
6. Tax increases, omissions, exemptions, deductions and tax reductions		
7. Tax paid abroad	14 610	10 078
8. Tax adjustment of previous years	-70	10
9. Current income tax included (shown) in the tax period, including:	38 312	28 898
- recognised in the profit and loss account	38 312	28 898

Note 49B DEFERRED INCOME TAX RECOGNISED IN INCOME STATEMENT

	31.12.2011	31.12.2010
- decrease (increase) due to the origination and reversal of temporary differences	-4 305	-5 900
- decrease (increase) due to changes in tax rates		
- decrease (increase) in respect of previously unrecognised tax loss, tax credit or temporary difference of a prior period	-188	1 020
- decrease (increase) due to write-off of deferred tax assets or the inability to use deferred income tax	-117	-582
- other components of deferred tax (by title) - contribution	285	-9 641
- other components of deferred tax (by title) - liquidation of fixed assets - ZZM	-564	
Deferred income tax, together	-4 889	-15 103

Note 50 Basic earnings per 1 share

	31.12.2011	31.12.2010
Net profit	147 740	23 717
Number of ordinary shares	74 056 038	74 056 038
Net profit per 1 ordinary share (PLN)	1.99	0.32

12. RECEIVABLES ANFD CONDITIONAL LIABILITIES

	31.12.2011	31.12.2010
1. Conditional receivables	<u>225 713</u>	<u>57 240</u>
1.1. From related parties		
1.2. From other entities, including:	225 713	57 240
- guarantees and sureties received	222 515	26 072
- promissory notes received	3 198	31 168
- mortgages and hypothecations		
2. Conditional liabilities	<u>1 928 448</u>	<u>1 160 281</u>
2.1. For related parties, including::		
2.2. For other entities, including::	1 928 448	1 160 281
- guarantees and sureties granted	265 486	229 679
- promissory notes	217 505	231 016
- hedging of loans and credits	1 445 457	698 998
- other		588
Off-balance sheet items, total	<u>2 154 161</u>	<u>1 217 521</u>

On 8 and 11 January 2010 there were delivered the following copies of lawsuits to KOPEX S.A. by the District Court in Katowice:

- a) a lawsuit on the payment filed by Fazos S.A. against KOPEX S.A. and Tagor S.A. (sub- subsidiary). Value of the claim in the lawsuit was set at the amount of PLN 51 876 thou.
- b) a lawsuit filed by Fazos S.A. on the payment against KOPEX S.A. and Tagor S.A. (sub- subsidiary). The value of the claim in the lawsuit was set at the amount of PLN 22 207 thou.
- c) a lawsuit filed by Famur S.A. against KOPEX S.A. on the payment of the amount of PLN 43 572 thou.

According to the opinion of the Law Office representing KOPEX S.A. and Tagor S.A., the aforesaid claims are completely unfounded and without any basis in fact and law. KOPEX S.A. and Tagor S.A. on the basis of a legal opinion and on the available evidence, concluded that there is a present obligation arising from past events (IAS 37 par.15) and therefore no reserve in the income statement has been established, according to IAS 37 par.14.

Financial liabilities of the KOPEX S.A. Group as at 31 December 2011 amounted to PLN 739 473 thou, including:

- 1) PLN 580 995 thou - mortgage on real property of the Capital Group, being hedging of liabilities for bank credits and financial liabilities towards banks
- 2) PLN 491 149 thou- pledge on current assets, movable property, shares, being hedging of liabilities for bank credits, including:
 - pledge on fixed assets PLN 38 758 thou
 - pledge on inventories PLN 99 121 thou,
 - pledge on shares PLN 332 671 thou
 - pledge on receivables PLN 1 407 thou
 - other PLN 19 192 thou

Property receivables of the KOPEX S.A. Capital Group as at 31 December 2011 amounted to PLN 17 665 thou, including:

- 1) pledge on movables PLN 4 415 thou
- 2) mortgage on real estate PLN 13 250 thou

13. REPORTING BY INDUSTRIAL AND GEOGRAPHICAL SEGMENTS

Considering regulations of IFRS 8, binding since 01 January 2009, operations of the Capital Group have been broken down into some segments reflecting the main areas of activities. They are divided into industrial segments resulting from the management structure and from internal reporting structures of individual Companies of the Capital Group.

Industrial segments include:

- mining services segment,
- segment of manufacture and sale of underground mining machinery and equipment ,
- segment of manufacture and sale of surface mining machinery and equipment,
- segment of manufacture and sale of industrial machinery and equipment,
- segment of manufacture and sale of electrical and electronic machinery and equipment,
- electricity trading segment,
- coal sales segment,
- castings segment
- other activities segment.

Segment of other activities includes construction services, workshops services, leasing services, agency services, forwarding and transport services, leasing services, maintenance services as well as consulting and maintenance services.

The Capital Group conducts various activities involving the sale of raw materials, sale of underground mining , sale of surface mining and industrial machinery and equipment as well as services, including construction, mining, consulting and brokerage ones in the domestic and foreign trade ones.

The aforesaid activity in the main part is not a mass activity, but a specific one, depending on customers' individual needs.

Primarily, selection of the operating segments has based on the reliability and comparability of information over time for different groups of goods and services, of individual Companies of the Group, besides their organisational structure has been taken into account.

It should be noted that not all of those segments meet the quantitative threshold of 10% or more of total external and internal revenues. The Issuer deciding on their presentations had regard to their significance.

The bodies responsible for deciding in the Capital Group Companies, evaluate the performance of individual operating segments, basing on the results of the gross sales and operating profil, which is reflected in their presentation.

The Group operates in a number of geographical areas, so the management board of the entity has found it necessary to supplement revenues presented in different countries, due to the fact of global complexity of activities of the Group.

The underneath tables present the consolidated information on operating segments divided by industries and geographical locations.

INFORMATION ON CONSOLIDATED OPERATING SYSTEMS BY INDUSTRIES

	Mining services		Manufacture and sale of underground mining machinery and equipment		Manufacture and sale of open cast mining machinery and equipment		Manufacture and sale of industrial machinery and equipment		Manufacture and sale of electrical and electronic machinery and equipment		Sale of electricity		Sale of coal		Castings		Other activities		Consolidated value		
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	
Revenues of the segment	228 160	251 154	893 398	628 323	82 674	69 575	34 007	23 383	240 696	203 824	355 636	587 175	172 830	204 012	21 266	15 379	97 100	151 351	2 125 767	2 134 176	
Result of the segment- gross result on sales	46 636	46 495	210 457	166 221	10 693	9 081	-450	-1 434	88 035	63 654	9 964	10 226	3 121	1 769	7 837	2 454	22 256	22 310	398 549	320 776	
Operating result of the segment	28 770	32 587	107 847	24 637	560	-2 820	-6 924	-5 396	50 831	29 530	631	2 057	819	1 305	4 421	-934	-15 572	2 272	171 383	83 238	
Result from financial activities of the whole Group																			-16 588	-37 869	
Profit (loss) on sale of total number or part of shares of affiliated entities																					
Write-offs of the goodwill of the affiliated entities																				-1 491	
Surplus of the fair value of the acquiree's assets over merger cost																					
Loss of control over subsidiary																				24 619	-1 975
Profit (loss) from accounting for multi-stage takeovers																					-835
Gross profit (loss)																				177 923	42 559
Income tax																				33 423	13 795
Share in profit (loss) of the subordinated entities valuated with equity method																				12 575	1 466
Net consolidated profit (loss)																				157 075	30 230
Net profit (loss) attributable to non-controlling shareholders																				9 335	6 513
Net profit (loss) attributable to the shareholders of the controlling company																				147 740	23 717

INFORMATION ON CONSOLIDATED INCOME BY GEOGRAPHICAL DESTINATIONS

	Mining services		Manufacture and sale of underground mining machinery and equipment		Manufacture and sale of open cast mining machinery and equipment		Manufacture and sale of industrial machinery and equipment		Manufacture and sale of electrical and electronic machinery and equipment		Sale of electricity		Sale of coal		Castings		Other activities		Consolidated value			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010		
SOUTH AFRICA																						
AMERICA									47.669	55.002									47.669	55.002		
ARGENTINA		227								440											440	
AUSTRALIA		110							3.026										227	110		
AUSTRIA		100.448	124.003		17				228	1.507	18.118	2.435			1.013	745			104.487	124.748		
BELARUS		414	964						1.718	461									8.904	22.077		
BOSNIA							18	16								282	153		300	169		
BULGARIA							286	67											286	67		
CHINA		26.752	70.509																26.752	70.509		
MONTE NEGRO																					34	
CZECH REPUBLIC	2.012	15.150	9.501						37.497	41.852	52.885	4.664			1.679	728			106.927	105.192		
DENMARK															130	194			5.117	4.858		
FRANCE	9.512	8.345			582		328		242										10.082	8.927		
GREECE						613													613			
SPAIN	12	51	1.570						62	4		6.664			2.694	2.721			6.914	8.238		
NETHERLANDS																			2.694	2.721		
INDONESIA	4.026	40.976																	4.026	40.976		
INDIA						716	3.661												716	3.661		
IRAN																				1.510		
ISLAND								37												37		
KAZAKHSTAN									989	929									989	929		
KOSOVO															181	40			1.869	1.057		
MACEDONIA																			608	265		
MEXICO																					97	
GERMANY	2.373	1.369	188	489	20.778	21.891	11.092	7.386	28.572	11.743	101.097	153			801	6.836			153.256	150.971		
NORWAY																				8.514	7.800	
POLAND	202.826	198.628	656.611	369.594	2.248	425	12.155	7.122	78.211	67.294	411.145	7.375	8.285	83.451	138.649				1.438.765	1.435.690		
RUSSIA	4.978	85.189	27.345	27.345	57.817	42.570			31.134	18.512				5.143					126.444	45.957		
ROMANIA	22	698		250															720	250		
SERBIA							8.419	7.656												20.650	15.151	
SLOVAKIA									1.602	2.194	3.930	5.438			1.380	1.162				20.650	15.151	
SLOVENIA																				25.161	11.767	
SWITZERLAND																				77		
SWEDEN															4					4		
TURKEY	719				502	409		362		19		4.856			201				703	5.656		
UKRAINE																			719			
USA		5.977	874						1.441	669									7.418	1.543		
GREAT BRITAIN		1.604	1.198						5.092	2.198									6.696	1.198		
HUNGARY									3.213	2.198									3.213	2.198		
ITALY	1.680	1.610													423				435	416		
Total sale	228.160	251.154	893.398	626.323	82.674	69.575	34.007	23.383	240.696	203.824	587.175	172.830	204.012	21.266	151.351	97.100	151.351	2.125.767	1.680	1.610	2.134.176	

Fixed assets (other than financial instruments, deferred tax assets, post-employment employee benefits and rights arising under insurance contracts) of the Capital Group in 86.2% are located in the country of origin of the Parent Company. The remaining 13.8% is located in other countries. In 2011 the largest clients of the Group there were companies operating in the sectors of sale of underground mining machinery and equipment, electricity trading, electrical and electronic machinery and equipment, mining services, and sales of coal. Sale is targeted to the clients located in over 40 markets around the world. In 2011 quantitative criterion determining the main clients was achieved with a single client. Revenues obtained from this client amounted to PLN 325, 546 thou and they were achieved in the following sectors: manufacture and sale of underground mining machinery and equipment, manufacture and sale of electrical and electronic machinery and equipment as well as in mining clients. KOPEX S.A. is not formally associated with this client.

Major suppliers of the Company in 2011:

KOPEX S.A mainly acted as a central coordinator of material supplies to the entire Capital Group. The Group developed the supply chain network, basing mainly on the domestic market.

In 2011 companies operating in the domestic market were the largest suppliers of the Capital Group in the sale of mining machinery and equipment, marketing as well as sales of electricity and coal sectors.

In 2011 there was no supplier, whose share in total sales exceeded 10% in the revenues from the sale of the Capital Group.

14. INFORMATION ON REVENUES, COSTS AND FINANCIAL RESULTS OF OPERATIONS DISCONTINUED IN THE PERIOD UNDER REVIEW OR TO BE DISCONTINUED IN THE NEXT PERIOD

In the reporting period no discontinued operations (manufacture) occurred in the Group and it is not expected any cessation of significant activities in the next period.

15. INFORMATION ON SIGNIFICANT EVENTS FROM PREVIOUS YEARS INCLUDED IN THE FINANCIAL STATEMENTS FOR THE CURRENT PERIOD

There were changed comparative figures in the consolidated statement of financial position as at 31 December 2010, resulting from the compensation by the Issuer's sub-subsidiary of the items, that were qualified for this change. As a result, the corrections changed the following items as at 31 December 2010:

- Long-term accruals (assets): -PLN 2,682 thou.
- Short-term accruals (assets): -PLN 1,416 thou.
- Long-term other liabilities: - PLN 2,682 thou.
- Short-term other liabilities: - PLN 1,416 thou.

In addition, there were changed comparative figures in the consolidated statement of financial position as at 31 December 2010, due to erroneous valuation of the long-term contracts by the Issuer's a subsidiary, and due to issuance of invoice increasing revenues in 2010, which in 2011 after negotiations with a customer was considered to be groundless.

As at 31 December 2010 the following items were changed in the statement of financial position that resulted from the corrections.

- Deferred tax liabilities (assets): - PLN 72 thou.
- Inventories (assets): +PLN 1,331 thou.
- Short-term receivables and services: -PLN 1,026 thou.
- Short-term other receivables: +PLN 185 thou.
- Short-term accruals (current): - PLN 9,007 thou.
- Retained earnings: -PLN 6,901 thou.
- Deferred income taxes – PLN 1,688 thou.

The following changes were made in the consolidated income statement for the period 01 January 2010 to 31 December 2010:

- Income from sales of products: -PLN 9,845 thou.
- Cost of products sold: -PLN 1,328 thou.
- Gross profit, operating profit, gross profit: -PLN 8,517 thou.
- Deferred income tax : -PLN 1,616 thou.
- Consolidated net profit attributable to shareholders of the parent company: -PLN 6,901 thou.

In the Issuer's subsidiary there had been errors corrections from the previous years recognised retrospectively, by entering the depreciation of an asset, which ceased to be depreciated from 01 December 2009 and by corrections of incorrectly calculated deviations from the finished products.

As a result, the retained earnings in the balance in the equity decreased by PLN 118 thou as at 01 January 2010.

As at 31 December 2010 the following items were changed in the statement of financial position:

- Tangible fixed assets: -PLN 1,290 thou.
- Inventories: -PLN 2,012 thou.
- Retained earnings: -PLN 3,547 thou.
- Deferred tax assets: +PLN 245 thou.

In the consolidated income statement for the period 01 January 2010 to 31 December 2010 there were changed the following items:

- Cost of products sold: +PLN 2,012 thou.
- Gross profit on sales: - PLN 2,012 thou.
- General and administrative expenses: +PLN 1,191 thou.
- Operating profit, gross profit: - PLN 3,203 thou.
- Income tax - deferred: +PLN 226 thou.
- Consolidated net profit attributable to shareholders of the parent company: - PLN 3,429 thou.

As at 01 January 2011, the Issuer implemented change in presentation of reserves and accruals.

Before the change, the Issuer had presented "Other short-term reserves" in the item of liabilities in the Statement of Financial Position as follows:

- losses on business transactions in progress,
- guarantees and sureties granted,
- results of the proceedings and appeal pending
- passive accruals - future financing costs,
- passive deferred costs - costs of contracts to preserve revenues and costs balance,
- future liabilities related to restructuring.

Since 01 January 2011, passive cost accruals have been shown in the liabilities in the item "Accruals". There has also been changed the presentation of receivables and liabilities from goods and services, that since 01 January 2011 have been regarded as short-term ones, regardless of the contractual due date. There have also been identified long-term and short-term receivables and liabilities resulting from the leasing obligations, which had been previously presented in the item of other long-term and short-term receivables and payables.

As a result of those changes, the statement of financial position has been converted in the following way:

- Long-term receivables from goods and services: - PLN 4,961 thou.
- Long-term other receivables: - PLN 11,087 thou.
- Long-term leasing receivables: +PLN 15,469 thou.
- Short-term receivables from goods and services: - PLN 2,851 thou.
- Short-term other receivables: - PLN 6,285 thou.
- Short-term leasing receivables: +PLN 9,715 thou.
- Long-term liabilities from goods and services: - PLN 9,386 thou.
- Long-term other liabilities: +PLN 8,867 thou.
- Long-term leasing liabilities: +PLN 286 thou.
- Other long-term reserves for liabilities: +PLN 580 thou.
- Short-term liabilities for goods and services: +PLN 234 thou.
- Short-term other liabilities: - PLN 5,366 thou.
- Short-term leasing liabilities: +PLN 5,355 thou.
- Short-term reserves for retirement benefits: +PLN 673 thou.
- Other short-term reserves for liabilities: - PLN 20,498 thou.
- Short-term accruals (liabilities): +PLN 19,255 thou.

16. INFORMATION ON AVERAGE EMPLOYMENT BROKEN DOWN BY OCCUPATIONAL GROUPS

As at the balance sheet date the number of employees of the Group amounted to 5 606 people, including employment amounting to 4 752 people in Poland and to 854 people abroad.

Employment broken down by occupational groups was as follows:

- White-collar workers (non-labour positions) - 1 864 people
- Manual workers (labour positions) - 3 742 people.

17. INFORMATION ON SIGNIFICANT EVENTS

17.1. Loss of joint control and control

NEPEAN LONGWALL (former: INBYE MINING SERVICES)

On 10 February 2011 there was signed a contract of sale of half of the shares held by the Issuer, i.e. 25 per cent all shares in Inbye Mining Services company, based in Australia. TAGOR S.A., the Issuer's sub-subsidiary, had held 50 per cent all shares in Nepean Longwall before the signing date of the agreement. Before 10 February 2011 Nepean Longwall company had been consolidated under the proportional method, and since the day when joint control was lost, the aforesaid shares have been recognised in accordance with IAS 28 and have been consolidated under the equity method. On the day of loss of joint control over Nepean Longwall, the retained shares were valued at fair value, based on the selling price of 25 per cent of shares and there was established profit on loss of joint control, which was recognised in the consolidated separate income statement, in the item "loss of control over a subsidiary", amounting to PLN 326 thou.

HANSEN ELECTRIC

In August 2011 Hansen Sicherheitstechnik AG. sold 30 per cent shares in Hansen Electric spol s.r.o., and since then it has held 50 per cent shares in the company. Until 31 August 2011 the company had been accounted for under the full method. As a result of the sale of shares and contractual arrangements, Hansen Sicherheitstechnik AG. has lost control over Hansen Electric spol. s.r.o. and the preserved shares have been accounted for under the equity method. At the time of loss of control over Hansen Electric spol. s.r.o., the shares preserved in the company were valued at fair value, based on the selling price of 30 per cent shares and the gain on the loss of control amounting to EUR 5,867 thou (PLN 24,293 thou), which was shown in the consolidated separate income statement, in the item "Loss of control over the subsidiary."

17.2. MERGERS OF ECONOMIC ENTITIES

KOPEX- EQUITY

On 1 July 2011 KOPEX S.A. (the Issuer) merged with KOPEX EQUITY Sp. z o.o., basing on Art. 492 Par. 1 Item 1 of the Commercial Companies Code, considering Art. 515 Par. 1 and Art. 516 Par. 1 of the Commercial Companies Code, i.e., by transferring all the assets of the acquiree (KOPEX EQUITY Sp. z

o.o.) to the acquirer (KOPEX S.A.), without increasing the share capital of the acquiring company. It was a merger of economic entities being under joint control. The pooling of shares method was used when the merger was accounted for in the Issuer's separate financial statement.

Comparative figures in the consolidated statement of financial position was not changed as a result of the above described legal merger, due to the fact that the merger took place within the Capital Group and KOPEX EQUITY Sp. z o.o. was included in the consolidated financial statement as at 31 December 2010.

DALBIS

On 15 September 2011 KOPEX S.A. acquired 75 per cent shares and the same number of voting rights in DALBIS Sp. z o. o. (drilling company). As a result of this transaction, KOPEX S.A. has taken control over that company.

The acquisition of this company is the result of the strategy pursued by KOPEX, including, among others, strengthening the capacity to accomplish mining horizontal development by complementing and enhancing the existing KOPEX Group's offer in the mining services sector.

Merger settlement has not been completed since the date of taking over control to the date of publication of this report.

There have been made corrections to the preliminary fixed values of identified assets and liabilities of the subsidiary, in connection to the completion of the settlement acquisition process in Q4 2011. Goodwill in the amount of PLN 17,885 thou included in the consolidated statement of financial position is associated with future operating cash income.

Goodwill is not a cost of tax-generating asset for tax purposes.

Any payments for the shares acquired in Dalbis Sp. z o.o. were effected in cash whose fair value was higher than the fixed value of net assets. At the date of acquisition, the non-controlling shares were valued at the pro rata share of net assets of the acquiree and were recognised in the amount of PLN 2,700 thou in the statement of financial position.

At the date of acquisition, the acquired tangible assets amounting to PLN 4,183 thou, current assets amounting to PLN 11,032 thou and the acquired liabilities amounting to PLN 4,056 thou were recognised in the consolidated statement of financial position.

Other merger costs in the amount of PLN 130 thou were recognised in the consolidated income statement in the item "Other financial costs."

If the merger had been effected at the beginning of the fiscal year, the consolidated revenues for the period 01 January 2011 to 31 December 2011 would have amounted to PLN 2,231,985 thou, the consolidated net profit would have amounted to PLN 157,555 thou and the consolidated profit attributable to the shareholders of the parent company would have amounted to PLN 148,100 thou.

17.3. Transfer of ownership of shares.

The sale of 10,000 (ten thousand) registered shares in EL-GÓR S.A., based in Chorzów, held by KOPEX S.A. was completed on 26 September 2011. Hansen Sicherheitstechnik AG, based in Munich 80333, at Brienner Str 10, entered into the Commercial Register kept by the District Court in Munich, Germany under the number HRB 159053 and became the new owner of the company in the transaction effected through the BRE Bank. The aforesaid transaction had no significant effect on the consolidated financial statements.

17.4. Increased control in subsidiaries

RYFAMA S.A.

In Q1 2011 KOPEX S.A. increased its direct shareholding in RYFAMA S.A., from 78.97 per cent to 100 per cent in the share capital and also from 78.97 per cent to 100 per cent in the voting rights. The results of the transactions increasing the capital commitment were recognised as operations, directly accounted for in the equity, in accordance with Par.30 IAS 27. To reflect the changes in the relative shares in RYFAMA S.A., there was made an adjustment to the balance value of non-controlling shares and the supplementary capital of KOPEX S.A. (agio) was reduced by the amount of PLN 2,357 thou, i.e. the difference between the adjustment amount of non-controlling shares amounting to PLN 10,863 thou and the fair value of the price paid. All the costs associated with the increased participation in RYFAMA S.A. have been included directly in the consolidated income statement in the item "other financial charges" in the amount of PLN 16 thou.

HANSEN SICHERHEITSTECHNIK A.G.

In Q3 and Q4 2011, KOPEX S.A. acquired 216,000 shares in Hansen Sicherheitstechnik AG and increased its capital commitment to 97.58 per cent in the share capital and to 97.58 per cent in the voting rights. The results of the transactions increasing the capital commitment have been recognised as operations, directly accounted for in the equity, in accordance with Par.30 IAS 27. To reflect the changes in the relative shares in Hansen Sicherheitstechnik AG, there was made an adjustment to the balance value of non-controlling shares and the supplementary capital of KOPEX S.A. (agio) was reduced by the amount of PLN 1,504 thou, i.e. the difference between the adjustment amount of non-controlling shares amounting to PLN 14,825. thou and the fair value of the price paid. All the costs associated with the increased shareholding in Hansen Sicherheitstechnik AG have been included directly in the consolidated income statement in the item "other financial charges" in the amount of PLN 40 thou.

17.5. Changing the method of consolidation

SHANDONG TAGAO

In 2011, recognition of financial statements of Tagao Shandong Mining Equipment Manufacturing Co.Ltd., based in China, was changed from the full method- to the equity method in its consolidated financial statements. The change also included the figures that had been shown in the previous period. From the establishment of the Company in 2007, the Company had been recognised in the consolidated financial statement of KOPEX S.A. under the full method, due to the fulfillment of the conditions of control, pursuant to the Memorandum of Association, i.e. 50 per cent of the voting rights held and a majority in the Board of Directors, resulting in the influence over the operating and financial policies of the Company. However, during its business activities the Company used largely from the operational and financial potentials of the other shareholder- Shandong Taishan Jianneng Machinery Group Co. Ltd. Due to the involvement of the other shareholder, its power to govern financial and operating policies of the Tagao company has increased. Considering the above the factors set out in Par. 13 IAS 27 have been re-rated and it has been found that it was Jianneng Shandong Taishan Machinery Group Co. Ltd. that has taken control over Tagao and the equity method is the correct consolidation method.

The above has resulted in the following changes in the items of the statement of financial position as at 31 December 2010:

- Intangible assets: -PLN 91 thou.
- Tangible fixed assets: -PLN 57,414 thou.
- Investments accounted for using the equity method: +PLN 8,282 thou.
- Inventories: -PLN 184,367 thou.
- Short-term receivables and services: -PLN 30,287 thou.
- Cash and cash equivalents: -PLN 483 thou.
- Retained earnings: + PLN 788 thou.
- Capital of non-controlling shares: - PLN 9,257 thou.
- Long-term credits and loans: -PLN 49,467 thou.
- Deferred tax assets: +PLN 185 thou.
- Loans short term: - PLN 50,740 thou.
- Short-term liabilities and services: - PLN 148,939 thou.
- Short-term other liabilities: - PLN 6,930 thou.

The following items were changed in the consolidated income statement for the period 01 January 2010 to 31 December 2010

- Income from sales of products: - PLN 221,172 thou.
- Cost of products sold: - PLN 203,305 thou.
- Gross profit on sales: - PLN 17,867 thou.
- Profit from operations: - PLN 5,130 thou.
- Financial income: - PLN 28 thou.
- Financial costs: - PLN 3,281 thou.
- Gross profit: - PLN 1,877 thou.
- Income tax - deferred: + PLN 185 thou.
- Share in profit (loss) of subordinated entities valued under the equity method: +PLN 1,425 thou.
- Consolidated net profit: -PLN 637 thou.
- Net profit attributable to minority shareholders: -PLN 1,425 thou.
- Net profit attributable to shareholders of parent company: +PLN 788 thou.

17.6 Mergers of economic entities effected between the balance sheet date and the date of approval of the consolidated financial statement

There were no mergers of economic entities effected between the balance sheet date and the date of approval for publication of the consolidated financial statement.

17.7 Information on significant events that occurred after the balance sheet date and not included in the financial statement

There occurred no significant events until the date of approval for publication of the consolidated financial statements, i.e. until 24 April 2012,

18. TRANSACTIONS WITH RELATED PARTIES

	Revenues from sales of products, goods and materials	Other sale	Financial revenues
01 January 2011 to 31 December 2011			
from affiliates	402	-	-
from other related entities	145	135	1124
01 January 2010 to 31 December 2010			
from affiliates	62	-	123
from other related entities	5 739	26	227

	Purchase of foods and services	Purchase of fixed assets and intangible assets	Financial expenses
01 January 2011 to 31 December 2011			
from other related entities	2767	351	-
01 January 2010 to 31 December 2010			
from affiliates	691	-	18
from other related entities	2 212	-	8

	31 December 2011	31 December 2010
Receivables from affiliates	20 936	-
Receivables from other related entities	754	6 930
Liabilities against other related entities	87	39

	31 December 2011	31 December 2010
Impairment for receivables from related entities		
as at the beginning of period	-	-
establishing impairment	6 647	-
as at the end of period	6 647	-

The annual consolidated financial statement and comparative figures have been prepared in accordance with the rules of the International Accounting Standards and reflect a true and fair view of the financial position and results of operations of KOPEX S.A. Capital Group.

The annual report of the Management Board gives a true picture of the development and achievements of KOPEX S.A. Capital Group, including a description of the main risks and threats.

The entity authorised to audit financial statements and auditing the annual consolidated financial statement has been selected in accordance with the law.

This entity and the auditor performing the audit have met the conditions for an impartial and independent audit report in accordance with the relevant provisions of national law.

Signatures of the Members of the Board and the person responsible for bookkeeping

<i>Date</i>	<i>Name and Surname</i>	<i>Position/ Function</i>	<i>Signature</i>
	Krzysztof Jędrzejewski	President of the Board	
	Joanna Parzych	Vice President of the Board	
	Józef Wolski	Vice President of the Board	
	Artur Kucharski	Member of the Board	
	Andrzej Meder	Member of the Board	
	Joanna Węgrzyn	Person responsible for bookkeeping	