CONSOLIDATED FINANCIAL STATEMENT OF KOPEX S.A. CAPITAL GROUP

drawn up for the period
01 January to 31 December 2012

Katowice, April 2013

Note

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Consolidated Statement of Financial Position of KOPEX S.A. Capital Group drawn up as at 31 December 2012 in thousand zlotys

Note	Assets	31 December 2012	31 December 2011 *restated	31 December 2010 *restated
	Fixed assets	**2 333 309**	**2 337 438**	**2 041 264**
12.1	Intangible assets	91 471	99 714	48 610
12.2	Goodwill of subsidiaries	1 246 888	1 254 713	1 245 347
12.3	Tangible fixed assets	764 662	749 853	658 275
12.4	Investment property	29 383	29 177	7 687
12.5	Investments accounted for by equity method	55 132	59 645	17 136
12.6	Long-term lease receivables	91 592	83 361	15 469
12.7	Other long-term assets	15 317	19 646	11 513
12.8	Deferred income tax assets	38 864	41 329	37 227
	Current assets	**1 389 497**	**1 387 899**	**1 295 422**
12.9	Inventories	409 214	416 595	450 315
12.10	Short-term receivables from supplies and services	534 516	476 290	405 223
12.10	Other short-term receivables	103 710	118 357	92 419
12.6	Short-term lease receivables	73 175	61 401	9 716
12.11	Short-term loans granted	74 141	58 013	83 949
12.8	Current income tax receivables	4 822	1 673	8 342
12.12	Derivative financial instruments	12 167	1 655	1 362
12.13	Financial assets at fair value through profit or loss	1 548	510	-
12.28	Assets related to contracts for construction services	94 621	116 944	79 388
12.14	Cash and cash equivalents	81 583	136 461	164 708
12.15	**Fixed assets held for sale Total assets**	**12 890** **3 735 696**	**1** **3 725 338**	**883** **3 337 569**
	Liabilities and equity			
	Equity	**2 491 464**	**2 477 988**	**2 354 918**
12.16	Share capital	74 333	74 333	74 333
12.16	Own shares	-2 979	-2 979	-2 979
12.17	Share premium	1 054 942	1 054 942	1 054 942
12.18	Revaluation reserve	5 944	664	75
	Exchange rate differences from translation	19 712	36 708	26 490
12.19	Retained earnings	1 333 876	1 283 512	1 141 345
	Equity of non-controlling interest	5 636	30 808	60 712
	Long-term liabilities	**238 213**	**237 216**	**97 048**
12.20	Long-term loans and borrowings	148 063	129 997	34 767
12.21	Other long-term liabilities	6 486	12 120	21 633
12.22	Long-term lease liabilities	65 300	69 397	17 829
12.8	Deferred income tax reserve	1 054	3 708	3 513
12.23	Long-term reserve for post employment benefits	11 827	14 308	15 413
12.24	Other long-term reserves for liabilities	1 017	5 104	1 631
12.25	Long-term accruals	4 466	2 582	2 262
	Short-term liabilities	**1 006 019**	**1 010 134**	**885 603**
12.20	Short-term loans and borrowings	570 763	521 669	513 152
12.26	Short-term liabilities from supplies and services	212 616	278 545	194 645
12.21	Other short-term liabilities	134 006	123 211	102 786
12.22	Short-term lease liabilities	31 602	22 143	10 059
12.8	Current income tax liabilities	2 050	2 836	6 786
12.27	Derivative financial instruments	895	6 931	3 028
12.23	Short-term reserve for post employment benefits	8 924	8 126	5 811
12.24	Other short-term reserves for liabilities	19 229	13 712	18 180
12.25	Short-term accruals	25 934	32 961	31 156
	Total liabilities	**3 735 696**	**3 725 338**	**3 337 569**
	Book value	**2 491 464**	**2 477 988**	**2 354 918**
	Number of shares	**74 056 038**	**74 056 038**	**74 056 038**
	Book value per share (in PLN)	**33.64**	**33.46**	**31.80**

* detailed information regarding the restatement of comparative data has been included in note 7.3.

Consolidated profit and loss account of KOPEX S.A. Capital Group drawn up for the period 01 January 2012 to 31 December 2012 in thousand zlotys

Note		01 Jan. 2012 to 31 Dec. 2012	01 Jan. 2011 to 31 Dec. 2011 * restated
12.28	**Net income from sale of products, goods and materials, incl:**	**2 033 745**	**1 991 710**
	Net income from sale of products	1 573 891	1 543 342
	Net income from sale of goods and materials	459 854	448 368
12.29	**Costs of products, goods and materials sold, incl:**	**1 624 430**	**1 599 384**
	Manufacture cost of products sold	1 178 464	1 158 820
	Value of goods and materials sold	445 966	440 564
	Gross profit on sales Other income		
		409 315	**392 326**
12.30		**11 189**	**17 612**
12.29	**Selling costs**	**43 270**	**48 096**
12.29	**Overheads**	**167 134**	**169 929**
12.31	**Other costs**	**90 203**	**28 372**
12.32	**Other operating profit (loss) Financial revenues, incl:**	**-10 580**	**22 164**
		109 317	**185 705**
12.33		**23 311**	**20 482**
	Interest	23 026	18 019
	Other	285	2 463
12.34	**Financial costs, incl:**	**72 329**	**54 245**
	Interest	69 282	40 337
	Other	3 047	13 908
	Write off of goodwill of subsidiaries	**-**	**-1 491**
	Loss of control over the subsidiary	**-209**	**24 619**
	Share in net profit (loss) of subsidiaries evaluated by equity method	**16 863**	**12 575**
	Gross profit	**76 953**	**187 645**
12.35	**Income tax, incl:**	**20 962**	**34 671**
	current	26 529	38 312
	deferred	-5 567	-3 641
	Consolidated net profit	**55 991**	**152 974**
	Net profit attributable to non-controlling interests	**2 705**	**9 335**
12.36	**Net profit attributable to controlling company's shareholders**	**53 286**	**143 639**
	Weighted average number of common shares	**74 056 038**	**74 056 038**
	Net profit per one common share (in PLN)	**0.72**	**1.94**

* detailed information regarding the restatement of comparative data has been included in note 7.3.

Total profit and loss account of KOPEX S.A. Capital Group drawn up for the period 01 January 2012 to 31 December 2012 in thousand zlotys

	01 Jan. 2012 to 31 Dec. 2012	01 Jan. 2011 to 31 Dec. 2011
Net consolidated profit (loss)	**55 991**	**152 974**
Other total income:		
Exchange rate differences from translation	-17 035	19 605
Financial assets held for sale	-170	-5
Cash flow hedging	5 519	593
Changes in revaluation surplus	-	-2 288
Other income	-5	51
All other total income after taxation	**-11 691**	**17 956**
Total income	**44 300**	**170 930**
attributable to non-controlling interests	5 013	10 969
attributable to KOPEX S.A. shareholders	39 287	159 961

Consolidated Changes in Equity Statement of KOPEX S.A. Capital Group drawn up for the period 01 January 2012 to 31 December 2012 in thousand zlotys

	Share capital	Own shares	Share premium	Revaluation reserve			Exchange rate differences from translation	Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
				Hedging instruments	Financial assets held for sale	Deferred income tax					
Balance as at 01 January 2011 acc. to the approved financial statement	**74 333**	**-2 979**	**1 054 942**	**87**	**4**	**-16**	**26 490**	**1 144 901**	**2 297 762**	**60 785**	**2 358 547**
Essential error corrections	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-3 556**	**-3 556**	**-73**	**-3 629**
Balance as at 01 January 2011 restated	**74 333**	**-2 979**	**1 054 942**	**87**	**4**	**-16**	**26 490**	**1 141 345**	**2 294 206**	**60 712**	**2 354 918**
Total income	-	-	-	732	-5	-138	17 900	141 472	159 961	10 969	170 930
Dividends	-	-	-	-	-	-	-	-	-	-7 386	-7 386
Acquisition/increase/decrease of control	-	-	-	-	-	-	-	-3 845	-3 845	-23 020	-26 865
Loss of control	-	-	-	-	-	-	-7 682	4 540	-3 142	-10 467	-13 609
Balance as at 31 December 2011	**74 333**	**-2 979**	**1 054 942**	**819**	**-1**	**-154**	**36 708**	**1 283 512**	**2 447 180**	**30 808**	**2 477 988**
Balance as at 01 January 2012 acc. to the approved financial statement	**74 333**	**-2 979**	**1 054 942**	**819**	**-1**	**-154**	**37 220**	**1 291 146**	**2 455 326**	**30 881**	**2 486 207**
Essential error corrections	**-**	**-**	**-**	**-**	**-**	**-**	**- 512**	**-7 634**	**-8 146**	**-73**	**-8 219**
Balance as at 01 January 2012 restated	**74 333**	**-2 979**	**1 054 942**	**819**	**-1**	**-154**	**36 708**	**1 283 512**	**2 447 180**	**30 808**	**2 477 988**
Total income	-	-	-	6 731	-175	-1 276	-16 978	50 985	39 287	5 013	44 300
Dividends	-	-	-	-	-	-	-	-	-	-595	-595
Loss of control	-	-	-	-	-	-	-	-	-	-151	-151
Balance as at 31 December 2012	**74 333**	**-2 979**	**1 054 942**	**7 550**	**-176**	**-1 430**	**19 712**	**1 333 876**	**2 485 828**	**5 636**	**2 491 464**

Consolidated Statement of Cash Flow of KOPEX S.A. Capital Group drawn up for the period 01 January 2012 to 31 December 2012 in thousand zlotys

	01 Jan. 2012 to 31 Dec. 2012	01 Jan. 2011 to 31 Dec. 2011
CASH FLOW FROM OPERATING ACTIVITIES		
Gross profit (loss)	**76 953**	**187 645**
Corrections by:		
Depreciation	126 916	102 689
Share in net profit (loss) of subsidiaries evaluated by equity method	-16 863	-12 575
(Profit) loss from exchange rates differences	-4 945	6 937
Interest and share in profits (dividends)	37 280	15 618
(Profit) loss from investment activity	3 094	-5 596
Change in reserves	-253	215
Change in inventories	7 381	33 720
Change in receivables from supplies, services and other receivables	-62 702	-245 578
Change in short-term liabilities from supplies, services and other liabilities	-60 206	95 866
Change in accruals	-5 143	2 125
Change in assets related to contracts for construction services	22 323	-37 556
Income tax paid	-26 360	-28 549
Write-downs on fixed and intangible assets	20 670	-
Realised foreign currency transactions – hedge accounting	-9 836	2 425
Other corrections	4 313	-13 711
Net cash flow from operating activity	**112 622**	**103 675**
CASH FLOW FROM INVESTMENT ACTIVITY		
Sale of intangible, legal and material fixed assets	14 709	24 110
Sale of financial assets	9 733	4 648
Dividends and share in profits received	28 370	-
Repayment of loans granted	130 356	162 433
Interest received	8 476	2 270
Other	1 710	-
Acquisition of intangible, legal and material fixed assets*	-163 109	-199 363
Acquisition of financial assets	-	-64 764
Loans granted	-156 669	-125 806
Net cash flow from investment activity	**-126 424**	**-196 472**
CASH FLOW FROM FINANCIAL ACTIVITY		
Receipts from share issue, other capital instruments and capital surcharge		-
Loans and borrowings	300 207	340 928
Other financial receipts	-	11 248
Dividends and other payments for owners	-594	-415
Repayments of loans and borrowings	-232 561	-227 411
Payments of liabilities from financial lease agreements	-37 172	-21 544
Interest paid	-45 653	-37 805
Transactions with non-controlling interests	-25 129	-
Other financial expenses	-705	-406
Net cash flow from financial activity	**-41 607**	**64 595**
TOTAL NET CASH FLOW	**-55 409**	**-28 202**
Balance sheet change in cash, incl:	**-54 878**	**-28 247**
-change in cash from differences in exchange rates	531	-45
Cash at the beginning of period	**136 461**	**164 708**
Cash at the end of period, incl:	**81 583**	**136 461**
- restricted cash	2 265	2 868

*"Acquisition of intangible, legal and material fixed assets" included internally generated fixed assets

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENT

1. General information

KOPEX S.A. based in Katowice is a joint stock company registered on 3 January 1994 in the District Court in Katowice, VIII Economic Division under RHB number 10375. By virtue of the decision of the District Court in Katowice, Economic Division, dated 11 July 2001, KOPEX S.A. was entered into the Register of Companies under KRS number – 0000026782.

The Company was constituted for an indefinite period.

The Company's seat is Grabowa 1 street.

The principal activity of the Company (code PKD 4521E) is export and import of raw materials, products and services, including complete industrial plants, equipment and machinery, including in particular for mining industry, industrial and consumer goods and intermediary services both in domestic and foreign trade. The company is listed on the Stock Exchange in Warsaw in the continuous trading system and was classified to the sector of electromechanical industry.

The principal activity of the KOPEX S.A. Capital Group focuses on the manufacture of equipment and machinery used in mining industry. The Capital Group is not only the manufacturer and supplier of machinery and equipment for hard and brown coal and nonferrous metal mining, but most importantly a general contractor in investment enterprises, offering comprehensive service of mining investment processes. The KOPEX Group may offer comprehensive solutions for underground and surface mining and may fulfil orders in accordance with strictly specified individual requirements of the customer. The KOPEX Group brings together valued and respected, domestically and worldwide, suppliers of high-end machinery and equipment as well as modern technologies and solutions for mining. The Group uses specialist capacities of its component companies who through their diverse offers of products and services complement one another.

The presented financial statement is a consolidated statement and includes data for the period between 01 January 2012 and 31 December 2012 as well as comparative financial data for the period between 01 January 2011 and 31 December 2011.

The financial statement of the KOPEX S.A. Capital Group for 2012 has been prepared assuming that economic activity will be continued. There are no circumstances indicating a risk to interrupt the activity.

KOPEX S.A. is a dominant entity and prepares a consolidated financial statement.

Notes to the consolidated financial statement constitute its integral part.

The currency used is Polish Zloty.

Data are presented in thousand zlotys.

The aforementioned financial statement was approved for publication and signed by the Management Board on 26 April 2013.

2. Composition of the Management Board and the Supervisory Board

Management Board

The Management Board of the Company as at 31 December 2012 and on the day of approval for publication and signature of the present financial statement presents itself as follows:

Andrzej Jagiełło	Chairman of the Management Board
Józef Wolski	Vice Chairman of the Management Board
Andrzej Meder	Member of the Management Board
Andrzej Czechowski	Member of the Management Board
Arkadiusz Śnieżko	Member of the Management Board

Supervisory Board

The Supervisory Board of the Company as at 31 December 2012 and on the day of approval for publication and signature of the present financial statement presents itself as follows:

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

3. Entity auditing the financial statement

The financial statement was audited by PriceWaterhouseCoopers Sp. z o.o. seated at 14 Al. Armii Ludowej, 00-638 Warsaw on the basis of the Agreement dated 29 February 2012. This agreement was concluded as a result of the KOPEX S.A. Supervisory Board Resolution No 94/VI/2012 dated 16 January 2012.

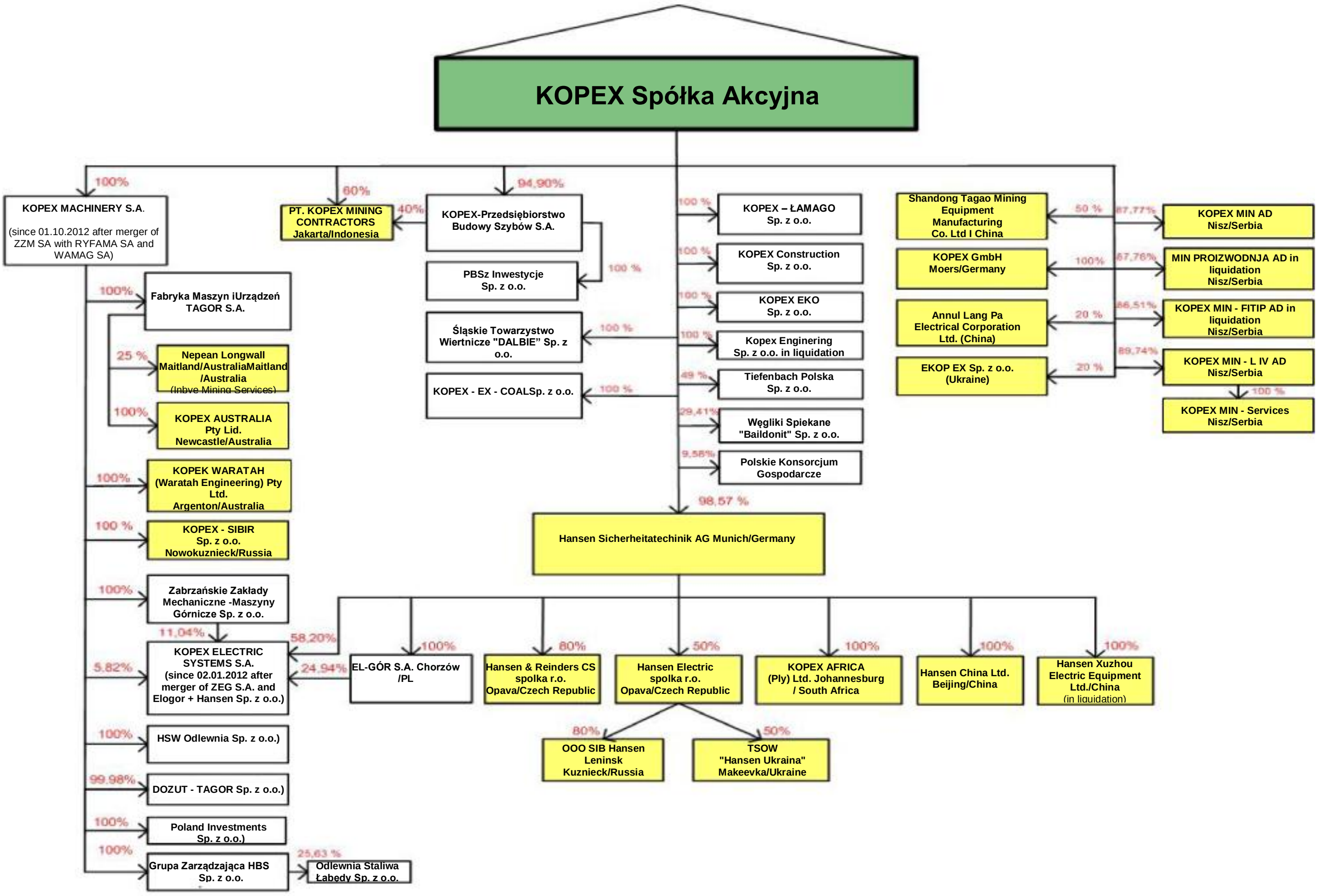
Date of the agreement	Subject matter of the agreement	Value of the agreement (in thousand zlotys)
29.02.2012	Review of the separate and consolidated half-year financial statement as well as a review of the separate and consolidated annual financial statement.	90
20.04.2012	Tax consultancy	32
31.10.2012	Tax consultancy	16
TOTAL		**138**

4. Basis for the preparation of financial statement

The financial statement for 2012 has been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union.

From 1 January 2005, KOPEX S.A., in accordance with Resolution No. 27 of the Annual General Meeting dated 21 April 2005 (adopted under art. 45 par. 1c of the Accounting Act) has prepared a separate financial statement in accordance with International Accounting Standards.

List of subsidiaries of KOPEX S.A. Capital Group as at 31 December 2012



6. Companies included in the consolidated financial statement

Entity	*Consolidation method*
KOPEX S.A.	Full
KOPEX MACHINERY S.A.(formerly: ZABRZAŃSKIE ZAKŁADY MECHANICZNE S.A.)	Full
TAGOR S.A.	Full
DOZUT-TAGOR Sp. z o.o.	Full
GRUPA ZARZĄDZAJĄCA HBS Sp. z o.o.	Full
KOPEX GmbH (Germany)	Full
KOPEX-FAMAGO Sp. z o.o.	Full
KOPEX CONSTRUCTION Sp. z o.o.	Full
HSW ODLEWNIA Sp. z o.o.	Full
KOPEX - PRZEDSIĘBIORSTWO BUDOWY SZYBÓW S.A.	Full
PBSz INWESTYCJE Sp. z o.o.	Full
HANSEN SICHERHEITSTECHNIK AG (Germany)	Full
EL-GÓR S.A.	Full
HANSEN & REINDERS CS spol.s.r.o. (Czech Republic)	Full
KOPEX AFRICA (Pty) Ltd (South Africa)	Full
HANSEN CHINA Ltd (China)	Full
KOPEX MIN (Serbia)	Full
KOPEX MIN-LIV (Serbia)	Full
KOPEX MIN-USŁUGI (Serbia)	Full
ZZM – MASZYNY GÓRNICZE Sp. z o.o.	Full
KOPEX-EKO Sp. z o.o.	Full
POLAND INVESTMENTS 7 Sp. z o.o.	Full
KOPEX TECHNOLOGY Sp. z o.o.	Full
KOPEX AUSTRALIA Pty Ltd (Australia)	Full
PT KOPEX MINING CONTRACTORS (Indonesia)	Full
KOPEX SIBIR SP. Z O.O. (Russia)	Full
KOPEX WARATAH PTY LTD (Australia)	Full
ŚLĄSKIE TOWARZYSTWO WIERTNICZE DALBIS Sp. z o.o.	Full
KOPEX-EX-COAL Sp. z o.o.	Full
OOO SIB HANSEN (Russia)	Equity
HANSEN ELECTRIC spol.s.r.o. (Czech Republic)	Equity
SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING CO. Ltd (China)	Equity
NEPEAN LONGWALL (Australia)	Equity
WS BAILDONIT Sp. z o.o.	Equity
TIEFENBACH Sp. z o.o.	Equity
ODLEWNIA STALIWA ŁABĘDY Sp. z o.o.	Equity
ANHUI LONG PO ELECTRICAL CORPORATION Ltd (Chiny)	Equity

7. Significant accounting principles

7.1. Statement of compliance

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

7.2. Accounting principles adopted

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

● Consolidation methods

Pursuant to IFRS/IAS principes, KOPEX S.A. is a controlling entity and it consolidates, i.e. combines financial statements of KOPEX S.A. with the financial statements of its subsidiaries by summing the relevant items of financial statements, including the necessary eliminations 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 loss of consolidated subsidiaries for the reporting period,

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 as a separate item within equity. Interests in profit or loss of the Capital Group are also presented separately.

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

Most of the subsidiaries apply the same accounting principles (policy) that are applied at KOPEX S.A. When a subsidiary applies accounting principles different from those adopted in the consolidated financial statement, the financial statement of that entity is adjusted accordingly during the preparation of the consolidated financial statement.

Separate items of the consolidated financial statement of KOPEX S.A. show interests in affiliated entities (being significantly influenced by KOPEX S.A. and whose major investor is KOPEX S.A.). Those interests are valuated 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 the change of the KOPEX S.A.'s participation in the 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 and loss account of KOPEX S.A. as a separate item. 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 proportion of KOPEX S.A.'s participation in that company, resulting from changes in equity of the company, that have not been included in the profit and loss account. Then the participation of KOPEX S.A. in those changes is included in other equity. Those changes may also result from the revaluation of tangible assets and exchange rate differences from translation. The participation of KOPEX S.A. in those changes is shown directly in its equity.

● Intangible assets

A component of intangible assets is shown at the purchase price or manufacture cost less amortisation 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 component of assets is ready for use. The applied method reflects the way of consuming economic benefits from the component of assets.

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

- licenses for the use of computer software 10% - 30%

- computer software 20%

- other intangible assets – in accordance with the duration of the contract or the estimated useful life.

Intangible assets with a low purchase price (original value of less than 3.5 thousand PLN) are subject to a single write – off into the costs. Other intangible assets are amortized using a line-method throughout the period of their useful life estimated as best as possible.

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

Depreciation of intangible assets is included in the following items of the profit and loss account: manufacture cost of products sold, selling costs and overheads.

The following items are not included in the intangible assets: goodwill generated by the company on its own; trademarks, magazine titles, publication titles, customer lists and items of similar form generated by the company on its own; expenditures incurred on commencing the business activity, on advertising, promotion, training and restructuring the part or all the company.

● Goodwill

Goodwill is defined as the surplus of a) over b), where:

a) is the sum of the following amounts:

- payment valued in accordance with IFRS 3, which generally requires fair value method. It is a transferred payment, i.e. one that excludes costs related to the direct acquisition,

- amounts of all non-controlling interests in the acquired entity, valued at fair value or on the basis of the ratio of the non-controlling interests to identifiable net assets of the acquired entity,

- in the case of stage-by-stage mergers, fair value as of the date of acquiring an interest in the equity of the acquired entity, previously owned by the acquiring entity,

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

In the case of negative goodwill, a revision of net fair values of each acquired asset is required. If following such revision goodwill continues to be negative, it is disclosed accordingly in the profit and loss account.

Subsequent goodwill valuation consists of impairment testing and disclosure in the balance sheet in accordance with the cost less aggregated impairment loss. The impairment loss itself is disclosed in the profit and loss account.

For the purpose of impairment testing, goodwill is allocated to individual cash generating units, which are expected to benefit from the synergy achieved as a result of the merger. Each unit or group of units to which such goodwill is allocated should:

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

- not be larger than an operating segment based on either the entity’s primary or the entity’s secondary reporting format.

● Research and development costs

Research expenses are disclosed in the profit and loss account as and when incurred.

Development expenses are disclosed when capitalisation criteria are met. After initial disclosure, the cost of development works is reduced by the accumulated depreciation and value impairment.

Depreciation is charged at a flat rate over the expected period of generating income from sales related to the project in question.

● Fixed assets

The initial value of tangible fixed assets is determined at the purchase price, and in case the asset is manufactured using own means – as a total production cost. Borrowing costs which arose as a result of and during the investment period increase the purchase price or the cost of production. The initial value of fixed assets is increased by expenditures incurred on their improvement, provided that they are expected to be used for a period longer than just one season and it is likely that economic benefits connected with a given asset will be gained. If the residual value of the tangible fixed asset reaches and increases the amount that is higher than or equal to its carrying amount, so the depreciation of this asset ceases until its residual value drops and is lower than its carrying amount. The value of the fixed asset is subject to amortization, taking into account the planned usage period and recovery value in case of liquidation. Fixed assets having a low initial value (lower than 3.5 thousand zlotys) are depreciated only once at the moment of their receipt for use.

Fixed assets are subject to amortization using the straight-line method during the period corresponding to the estimated period of their useful life. The residual value and useful lives are subject to annual reviews and they are amortized with the depreciation rate applicable in the subsequent periods.

The rates of depreciation for fixed assets are as follows:

- buildings and structures – 2.5% - 4.5%,

- technical equipment and machinery – 10% - 38.72%,

- transport means – 20% - 33.06%,

- others – 14% - 40%,

- the right of perpetual usufruct of land, purchased as a property in the period of the contract, in which these rights can be used.

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

Own land is not subject to amortization.

● Fixed assets held for sale

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

● Investment property

Investment property – held in order to achieve the revenue from leasing and/or increase of their value – are measured on the balance sheet day at the cost of purchase reduced by previous depreciation write -offs. The period and method of depreciation of the investment property with a significant initial value are reviewed at least at the end of each financial year in terms of their expected utility. Investment property is amortized using a straight-line method starting from the month following the month of its receipt for use during the estimated period of their economical utility. The rates of depreciation for investment property are as follows:

- buildings and structures – 2.5% - 4.5%,

- the right of perpetual usufruct of land, purchased as a property in the period of the contract, in which these rights can be used.

Own land is not subject to amortization.

● Fixed assets under construction

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

● Leasing

- Financial lease

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

- Operating lease

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

● Financial instruments

Financial instruments have been classified in the following categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity investments
- Loans and financial receivables
- Financial assets held 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 purchased for short sale as well as other financial assets constituting part of a portfolio of similar assets that are highly likely to deliver expected economic gains over a short period of time, as well as those financial assets which were determined as valued at fair value through profit or loss upon initial recognition, if that serves the purpose of obtaining more useful information. Upon initial recognition, they are valued at fair value excluding transaction costs which can be directly attributed to the purchase or issuance of these instruments. After initial recognition they are valued at fair value and valuation results are presented in the profit and loss account as "Other profits (losses)", except for foreign exchange transactions for which no hedge accounting is applied and which have been concluded to hedge the repayment of a loan or borrowing; the valuation of such transactions is taken in the profit and loss account to "Financial income – exchange rate differences" or "Financial costs – exchange rate differences".

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

- derivatives for which no hedge accounting is applied – in the statement of financial position they are presented under “Derivative financial instruments” in current assets. Their valuation as well as realisation is taken in the profit and loss account to "Other profits (losses)", except for foreign exchange transactions for which no hedge accounting is applied and which have been concluded to hedge the repayment of a loan or borrowing; the valuation of such transactions is taken in the profit and loss account to "Financial income – exchange rate differences" or "Financial costs – exchange rate differences".

- shares in entities other than subsidiaries or affiliates held for short resale; in the statement of financial position they are presented under current assets: “Financial assets at fair value through profit or loss”. The result of valuation of such assets and the result on their sale are taken "Other profits (losses)" in the profit and loss account.

Held-to-maturity investments

include financial assets which are not derivatives but are characteristic for determined or determinable payments and predefined maturity dates, provided that the entity not only intends to hold them to maturity, but also is capable of delivering on that intention. They exclude assets which upon initial recognition are classified as assets at fair value through profit or loss, or as assets held for sale, or assets that are defined as loans and receivables. Upon initial recognition, they are valued at fair value increased by transaction costs which can be directly attributed to their purchase or issue.

After initial recognition, held-to-maturity investments are valued at depreciated cost using the effective interest rate method. The result of valuation is taken to "Other profits (losses)" in the profit and loss account.

These assets are presented in the statement of financial position with a breakdown into short-term and long-term in the same entries as loans granted.

Loans and receivables

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

The category of loans and receivables includes:

- receivables from supplies and services – presented as a separate entry in the statement of financial position as current assets;

- other financial receivables, including in particular: employee receivables, receivables from the sale of financial assets, dividend receivables, receivables from the sale of fixed assets – presented in the statement of financial position under “Other long-term receivables” (maturing later than 12 months) and under “Other short-term receivables” (maturing earlier than 12 months after the reporting date).

- loans granted – presented in the statement of financial position with a breakdown into long-term (maturing later than 12 months after the reporting date) and short-term (maturing earlier than 12 months from the reporting date), under "Other long-term assets" and "Short-term loans granted" accordingly.

Loans and receivables denominated in foreign currencies are valued as at the reporting date in accordance with the average exchange rate determined for a given currency by the National Bank of Poland as at that day. Foreign exchange differences on receivables denominated in foreign currencies incurred as at the valuation date and at payment are included in "Other profits (losses)". Foreign exchange differences on loans are included in Financial income or Financial costs under "Foreign exchange differences".

Financial assets held for sale

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

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

Financial liabilities at fair value through profit or loss

include liabilities incurred for the purpose of short resale, constituting part of a portfolio of similar financial instruments that are highly likely to be realized on unfavourable terms in a short period of time, as well as those financial liabilities which were determined as valued at fair value through profit or loss upon initial recognition, if that serves the purpose of obtaining more useful information. Upon initial recognition, they are valued at fair value without increasing by transaction costs which can be directly attributed to their purchase or issue. After initial recognition they are valued at fair value and valuation results are presented in the profit and loss account as "Other profits (losses)", except for foreign exchange transactions for which no hedge accounting is applied and which have been concluded to hedge the repayment of a loan or borrowing; the valuation of such transactions is taken in the profit and loss account to "Financial income – exchange rate differences" or "Financial costs – exchange rate differences".

The company classifies in this category the following:

derivatives for which no hedge accounting is applied – in the statement of financial position they are presented under “Derivative financial instruments” in short-term liabilities. Realization of a derivative instrument is taken to the same entries of the profit and loss account as its valuation.

Other financial liabilities

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

Other financial liabilities include in particular:

- loans and borrowing received – presented in the statement of financial position under “Long-term loans and borrowings” (maturing later than 12 months after the reporting date) and under “Short-term loans and borrowings” (maturing earlier than 12 months after the reporting date),

- trade accounts payable – presented as a separate entry in the statement of financial position as short-term liabilities,

- other financial liabilities, including in particular: employee liabilities, liabilities related to the purchase of fixed assets – presented in the statement of financial position under the following: “Other long-term liabilities” (maturing later than 12 months after the reporting date) and “Other short-term liabilities” (maturing earlier than 12 months after the reporting date).

Derivatives for which hedge accounting is applied

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

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

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

- it is expected that hedging will be highly effective,

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

- hedge effectiveness can be reliably assessed,

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

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

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

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

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

- profits or losses – in the case of instruments used to hedge future cash flows (to the extent corresponding to ineffective hedge) under "Other profits (losses)".

When hedging future cash flows, if the planned transaction affects the financial result, the profit or loss associated to the hedging position that was originally recognized directly in equity is moved in the same period(s) to the same entry of profit and loss account to which the hedged position is taken. The realization of the planned transaction, involving the realization of the hedging instrument, results in taking the realized hedging instrument to the same entry of profit and loss account to which the hedged position is taken.

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

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

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

- the entity invalidates the hedging relationship,

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

- realization of the planned transaction is no longer expected – in such a case all accumulated gains or losses related to the hedging instrument which were taken to other total revenues in the period in which the hedge was effective are taken to "Other profits (losses)".

The company does not use hedge accounting for shares in net assets of foreign entities.

Impairment

At each balance sheet date, an assessment is made of whether there is objective evidence that a given financial asset or a group of financial assets is impaired. For each significant class of financial assets, the Company discloses the nature and amount of each impairment loss transferred to the financial result.

A financial asset or a group of assets is impaired and an impairment loss is incurred when there is objective evidence of impairment due to one or more events that occurred after the initial recognition of the asset, when the loss has a reliably measurable impact on the expected future cash flows from the financial asset or group of financial assets. Losses expected to arise as a result of the future events are not recognised, no matter how likely those events might be. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the asset owner about the following events:

- significant financial difficulties of the issuer or the debtor;
- breach of a contract, such as a default in contracted payments of interest or principal;
- granting of a concession by the lender to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, that the lender would not otherwise consider;
- high probability of bankruptcy or other financial reorganisation of the debtor;
- disappearance of an active market for a given financial asset due to financial difficulties;
- observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the impairment of individual financial assets in the group. These include: adverse changes in the payment status of borrowers in the group (an increased number of delayed payments) or national or local economic conditions affecting a breach of contract in the group of assets (increase in unemployment, decline in property prices).

● Investments in subsidiaries and associated companies

The investments made in the subsidiaries or associated companies are recognized in the separate financial statement at the purchase price decreased by write-offs, if any, and presented as Fixed assets under “Other long term financial assets”.

● Inventories

Inventories are measured at their purchase price or cost of manufacture or the net value likely to be obtained, whichever is lower. On the balance sheet day, inventory write-downs are made, if there are reasons justifying them. Write – downs are recognized as other operating costs. On the balance sheet date, inventories are recognised at purchase price reduced by the write-downs made. Outgoing of inventories is made by the Company in the following ways:

- materials according to weighted average method,

- materials purchased for a specific order and goods through a detailed identification of the real price of these components, irrespective of the date of their purchase or manufacture,

- energy measured at average prices, i.e. fixed in the amount of the weighted average price for a given period.

● Cash

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

● Prepaid expenses and accruals

Prepayments take place when the costs incurred relate to future reporting periods. The following items are submitted to settlement over time:

- rent for the lease of premises, machinery and equipment,

- energy paid for several months in advance,

- property insurance,

- annual fees for land taken in perpetual usufruct,

- annual appropriation to the company’s social benefits fund,

- paid up magazine subscription for the next year,

- other costs related to the number of reporting periods, if their activation has been evidenced with an appropriate document confirming that they were incurred.

Titles of prepayments that do not relate to the normal operating cycle of the company and their period of settlement exceeds 12 months from the balance sheet date, are recognized under "Other long-term assets". Short-term prepayments are shown under "Other short-term receivables."

Accruals

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

● Equities

Equity capital includes original capital (share capital), spare capital and reserve capital, revaluation reserve, net profit (loss) for a given period and undistributed profit from previous years.

Original capital is shown in the amount specified in the Articles of Association and entered in the trade register Declared but not paid capital contributions are recognized as called up share capital. Shareholders may increase or decrease the equity in accordance with the Commercial Code. If the increase results from an increase in the share capital, it is booked only with a date on which the court registered the amendment.

Original capital is valuated in the statement of financial position at nominal value.

Treasury shares are recognized in the statement of financial position at purchase price as a decrease in equity. In case of sale, issuance or redemption of treasury shares, no profits or losses are recognized in the profit or loss account.

● Provisions for liabilities

Provisions are liabilities whose amount and term of payment are not certain.

Provision is created when:

a) the entity assumes the obligation (legal or customary) arising from past events,

b) it is likely that fulfilling of the obligation will cause an outflow of resources representing economic benefits,

c) it is possible to estimate accurately the amount of that obligation.

If these conditions are not met, provisions are not created.

The amount of provisions should reflect the best estimated expenditures required to fulfil the existing obligation on the balance sheet date, i.e.:

a) the amount – which according to rational premises, the Company would pay on the balance sheet date fulfilling the obligation or,

b) the amount which the Company would pay to a third party in return for taking over the obligation in question at the same time.

Provision is valued taking into account risk and uncertainty. If the result of a change in money value over time is significant, the amount of the provision corresponds to the current value of the expenses that will be necessary to fulfil the obligation. Assessments of financial result and effect are made on the basis of the judgment of the Company's management, assisted by previous experience from similar transactions and possibly by reports of independent experts. The uncertainty relating to the amount for which a provision needs to be made is arrived at using various means, depending on the circumstances.

Provisions are created for the following:

- loss from business transactions in progress,

- guarantees and warranties granted,

- results of pending litigation and appeal proceedings,

- provision for future financial costs,

- future costs related to restructuring.

● Provisions for employee benefits

The company pays out retirement/pension benefits and death benefits in accordance with the Collective Bargaining Agreement.

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

The Company has chosen the method of immediate recognition of actuarial gains and losses both those being within the range described in the IAS 19, par. 92 (corridor approach).

Under "Provisions for employee benefits" the Company also recognises provision for unused annual employee leaves.

● Assets and provision for income tax

In connection with temporary differences between the carrying value of assets and liabilities and their tax value and tax losses deductible in the future, the entity creates a provision and identifies deferred income tax assets.

Deferred income tax assets are determined taking into account the precautionary principle, at an amount corresponding to the future income tax deduction resulting from:

- negative temporary differences,

- carrying over of unused tax losses

- carrying over of unused tax credits.

Negative temporary differences result in tax deductible amounts occurring in determining taxable profit (tax loss) in future periods, if the carrying amount of an asset or a liability is realized or accounted for. A deferred income tax asset is disclosed with respect to all negative temporary differences up to the likely amount of taxable profit allowing for setting off temporary differences. Deferred income tax assets are assessed at the amounts reimbursable by tax authorities in accordance with tax rates expected to be in effect when the asset is realized, on the basis of tax rates (and tax regulations) in effect on the reporting date.

A deferred income tax provision is recognised in the amount of income tax payable in the future, in relation with the occurrence of temporary differences, i.e. differences that will cause future
increase in the tax base. Deferred income tax assets are assessed at the amounts reimbursable by tax authorities in accordance with tax rates expected to be in effect when the asset is realized, on the basis of tax rates (and tax regulations) in effect on the reporting date.

Provision for a deferred income tax as well as for activated income tax are updated in reporting periods, based on the titles under which they were created The deferred income tax is recognized in the profit and loss account under "Income tax".

Provision for a deferred income tax as well as for activated income tax is created only for temporary adjustments.

Deferred tax is disclosed outside the profit and loss account, if the tax relates to the items that – in the same or in another period – were also disclosed outside the profit and loss account. If it relates to items that were disclosed in total revenues in the same or in another period, then deferred tax is disclosed in total revenues as well. If it relates to items disclosed directly in equity, deferred income is disclosed in equity.

If temporary differences result from joint ventures, then – in accordance with IFRS 3 – the Company discloses all deferred income tax assets or provisions as an asset or liability, identifiable as of the merger. Such assets and provisions affect goodwill or the profit resulting from bargain purchase disclosed by the Company. However, the Company does not disclose provisions on deferred income tax resulting from the initial recognition of goodwill.

● Revenues

Revenues are gross earnings in a given period, being a result of regular operations of a given company, and leading to an increase in equity other than the increase due to contributions made by shareholders. Income and expenses of the same transaction are recorded at the same time.

Revenues are recognized when it is likely that the company will have the economic benefits from a given transaction and the amount of revenues may be accurately determined. Revenues are recognized after the value added tax deductions and any discounts and reductions.

Revenues on sale of assets are recognized upon delivery thereof and when the significant risk and benefits resulting from ownership of the assets have been transferred to the purchaser.

Revenues from provision of services (excluding contracts for construction services) are recognized when providing services to a third party.

Dividend income is recognised under Other income at the moment the Company is granted the right to dividend.

KOPEX acquired coal bonds issued by KHW hedged by the coal sale agreement. This serves solely to accelerate KHW's payment for the purchased mining machinery. Therefore coal trading connected with the realization of bonds was presented net in the profit and loss account.

● Government grants

Government grants, including non-monetary grants at fair value are recognized when it is certain that:

- the Company will meet the conditions related to obtaining grants,
- grants will be given.

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

Government grants being subject to repayments are recognized as a change in the estimated value. It means that the repayment of the grant is firstly referred to the unpaid balance of a deferred revenue. The remaining part is referred to the costs of the current period. The standard does not resolve the matter of EU subsidies. The Company treats EU subsidies as government grants.

● Contracts for construction services

Construction services contracts include individually concluded agreements for the construction of an asset or a group of assets that are closely related owing to a project, technology and function or intended use.

The majority of contracts are concluded in set prices and are accounted by using the method of the contract progress degree.

The contract realization progress degree is calculated as percentile quotient of factually incurred costs, which are recorded in appropriate accounting documents, and estimated total costs of contract.

Total revenues from a contract include the original amount stated therein and any changes made thereafter, as well as claims and bonuses.

Changes in revenues from a contract is taken into account, if it is likely that they would be accepted by the service user and if their value can be reliably determined. Revenues from contracts are valued at fair value of the payment due or received. Total costs of an agreement include costs directly related to a given contract, overheads attributable to the business in question which can be linked to a given contract, as well as other costs which – in accordance with the terms of the contract – can be charged to the service user. A revision and update of total costs and revenues from agreements is carried out periodically (at least on the last day of the reporting period) and upon each significant change in assessment of such costs and revenues. The effect of changes in the assessment of costs and revenues from agreements as well as the effect of changes in the assessment of the contract's result are disclosed as a change of assessed value. Changed assessments are used to determine the amount of revenues and costs recognized in the result of the reporting period in which the change took place, as well as in the following periods. Revenues as of the end of a reporting period is determined in proportion to the degree of the contract's completion, after deduction of revenues that affected the financial result in the previous reporting periods.

If the estimated total and final income as well as costs related to the contract for construction services which is being executed indicate a loss, in this case, the provision for the whole loss is created in the balance sheet and credited to costs.

Revenues from contracts underway are disclosed with regard to the degree of the agreement's completion, and the resulting differences are recognized in the following way:

- surplus of recorded cumulative revenues over the sum of losses and receivables conditioned by contract execution (partial invoiced incomes) is recognized under short-term prepayments and presented in assets under “Assets from construction contracts”.

- surplus of recorded losses and receivables conditioned by contract execution (partial invoiced incomes) over the cumulative revenues is recognized under short-term accruals and presented in liabilities under “Other liabilities”.

7.3 Published standards and interpretations that have not yet come in force and have not been previously applied by the company

In this financial statement the Company did not decide on the earlier application of the following published standards, interpretations or amendments to the existing standards before their effectiveness date:

IFRS 9: “Financial instruments Part 1: Classification and valuation"

IFRS 9 was published by the International Accounting Standards Board on 12 November 2009 and it supersedes parts of IAS 39 which refer to classification and valuation of financial assets. In October 2010, IFRS 9 was extended to include issues pertaining to the classification and valuation of financial liabilities. Pursuant to the amendments introduced in December 2011, the new standard applies to annual periods starting on or after 1 January 2015.

This standard introduces one model divided into only two assets classification categories: assets valuated at fair value and assets valuated at amortised cost. The classification is performed as at the initial recognition and is dependent on the financial instruments management model and the characteristics of statutory cash flow from such instruments, as applied by the entity.

The majority of IAS 39 requirements regarding classification and valuation of financial liabilities was reclassified to IFRS 9 without change. The key change is that entities are now required to present results of changes to own credit risk on financial liabilities designated to valuation at fair value through financial result under "other comprehensive income".

The Company will apply IFRS 9 from 1 January 2015 and at this moment it is not possible to reliably assess the influence of the application of this standard on the consolidated financial statement.

As at the date of this financial statement, the amended IFRS 9 has yet not been approved by the European Union.

IFRS 10 Consolidated Financial Statements

IFRS 10 was published by the International Accounting Standards Board in May 2011 and applies to annual periods starting on or after 1 January 2013.

The new standard supersedes the guidelines regarding control and consolidation included in IAS 27 "Consolidated and separate financial statements" and SCI 12 "Consolidation – Special Purpose Entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. Detailed application guidelines accompany the amended definition.

The Company will apply IFRS 10 as of 1 January 2013.

At this moment it is not possible to reliably assess the influence of the application of this standard on the consolidated financial statement.

IFRS 10 was approved by the European Union on 11 December 2012.

IFRS 11 Joint Arrangements

IFRS 11 was published by the International Accounting Standards Board in May 2011 and applies to annual periods starting on or after 1 January 2013.

The new standard supersedes IAS 31 "Interests in Joint Arrangements" and the interpretation SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers". Changes in definitions limited the number of types of joint arrangements to two: joint operations and joint ventures. At the same time the existing option to choose proportional consolidation in relation to jointly-controlled entities was eliminated. All participants of joint arrangements have an obligation now to account for them using equity method.

At this moment it is not possible to reliably assess the influence of the application of this standard on the consolidated financial statement.

IFRS 11 was approved by the European Union on 11 December 2012.

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 was published by the International Accounting Standards Board in May 2011 and applies to annual periods starting on or after 1 January 2013.

The new standard relates to an entity that has an interest in a subsidiary, joint arrangement, associate or unconsolidated structured entity. The standard supersedes disclosure requirements currently contained in IAS 27 "Consolidated and Separate Financial Statements", IAS 28 “Investments in Associates” and IAS 31 "Interests in Joints Arrangements". IFRS 12 requires the disclosure of information that enables users of financial statements to evaluate the nature of, risks associated with and financial effects of entity investments in subsidiaries, associates, joint arrangements or unconsolidated structured entity. For that purpose, the new standard specifies disclosure requirements concerning a number of areas, including significant judgments and assumptions made in determining that an entity controls, has joint control of or has significant influence on its other entities; detailed information concerning the interest that non-controlling interests have in the group’s activities and cash flows; summarised financial information concerning subsidiaries with significant non-controlling interests, and detailed information concerning interests in unconsolidated structured entities.

The Company will apply IFRS 12 as of 1 January 2013.

IFRS 12 will influence the scope of disclosures made by the Company.

IFRS 12 was approved by the European Union on 11 December 2012.

IFRS 13 Fair Value Measurement

IFRS 13 was published by the International Accounting Standards Board in May 2011 and applies to annual periods starting on or after 1 January 2013.

The purpose of the new standard is to improve cohesion and reduce complexity through providing a precise definition of fair value and setting out a single standard for requirements concerning fair value measurements and related disclosures.

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

At this moment it is not possible to reliably assess the influence of the application of this standard on the financial statement.

IFRS 13 was approved by the European Union on 11 December 2012.

Amended IAS 27 Separate Financial Statements

Amended IAS 27 Separate Financial Statements" was published by the International Accounting Standards Board in May 2011 and applies to annual periods starting on or after 1 January 2013.

IAS 27 was amended in connection with the publication of IFRS 10 "Consolidated Financial Statements". The purpose of the amended IAS 27 is to determine the requirements for recognising and presenting investments in subsidiaries, jointl ventures, and associates in cases where the entity prepares separate financial statements. The guidelines for control and consolidated financial statements were superseded by IFRS 10.

The Company will apply the amended IAS 27 as of 1 January 2013.

The amended IAS 27 will not have any impact on the consolidated financial statement.

The amended IAS 27 was approved by the European Union on 11 December 2012.

Amended IAS 28 "Investments in Associates and Joint Arrangements"

The amended IAS 28 "Investments in Associates and Joint Arrangements" was published by the International Accounting Standards Board in May 2011 and applies to annual periods starting on or after 1 January 2013.

The amendments to IAS 28 arose out of the International Accounting Standards Board's project regarding joint ventures. The Board decided to incorporate principles regarding recognising joint ventures using the equity method in IAS 28 because this method applies to both joint ventures and associates. Aside from this exception, the remaining guidelines were not amended.

The Company will apply the amended IAS 28 as of 1 January 2013.

At this moment it is not possible to reliably assess the influence of the application of the amended standard on the financial statement.

The amended IAS 28 was approved by the European Union on 11 December 2012.

Recovery of Underlying Assets – Amendments to IAS 12

In December 2010, the International Accounting Standards Board issued the amendments to IAS 12 "Income Tax" in regard to the recovery of the value of assets" that are effective for annual periods beginning on or after 1 January 2012.

The amendments pertain to measurement of deferred tax reserves and assets arising from investment property measured at fair value in accordance with IAS 40 "Investment Property", and introduce a rebuttable presumption that the value of the investment property may be recovered entirely through sale. The presumption can be rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits of the investment property over time, rather than through sale. SIC 21 "Income Tax – Recovery of Revalued Non-Depreciable Assets", which concerns similar issues pertaining to non-depreciable assets measured using the revaluation model in IAS 16 "Fixed tangible assets", has been incorporated in IAS 12 following the exclusion of the requirements pertaining to investment properties measured at fair value.

Changes to IAS 12 will not have any impact on the consolidated financial statement. The Group selected the purchase model for both, fixed tangible assets and investment property.

The amended IAS 12 was approved by the European Union on 11 December 2012.

Severe Hyper-Inflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1

In December 2010, the International Accounting Standards Board issued amendments to IFRS 1 "First-time IFRS Adoption" in regard to sever hyper-inflation and removal of fixed dates for first-time adopters that are effective for annual periods beginning on or after 1 July 2011.

The change referring to hyper-inflation establishes additional exemptions in the case when an entity affected by serious hyper-inflation recommences or intends to draw up for the first time its financial statements in accordance with IFRS. This exemption allows an entity to decide on valuating assets and liabilities at fair value and using this fair value as a supposed cost of these assets and liabilities in the opening balance in the first statement of financial position drawn up according to IFRS.

Another reason why IASB amended IFRS 1 was to avoid references to dates established for one exception and one exemption with reference to financial assets and liabilities. The first change requires the the first-time adopters to prospectively apply derecognition requirements in accordance with IFRS as of the date of transition to IFRS and not as of 1 January 2014. The second change refers to financial assets or liabilities shown at fair value at initial recognition, if the fair value is determined using measurement techniques due to lack of active market and allows for the application of guidelines prospectively as of the day of transition to IFRS and not as of 25 October 2002 or 1 January 2004. This means that first-time adopters do not have to determine the fair value of financial assets and liabilities prior to the date of transition to IFRS. IFRS 9 was also adapted to these changes.

Changes to IRFS will not have any impact on the consolidated financial statement.

Changes to IFRS 1 were approved by the European Union on 11 December 2012.

Presentation of Items of Other Comprehensive Income – amendments to IFRS 1

In June 2010, the International Accounting Standards Board issued amendments to IFRS 1 "Presentation of Financial Statements" in regard to the presentation of items of other comprehensive income that are effective for annual periods beginning on or after 1 July 2012.

The amendments require the presentation of items of other comprehensive income in two groups based on whether those can be subsequently recognised in the financial result. Additionally the title of the statement of comprehensive income was changed to "statement on profit or loss and other comprehensive income".

The Company will apply amendments to IFRS 1 to annual periods beginning on or after 1 January 2013. Changes will concern the presentation.

Changes to IFRS 1 were approved by the European Union on 5 June 2012.

Amendments to IAS 19 Employee Benefits

In June 2011, the International Accounting Standards Board issued amendments to IAS 19 "Employee Benefits" that are effective for annual periods beginning on or after 1 January 2013.

The amendments introduce new requirements for recognition and valuation of the cost of specific benefit schemes and termination benefits, as well as changes to required disclosures for all employee benefits.

The Company will apply amendments to IAS 19 as of 1 January 2013.

The Company is in the process of assessing the impact of amendments to IAS 19 on the consolidated financial statement. As a result of these amendments the Company will have to cease the application of the corridor approach.

Changes to IFRS 19 were approved by the European Union on 5 June 2012.

Offsetting Financial Assets and Financial Liabilities – amendments to IAS 32

In December 2011 the International Accounting Standards Board issued amendments to IAS 32 ”Financial Instruments: Presentation” in regard to offsetting financial assets and financial liabilities that are effective for annual periods beginning on or after 1 January 2014.

The amendments introduce application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes i.a. clarifying the meaning of "*currently has a legally enforceable right of set-off*" and that some gross settlement systems may be considered equivalent to net settlement under certain conditions.

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

The Company is currently not able to assess the impact of amendments to IAS 19 on the consolidated financial statement.

Changes to IAS 32 were approved by the European Union on 11 December 2012.

Disclosures – Offsetting Financial Assets and Financial Liabilities – amendments to IFRS 7

In December 2011 the International Accounting Standards Board issued amendments to IFRS 7 in regard to disclosures – offsetting financial assets and financial liabilities that are effective for annual periods beginning on or after 1 January 2013.

The amendments introduce an obligation to provide disclosures that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

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

Amendments to IFRS 7 will impact the scope of disclosures.

Changes to IFRS 7 were approved by the European Union on 11 December 2012.

Government Loans – amendments to IFRS 1

In March 2012 the International Accounting Standards Board issued amendments to IFRS 1 “First-time Adoption” in regard to government loans that are effective for annual periods beginning on or after 1 July 2013.

The amendments concerning government loans and borrowings received by an entity on preferential terms (below market rate of interest) give first-time adopters of IFRS relief from full retrospective recognition of such transactions. Therefore the amendments introduce the same relief for the first-time adopters of IFRS as was given to other entities.

Changes to IFRS 1 will not have any impact on the consolidated financial statement.

On the date of drawing up this financial statement the changes to IFRS 1 have not been approved by the European Union.

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

In October 2011 the International Accounting Standards Board issued IFRIC Interpretation 20 that is effective for annual periods starting on or after 1 January 2013.

The interpretation explains that stripping costs are recognised as current manufacturing costs in accordance with the principles of IAS 2 "Inventories" to the extent that the benefits from the stripping activity is realised in the form of inventory produced. If, however, stripping activity provides a benefit in the form of improved access to mineral ore, the entity should recognise these costs as "stripping activity asset" under non-current assets on the condition that the terms specified in the interpretation are met.

IFRIC 20 will not have any impact on the consolidated financial statement of the Company.

As at the date of this financial statement, the amended IFRIC 20 has yet not been approved by the European Union.

Amendments to IFRS 2009-2011

In May 2012 the International Accounting Standards Board issued "Amendments to IFRS 2009-2011" amending 5 standards. The amendments contain changes to the presentation, recognition and measurement and include terminology and editing changes. The amendments will apply to annual periods beginning on or after 1 January 2013.

The Company will apply Amendments to IFRS 2009-2011 as of 1 January 2013.

The Company is currently not able to assess the impact of amendments to IFRS 2009-2011 on the consolidated financial statement.

On the date of drawing up this financial statement, the "Amendments to IFRS 2009-2011" have not been approved by the European Union.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12

In June 2012 the International Accounting Standards Board issued transition guidance amendments to IFRS 10, IFRS 11 and IFRS 12. The amendments will apply to annual periods beginning on 1 January 2013 or earlier – if the standards on which they are based (IFRS 10, 11 or 12) were applied at an earlier date.

The amendments specify transition guidance to IFRS 10 "Consolidated Financial Statement". The companies adopting IFRS 10 should assess whether they have control on the first day of the annual period when IFRS 10 were first adopted and if the conclusions from this assessment differ from the conclusions from IAS 27 and SCI 12, then the comparative data should be restated, unless it would be impractical. The amendments also provide additional transitional relief to IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to provide comparative data to the period immediately preceding the reporting period. Moreover, the amendments eliminate the requirement to present comparative data for the disclosures related to unconsolidated structured entities for the periods preceding the first-time adoption of IFRS 12.

The Company will apply the above amendments after they have been approved by the European Union.

The Company is currently not able to assess the impact of these amendments on the consolidated financial statement.

On the date of drawing up this financial statement, transition guidance amendments to IFRS 10, IFRS 11 and IFRS 12 have not been approved by the European Union.

7.4. Changes in presentation

In this consolidated financial statement changes in presentation were made to improve clarity of the statement, which resulted in the change of comparative information. The changes mainly affected the following:
a)separating the assets related to contracts for construction services;
b)presentation of net deferred income tax assets and liabilities;
c)elimination of revenues from sales and cost of goods sold, if the Group acts as an agent;
d)transfer of exchange rate differences regarding operating activity and dividends obtained from operating activity;

e)presentation of equities in accordance with division criterion;

f) presentation of hedging accounting together with hedged items.

Moreover, in the statement of a domestic subsidiary of the Issuer an error was discovered relating to the valuation of a deferred income tax asset from previous years which was recognised retrospectively by restatement of opening balances of assets and equity of the earliest period.

The following items were changed as the result of adjustment:

Deferred income tax assets: PLN -3 629 thousand

Retained earnings: PLN -3 556 thousand

Equity of non-controlling interest: PLN -73 thousand

Moreover, in the statement of a foreign subsidiary of the Issuer errors were discovered in the statement for comparative period: mispricing of work in progress, non-recognition of freight costs regarding the income of comparative period, double recognition of costs of development work and inappropriate recognition of deferred income tax assets. The aforementioned errors were presented retrospectively by restating the consolidated statement of financial position for the comparative period, i.e. as at 31 December 2011 and by restating the consolidated profit and loss account for the comparative period, i.e. from 1 January 2011 to 31 December 2011.

The following items were changed as the result of adjustment:

In the consolidated statement of financial position:

Intangible assets: PLN +10 454 thousand

Tangible fixed assets: PLN -2 927 thousand

Deferred income tax assets: PLN +6 061 thousand

Inventories: PLN -19 803 thousand

Short-term receivables from supplies and services: PLN +180 thousand

Other short-term receivables: PLN -86 thousand

Current income tax receivables: PLN -15 142 thousand

Exchange rate differences from translation: PLN -512 thousand

Retained earnings: PLN -4 078 thousand

Current income tax liabilities: PLN -7 677 thousand

Short-term accruals: PLN -10 973 thousand

In the consolidated profit and loss account:

Revenues from sale of products, goods and materials: PLN +8 221 thousand

Cost of products, goods and materials sold: PLN +8 221 thousand

Selling costs: PLN +1 833 thousand

Other costs: PLN +1 020 thousand

Deferred tax: PLN +1 248 thousand

Consolidated net profit attributable to controlling company's shareholders: PLN -4 101 thousand

The impact of changes on comparative data is presented below. The data before restatement take into account the effects of performed adjustments of the essential error.

Consolidated Statement of Financial Position of KOPEX S.A. Capital Group	31 Dec. 2011 after change	Change in presentation	31 Dec. 2011 before change in presentation	31 Dec. 2010 after change	Change in presentation	31 Dec. 2010 before change in presentation
A s s e t s						
Fixed assets	**2 337 438**	**-17 484**	**2 354 922**	**2 041 264**	**-21 521**	**2 062 785**
Intangible assets	99 714	6 502	93 212	48 610	-4 119	52 729
Goodwill of subsidiaries	1 254 713	4 119	1 250 594	1 245 347	4 119	1 241 228
Tangible fixed assets	749 853	1 296	748 557	658 275	-4 811	663 086
Investment property	29 177	6 281	22 896	7 687	6 128	1 559
Investments accounted for by equity method	59 645	-	59 645	17 136	-	17 136
Long-term financial assets held for sale	-	-1 516	1 516	-	-1 520	1 520
Other long-term receivables	-	-10 734	10 734	-	-1 247	1 247
Long-term lease receivables	83 361	-	83 361	15 469	-	15 469
Long-term loans granted	-	-1 044	1 044	-	-687	687
Other long-term assets	19 646	19 640	6	11 513	5 972	5 541
Deferred income tax assets	41 329	-35 683	77 012	37 227	-22 838	60 065
Long-term accruals	-	-6 345	6 345	-	-2 518	2 518
Current assets	**1 387 899**	**-18 820**	**1 406 719**	**1 295 422**	**-1 317**	**1 296 739**
Inventories	416 595	-	416 595	450 315	-	450 315
Short-term receivables from supplies and services	476 290	-	476 290	405 223	-	405 223
Other short-term receivables	118 357	-86	118 443	92 419	17 511	74 908
Short-term lease receivables	61 401	-	61 401	9 716	-	9 716
Short-term loans granted	58 013	-	58 013	83 949	-	83 949
Current income tax receivables	1 673	-	1 673	8 342	-	8 342
Short-term financial assets held for sale	-	-	-	-	-	-
Derivative financial instruments	1 655	-	1 655	1 362	-	1 362
Financial assets at fair value through profit or loss	510	-	510	-	-	-
Cash and cash equivalents	136 461	-	136 461	164 708	-	164 708
Short-term accruals	-	-135 678	135 678	-	-98 216	98 216
Assets related to contracts for construction services	116 944	116 944	-	79 388	79 388	-
Fixed assets held for sale	**1**	**-**	**1**	**883 3 337 569**	**–22 838**	**883**
T o t a l a s s e t s	**3 725 338**	**-36 304**	**3 761 642**			**3 360 407**
L i a b i l i t i e s						
Equity	**2 477 988**	**-**	**2 477 988**	**2 354 918**	**-**	**2 354 918**
Share capital	74 333	-	74 333	74 333	-	74 333
Own shares	-2 979	-	-2 979	-2 979	-	-2 979
Supplementary capital	1 054 942	-1 101 691	2 156 633	1 054 942	-1 050 490	2 105 432
Revaluation reserve	664	-30 161	30 825	75	-34 794	34 869
Other reserve capitals	-	-67 188	67 188	-	-55 409	55 409
Exchange rate differences from translation	36 708	-	36 708	26 490	-	26 490
Retained earnings	1 283 512	1 199 040	84 472	1 141 345	1 140 693	652
Equity of non-controlling interest	30 808	-	30 808	60 712	-	60 712
Long-term liabilities	**237 216**	**-36 304**	**273 520**	**97 048**	**-22 838**	**119 886**
Long-term loans and borrowings	129 997	-	129 997	34 767	-	34 767
Other long-term liabilities	12 120	-	12 120	21 633	-	21 633
Long-term lease liabilities	69 397	-	69 397	17 829	-	17 829
Deferred income tax reserve	3 708	-36 304	40 012	3 513	-22 838	26 351
Long-term reserve for post employment benefits	14 308	-	14 308	15 413	-	15 413
Other long-term reserves for liabilities	5 104	-	5 104	1 631	-	1 631
Long-term accruals	2 582	-	2 582	2 262	-	2 262
Short-term liabilities	**1 010 134**	**-**	**1 010 134**	**885 603**	**-**	**885 603**
Short-term loans and borrowings	521 669	-	521 669	513 152	-	513 152
Short-term liabilities from supplies and services	278 545	-	278 545	194 645	-	194 645
Other short-term liabilities	123 211	-	123 211	102 786	-	102 786
Short-term lease liabilities	22 143	-	22 143	10 059	-	10 059
Current income tax liabilities	2 836	-	2 836	6 786	-	6 786
Derivative financial instruments	6 931	-	6 931	3 028	-	3 028
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Short-term reserve for post employment benefits	8 126	-	8 126	5 811	-	5 811
Other short-term reserves for liabilities	13 712	-	13 712	18 180	-	18 180
Short-term accruals	32 961	-	32 961	31 156	-	31 156
T o t a l l i a b i l i t i e s	**3 725 338**	**-36 304**	**3 761 642**	**3 337 569**	**-22 838**	**3 360 407**

Consolidated profit and loss account of KOPEX S.A. Capital Group	**01 Jan. 2011 to 31 Dec. 2011 after change in presentation**	**Change in presentation**	**01 Jan. 2011 to 31 Dec. 2011 before change in presentation**
Net income from sale of products, goods and materials, incl:	**1 991 710**	**-142 278**	**2 133 988**
Net income from sale of products	1 543 342	-	1 543 342
Net income from sale of goods and materials	448 368	-142 278	590 646
Costs of products, goods and materials sold, incl:	**1 599 384**	**-136 055**	**1 735 439**
Manufacture cost of products sold	1 158 820	-	1 158 820
Value of goods and materials sold	440 564	-136 055	576 619
Gross profit (loss) on sales	**392 326**	**-6 223**	**398 549**
Other income	**17 612**	**-28 784**	**46 396**
Selling costs	**48 096**	**-**	**48 096**
Overheads	**169 929**	**-**	**169 929**
Other costs	**28 372**	**-30 018**	**58 390**
Other profit (loss)	**22 164**	**22 164**	**-**
Operating profit (loss)	**185 705**	**17 175**	**168 530**
Financial revenues, incl:	**20 482**	**-23 260**	**43 742**
Dividends and share in profits	-	-	-
Interest	18 019	-	18 019
Investments sold revenues	-	-4 444	4 444
Revaluation of investments	-	-2 712	2 712
Exchange rate differences	-	-14 193	14 193
Other	2 463	-1 911	4 374
Financial costs, incl:	**54 245**	**-6 085**	**60 330**
Interest	40 337	-	40 337
Value of investments sold	-	-4 174	4 174
Other	13 908	-1 911	15 819
Write off of goodwill of subsidiaries	**-1 491**	**-**	**-1 491**
Loss of control over the subsidiary	**24 619**	**-**	**24 619**
Share in net profit (loss) of subsidiaries evaluated by equity method	**12 575**	**12 575**	**-**
Gross profit (loss)	**187 645**	**12 575**	**175 070**
Income tax, incl:	**34 671**	**-**	**34 671**
current	38 312	-	38 312
deferred	-3 641	-	-3 641
Share in net profit (loss) of subsidiaries evaluated by equity method	**-**	**-12 575**	**12 575**
Net consolidated profit (loss)	**152 974**	**-**	**152 974**
Net profit (loss) attributable to non-controlling interests	**9 335**	**-**	**9 335**
Net profit (loss) attributable to controlling company's shareholders	**143 639**	**-**	**143 639**

8. Capital management

The company manages the capital in order to preserve the ability to continue its activity, including planned investments, considering changing economic circumstances.

The aims of capital management are:

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

The Group monitors the following capital ratios on an ongoing basis:

Capital ratios	31.12.2012	31.12.2011
average net debt ratio / average equity ratio	0.27	0.21
structure of liabilities ratio / sources of financing ratio	0.67	0.67
ROE	2.14	5.94
overall debt ratio	0.33	0.33

External capital requirements imposed by the banks crediting the Group:

Indicators
Keeping by KOPEX Group the equity/balance sheet total ratio at the level not lower than 60%
The IBD/EBITDA ratio for the KOPEX Group at the level not higher than 4. IBD signifies engagement under interests together with off-balance-sheet liabilities (without doubling off-balance-sheet liabilities); EBITDA signifies result on operational activity of the Group adjusted by result on sale of non-financial fixed assets plus amortisation.

Moreover, the Group companies concluded loan agreements containing capital ratios to be met. During the financial year one of the subsidiaries failed to meet the requirements under its loan agreement. Up to the day of signing this financial statement, the bank did not demand repayment of the loan.

9. Financial Risk Management Policy and Hedging

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

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

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

The KOPEX Group is exposed primarily to the following groups of risk:

- market risk, including price risk, interest rate risk and exchange rate risk;

- liquidity risk;

- credit risk.

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

Price risk

Considering investments of unimportant value in equity securities classified in financial statement as held for sale and valuated at fair value through profit or loss, the Group is not significantly exposed to the price risk concerning price changes of this type of investments.

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 constant margin of the crediting banks during the period of crediting.

The lack of interest rate risk in bonds purchased results from the fact that they have been discounted by WIBOR, a specific and constant interest rate increased by a fixed margin as at the day of Issue Order.

Income from the interest gained on loans granted changed due to changes in interest rates that formed basis for their calculation. In case of loans in PLN, interest rate was based on the variable WIBOR 1M + margin and in case of long-term loans, WIBOR 1R + margin.

As at 31 December 2012 and as at 31 December 2011, the Group had no hedging positions to interest rate risk through financial instruments, limiting at the same time the risk by using a variable WIBOR /EURIBOR for the loans granted by the Group and monitoring the ongoing situation related to the decisions of the Monetary Policy Council on interest rate changes.

Currency risk

The Group is exposed to currency risk mainly due to running its core activities, such as the 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 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.

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

The Group applies hedge accounting and natural hedging concerning cash flows and fair value.

Financial instruments

Categories of financial instruments – carrying amount

Classes of financial instruments **As at 31 Dec. 2012**	**Note**	Financial assets held for sale	Financial assets held to maturity	Financial assets at fair value through profit and loss account	Financial loans and receivables	Financial liabilities at fair value through profit and loss account	Financial liabilities measured at amortized cost	Liabilities excluded from the scope of IAS 39	Receivables excluded from the scope of IAS 39	Hedging instruments	**Total**
Shares	12.7, 12.13	1 346	-	1 548	-	-	-	-	-	-	**2 894**
Receivables from supplies and services (net)	12.10	-	-	-	534 516	-	-	-	-	-	**534 516**
Leasing receivables	12.6	-	-	-	-	-	-	-	164 767	-	**164 767**
Cash and deposits	12.14	-	-	-	81 583	-	-	-	-	-	**81 583**
Bonds and loans granted	12.7,12.11	-	-	-	87 544	-	-	-	-	-	**87 544**
Other financial assets (net)	12.7, 12.10	-	-	-	40 866	-	-	-	-	-	**40 866**
Derivative financial instruments – currency	12.12, 12.27	-	-	3 998	-	-729	-	-	-	8 003	**11 272**
Liabilities for supplies and services	12.26	-	-	-	-	-	-212 616	-	-	-	**-212 616**
Loans and borrrowings	12.20	-	-	-	-	-	-718 826	-	-	-	**-718 826**
Leasing liabilities	12.22	-	-	-	-	-	-	-96 902	-	-	**-96 902**
Other financial liabilities	12.21	-	-	-	-	-	-51 538	-	-	-	**-51 538**
Total		**1 346**	**-**	**5 546**	**744 509**	**-729**	**-982 980**	**-96 902**	**164 767**	**8 003**	**-156 440**
As at 31 Dec. 2011											
Shares	12.7, 12.13	1 516	-	510	-	-	-	-	-	-	**2 026**
Receivables from supplies and services (net)	12.10	-	-	-	476 290	-	-	-	-	-	**476 290**
Leasing receivables	12.6	-	-	-	-	-	-	-	144 762	-	**144 762**
Cash and deposits	12.14	-	-	-	136 461	-	-	-	-	-	**136 461**
Bonds and loans granted	12.7,12.11	-	-	-	59 057	-	-	-	-	-	**59 057**
Other financial assets (net)	12.7, 12.10	-	-	-	70 579	-	-	-	-	-	**70 579**
Derivative financial instruments – currency	12.12, 12.27	-	-	136	-	-842	-	-	-	-4 570	**-5 276**
Liabilities for supplies and services	12.26	-	-	-	-	-	-278 545	-	-	-	**-278 545**
Loans and borrrowings	12.20	-	-	-	-	-	-651 666	-	-	-	**-651 666**
Leasing liabilities	12.22	-	-	-	-	-	-	-91 540	-	-	**-91 540**
Other financial liabilities	12.21	-	-	-	-	-	-56 993	-	-	-	**-56 993**
Total		**1 516**	**-**	**646**	**742 387**	**-842**	**-987 204**	**-91 540**	**144 762**	**-4 570**	**-194 845**

As at 31 Dec. 2012 and 31 Dec. 2011 the carrying value of financial instruments approximated its fair value

Fair value hierarchy

Classes of financial instruments	Note	As at 31 Dec. 2012 Fair value hierarchy		
		level 1	level 2	level 3
Shares	12.13	1 548		
Derivative instruments, incl:	12.12, 12.27		-11 272	
Assets			12 167	
Liabilities			-895	

Classes of financial instruments	Note	As at 31 Dec. 2011 Fair value hierarchy		
		level 1	level 2	level 3
Shares	12.13	510		
Derivative instruments, incl:	12.12, 12.27		-5 276	
Assets			1 655	
Liabilities			-6 931	

Methods and assumptions adopted by the Group in determining fair values

For financial instruments valuated at fair value in the statement of financial position, the following levels of valuation were accepted:

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

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

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

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

The Group cannot credibly determine the fair value of owned shares in the companies not quoted on active markets, qualified as financial assets held for sale. The Group valuates this group of assets according to purchase price reduced by impairment write-downs.

Sensitivity analysis

Assuming that the range of fluctuations in exchange rates as at 31 December 2011 might have achieved the level of +/-10%, the Group's gross profit would have been lower or higher by PLN 13 836 thousand (PLN 6 898 thousand as at 31.12.2011).

Assuming that the range of fluctuations in exchange rates as at 31 December 2012 might have achieved the level of +/-1%, the Group’s gross profit would have been lower or higher by PLN 4 818 thousand (PLN 3 994 thousand as at 31.12.2011).

Sensitivity analysis as at 31 Dec. 2012 (in thousand zlotys)

	carrying amount	Interest rate risk		Exchange rate risk			
		plus / minus 1%		plus 10% (price weakness PLN)		minus 10% (price rebound PLN)	
		profit/loss	profit/loss	profit/loss	changes in equity	profit/loss	changes in equity
FINANCIAL ASSETS							
Cash in PLN	42 323	423	-423				
Cash in USD per zloty	3 576	36	-36	358		-358	
Cash in EUR per zloty	27 680	277	-277	2 768		-2 768	
Cash in other currencies	8 004	80	-80	800"		-800	
Receivables from supplies and services and other receivables in PLN	427 251						
Loans granted plus interests in PLN	82 629	826	-826				
Receivables form supplies and services and other receivables in EUR	168 212			16 821		-16 821	
Loans granted plus interests in other currencies	4 915	49	-49	492		-492	
Receivables from supplies and services and other receivables in USD	20 670			2 067		-2 067	
Receivables from supplies and services and other receivables AUD	30 986			3 099		-3 099	
Receivables form supplies and services in other currencies	44 890			4489"		-4 489	
Leasing receivables in PLN	164 767	1648	-1648				
! Derivatives classified for fair value measurement through profit and loss account	3 998			400		-400	
Derivatives remaining in hedging instruments	8169			326	491	-326	-491
Influence on financial result, other total income before tax		**3 339**	**-3 339**	**31620**	**491**	**-31 620**	**-491**
Influence on financial result, other total income after tax		**2 705**	**-2 705**	**25 612**	**397**	**-25 612**	**-397**
FINANCIAL LIABILITIES							
Loans and borrowings in PLN	696 709	-6 967	6 967				
Loans in AUD per zloty	15 020	-150	150	-1502		1502	
Loans received plus interests in other currencies	7 097	-71	71	-710		710	
Liabilities for supplies and services and remaining liabilities in PLN	198 283						
Liabilities for supplies and services and remaining liabilities in EUR	111815			-11182		11182	
Liabilities for supplies and services and remaining liabilities in USD	3 240			-324		324	
Liabilities for supplies and services and remaining liabilities in AUD	31425			-3143		3143	
Liabilities for supplies and services and remaining liabilities in other currencies	8 345			-835		835	
Leasing liabilities in PLN	96 902	-969	969				
Derivatives classified for fair value measurement through profit and loss	729			-73		73	
Derivatives remaining in hedging instruments	166			-15	-2	15	-2
Influence on financial result, other total income before tax		**-8157**	**8157**	**-17 784**	**-2**	**17 784**	**-2**
Influence on financial result, other total income after tax		**6 607**	**-6 607**	**-14 405**	**-2**	**14 405**	**-2**

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

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

Sensitivity analysis as at 31 Dec. 2011 (in thousand zlotys)

	carrying amount	Interest rate risk			Exchange rate risk		
		plus / minus 1%		plus 10% (price weakness PLN)		minus 10% (price rebound PLN)	
		profit/loss	profit/loss	profit/loss	changes in equity	profit/loss	changes in equity
FINANCIAL ASSETS							
Cash in PLN	73 742	737	-737				
Cash in USD per zloty	500	55	-5	50		-50	
Cash in EUR per zloty	57 572	576	-576	5 757		-5 757	
Receivables from supplies and services and other receivables in PLN	427 209						
Loans granted plus interests in PLN	57 705	577	-577				
Receivables form supplies and services and other receivables in EUR	94 048			9 405		-9405	
Loans granted plus interests in EUR	1352	14	-14	135		-135	
Receivables from supplies and services and other receivables in USD	28 502			2 850		-2 850	
Receivables from supplies and services and other receivables AUD	27 990			2 799		-2 799	
Leasing receivables in PLN	144 762	1448	-1448				
Derivatives classified for fair value measurement through profit and loss account	136			14		-14	
Derivatives remaining in hedging instruments	1519			1	151	-1	-151
Influence on financial result, other total income before tax		**3 357**	**-3 357**	**21011**	**151**	**-21011**	**-151**
Influence on financial result, other total income after tax		**2 719**	**-2 719**	**17019**	**122**	**-17 019**	**-122**
FINANCIAL LIABILITIES							
Loans and borrowings in PLN	643 553	-6 436	6 436				
Liabilities for supplies and services and remaining liabilities in PLN	254 655						
Liabilities for supplies and services and remaining liabilities in EUR	87 631			-8 763		8 763	
Liabilities for supplies and services and remaining liabilities in USD	2 348			-235		235	
Liabilities for supplies and services and remaining liabilities in AUD	44 846			-4 485		4 485	
Leasing liabilities in PLN	91540	-915	915				
Derivatives classified for fair value measurement through profit and loss account	842			-84		84	
Derivatives remaining in hedging instruments	6 089			-546	-63	546	63
Influence on financial result, other total income before tax		**-7 351**	**7 351**	**-14113**	**-63**	**14113**	**63**
Influence on financial result, other total income after tax		**-5 954**	**5 954**	**-11 432**	**-51**	**11432**	**51**

Liquidity risk

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

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

The separate cash flow statement is combined with the reports of major companies of the Capital Group in order to prepare the consolidated cash flow, which permits the utilization of temporary surpluses generated in one company to cover the negative cash flow in other companies of the Group. The conclusions resulting from the cash-flow, as well as information on temporary transfers of capitals within the Group are each time 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 on overnight bank accounts whose interest rates are negotiated individually by the Group.

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 smooth operation of the Group. The Group has available limits to support guarantees and letters of credit.

Credit lines preferred by the Group in the current account allowfor 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 risk. 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. The target is to extend payment terms and to shorten maturities of receivables.

Contractual maturities of financial liabilities

Financial liabilities	**Contractual maturities from the end of the reporting period**				**Total (without discount)**	**Balance sheet value**
As at 31.12.2012	**up to 1 year**	**1 -3 years**	**3 -5 years**	**over 5 years**		
Liabilities for supplies and services	212 608	8	-	-	**212 616**	**212 616**
Loans and borrrowings	616 635	87 394	80 429	-	**784 458**	**718 826**
Derivative financial instruments	805	90	-	-	**895**	**895**
Other financial liabilities	134 006	6 486	-	-	**140 492**	**140 492**
Leasing liabilities	37 659	48 545	24 275	-	**110 479**	**96 902**
Total financial liabilities in individual classifications	**1 001 713**	**142 524**	**104 704**	**-**	**1 248 940**	**1 169 731**
As at 31.12.2011						
Liabilities for supplies and services	261 463	16 428	654	-	**278 545**	**278 545**
Loans and borrrowings	535 232	124 246	9 130	-	**668 608**	**651 666**
Derivative financial instruments	5 768	1 163	-	-	**6 931**	**6 931**
Other financial liabilities	123 211	10 118	2 002	-	**135 331**	**135 331**
Leasing liabilities	26 325	51 518	25 759	-	**103 602**	**91 540**
Total financial liabilities in individual classifications	**951 999**	**203 473**	**37 545**	**-**	**1 193 017**	**1 164 013**

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 Group is particularly important, among others due to a 21% share of receivables in the total balance sheet sum. The aforementioned credit risk may include various areas of the Group's activity:

● credit risk of the customers with whom transactions for the sale of products are concluded;

● credit risk of the financial institutions with whom hedging transactions are concluded or which mediate hedging transactions;

● credit risk of the entities in which investments are made or whose securities are purchased.

The credit risk policy in the KOPEX 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 payment security to the companies of the Group in a form acceptable by the Group, by the aforesaid client. The payment security most commonly used in the Group include:

- in domestic trade: bank guarantees, insurance guarantees, mortgages, appropriation, 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 loans, mutual compensations,

- in leasing transactions a clause is introduced stating that the ownership of a leased item is transferred to the lessee at the date of payment of the last leasing instalment.

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

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

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

The maximum exposure to credit limit is represented by net receivables amounting to: PLN 739 855 thousand (PLN 691 625 thousand as at 31.12.2011).

** The entities whose liabilities against the Company as at 31.12.2012 were at the highest level:*

1. Client 1 – 18.5% of total receivables

2. Client 2 – 10.6% of total receivables

3. Client 3 – 7.0% of total receivables

** The entities whose liabilities against the Company as at 31.12.2011 were at the highest level:*

1. Client 1 – 16.8% of total receivables

2. Client 2 – 10.5% of total receivables

3. Client 3 – 6.2% of total receivables

10. Information on translation of selected financial data

● The items of assets and liabilities have been translated into EUR according to the average exchange rate of the National Bank of Poland as at the balance sheet day:

- as at 31 Dec. 2012 - 4.0882
- as at 31 Dec. 2011 - 4.4168

● The items of profit and loss account and cash flows have been translated at the exchange rate being the average arithmetic of the EURO exchange rates as at the end of each month in the reporting period.

- in 2012 - 4.1736
- in 2011 - 4.1401

● The maximum exchange rates in the reporting period

- in 2012 - 4.3889
- in 2011 - 4.5494

● The minimum exchange rates in the reporting period

- in 2012 - 4.0882
- in 2011 - 3.9345

11. Accounting estimates and judgements

Due to the fact that a lot of information contained in the financial statement cannot be precisely measured, drawing up the financial statement requires the Company's Management Board to make estimates. The Management Board verifies those estimates based on changes of the factors taken into account in order to make the said estimates as well as new data or past experience. Consequently, the estimates made as at 31 December 2012 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
12.2	Impairment test	Key assumptions regarding increase of sales income, result from operating activity and discount rates.
12.6 12.7 12.10 12.11	Impairment of loans granted and own receivables	The methodology adopted to determine the recoverable amount – Adopted accounting principles – item concerning impairment
12.8	Income tax	The assumption adopted to identify deferred income tax assets and reserves – Adopted accounting principles – item concerning assets and income tax reserve
12.23	Employee benefits	Reserves estimated by the actuary – Adopted accounting principles – item concerning provisions for liabilities
12.12 12.27	Fair value of derivatives	The model and assumptions adopted to determine fair value – Adopted accounting principles – item concerning financial instruments
12.24	Provisions	Provisions for liabilities whose amount and due date are not certain – Adopted accounting principles – item concerning provisions for liabilities
12.1 12.3 12.4	Useful life of tangible and intangible assets	Useful life and depreciation method – Adopted accounting principles – item concerning intangible and tangible assets and investment property
13	Contingent liabilities	Possible obligation incurred as a result of past events whose existence is proved only upon their occurrence and the current obligation incurred as a result of past events but the cash outflow is not probable or the obligation cannot be measured in a precise manner.
12.28	Contract for construction services	Contract realization progress degree is calculated as percentile quotient of factually incurred costs to the contract costs – Adopted accounting principles – Contracts for construction services

Whenever a relevant transaction is not regulated in any standard or interpretation, the Management Board, acting on a subjective assessment, specifies and applies an accounting policy ensuring that the financial statement will contain credible data, accurately and clearly presenting the asset and financial position of the Company, result of its activity and cash flows. A subjective assessment is made in such a manner to make the financial statement reflect the economic content of the transaction, is objective, drawn up in accordance with prudence principle and is complete in all essential aspects.

12. Explanatory notes to the consolidated statement of financial position and profit and loss account

Note 12.1A

INTANGIBLE ASSETS	31.12.2012	31.12.2011
a) costs of completed development works	33 417	47 198
b) costs of development works in progress	43 808	39 476
d) concessions, patents, licenses and similar assets acquired	10 720	11 559
e) other intangible assets	978	27
e) intangible assets under construction	2 548	1 454
Intangible assets, total	**91 471**	**99 714**

Note 12.1B

INTANGIBLE ASSETS (OWNERSHIP STRUCTURE)	31.12.2012	31.12.2011
a) own	91 471	99 714
- including self-made	11 961	16 977
Intangible assets, total	**91 471**	**99 714**

Items of profit and loss account including depreciation of initangible assets	31.12.2012	31.12.2011
- prime costs	2 734	3 189
- selling costs	226	441
- overheads	9 523	5 037
Total	**12 483**	**8 667**

Note 12.1C 31.12.2012
MOVEMENT OF INTANGIBLE ASSETS (by type)

	costs of completed development works	- including self-made	costs of development works in progress	concessions, patents, licenses and similar assets acquired	other intangible assets	Intangible assets under construction	Intangible assets, total
a) gross value at the beginning of the period	**68 071**	**31 258**	**43 382**	**21 837**	**1 370**	**1 454**	**136 114**
- exchange rate differences from translation	666	666	213	-1	-	-2	876
a') gross value at the beginning of the period after translation	**68 737**	**31 924**	**43 595**	**21 836**	**1 370**	**1 452**	**136 990**
b) increases (relative to)	**6 164**	**6 089**	**24 873**	**2 623**	**1 002**	**3 559**	**38 221**
- purchase	75	-	5 300	912	933	3 610	10 830
- manufacture	1 847	1 847	15 162	-	-	-	17 009
- transferred for use	3 226	3 226	-	-	-	-	3 226
- exchange rate differences	1 016	1 016	355	227	13	30	1 641
- group adjustment	-	-	-	-	56	24	80
- reclassification	-	-	4 056	1 484	-	-105	5 435
c) decreases (relative to)	**9 308**	**9 036**	**21 496**	**1 044**	**13**	**2 463**	**34 324**
- liquidation / completed successfully	-	-	1 847	-	-	-	1 847
- liquidation	5 460	5 188	7 464	857	-	-	13 781
- group adjustment	-	-	25	56	-	-	81
- stock-taking shortages	-	-	-	-	13	-	13
- transferred for use	-	-	3 226	-	-	2 463	5 689
- elimination of a company from consolidation	-	-	-	131	-	-	131
- reclassification	3 848	3 848	8 934	-	-	-	12 782
d) gross value at the end of the period	**65 593**	**28 977**	**46 972**	**23 415**	**2 359**	**2 548**	**140 887**
- exchange rate differences from translation	-2 495	-1 285	-1 160	-377	-23	-	-4 055
d') gross value at the end of the period after translation	**63 098**	**27 692**	**45 812**	**23 038**	**2 336**	**2 548**	**136 832**
e) accumulated depreciation at the beginning of the period	**18 423**	**11 831**	**-**	**10 278**	**1 343**	**-**	**30 044**
- exchange rate differences from translation	**685**	**685**	-	**-1**		-	**684**
e') accumulated depreciation at the beginning of the period after translation	**19 108**	**12 516**	**-**	**10 277**	**1 343**	**-**	**30 728**
f) amortisation for the period (relative to)	**7 332**	**2 846**	**-7**	**2 255**	**28**	**-**	**9 608**
- amortisation	9 890	5 211	-7	2 512	21	-	12 416
- liquidation	-3 019	-2 826	-	-409	-	-	-3 428
- stock-taking shortages	-	-	-	-	-13	-	-13
- exchange rate differences	461	461	-	94	11	-	566
- depreciation adjustment	-	-	-	67	-	-	67
- group adjustment	-	-	-	-9	9	-	-
g) accumulated depreciation at the end of the period	**26 440**	**15 362**	**-7**	**12 532**	**1 371**	**-**	**40 336**
- exchange rate differences from translation	-706	-504	-	-214	-13	-	-933
g') accumulated depreciation at the end of the period after translation	**25 734**	**14 858**	**-7**	**12 318**	**1 358**		**39 403**
h) impairment losses at the beginning of the period	**2 450**	**2 450**	**3 906**	-	-	-	**6 356**
- exchange rate differences from translation	159	159	213	-	-	-	372
h) impairment losses at the beginning of the period after translation	**2 609**	**2 609**	**4 119**	-	-	-	**6 728**
- losses recognised during the period	3 119	45	2 011	-	-	-	5 130
- reversal of losses recognised during the period	1 619	1 619	4 119	-	-	-	5 738
i) impairment losses at the end of the period	**4 109**	**1 035**	**2 011**	**-**	**-**	**-**	**6 120**
- exchange rate differences from translation	-162	-162	-	-	-	-	-162
i') impairment losses at the end of the period after translation	**3 947**	**873**	**2 011**	-	-	-	**5 958**
j) net value of intangible assets at the beginning of the period	**47 198**	**16 977**	**39 476**	**11 559**	**27**	**1 454**	**99 714**
k) net value of intangible assets at the end of the period	**33 417**	**11 961**	**43 808**	**10 720**	**978**	**2 548**	**91 471**

Note 12.1C 31.12.2011

MOVEMENT OF INTANGIBLE ASSETS (by type)

	costs of completed development works	- including self-made	costs of development works in progress	concessions, patents, licenses and similar assets acquired	other intangible assets	Intangible assets under construction	Intangible assets, total
a) gross value at the beginning of the period	**36 551**	**21 282**	**12 792**	**13 907**	**1 365**	**13 006**	**77 621**
b) increases (relative to)	**31 170**	**10 531**	**40 858**	**7 878**	**5**	**11 756**	**91 667**
- purchase	20 627	-	2 776	7 418	55	10 912	41 738
- manufacture	10 531	10 531	30 397	55	-	844	41 827
- purchase of enterprise	-	-	-	9	-	-	9
- reclassification	12	-	7 685	396	-	-	8 093
c) decreases (relative to)	**2 527**	**555**	**11 234**	**391**	**19**	**23 310**	**37 481**
- sales	-	-	202	-	-	-	202
- liquidation / completed successfully	772	555	11 033	-	-	-	11 805
- liquidation	-	-	-	50	55	-	55
- exchange rate differences	951	-	-	194	14	26	1 185
- transferred for use	-	-	-	-	-	22 893	22 893
- elimination of a company from consolidation	804	-	-	147	-	-	951
- reclassification	-	-	-1	-	-	391	390
d) gross value at the end of the period	**65 194**	**31 258**	**42 416**	**21 394**	**1 351**	**1 452**	**131 807**
- exchange rate differences from translation	2 877	-	966	443	19	2	4 307
d') gross value at the end of the period	**68 071**	**31 258**	**43 382**	**21 837**	**1 370**	**1 454**	**136 114**
e) accumulated depreciation at the beginning of the period	**12 932**	**9 226**	**-**	**8 405**	**1 318**	**-**	**22 655**
f) amortisation for the period (relative to)	**5 099**	**2 605**	**-**	**1 679**	**8**	**-**	**6 786**
- amortisation	6 694	3 160	-	1 947	26	-	8 667
- liquidation	-555	-555	-	-50	-5	-	-610
- reclassification	-17	-	-	17		-	
- exchange rate differences	-318	-	-	-106	-13	-	-437
- elimination of a company from consolidation	-705	-	-	-134		-	-839
- purchase of enterprise	-	-	-	55		-	55
g) accumulated depreciation at the end of the period	**18 031**	**11 831**	**-**	**10 084**	**1 326**	**-**	**29 441**
- exchange rate differences from translation	392	-	-	194	17	-	603
g') accumulated depreciation at the end of the period after translation	**18 423**	**11 831**	**-**	**10 278**	**1 343**	**-**	**30 044**
h) impairment losses at the beginning of the period	**2 450**	**2 450**	**3 906**	**-**	**-**	**-**	**6 356**
i) impairment losses at the end of the period	**2 450**	**2 450**	**3 906**	**-**	**-**	**-**	**6 356**
j) net value of intangible assets at the beginning of the period	**21 169**	**9 606**	**8 886**	**5 502**	**47**	**13 006**	**48 610**
k) net value of intangible assets at the end of the period	**47 198**	**16 977**	**39 476**	**11 559**	**27**	**1 454**	**99 714**

Note 12.2

GOODWILL OF SUBSIDIARIES

As at 31 Dec. 2012 and as at 31 Dec. 2011, as a result of the tests performed no impairment of goodwill was identified.
For the purpose of impairment testing, goodwill was allocated to operating segments.
Goodwill, recognised in the consolidated financial statement in the amount of PLN 1 246 888 thousand was allocated to Mining.
The recoverable value of the segment to which goodwill was allocated corresponds to its usel value, determined using the method of discounted cash flows before tax,
based on five-year forecasts prepared independently by the Companies of the Group and approved by their Management.
The gross discount rate of 9.54% (8.86% in 2011) was applied in the calculation, based on the weighted average cost of capital.
The activity was assumed to be continued after the forecast period and perpetuity formula was applied to determine the residual value. The main parameters were not assumed to grow
after the forecast period.
The predictions regarding cash flows in the budget period were made assuming long-term business development of the Group based on the use of its
internal potential. Market objectives were determined on the basis of available perspectives and forecasts for global mining. The management of the controlling company optimises the model of operation of
the Companies within the Group (optimisation program) to create the conditions for continuous improvement of profitability and more effective use of all available resources.
Key forecast assumptions:
- revenues from sales – average annual growth in the forecast period: 6.4%
- result on operations- average annual growth in the forecast period: 26.8%.
Cash flows in the forecast period were assumed on the basis of a detailed product analysis (revenues, profitability) and the analysis of markets.
Financial projections were made on the basis of fixed 2013 prices.
It is assumed that the growth rate used, and in particular in relation to result on operations, is justified in the light of intense development of key products and the inclusion of
maintenance and early warning services ("life cycle management") into the commercial offer of the Kopex Group.
Sensitivity analysis using the changeability of discount rate between -1p.p. and +1p.p. and the changeability of result on operations between -10p.p. and +10p.p., showed that if one of the main assumptions of the model changed significantly, the total balance-sheet value of the Mining segment would not exceed the total recoverable value.

Note 12.3A

TANGIBLE FIXED ASSETS	31.12.2012	31.12.2011
a) fixed assets, including:	726 318	700 945
- land (including the right to perpetual usufruct of land)	12 954	12 898
- buildings and civil engineering structures	217 615	228 599
- technical equipment and machinery	**470 283**	**433 420**
- means of transportation	10 989	9 982
- other fixed assets	14 477	16 046
b) fixed assets under construction	38 344	48 908
Tangible fixed assets, total	**764 662**	**749 853**

Fixed assets are encumbered by mortgage and lien up to PLN 761 022 thousand and constitute a hedge of loans and leasing agreements.
The contractual liabilities incurred to acquire fixed tangible assets amounted as at 31.12.2012 to PLN 5000 thousand (PLN 0 as at 31.12.2011).
The amount of compensation received from third parties for lost or impaired fixed tangible assets amounted to PLN 5 034 thousand (PLN 8 438 thousand in 2011).
The amount of activated external financing costs amounted to PLN 196 thousand in 2012 (PLN 0 in 2011).

Note 12.3B

BALANCE SHEET TANGIBLE ASSETS (OWNERSHIP STRUCTURE)	31.12.2012	31.12.2011
a) own	644 666	639 999
b) used under tenancy, lease or other agreements, including a leasing agreements	119 996	109 854
- under leasing agreements – technical machinery and equipment	119 038	106 875
- under leasing agreements – means of transportation	837	2 808
- under leasing agreements – other fixed assets	121	171
Balance sheet tangible assets, total	**764 662**	**749 853**

Note 12.3C

OFF-BALANCE SHEET TANGIBLE ASSETS	31.12.2012	31.12.2011
- used under tenancy, lease or other agreements, including leasing agreements	5 200	5 723
- tangible assets available for liquidation	-	1 230
- value of land in perpetual usufruct	10 936	8 722
Off-balance sheet tangible assets	**16 136**	**15 675**

Note 12.3D 31.12.2012
MOVEMENT OF TANGIBLE ASSETS (by type)

	own land, incl. right of perpetual usufrust of land	buildings and structures	technical equipment and machinery	means of transportation	other tangible assets	tangible assets under construction	Tangible assets total
a) gross value of tangible assets at the beginning of the period	**15 173**	**279 082**	**778 098**	**28 904**	**41 364**	**48 908**	**1 191 529**
b) increases	**998**	**20 753**	**152 924**	**4 913**	**5 750**	**140 199**	**325 537**
- purchase	293	1 075	15 802	1 893	2 452	43 154	64 669
- financial leasing	-	-	39 385	2 682	421	32 429	74 917
- upgrading	-	5 994	21 019	12	618	21 424	49 067
- own investments	-	12 606	76 538	326	1 012	43 184	133 666
- reclassification	-	1 078	180	-	1 247	-	2 505
- measurement to fair value	705	-	-	-	-	-	705
- inventory surpluses	-	-	-	-	-	8	8
c) decreases	**650**	**21 627**	**52 211**	**6 430**	**4 539**	**150 763**	**236 220**
- sale	47	754	7 614	5 187	419	-	14 02114 021
- transfer to tangible assets	-	-	-	-	-	149 916	149 916
- liquidation	-	182	40 449	117	3 472	-	44 220
- completion of a leasing agreement	-	-	693	247		-	940
- stock-taking shortages	-	-	302	-	218	-	520
- elimination of companies from consolidation	554	523	179	879	74		2 209
- reclassification	49	20 168	2 974	-	356	847	24 394
d) gross value of tangible assets at the end of the period	**15 521**	**278 208**	**878 811**	**27 387**	**42 575**	**38 344**	**1 280 846**
e) accumulated amortisation (depreciation) at the beginning of the period	**2 275**	**50 483**	**344 678**	**18 922**	**25 318**	**-**	**441 676**
f) depreciation for the period	**292**	**10 110**	**56 221**	**-3 322**	**2 780**	**-**	**66 081**
- depreciation	292	5 419	96 624	3 225	6 723	-	112 283
- sale	-	-70	-7 048	-5 023	-636	-	-12 777
- completion of a leasing agreement	-	-	-497	-107		-	-604
- reclassification	-	4 811	-868	-	823	-	4 766
- liquidation	-	-	-29 456	-111	-3 327	-	-32 894
- stock-taking shortages	-	-	-286	-	-217	-	-503
- elimination of companies from consolidation	-	-50	-129	-814	-68	-	-1 061
- exchange rate differences from translation	-	-	-2 119	-492	-518	-	-3 129
g) accumulated amortisation (depreciation) at the end of the period	**2 567**	**60 593**	**400 899**	**15 600**	**28 098**	**-**	**507 757**
h) write-offs for impairment losses at the beginning of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- increases	-	-	7 629	798	-	-	8 427
- recognised during the period in the profit and loss account	-	-	7 629	798	-	-	8 427
- decreases	-	-	-	-	-	-	-
i) write-offs for impairment losses at the end of the year	**-**	**-**	**7 629**	**798**	**-**	**-**	**8 427**
j) net value of tangible assets at the beginning of the period	**12 898**	**228 599**	**433 420**	**9 982**	**16 046**	**48 908**	**749 853**
k) net value of tangible assets at the end of the period	**12 954**	**217 615**	**470 283**	**10 989**	**14 477**	**38 344**	**764 662**

Note 12.3D 31.12.2011

MOVEMENT OF TANGIBLE ASSETS (by type)

	own land, incl. right of perpetual usufrust of land	buildings and structures	technical equipment and machinery	means of transportation	other tangible assets	tangible assets under construction	Tangible assets total
a) gross value of tangible assets at the beginning of the period	**17 515**	**296 420**	**650 010**	**29 743**	**41 797**	**23 163**	**1 058 648**
b) increases	**721**	**15 821**	**194 558**	**3 778**	**7 007**	**25 745**	**247 630**
- purchase	-70	6 291	53 974	1 630	2 583	-	64 408
- financial leasing	-	-	75 417	629	-	-	76 046
- acquisition from investment	-	3 804	732	198	26	-	4 760
- upgrading	-	1 809	11 427	49	36	-	13 321
- manufacture	-	-	-	-	-	25 745	25 745
- purchase of a company	791	1 147	4 689	911	541	-	8 079
- transfers/reclassifications	-	2 770	3 353	361	16	-	6 500
- completion of own investments	-	-	44 966	-	3 805	-	48 771
c) decreases	**3 558**	**36 061**	**70 908**	**5 361**	**8 279**	**-**	**124 167**
- sale	-	5 106	22 397	1 729	1 143	-	30 375
- liquidation – scrapping	-	34	35 250	282	3 306	-	38 872
- correction of liquidation	-	-	128	-	360	-	488
- transfers/reclassifications	-	20 167	229	789	169	-	21 354
- completion of a leasing agreement	-	-	-	141	-	-	141
- exchange rate differences from translation	281	1 571	1 524	240	336	-	3 952
- elimination of a company from consolidation	863	9 183	11 380	2 180	2 965	-	26 571
- correction of the purchase value	2 414		-	-	-	-	2 414
d) gross value of tangible assets at the end of the period	**14 678**	**276 180**	**773 660**	**28 160**	**40 525**	**48 908**	**1 182 111**
- exchange rate differences from translation	495	2 902	4 438	744	839	-	9 418
d') gross value of tangible assets at the end of the period after translation	**15 173**	**279 082**	**778 098**	**28 904**	**41 364**	**48 908**	**1 191 529**
e) accumulated amortisation (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 amortisation (depreciation) at the beginning of the period after adjustment	**2 045**	**48 375**	**308 982**	**18 082**	**22 812**	**-**	**400 296**
f) depreciation for the period	**230**	**1 243**	**33 577**	**348**	**1 988**	**-**	**37 386**
- depreciation	289	6 345	76 718	3 216	7 021	-	93 589
- sale	-	-247	-9 168	-1 430	-657	-	-11 502
- liquidation	-	-25	-28 873	-282	-3 609	-	-32 789
- depreciation adjustment	-	-	-571	5	360	-	-206
- transfers/reclassifications	-59	-2 965	-2	-247	1	-	-3 272
- completion of a leasing agreement	-	-	-	-123	-	-	-123
- purchase of a company	-	37	3 082	604	232	-	3 955
- elimination of a company from consolidation	-	-1 799	-7 353	-1 251	-1 110	-	-11 513
- exchange rate differences from translation	-	-103	-256	-144	-250	-	-753
g) accumulated amortisation (depreciation) at the end of the period	**2 275**	**49 618**	**342 559**	**18 430**	**24 800**	**-**	**437 682**
- exchange rate differences from translation	-	865	2 119	492	518	-	3 994
g') accumulated amortisation (depreciation) at the end of the period after translation	**2 275**	**50 483**	**344 678**	**18 922**	**25 318**	**-**	**441 676**
h) write-offs for impairment losses at the beginning of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) write-offs for impairment losses at the end of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) net value of tangible assets at the beginning of the period	**15 393**	**248 045**	**341 028**	**11 661**	**18 985**	**23 163**	**658 275**
k) net value of tangible assets at the end of the period	**12 898**	**228 599**	**433 420**	**9 982**	**16 046**	**48 908**	**749 853**

Note 12.4A 31.12.2012
CHANGES IN INVESTMENT PROPERTY

	land (including the right of perpetual usufruct of land)	buildings and civil engineering structures	Investment property, total
a) gross value of investment property at the beginning of the period	**14 841**	**18 921**	**33 762**
b) increases (relative to)	**2 730**	**795**	**3 525**
- acquisition	1 202	355	1 557
- requalification of tangible assets	1 528	440	1 968
c) decreases (relative to)	-	**67**	**67**
- elimination of a company from consolidation	-	67	67
d') gross value of investment property at the end of the period	**17 571**	**19 649**	**37 220**
- exchange rate differences from translation	-849	-369	-1 218
d) gross value of investment property at the end of the period after translation	**16 722**	**19 280**	**36 002**
e) accumulated amortisation (depreciation) at the beginning of the period	**60**	**4 525**	**4 585**
f) depreciation for the period (relative to)	**83**	**2 084**	**2 167**
- depreciation write-offs	83	2 134	2 217
- elimination of a company from consolidation	-	-50	-50
g) accumulated amortisation (depreciation) at the end of the period	**143**	**6 609**	**6 752**
- exchange rate differences from translation	-	-133	-133
g') accumulated amortisation (depreciation) at the end of the period after translation	**143**	**6 476**	**6 619**
h) net value of investment property at the beginning of the period	**14 781**	**14 396**	**29 177**
i) net value of investment property at the end of the period	**16 579**	**12 804**	**29 383**

Note 12.4A 31.12.2011

CHANGES IN INVESTMENT PROPERTY

	land (including the right of perpetual usufruct of land)	buildings and civil engineering structures	Investment property, total
a) gross value of investment property at the beginning of the period	**1 772**	**5 089**	**6 861**
b) increases (relative to)	**11 733**	**13 217**	**24 950**
- acquisition	2 757	5 189	7 946
- requalification of tangible assets	8 976	8 028	17 004
c) decreases (relative to)	**-**	**-**	**-**
- sale	-	-	-
- reallocation to assets held for sale	-	-	-
d) gross value of investment property at the end of the period	**13 505**	**18 306**	**31 811**
- exchange rate differences from translation	1 336	615	1 951
d') gross value of investment property at the end of the period after	**14 841**	**18 921**	**33 762**
e) accumulated amortisation (depreciation) at the beginning of the period	**37**	**963**	**1 000**
f) depreciation for the period (relative to)	**23**	**3 536**	**3 559**
- depreciation write-offs	23	410	433
- requalification of tangible assets	-	3 126	3 126
- merger of enterprises	-	-	-
- elimination during reallocation to assets held for sale	-	-	-
g) accumulated amortisation (depreciation) at the end of the period	**60**	**4 499**	**4 559**
- exchange rate differences from translation	-	26	26
g') accumulated amortisation (depreciation) at the end of the period after translation	**60**	**4 525**	**4 585**
h) net value of investment property at the beginning of the period	**1 735**	**4 126**	**5 861**
i) net value of investment property at the end of the period	**14 781**	**14 396**	**29 177**

Note 12.4B

INCOME AND COSTS RELATED TO INVESTMENT PROPERTY	**31.12.2012**	**31.12.2011**
a) income from rent relating to investment property	7 492	1 325
b) direct operating costs under income from rent relating to investment property	3 731	775
c) direct operating costs relating to investment property not generating income from rent	33	4

Fair value of investment property approximates balance sheet value

Note 12.5A 31.12.2012

INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

No.	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	29.41%	29.41%
2.	Anhui Long Po Electrical Corporation Ltd	China	20.00%	20.00%
3.	Tifenbach Polska Sp. z o.o.	Radzionków	49.00%	49.00%
4.	Odlewnia Staliwa Łabędy Sp. z o.o.	Gliwice	25.63%	25.63%
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%
8.	OOO SIB-Hansen	Russia	40.00%	40.00%

* by 30.06.2012 The company was measured using the equity method. As at 31.12.2012 shown in Tangible assets held for sale

Note 12.5A 31.12.2011

INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

No.	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	29.41%	29.41%
2.	Anhui Long Po Electrical Corporation Ltd	China	20.00%	20.00%
3.	Tifenbach Polska Sp. z o.o.	Radzionków	49.00%	49.00%
4.	Odlewnia Staliwa Łabędy Sp. z o.o.	Gliwice	25.63%	25.63%
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%
8.	OOO SIB-Hansen	Russia	40.00%	40.00%

Note 12.5B

INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD	31.12.2012	31.12.2011
- as at the beginning of the period	59 645	17 136
- correction of the result from previous years	-2	-34
- exchange rate differences from translation	-3 680	3 860
- loss of control over a subsidiary	-	25 963
- correction from profit from top-down transactions	76	439
- establishing write-downs	-	-294
- valuation by the equity method	16 863	12 575
- dividend	-10 980	-
- transfer to tangible assets held for sale	-2 476	-
- other	-4 314	-
- as at the end of the period	**55 132**	**59 645**

Note 12.5C

FINANCIAL DATA RELATING TO SUBSIDIARIES	31.12.2012	31.12.2011
Total assets	533 035	567 202
Liabilities	411 056	473 500
Revenues	856 932	837 062
Profir/loss for the accounting period	34 931	43 243

Note 12.6

LEASING RECEIVABLES	31.12.2012	31.12.2011
a) minimum leasing fees, including:	**179 334**	**158 856**
- up to 1 year	81 846	69 978
- up to 5 years	97 488	88 878
- over 5 years	-	
b) unrealised financial receivables, including	**14 277**	**13 346**
- up to 1 year	8 129	7 846
- up to 5 years	6 148	5 500
- over 5 years	-	
c) current value of minimum financial leasing fees	**165 057**	**145 510**
- up to 1 year	73 717	62 132
- up to 5 years	91 340	83 378
- over 5 years	-	-
d) provision for unrecoverable leasing fees (write-downs)	290	748
e) leasing receivables in the statement of financial position, including	**164 767**	**144 762**
- long term	91 592	83 361
- short-term	73 175	61 401

The total amount of unguaranteed residual values amounts to PLN 2 009 thousand.
In the reporting period and in the comparative period contingent leasing fees recognised as income amount to PLN 4 523 thousand.

General provisions of leasing agreements classified as financial leasing:

- transfer of ownership right of the lesee after the payment of the last instalment
- variable interest rate based on WIBOR 1M
- agreement concluded in PLN
- **costs of insurance of the object of lease are borne by the lesee**

Note 12.7

OTHER LONG-TERM ASSETS	31.12.2012	31.12.2011
Long-term financial assets held for sale	1 346	1 516
Other long-term receivables	100	10 734
Long-term loans granted	13 403	1 044
Long-term accruals	168	6 346
Shares in related entities	6	
Other long-term financial assets	294	6
Total	**15 317**	**19 646**

Detailed information relating to other receivables were included in note no. 12.10
Detailed information relating to loans granted were included in note no. 12.11

Note 12.8A

DEFERRED INCOME TAX ASSETS	31.12.2012	31.12.2011
Deferred income tax assets at the beginning of the period	77 633	60 065
Deferred income tax provisions at the beginning of the reporting period	40 012	26 351
Surplus of deferred income tax asset at the beginning of the period	**41 329**	**37 227**
Surplus of deferred income tax provision at the beginning of the period	**3 708**	**3 513**
Changes during the reporting period		
Recognised in the profit and loss account	5 036	4 889
Recognised in total income	-1 276	541
Loss of control over a subsidiary	-176	-1 320
Exchange rate differences from translation	-3 395	-824
Deferred income tax assets at the end of the period	79 434	77 633
Deferred income tax provisions at the end of the reporting period	41 624	40 012
Surplus of deferred income tax asset at the end of the period	**38 864**	**41 329**
Surplus of deferred income tax asset at the end of the period	**1 054**	**3 708**

Additionally, the profit and loss account included deferred tax in the amount of PLN -531 thousand (PLN 12 thousand in 2011) due to realised forward transactions recognised in other total income until the planned transaction takes place.

Note 12.8B 31.12.2012

DEFERRED INCOME TAX ASSET AND PROVISION

Deferred income tax asset	As at 01.01.2012	Credit/Debit (-) of net profit relative to change in temporary differences and tax loss	Increase/Decrease (-) of other total income relative to change in temporary differences	Loss/increase of control/exchange rate differences from translation	As at 31.12.2012
Prepayments and accruals	5 576	-2 797	-	-	2 779
Provisions	4 145	812	-	-	4 957
Interest	2 204	-815	-	-	1 389
Write-downs on assets	2 612	2 285	-	-	4 897
Fixed assets	4 454	2 140	-	-	6 594
Exchange rate differences	1 705	-46	-	-	1 659
Revaluation of derivatives	176	-37	-	-	139
Revaluation of hedging instruments	1 157	-1 010	-631	-	-484
Revaluation of receivables/long-term liabilities	16	74	-	-	90
Surplus of recorded losses and receivables conditioned by contract execution over the measured cumulative revenues	3 878	1 541	-	-	5 419
Investment tax relief	26 421	-4 856	-	-	21 565
Tax loss for previous years	17 515	3 576	-	-	21 091
Tax loss for 2012	0	1 587	-	-	1 587
Other (enumerate, if the amounts are significant)	7 774	599	-	-621	7 752
Total	**77 633**	**3 053**	**-631**	**-621**	**79 434**

Deferred income tax reserve	As at 01.01.2012	Credit (-)/Debit of net profit from change in temporary differences and tax loss	Increase (-)/Decrease of other total income relative to change in temporary differences	Loss/increase of control/exchange rate differences from translation	As at 31.12.2012
Prepayments and accruals	1 156	-	-	-	**1 156**
Interest	2 583	-94	-	-	**2 489**
Fixed assets	7 693	8 496	-	-	**16 189**
Exchange rate differences	6 154	-4 397	-	-	**1 757**
Penalties not received	1 536	-826	-	-	**710**
Revaluation of derivatives	31	737	-	-	**768**
Revaluation of hedging instruments	288	610	645	-	**1 543**
Revaluation of receivables/long-term liabilities	477	-102	-	-	**375**
Surplus of measured receivables over the sum of recognised losses and receivables conditioned by contract execution	3 498	3 058	-	-	**6 556**
Positive temporary differences relating to foreign branches	2 943	-993	-	-	**1 950**
Positive temporary differences relating to financial leasing	1 682	-167	-	-	**1 515**
Other (enumerate, if the amounts are significant)	11 971	-8 305	-	2 950	**6 616**
Total	**40 012**	**-1 983**	**645**	**2 950**	**41 624**

Note 12.8B 31.12.2011

DEFERRED INCOME TAX ASSET AND PROVISION

Deferred income tax asset	As at 01.01.2011	Credit)/Debit (-) of net profit from change in temporary differences and tax loss	Increase/Decrease (-) of other total income relative to change in temporary differences	Loss/increase of control/exchange rate differences from translation	As at 31.12.2011
Prepayments and accruals	3 714	1 862	-	-	5 576
Provisions	3 548	597	-	-	4 145
Interest	1 313	891	-	-	2 204
Write-downs on assets	2 043	569	-	-	2 612
Fixed assets	4 534	-92	12	-	4 454
Exchange rate differences	797	908	-	-	1 705
Revaluation of derivatives	0	176	-	-	176
Revaluation of hedging instruments	553	510	94	-	1 157
Revaluation of receivables/long-term liabilities	4	12	-	-	16
Surplus of recorded losses and receivables conditioned by contract execution over the measured cumulative revenues	1 537	2 341	-	-	3 878
Tax loss from previous years	19 424	-3 591	-	-	15 833
Tax loss for 2011	0	1 682	-	-	1 682
Investment tax relief	17 386	9 035	-	-	26 421
Other	12 470	3 509	-	-8 205	7 774
Total	**67 323**	**18 409**	**106**	**-8 205**	**77 633**

Deferred income tax reserve	As at 01.01.2011	Credit (-)/Debit of net profit from change in temporary differences and tax loss	Increase (-)/Decrease of other total income relative to change in temporary differences	Loss/increase of control/exchange rate differences from translation	As at 31.12.2011
Accruals	211	945	-	-	1 156
Interest	1 922	661	-	-	2 583
Fixed assets	6 848	1 512	-667	-	7 693
Exchange rate differences	2 765	3 389	-	-	6 154
Penalties not received	183	1 353	-	-	1 536
Revaluation of derivatives	60	-29	-	-	31
Revaluation of hedging instruments	198	-143	233	-	288
Revaluation of financial assets held for sale	-	-	-1	-	-1
Revaluation of financial assets measured at fair value through profit or loss		89	-	-	89
Revaluation of receivables/long-term liabilities	459	18	-	-	477
Surplus of measured receivables over the sum of recognised losses and receivables conditioned by contract execution	1 411	2 087	-	-	3 498
Positive temporary differences relating to foreign branches	2 610	333	-	-	2 943
Other	9 684	3 881	-	-	13 565
Total	**26 351**	**14 096**	**-435**	**-**	**40 012**

Note 12.9A

INVENTORIES	31.12.2012	31.12.2011
a) materials	180 375	187 789
b) semi-finished products and work-in-progress	130 671	107 641
c) finished products	65 178	59 849
d) goods	32 990	61 316
Inventories, total	**409 214**	**416 595**
f) inventory write-downs – materials	5 803	3 077
g) inventory write-downs – semi-finished products and work in progress	607	393
h) inventory write-downs – finished products	6 477	4 771
i) inventory write-downs – goods	9 175	1 956
Gross inventories, total	**431 276431 276**	**426 792**

Inventories are encumbered by lien of PLN 103 501 thousand and hedge bank loans

Nota 12.9B

CHANGE OF REVALUATION WRITE-DOWNS ON INVENTORIES	31.12.2012	31.12.2011
As at the beginning of the period	10 197	9 275
Exchange rate differences from translation	1 190	-267
a) increases recognised during the period in the profit and loss account (relative to)	**12 533**	**3 421**
- revaluation of materials	2 626	1 766
- revaluation of semi-finished products and work in progress	291	55
- revaluation of finished products	2 362	828
- revaluation of goods	7 254	772
b) decreases recognised during the period in the profit and loss account (relative to)	**1 858**	**973**
- cessation of reasons for write-down – materials	1 160	452
- cessation of reasons for write-down – semi-finished products and work in progress	76	240
- cessation of reasons for write-down – finished products	563	279
- cessation of reasons for write-down – goods	59	2
c) elimination of a subsidiary from consolidation		**-1 259**
As at the end of the period	**22 062**	**10 197**

Reversal of write-downs of inventories occurred in connection with the possibility of using inventories for manufacture, finding a purchaser of inventories for which write-down was created earlier and in connection with the physical liquidation of inventories.

Note 12.10A

SHORT-TERM RECEIVABLES FROM SUPPLIES AND SERVICES	31.12.2012	31.12.2011
- with maturity up to 12 months	524 744	464 602
- with maturity over 12 months	9 772	11 688
Net short-term receivables from supplies and services, total	**534 516**	**476 290**
c) write-downs	38 815	41 663
Gross short-term receivables from supplies and services, total	**573 331**	**517 953**

As at 31.12.2012, receivables from supplies and services amounting to PLN 111 217 thousand constituted one of hedges under loan agreements and debt limit agreements (as at 31.12.2011 – PLN 33 962 thousand).

Note 12.10B

OVERDUE RECEIVABLES FROM SUPPLIES AND SERVICES – EXCLUDED FROM IMPAIRMENT WRITE-DOWNS – BROKEN DOWN BY RECEIVABLES NOT PAID IN THE PERIOD	31.12.2012	31.12.2011
a) up to 1 month	34 457	29 566
b) between 1 and 3 months	60 712	17 970
c) between 3 and 6 months	18 832	13 284
d) between 6 months and 1 year	16 367	4 980
e) over 1 year	11 451	10 298
Overdue receivables from supplies and services, total	**141 819**	**76 098**

Note 12.10C	**31.12.2012**	**31.12.2011**
OTHER RECEIVABLES		
Financial receivables		
- due to financial activity (sale of shares and debt)	31 769	40 398
- deposits	6 859	12 762
- other	1 944	17 413
Total financial receivables, of which:	**40 572**	**70 573**
long-term	100	10 734
short-term	40 472	59 839
Non-financial receivables		
- prepayments for deliveries	13 377	7 592
- due to taxes, subsidies, customs duty, social security, health insurance and other benefits	27 164	42 736
- receivables from liquidators from liquidated subsidiaries	7 289	6 959
- prepayments	5 154	1 231
- other	**10 254**	
Total non-financial receivables, of which:	**63 238**	**58 518**
short-term	63 238	58 518
Total net other receivables, of which;	**103 810**	**129 091**
long-term	100	10 734
short-term	103 710	118 357
write-downs	14 868	16 999
Total gross other receivables;	**118 678**	**146 090**

Note 12.10D	**31.12.2012**	**31.12.2011**
CHANGE IN WRITE-DOWNS ON SHORT-TERM RECEIVABLES FROM SUPPLIES AND SERVICES AND OTHER RECEIVABLES		
As at the beginning of the period	58 662	39 237
Exchange rate differences from translation	-2 459	2 171
a) inceases, including:	**11 451**	**36 976**
- revaluation of doubtful receivables	11 223	27 748
- other	228	9 228
b) decreases, including:	**13 971**	**14 109**
- use of write-down on receivables	7 869	6 335
- repayment of receivables	1 225	6 070
- cessation of reasons	4 843	208
- other	34	1 496
c) elimination of a subsidiary from consolidation	-	**-5 613**
Write-downs on receivables at the end of the period	**53 683**	**58 662**

Note 12.10E	31.12.2012	31.12.2011
RECEIVABLES FROM SUPPLIES AND SERVICES AND OTHER GROSS RECEIVABLES (CURRENCY STRUCTURE)		
a) in the Polish currency	427 251	427 209
b) in foreign currencies (by currency and after conversion into PLN)	264 758	236 834
b1. unit/ currency USD thousand	6 704	8 340
PLN thousand	20 670	28 502
b2. unit/currency, EUR thousand	40 107	21 293
PLN thousand	168 212	94 048
b3. unit/currency, AUD thousand	9 281	8 073
PLN thousand	30 986	27 990
b4. other currencies in PLN thousand	44 890	86 294
Receivables, total	**692 009**	**664 043**

Note 12.11A	31.12.2012	31.12.2011
LOANS GRANTED		
to related entities	13 398	2 200
to other entities	74 146	56 857
Total loans granted, of which:	**87 544**	**59 057**
long-term	13 403	1 044
short-term	74 141	58 013

Note 12.11B	31.12.2012	31.12.2011
LOANS GRANTED (CURRENCY STRUCTURE)		
a) in the Polish currency	82 629	57 705
b) in foreign currencies (by currency and after conversion into PLN)	4 915	1 352
b1. unit/currency, EUR thousand	-	306
PLN thousand	-	1 352
b4. other currencies in PLN thousand	4 915	
Loans granted, total	**87 544**	**59 057**

Note 12.12A HEDGING FINANCIAL DERIVATIVES – FINANCIAL ASSETS	31.12.2012
a) hedging cash flows, for which hedge accounting is applied	**8 169**
- sale forward contracts USD – value PLN 2 455 thousand, average exchange rate 3.4434 (up to 12 months)	216
- sale forward contracts EUR – value PLN 176 830 thousand, average exchange rate 4.283 (up to 12 months)	6 112
- sale forward contracts EUR – value PLN 459 thousand, average exchange rate 4.3781 (over 12 months)	68
- sale forward contracts CZK – value PLN 145 276 thousand, average exchange rate 0.1792 (over 12 months)	1 354
- sale forward contracts CZK – value PLN 59 300 thousand, average exchange rate 0,1733 (up to 12 months)	419
b) hedging cash flows, for which no hedge accounting is applied	**3 998**
- sale forward contracts USD – value PLN 8 396 thousand, average exchange rate 3.3583 (up to 12 months)	435
- sale forward contracts EUR – value PLN 65 838 thousand, average exchange rate 4.3911 (up to 12 months)	752
- sale forward contracts EUR – value PLN 10 361 thousand, average exchange rate 4.3912 (over 12 months)	1 819
- sale forward contracts AUD – value PLN 21 024 thousand, average exchange rate 3.3866 (up to 12 months)	992
Derivative financial instruments, total	**12 167**

Note 12.12A
HEDGING FINANCIAL DERIVATIVES – FINANCIAL ASSETS

	31.12.2011
a) hedging cash flows, for which hedge accounting is applied	**1 519**
- sale forward contracts USD – value PLN 288 thousand, average exchange rate 3.289 (up to 12 months)	12
- sale forward contracts EUR – value PLN 80 787 thousand, average exchange rate 4.588 (up to 12 months)	1 404
- sale forward contracts EUR – value PLN 1 765 thousand, average exchange rate 4.589 (over 12 months)	103103
b) hedging cash flows, for which no hedge accounting is applied	**136**
- sale forward contracts EUR – value PLN 16 686 thousand, average exchange rate 4.4201 (up to 12 months)	136
Derivative financial instruments, total	**1 655**

Additional information relating to derivatives was included in Note 8 – "Currency risk" and Note 12.27.

Note 12.12B
RESULT ON DERIVATIVE CASH-FLOW HEDGING INSTRUMENTS RECOGNISED DIRECTLY IN EQUITY

	31.12.2012	31.12.2011
a) cumulated result on cash flow financial hedging instruments at the beginning of the accounting period	1 051	87
b) value recognised in equity for hedging transactions concluded effectively in the accounting period	7 576	-865
c) realised hedging transactions maintained in equity until the scheduled (hedged) transaction	2 745	-59
d) value transferred from equity to the profit and loss account in the accounting period	**3 822**	**-1 656**
- open transactions	524	-575
- closed transactions	3 298	-1 081
d) cumulated result in equity on cash flow hedging financial instruments at the end of the accounting year	**7 550**	**819**

Note 12.12C
RESULT ON DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE
THROUGH PROFIT OR LOSS

	31.12.2012	31.12.2011
a) measured at fair value initially		
- resalised derivative instruments	757	28
- measurement of unrealised derivative instruments	4 486	1 575
Total	**5 243**	**1 603**

Note 12.13
CHANGE IN SHORT-TERM FINANCIAL ASSETS MEASURED AT FAIR VALUE
THROUGH PROFIT OR LOSS (WITHOUT DERIVATIVES)

	31.12.2012	31.12.2011
a) as at the beginning of the accounting period	510	-
- acquisition	1 018	1 255
- measurement to the financial result of the period	254	1
- sale	-234	-746
b) as at the end of the accounting year	**1 548**	**510**

The Company has recognised shares of the joint stock public companies listed on the Warsaw Stock Exchange under short-term financial assets measured at fair value through profit or loss.

Note 12.14A
CASH AND OTHER MONETARY ASSETS (CURRENCY STRUCTURE)

	31.12.2012	31.12.2011
a) in the Polish currency	**42 323**	**73 742**
b) in foreign currencies (by currency and after conversion into PLN)	**39 260**	**62 719**
b1. unit/ currency USD	1 154	147
in PLN	3 576	500
b2. unit/currency EUR	6 713	13 031
in PLN	27 680	57 572
b3 other currencies in PLN	8 004	4 647
Cash and other monetary assets, total	**81 583**	**136 461**

Note12.14B	**31.12.2012**	**31.12.2011**
CASH STRUCTURE		
a) cash in banks	79 183	134 109
b) cash in cash boxes	1 320	568
c) other	1 080	1 784
Cash, total	**81 583**	**136 461**

Note12.15	**31.12.2012**	**31.12.2011**
FIXED ASSETS HELD FOR SALE		
affiliate held for sale	4 314	-
building (sold in I quarter 2013)	8 575	-
other		1
	12 889	**1**

In 2012, a building was included in assets held for sale in connection with the change of location of an affiliate to be sold in 2013.

In 2012, PLN 49 thousand was recognised in the profit and loss account, constituting revenue from the valuation of shares of an affiliate to be sold.

Note 12.16	**31.12.2012**	**31.12.2011**
SHARE CAPITAL (STRUCTURE)		
- class of shares	bearer shares	bearer shares
- type of preference	ordinary	ordinary
- issue of "A" series shares (date of registration)	03.01.1994	03.01.1994
- right to dividend (since date)	03.01.1994	03.01.1994
- number of shares	1 989 270	1 989 270
- nominal value of one share	PLN 10	PLN 10
- date of split	01.08.2006	01.08.2006
- number of shares	**19 892 700**	**19 892 700**
- nominal value of one share	PLN 1	PLN 1
- issue of "B" series shares (date of registration)	10.08.2007	10.08.2007
- right to dividend (since date)	10.08.2007	10.08.2007
- number of shares	**47 739 838**	**47 739 838**
- nominal value of one share	**PLN 1**	**PLN 1**
- issue of "C" series shares (date of registration)	01.12.2009	01.12.2009
- right to dividend (since date)	01.12.2009	01.12.2009
- number of shares	**6 700 000**	**6 700 000**
- nominal value of one share	**PLN 1**	**PLN 1**
Total number of shares	**74 332 538**	**74 332 538**
Nominal value of one share	**PLN 1**	**PLN 1**
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. of 11 December 2008 on the approval and determination of conditions for the acquisition of own shares by the Company and by Resolution No. 2 of the Extraordinary General Meeting of Shareholders of KOPEX S.A. of 11 December 2008 on empowerment of the Management Board to acquire own shares, pursuant to Art. 362 § 1 item 8) of the Commercial Companies Code, proceeded to implementation of the Programme of KOPEX S.A. own shares buy-back. During the programme lasting from 15 December 2008 to 5 February 2009, the total of 276 500 of own shares of KOPEX S.A. were acquired at an average purchase price of PLN 10.75 per share. Own shares in the amount of PLN 2 979 thousand acquired by the Issuer constitute 0.408% of KOPEX S.A. share capital. The shares have no voting right and therefore the earning 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.

Note 12.17	**31.12.2012**	**31.12.2011**
SHARE PREMIUM		
- issue of B series shares	907 178	907 178
- issue of C series shares	147 764	147 764
Total	**1 054 942**	**1 054 942**

Note 12.18	**31.12.2012**	**31.12.2011**
REVALUATION RESERVE		
revaluation of financial assets held for sale	-176	-1
cash flow hedging	7 550	819
deferred tax due to cash flow hedging	-1 430	-154
Total revaluation reserve	**5 944**	**664**

Note 12.19	**31.12.2012**	**31.12.2011**
RETAINED EARNINGS		
supplementary capital from share of profit	1 147 256	1 101 691
from fixed assets revaluation surplus	43 871	30 161
reserve capitals	30 051	67 188
profit (loss) from previous years	59 412	-59 167
current period profit	53 286	143 639
Retained earning, total	**1 333 876**	**1 283 512**

Note 12.20A	**31.12.2012**	**31.12.2011**
LOANS AND BORROWINGS		
bank loans	**713 918**	**647 692**
borrowings	4 908	3 974
Total loans and borrowings, of which;	**718 826**	**651 666**
long-term	148 063	129 997
short-term	570 763	521 669

Note 12.20B	**31.12.2012**	**31.12.2011**
LOANS AND BORROWINGS GRANTED (CURRENCY STRUCTURE)		
a) in the Polish currency	696 709	643 553
b) in foreign currencies (by currency and after conversion into PLN)	22 117	8 113
b3. unit/currency, AUD thousand	4 667	-
PLN thousand	15 020	-
b4. other currencies in PLN thousand	7 097	8 113
Loans and borrowings, total	**718 826**	**651 666**

Note 12.20C 31.12.2012
LOANS AND BORROWINGS

Name of lender and its legal form	Headquarters	Amount of loan / borrowings under the contract		Outstanding amount of loan / borrowing: Long-term	Short-term		Interest rate conditions	Payment date	Payment hedging
		PLN thou	currency	PLN thou	PLN thou	currency			
PKO BP S.A.	Katowice	110 235	PLN	56 014	22 406	PLN	WIBOR 1M + MAGIN	09.06.2016	assignment of receivables under contracts, surety, promissory note
PKO BP S.A.	Katowice	20 000	PLN	-	20 000	PLN	WIBOR 1M + MAGIN	01.07.2014	real estate mortgage + assignment under policy, assignment of receivables under contracts, power of attorney to bank accounts, surety, pledge on shares
PKO BP S.A.	Katowice	179 000	PLN	-	145 699	PLN	WIBOR 1M + MAGIN	01.07.2014	real estate mortgage + assignment under policy, assignment of receivables under contracts, power of attorney to bank accounts, surety, pledge on shares
ING BSK S.A.	Katowice	36 000	PLN	-	35 603	PLN	WIBOR 1M + MAGIN	20.07.2013	real estate mortgage, registered pledge on machinery and steel stocks, power of attorney to bank accounts, assignment under contracts
Living ad	Beograd	22	RSD	-	22	RSD	-	30.06.2013	-
La strada Caffe	Niś. Serbia	43	RSD	-	43	RSD	-	03.01.2013	-
Minholding	Niś. Serbia	4	RSD	-	4	RSD	NBS rate	31.03.2013	blank promissory note
Kopex Min Fitip in liquidation	Niś. Serbia	1 3791 379	RSD	-	1 3791 379	RSD	interest-free	21.03.2013	-
PKO BP SA	Katowice	24 000	PLN	-	21 583	PLN	WIBOR 1M + MAGIN	01.07.2014	BLANK PROMISSORY NOTE, civil law surety by Kopex, promissory note surety by KMSA
ING BSK SA	Katowice	16 000	PLN	-	15 921	PLN	WIBOR 1M + MAGIN	01.07.2014	real estate mortgages – KMSA, PBSz, KESSA, registered pledge on machinery and steel stocks of KMSA, registered pledge on machinery of Famago and Tagor, power of attorney to manage accounts of borrowers at PKO BP and ING, assignments from contracts of PBSZ, Famago and Tagor
ING Bank Śląski SA	Katowice	70 00070 000	PLN	-	68 717	PLN	WIBOR 1M + MAGIN	20.07.2013	real estate mortgages – KMSA, PBSz, KESSA, registered pledge on machinery and steel stocks of KMSA, registered pledge on machinery of Famago and Tagor, power of attorney to manage accounts of borrowers at PKO BP and ING, assignments from contracts of PBSZ, Famago and Tagor
DZ BANK	Warsaw	30 785	PLN	-	21 545	PLN	WIBOR 1M + MAGIN	21.03.2015	blank promissory note guaranteed by KOPEX SA, civil law surety by KOPEX, registered pledges of KM SA and Tagor
DZ BANK	Warsaw	28 195	PLN	-	12 130	PLN	WIBOR 1M + MAGIN	12.05.2014	blank promissory note, surety amounting to PLN 34 million, assignment of receivables under contract, registered pledge
PKO BP	Warsaw	98 000	PLN	-	84 342	PLN	WIBOR 1M + MAGIN	30.11.2013	blank promissory note guaranteed by KOPEX SA, civil law surety of KOPEX, registered pledges of ZZM and Tagor
PKO BP	Warsaw	20 000	PLN	-	20 000	PLN	WIBOR 1M + MAGIN	30.11.2013	
ING BSK SA	**Bytom**	**17 500**	**PLN**	**-**	**11 537**	**PLN**	**WIBOR 1M + MARGIN**	**20.07.2013**	mortgages on real estate of KMSA, PBSz, KESSA, registered pledge on machinery and steel stocks of KMSA, registered pledge on machinery of Famago and Tagor, power of attorney for the bank to manage accounts of borrowers at PKO BP and ING, assignments from contracts of PBSZ, Famago and Tagor
PKO BP SA	Gliwice	21 884	AUD	12 158	2 862	AUD	1M LIBOR AUD + MARGIN	30.06.2016	surety by KOPEX, registered pledges on steel materials of KM SA (located in Tagor), assignment under policy
PKO BP SA	Gliwice	30 615	PLN	30 000	-	PLN	WIBOR 1M + MAGIN	30.06.2014	promissory note, power attorney to the bank account at ING, surety by KOPEX, joint mortgage on
PKO BP SA	Gliwice	70 389	PLN	30 378	-	PLN			real estate of Tagor SA in Tarnowskie Góry and Zabrze along with assignment under policy
ING BSK SA	Gliwice	16 000	PLN	4 017	-	PLN	WIBOR 1M + MAGIN	30.04.2015	mortgages on real estate of KM SA, PBSz, KESSA, registered pledge on machinery and steel stocks of KMSA, registered pledge on machinery of Famago and Tagor power of attorney
ING BSK SA	Gliwice	31 500	PLN	-	29 109	PLN		20.07.2013	for the bank to manage accounts of borrowers at PKO BP and ING, assignment under contracts of PBSZ, Famago and Tagor
BNP Paribas Bank Polska S.A.	Katowice	7 1507 150	PLN	-	6 322	PLN	WIBOR 1M + MAGIN	01.03.2013	blank promissory note, registered pledge on inventories and assignment of rights under insurance policy, real estate mortgage, assignment of rights under the real estate insurance policy, assignment
PKO BP SA	Rybnik	7 080	PLN	-	-	PLN	WIBOR 1M + MAGIN	18.08.2013	blank promissory note, civil law surety by KOPEX SA, powers of attorney to
		21 000	PLN	-	21 000	PLN	WIBOR 1M + MAGIN		bank account
PKO BP SA	Rybnik	10 939	PLN	3 561	3 053	PLN	WIBOR 1M + MAGIN	28.02.2015	assignment of debt, civil law surety of KOPEX SA
PKO BP SA	Rybnik	21 667	PLN	6 019	7 222	PLN	WIBOR 1M + MAGIN	31.10.2014	assignment of debt, civil law surety by KOPEX SA
BRE Bank S.A.	Katowice	3 000	PLN	1 053	1 062	PLN	WIBOR 1M + MAGIN	05.01.2015	assignment of debt, civil law surety by KOPEX SA
ING BSK SA	Gliwice	12 000	PLN	3 395	3 937	PLN	WIBOR 1M + MAGIN	30.04.2015	power of attorney to manage funds in the current account of KMSA at ING
REL IBIS Sp. z o.o.	Warsaw	5 197	PLN	-	650	PLN	WIBOR 1M + MAGIN	28.02.2013	2 blank promissory notes, surety by KOPEX SA/power of attorney to manage the account
WFOŚiGW	Katowice	2 201	PLN	1 468	891	PLN	3%	15.12.2015	bank guarantee 1 million, civil law surety by KOPEX SA 1.5 million
WFOŚIGW	Katowice	1 003	PLN	-	451	PLN	3%	31.03.2013	Blocked deposit amounting to PLN 622 000.00
Reiffeisen Bank Polska SA	Warsaw	12 000	PLN	-	4 596	PLN	WIBOR 1M + MAGIN	09.11.2013	promissory note, power of attorney to the account,
BRE Bank SA	Warsaw	10 000	PLN	-	4 617	PLN	Wibor O/N + MARGIN	31.01.2013	promissory note, power of attorney to the account, surety by KOPEX SA
Standard Bank of South Africa	South Africa	4 142	ZAR	-	4 060	ZAR	MARGIN depending on the used limit	-	Mortgage
Total		**938 930**		**148 063**	**570 763**				

As at the day of publication of this financial statement, a borrowing of PLN 650 thou has been repaid within the contractual deadline. The date of repayment of bank loans totalling at PLN 10 939 thou was prolonged until 02.05.2013 (PLN 6 322 thou) and until 31.01.2014 (PLN 4 617 thou) The date of repayment of a borrowing of PLN 451 thou is being negotiated.

Note 12.20C 31.12.2011

SHORT-TERM LOANS AND BORROWINGS

Name of lender and its legal form	Headquarters	Amount of loan / borrowings under the contract		Outstanding amount of loan / borrowing			Interest rate conditions	Payment date	Payment hedging
		PLN thou	currency	Long-term	Short-term				
BNP Paribas Bank	Katowice	7 1507 150	PLN	-	5 103	PLN	WIBOR 1M + MAGIN	24.02.2012	blank promissory note, registered pledge on inventory 11 million and assignment of rights under insurance policy 11 million, real estate mortgage 34 million, assignment of rights under real estate insurance policy, assignment of receivables
PKO Bank Polski	Katowice	3 307	PLN	-	3 307	PLN	WIBOR 1M + MAGIN	31.12.201231. 12.2012	assignmnet of debt, civil law surety by KOPEX SA 10.9 million
PKO Bank Polski	Katowice	7 824	PLN	-	7 824	PLN	WIBOR 1M + MAGIN	31.12.201231. 12.2012	assignmnet of debt, civil law surety by KOPEX SA 21.7 million
PKO BP overdraft facility	Katowice	24 750	PLN	-	19 322	PLN	WIBOR 1M + MAGIN	01.07.2014	blank promissory note, surety by ZZM SA and Kopex SA
ING Bank Śląski	Katowice	16 000	PLN	-	15 619	PLN	WIBOR 1M + MAGIN	30.06.2012	civil law surety by Kopex SA, assignment of debt under contracts up to PLN 15 million, registered pledge on portal milling machine FRFQ and assignment of rights under machine insurance policy
PKO BP S.A.	Gliwice	30 000	PLN	-	30 000	PLN	WIBOR 1M + MAGIN	10.03.2012	real estate mortgage on properties located in Tarnowskie Góry and Zabrze, assignment under policy
ING Bank Śląski S.A.	Gliwice	20 000	PLN	-	7 237	PLN	WIBOR 1M + MAGIN	27.06.2012	real estate mortgage on the property of ZZM SA, registered pledge on machinery and steel stocks of ZZM SA along with the assignment under insurance policy, power of attorney for the bank to manage the borrowers' accounts at PKO BP SA and ING Bank Śląski SA, assignment under contract with PBSz-JSW, assignment under contract PBSz-ZGH Bolesław, assignment under contract with Kopex SA-Alplq Energy SE, assignments under contracts with Famago, registered pledge on a Famago machine, mortgage on the property of PBSz
WFOŚiGW	Katowice	1 003	PLN	-	200	PLN	0.6% of rediscount rate, not lower than 3%	31.03.2015	joint general mortgage, real estate mortgage, notary deed of execution, assignment of rights under insurance contract, lien on deposit
PKO BP SA	Katowice	163 922	PLN	-	163 922	PLN	WIBOR 1M + MAGIN	01.07.2014	real estate mortgage amounting to PLN 391 500 000 on the property of KOPEX+assignmnet under policy, assignment of receivables under the contract with PBSz, power of attorney to accounts at ING, BRE, CITI, BHP, surety by ZZM of PLN 261 million, pledge on shares of ZZM up to PLN 332 670 600
PKO BP SA	Katowice	40 000	PLN	-	31 816	PLN	WIBOR 1M + MAGIN	09.06.2016	assignment of receivables under contracts of KOPEX, PBSz, surety by ZZM PLN 110 million, promissory note
ING BSK SA	Katowice	35 564	PLN	-	35 564	PLN	WIBOR 1M + MAGIN	27.06.2012	real estate mortgage on the property of ZZM SA, registered pledge on machinery and steel stocks of ZZM SA along with assignment under insurance policy, power of attorney for the bank to manage borrowers' accounts at PKO BP and ING, assignment under contract with PBSZ-JSW, assignment under contract with PBSZ – ZGH "Bolesław", assignment under contract with Kopex SA-Alplq Energy SE, assignments under contracts with Famago, registered pledge on a Famago machine, mortgages on the properties of PBSz
ING Bank Śląski S.A.	Wałbrzych	12 062	PLN	-	12 062	PLN	WIBOR 1M + MAGIN	27.06.2012	blank promissory note
REL IBIS Sp. z o.o.	Warsaw	2 599	PLN	-	2 599	PLN	WIBOR 1M + MAGIN	31.12.201231. 12.2012	blank promissory note
ING BSK SA	Bytom	20 000	PLN	-	3 982	PLN	WIBOR 1M + MAGIN		blank promissory note to ZZM and KOPEX, civil law surety by ZZM SA, execution declaration, turnover proportional to revenues, real estate mortgage
ING Bank Śląski S.A. overdraft facility	Katowice	70 00070 000	PLN	-	67 890	PLN	WIBOR 1M + MAGIN	27.06.2012	real estate mortgage on the properties of ZZM SA, registered pledge on machinery and steel stocks of ZZM SA along with assignment under policy, power of attorney to manage accounts at PKO BP and ING, assignment of contract of PBSz with JSW, PBSz – ZGH Bolesław, contract of Kopex SA Alplq Energy SE, assignment of contracts with Famago, registered pledge on a Famago machine, mortgages on the property of PBSz
Bank PKO BP S.A.	Warsaw	118 000	PLN	-	84 263	PLN	WIBOR 1M + MAGIN	30.11.2012	blank promissory note confirmed by Kopex SA, civil law surety by Kopex, registered pledges of ZZM and Tagor
DZ Bank Polska SA	Warsaw	30 016	PLN	-	9 240	PLN	WIBOR 1M + MAGIN	21-03-2015	blank promissory note, surety amounting to PLN 34 million, assignment of receivables under contract, registered pledge
DZ Bank Polska SA	Warsaw	28 195	PLN	-	9 660	PLN	WIBOR 1M + MAGIN	12-05-2014	blank promissory note, surety amounting to PLN 33 million, assignment of debt under contract
Overdraft Credit Line Raiffeisen Bank Polska SA 0703	Poland	1 081	PLN	-	1 081	PLN	4.65% - 5.77%	09-11-2012	
Overdraft Credit Line BRE Bank SA 1001	Poland	2 865	PLN	-	2 865	PLN	3.85% - 5.93%	01-02-2012	
Standard Bank of South Africa Acc NO 020973381	Republic of South Africa	7 852	ZAR	-	7 852	ZAR	9% - 10%		
UNIVERSAL BANKA	NIS	213	RSD	-	47	RSD	20% p.a.	31.03.2012.	blank promissory note
AIK BANKA AD	NIŠ	213	RSD	-	214	RSD	1.80% p.m.	27.01.2012.	blank promissory
		8 000	PLN	5 483	-	PLN		18.08.2013	
PKO Bank Polski	Rybnik	1 000	PLN	-	-	PLN	WIBOR 1M + MAGIN	21.08.2012	blank promissory note, civil law surety by Kopex SA PLN 30 million, power of attorney to bank accounts
		21 000	PLN	21 000	-	PLN		18.08.2013	
PKO Bank Polski	Rybnik	6 614	PLN	6 614	-	PLN	WIBOR 1M + MAGIN	28.02.2015	assignment of debt, civil law surety by Kopex SA PLN 10.9 million
PKO Bank Polski	Rybnik	13 241	PLN	13 241	-	PLN	WIBOR 1M + MAGIN	31.10.2014	assignment of debt, civil law surety by Kopex SA PLN 21.7 million
DZ Bank Polska	Warszawa Branch in Katowice	10 000	PLN	7 690	-	PLN	WIBOR 1M + MAGIN	13.04.2015	blank promissory note including declaration, general mortgage of PLN 10 million and real estate mortgage of PLN 7 million established on property and assignment of policy
PKO BP S.A.	Gliwice	23 576	PLN	19 810	-	PLN	WIBOR 1M + MAGIN	30.06.2016	surety by Kopex, registered pledge on steel materials of Tagor, assignment under policy
PKO BP S.A.	Gliwice	70 389	PLN	13 124	-	PLN	WIBOR 1M + MAGIN	30.06.2014	blank promissory note, power of attorney to bank accounts at ING, surety by Kopex, registered pledge on steel materials of Tagor, assignment under policy
WFOŚiGW	Katowice	1 003	PLN	525	-	PLN	0.6% of rediscount rate, not lower	31.03.2015	joint general mortgage, real estate mortgage, notary deed of execution, assignment of rights under insurance contract, lien on deposit
PKO BP SA	Katowice	40 000	PLN	8 184	-	PLN	than 3% WIBOR 1M + MARGIN	09.06.2016	assignment of receivables under contracts of KOPEX, PBSz, Famago, surety by ZZM, promissory note
REL IBIS Sp. z o.o	Warsaw	650	PLN	650	-	PLN	WIBOR 1M + MAGIN	28.02.2013	2 blank promissory notes, surety by Kopex SA
DZ Bank Polska SA	Warsaw	30 016	PLN	20 776	-	PLN	1 M WIBOR + MARGIN	21.03.2015	blank promissory note, surety amounting to PLN 34 million, assignment of receivables under contract, registered pledge
DZ Bank Polska SA	Warsaw	28 195	PLN	12 900	-	PLN	1 M WIBOR + MARGIN	12.05.2014	blank promissory note, surety amounting to PLN 33 million, assignment of debt under contract
Total		**253 684**		**129 997**	**521 669**				

Note 12.21A

OTHER LIABILITIES	**31.12.2012**	**31.12.2011**
- advances received for supplies	38 164	25 642
- surplus of recorded losses and receivables conditioned by contract execution over the measured cumulative revenues	3 418	10 869
- due to investment activity	17 058	16 473
- due to dividend	2 314	486
- due to taxes, customs, insurance and other benefits	47 372	41 827
- due to wages and salaries	18 471	17 658
- Company's Social Benefit Fund	1 627	2 214
- liabilities of foreign branches	910	897
- other	11 158	19 265
Other liabilities, of which:	**140 492**	**135 331**
long-term	6 486	12 120
short-term	134 006	123 211

Note 12.21B	**31.12.2012**	**31.12.2011**
OTHER LIABILITIES (CURRENCY STRUCTURE)		
a) in the Polish currency	98 774	121 770
b) in foreign currencies (by currency and after conversion into PLN)	41 718	13 561
b1. unit/currency, EUR thousand	9 351	2 214
PLN thousand	39 233	9 777
b2. unit/ currency USD thousand	565	-
PLN thousand	1 912	-
b4. other currencies in PLN thousand	573	3 784
Other liabilities, total	**140 492**	**135 331**

Note 12.22	**31.12.2012**	**31.12.2011**
LEASING LIABILITIES		
a) minimum leasing fees, including:	**110 479**	**103 602**
- up to 1 year	37 659	26 325
- up to 5 years	72 820	77 277
- over 5 years	-	-
b) future financial burdens, including:	**13 577**	**12 062**
- up to 1 year	6 057	4 182
- up to 5 years	7 520	7 880
- over 5 years	-	-
c) current value of minimum financial leasing fees	**96 902**	**91 540**
- up to 1 year	31 602	22 143
- up to 5 years	65 300	69 397
- over 5 years	-	-
e) leasing rliabilities in the statement of financial position, including:	**96 902**	**91 540**
- long term	65 300	69 397
- short-term	31 602	22 143

Contingent leasing fees recognised as the cost of the period: PLN 1 469 thousand.
Agreements concluded for a definite period of time up to 5 years.
Mining machines constitute objects of leasing agreements.
The interest rate of most leasing agreements may change depending on the change of WIBOR 1M.
The lessee has the right to purchase the object of leasing after the termination of agreements and payment of all fees.

Note 12.23A	31.12.2012	31.12.2011
PROVISION FOR POST-EMPLOYMENT BENEFITS		
- retirement and pension compensations and death benefits	4 870	7 807
- jubilee awards	8 930	8 288
- unused holiday allowance	6 165	5 616
- unpaid bonuses	533	451
- other employee benefits	253	272
Total provision for post-employment benefits, including:	**20 751**	**22 434**
long-term	11 827	14 308
short-term	8 924	8 126

Note 12.23B		
COST OF THE PERIOD RECOGNISED IN THE PROFIT AND LOSS ACCOUNT	**2 012**	**2 011**
Service costs	797	1 382
Cost of capital (interest)	363	464
Amortisation of actuarial profits (+) or losses (-)	279	-177
Change in liabilities resulting from "depletion"	-115	-102
Change in liabilities resulting from adjustment	-2 763	-1 827
Total cost of the period	**-1 439**	**-260**

Note 12.23C	31.12.2012	31.12.2011
ACTUARIAL VALUATION ASSUMPTIONS		
Discount rate	3.8%	5.9%
Estimated growth rate of remunerations	4.0%	4.5%

Note 12.24 31.12.2012
OTHER PROVISIONS FOR LIABILITIES

	As at 01 January 2012	Creation of provision debited to profit and loss account	Change of provision value after revaluation of estimates taken to profit and loss account	Use of provisions	Release of unused provisions – crediting profit and loss account	**As at 31.12.2012**
Provisions for guarantee repairs	13 523	11 004	2 254	7 258	3 227	16 296
Provisions for claims and court proceedings	3 275	1 008	-	2 947	124	1 212
Provision for expected financial liabilities	1 562	1 270	-	889	195	1 748
Provision for expected liabilities	456	738	-	204	-	990
Total	**18 816**	**14 020**	**2 254**	**11 298**	**3 546**	**20 246**

Note 12.25	**31.12.2012**	**31.12.2011**
PREPAYMENTS AND ACCRUALS		
a) cost accruals	**19 136**	**28 923**
b) accrued income	**11 264**	**6 620**
- subsidies	10 076	2 281
- other	1 188	4 339
Rozliczenia międzyokresowe razem, z tego:	**30 400**	**35 543**
long-term	4 466	2 582
short-term	25 934	32 961

NOTE 12.26A	**31.12.2012**	**31.12.2011**
SHORT-TERM LIABILITIES FROM SUPPLIES AND SERVICES		
- with maturity up to 12 months	212 608	261 463
- with maturity over 12 months	8	17 082
Short-term liabilities from supplies and services, total	**212 616**	**278 545**

Note 12.26B	**31.12.2012**	**31.12.2011**
SHORT-TERM LIABILITIES FROM SUPPLIES AND SERVICES (CURRENCY STRUCTURE)		
a) in the Polish currency	**99 509**	**132 885**
b) in foreign currencies (by currency and after conversion into PLN)	**113 107**	**145 660**
b1. unit/currency, EUR thousand	17 754	17 978
PLN thousand	72 582	77 854
b2. unit/ currency USD thousand	428	680
PLN thousand	1 328	2 348
b3. unit/currency, AUD thousand	9 765	12 981
PLN thousand	31 425	44 846
b4. other currencies in PLN thousand	7 772	20 612
Short-term liabilities from supplies and services, total	**212 616**	**278 545**

Note 12.27	
HEDGING FINANCIAL DERIVATIVES – FINANCIAL LIABILITIES	**31.12.2012**
a) hedging cash flows, for which hedge accounting is applied	**166**
- sale forward contracts USD – value PLN 1 689 thousand, average exchange rate 3.0784 (up to 12 months)	15
- sale forward contracts EUR – value PLN 11 382 thousand, average exchange rate 4.1438 (up to 12 months)	61
- sale forward contracts EUR – value PLN 887 thousand, average exchange rate 4.17 (over 12 months)	90
b) hedging cash flows, for which no hedge accounting is applied	**729**
- sale forward contracts EUR – value PLN 27 352 thousand, average exchange rate 4.208	729
Derivative financial instruments, total	**895**

Note 12.27	
HEDGING FINANCIAL DERIVATIVES – FINANCIAL LIABILITIES	**31.12.2011**
a) hedging cash flows, for which hedge accounting is applied	**6 089**
- sale forward contracts USD – value PLN 14 255 thousand, average exchange rate 2.851 (up to 12 months)	2 875
- sale forward contracts EUR – value PLN 102 919 thousand, average exchange rate 4.3887 (up to 12 months)	3 111
- sale forward contracts EUR – value PLN 1 765 thousand, average exchange rate 4.6398 (over 12 months)	103103
b) hedging cash flows, for which no hedge accounting is applied	**842**
- sale forward contracts AUD – value PLN 5 080 thousand, average exchange rate 2.974 (up to 12 months)	836
- sales options CZK – value PLN 384 thousand, average exchange rate 0,1745 (up to 12 months)	6
Derivative financial instruments, total	**6 931**

Additional information relating to derivatives was included in Note 8 – "Currency risk" and Note 12.12.

Note 12.28A`

NET INCOME FROM THE SALE OF PRODUCTS	01 Jan. 2012 to 31 Dec. 2012	01 Jan. 2011 to 31 Dec. 2011
a) domestic	**962 638**	**1 071 286**
- mining	915 477	1 002 688
- manufacture and sale of industrial machinery and equipment	-	12 155
- other services	47 161	56 443
b) export	**611 253**	**472 056**
- mining	593 680	439 529
- manufacture and sale of industrial machinery and equipment	16 850	21 852
- other services	723	10 675
Net income from the sale of products, total	**1 573 891**	**1 543 342**

Note 12.28B

CONTRACTS FOR CONSTRUCTION SERVICES	01 Jan. 2012 to 31 Dec. 2012	01 Jan. 2011 to 31 Dec. 2011
Revenues under a contract recognised as revenues for a given period	657 385	665 735
Total costs and recognised profit (minus recognised losses) as at	425 863	313 099
Advances received	132 119	45 558
Sums retained	2 368	-
Gross amount to be received from the contracting party for the performance of contract, as assets	94 621	116 944
Gross amount to be paid to the contracting party for the performance of contract, as liabilities	3 418	10 869

To determine the revenues from a contract for a given period a method was applied whereby the revenues relative to a contract are complied with contract costs incurred up to a specific stage of completion of contract.

To determine the stage of completion of contracts a method was applied whereby the costs incurred for the work performed up to a specific moment were considered in relation to the estimated total contract costs.

Note 12.28C

NET INCOME FROM THE SALE OF GOODS AND MATERIALS	01 Jan. 2012 to 31 Dec. 2012	01 Jan. 2011 to 31 Dec. 2011
a) domestic	**294 144**	**231 423**
- mining	6 446	2 323
- sale of electricity	262 178	202 092
- sale of other goods and materials	25 520	27 008
b) export	**165 710**	**216 945**
- mining	42 395	24 345
- sale of coal	29 608	36 082
- sale of electricity	89 020	153 544
- sale of other goods and materials	4 687	2 974
Net income from the sale of goods and materials, total	**459 854**	**448 368**

Note 12.29

COSTS BY TYPE	01 Jan. 2012 to 31 Dec. 2012	01 Jan. 2011 to 31 Dec. 2011
a) depreciation	126 916	102 689
b) consumption of materials and energy	504 032	720 635
c) outsourcing	364 886	214 053
d) taxes and fees	19 129	14 046
e) remuneration	338 323	306 974
f) social insurance and other benefits	77 341	67 876
g) other costs by type (due to)	49 396	42 770
Costs by type, total	1 480 023	1 469 043
Movement in inventories, prepayments and accruals	-25 567	-30 944
Manufacture costs of products for own needs (incl. manufacture of fixed assets)	65 588	61 254
Selling costs	43 270	48 096
Overheads	167 134	169 929
Manufacture cost of products sold	**1 178 464**	**1 158 820**

Note 12.30
OTHER INCOME

	01 Jan. 2012 to 31 Dec. 2012	01 Jan. 2011 to 31 Dec. 2011
Damages, penalties, court costs	6 281	11 755
Inventory surpluses	1 540	1 261
Liabilities redeemed	1 044	1 114
Sale of social services	829	484
Subsidies	254	359
Other	1 241	2 639
Other income, total	**11 189**	**17 612**

Note 12.31
OTHER COSTS

	01 Jan. 2012 to 31 Dec. 2012	01 Jan. 2011 to 31 Dec. 2011
Provisions created	96	1 934
Write-offs due to revaluation of assets	38 044	13 352
Damages, penalties, court costs	41 362	6 085
Development costs – production discontinued	5 131	251
Maintenance costs of social facilities	1 429	480
Stock-taking shortages	1 633	209
Compensatory benefits	296	-
Written-off receivables	540	4 588
Scrapping of current assets	199	902
Other	1 473	571
Other costs, total	**90 203**	**28 372**

Note 12.32

OTHER PROFIT (LOSS)	01 Jan. 2012 to 31 Dec. 2012	01 Jan. 2011 to 31 Dec. 2011
Result on currency transactions (for which no hedge accounting is applied)	1 796	28
Valuation of currency transactions (for which no hedge accounting is applied)	4 786	1 575
Exchange rate differences (except for those relating to loans and borrowings)	-16 875	14 165
Result on the sale of fixed assets	-921	4 682
Result on the sale of financial assets (shares, bonds)	21	270
Revaluation of investments (valuation of loans, long-term settlements, stock)	242	1 444
Other	371	-
Other profits (losses), total	**-10 580**	**22 164**

Note 12.33

FINANCIAL INCOME	**01 Jan. 2012 to 31 Dec. 2012**	**01 Jan. 2011 to 31 Dec. 2011**
Interest, including:	**23 026**	**18 019**
due to borrowings granted	6 277	1 920
-due to leasing	9 892	6 995
other interest	6 857	9 104
Other financial revenues, including	**285**	**2 463**
Release of write-downs on financial receivables	85	-
Commissions on sureties, guarantees	178	2 046
Other	22	417
Financial income, total	**23 311**	**20 482**

Note 12.34

FINANCIAL COSTS	**01 Jan. 2012 to 31 Dec. 2012**	**01 Jan. 2011 to 31 Dec. 2011**
Interest, including:	**69 282**	**40 337**
due to loans and borrowings	45 872	34 777
due to leasing	5 572	-
other interest	17 838	5 560
Other financial costs, including:	**3 047**	**13 908**
Creation of provision for financial costs	108	443
Commissions on sureties, guarantees	115	-
Write-downs on financial receivables	-	6 066
Commissions on loans	2 073	2 055
Other	751	5 344
Financial costs, total	**72 329**	**54 245**

Note 12.35A

INCOME TAX	**01 Jan. 2012 to 31 Dec. 2012**	**01 Jan. 2011 to 31 Dec. 2011**
Current tax, including:	**26 529**	**38 312**
- current tax burden	26 565	38 312
- corrections shown in the current period in relation to tax from previous years	-36	-
Deferred income tax	-5 567	-3 641
Income tax, total	**20 962**	**34 671**

Note 12.35B

SETTLEMENT OF THEORETICAL TAX RESULTING FROM PROFIT BEFORE TAX AND STATUTORY TAX RATE TO BE CHARGED DUE TO INCOME TAX RECOGNISED IN PROFIT AND LOSS ACCOUNT	**01 Jan. 2012 to 31 Dec. 2012**	**01 Jan. 2011 to 31 Dec. 2011**
Profit (loss) before tax	76 953	187 645
Tax calculated at the 19% rate	14 621	35 653
Result of the application of tax rates used in other countries	2 231	14 613
Non-taxable income	-6 113	-22 233
Non tax-deductible expenses	15 031	1 214
Use/creation of asset based on tax losses not recognised previously	-8 014	-
Tax losses with respect to which no deferred income tax assets were disclosed	3 712	5 494
Corrections in relation to tax from previous years	202	-
Other corrections	-708	-70
Charge on the financial result due to income tax	**20 962**	**34 671**

Tax authorities may audit accounting books and tax settlements within 5 years from the end of the year when tax returns were submitted, and charge the Company with an additional amount of tax plus fines and interest.

Note 12.36	**01 Jan. 2012 to 31 Dec. 2012**	**01 Jan. 2011 to 31 Dec. 2011**
Profit per 1 share		
Net profit	53 286	143 639
Number of ordinary shares	74 056 038	74 056 038
Net profit per 1 ordinary share (in PLN)	**0.72**	**1.94**

13. Contingent liabilities

	As at 31.12.2012	*increases (+) decreases (-)*	As at 31.12.2011
Total contingent liabilities, including:	**86 028**	**-48 959**	**134 987**
1. Towards related entities	-	-	-
2. Towards other entities	86 028	-48 959	134 987
- guarantees and sureties granted	78 906	-48 421	127 327
- promissory notes issued	7 122	-538	7 660

Claims and disputes

On 8 and 11 January 2010, copies of the following claims were delivered to Kopex S.A. by the District Court in Katowice:

a) a claim filed by Fazos S.A. for the payment against Kopex S.A. and Tagor S.A. (indirect subsidiary). The amount in dispute was specified in the claim at PLN 51 876 thousand.

b) a claim filed by Fazos S.A. for the payment against Kopex S.A. and Tagor S.A. (indirect subsidiary). The amount in dispute was specified in the claim at PLN 22 207 thousand. On 29 March 2013 the District Court in Katowice delivered its verdict in this case, dismissing the claim in full. The verdict is not final and binding. The claimant has the right to appeal against the verdict to the Court of Appeal in Katowice.

c) a claim filed by Famur S.A. against Kopex S.A. for the payment of PLN 41 532 thousand. On 26 April 2012 the District Court in Katowice, considering the claim filed by FAMUR S.A. in Katowice against the Issuer for the payment of contractual penalty, delivered its verdict awarding PLN 40 262 thousand, along with statutory interest and legal costs, against KOPEX S.A. The remainder of the claim was dismissed. The Management Board of KOPEX S.A. exercised its right to appeal against the verdict to the Court of Appeal in Katowice; however, the Court of Appeal in Katowice on 8 November 2012 dismissed the Issuer’s appeal and sustained the verdict delivered in the matter in question by the District Court in Katowice on 26 April 2012.

Following the final and binding verdict of the Court of Appeal, on 9 November 2012, the Issuer made a payment to Famur S.A. of PLN 56 048 thousand, covering the principal amount, interest and reimbursement of legal costs. On 1 March 2013, KOPEX S.A. filed a cassation complaint to the Court of Appeal in Katowice, against the verdict of that court of 8 November 2012.

In the opinion of the Law Office representing Kopex S.A. and Tagor S.A. it is less probable that the court will take into account the claim made by FAZOS and the amounts described in item a) are paid, than the claim is dismissed as there are no contractual grounds for its formulation and no appropriate causal relationship. Therefore, according to KOPEX S.A., on the basis of the regulations of IAS 37, there is no current obligation resulting from past events and thus KOPEX S.A. did not create a provision.

14. Reporting by industrial and geographical segments

Having regard to the regulations of IFRS 8 effective as of 01 January 2009, operation of the Capital Group have been broken down into segments reflecting the main areas of activity, with mining constituting the main segment. Basic division is the division into operating segments resulting from the management structure and internal reporting of the Group.

Industrial segments include:

- mining,
- manufacture and sale of underground mining machinery and equipment,
- sale of energy,
- sale of coal,
- other activity.

The companies of the Capital Group carry out their business activity focusing on mining, consisting in the sale of machinery and equipment for underground and surface mining, industrial machinery and equipment, provision of mining services, including complete industrial facilities, the sale of raw materials and energy, consulting and intermediation services in the aforementioned aspects regarding domestic and foreign trade.

Other activity includes primarily: construction services, workshop services, rental services, agency services, forwarding and transport services, leasing services, maintenance services and repair services.

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

The selection of operating segments was mainly based on reliability and comparability of information over time for different groups of goods and services of the Capital Group; besides, its organisational structure was 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 entity, deciding to present them, had regard to their significance.

The decision-making body of the entity evaluates the results of activity in particular operating segments relying on gross profit (loss) on sales and operating profit (loss), which is reflected in their presentation. Consolidation adjustments and eliminations are recognised in income and result of the segment, which renders the result of the segment objective. The body responsible for the above is the Management Board of the controlling company.

The Group operates in many geographical areas, therefore the management of the entity has found it necessary to supplement the sales revenues in particular countries presented, due to the complexity of territorial activity of the Capital Group. The tables below present information on the consolidated operating segments by industry and geographical location.

INFORMATION ON THE CONSOLIDATED OPERATING SEGMENTS BY INDUSTRY

	Mining		Manufacture and sale of machinery and equipment for the industry		Sale of energy		Sale of coal		Other activity		Consolidation eliminations		**Consolidated value**	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Segment income, total	2 109 001	1 839 965	16 886	39 986	355 940	360 075	29 608	36 082	119 422	147 212	-597 112	-431 610	**2 033 745**	**1 991 710**
Segment income from third parties	1 557 998	1 467 236	16 850	34 007	351 198	355 636	29 608	36 082	78 091	98 749	-	-	2 033 745	1 991 710
Segment income from related parties	551 003	372 729	36	5 979	4 742	4 439	-	-	41 331	48 463	-597 112	-431 610	-	-
Inter-segment sales	-	-	-	-	4 742	4 439	-	-	41 331	48 463	-	-	46 073	52 902
Result from segment – gross result on sales	386 406	357 688	-2 323	-450	9 867	9 964	1 667	2 429	13 698	22 695	-	-	**409 315**	**392 326**
Operating result of the segment	167 084	193 708	-4 931	-6 924	1 182	2 087	505	971	-14 048	-4 137	-	-	149 792	185 705
Operating costs not allocated to the segment													40 475	**-**
Total operating result													**109 317**	**185 705**
Result on financial activity of the entire group													-49 018	-33 763
Write-down on goodwill of subsidiaries													-	-1 491
Loss of control over a subsidiary													-209	24 619
Share in net profit (loss) of subsidiaries evaluated by equity method													16 863	12 575
Gross profit													**76 953**	**187 645**
Income tax													20 962	34 671
Consolidated net profit													**55 991**	**152 974**
Net profit attributable to non-controlling interests													2 705	9 335
Net profit attributable to controlling company's shareholders													**53 286**	**143 639**

INFORMATION ON CONSOLIDATED INCOME BY GEOGRAPHICAL LOCATION

	Mining		Manufacture and sale of industrial machinery and equipment		Sale of energy		Sale of coal		Other activity		**Consolidated value**	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
POLAND	921 923	1 005 011	-	12 155	262 178	202 092	-	-	72 681	85 100	1 256 782	1 304 358
RUSSIA	246 232	119 076	-	-	-	-	-	-	290	5 143	246 522	124 219
CZECH REPUBLIC	61 779	54 659	-	-	37 320	50 589	-	-	1 187	1 679	100 286	106 927
AUSTRALIA	98 291	111 695	-	-	-	-	-	-	1 103	1 013	99 394	112 708
GERMANY	42 369	51 911	11 925	11 092	43 300	89 452	-	-	726	801	98 32098 320	153 256
ARGENTINA	81 328	227	-	-	-	-	-	-	-	-	81 328	227
SOUTH AFRICA	40 709	47 669	-	-	-	-	-	-	-	-	40 709	47 669
AUSTRIA	2 228	228	-	-	7 877	8 676	8 303	-	-	-	18 408	8 904
CHINA	16 893	21 798	-	-	-	-	-	-	-	-	16 893	21 798
FRANCE	14 767	9 754	1 261	328	-	-	-	-	-	-	16 028	10 082
SPAIN	135	125	-	-	-	-	13 613	6 789	8	-	13 756	6 914
SERBIA	6 432	10 851	3 653	8 419	-	-	-	-	2 052	1 380	12 137	20 650
Other	24 912	34 232	11	2 013	523	4 827	7 692	29 293	44	3 633	33 182	73 998
TOTAL	**1 557 998**	**1 467 236**	**16 850**	**34 007**	**351 198**	**355 636**	**29 608**	**36 082**	**78 091**	**98 749**	**2 033 745**	**1 991 710**

Fixed assets (other than financial instruments, deferred income tax assets, post-employment employee benefits and rights arising under insurance contracts) of the Capital Group in 88.5% are located in the country of origin of the controlling company. The remaining 11.5% is located in other countries.

The largest clients of the Capital Group in 2012 are the companies operating in the following sectors: mining, electricity trading and sale of coal. Sale is targeted to the clients located in 30 markets worldwide.

In 2012, the quantitative criterion determining the main clients was achieved with two clients. The revenues obtained with the first client amounting to PLN 268 116 were realised in the mining segment. Kopex S.A. is not formally associated with the above client. The revenues obtained with the second client amounting to PLN 203 789 thousand were realised in the segment: sale of electricity. Kopex S.A. is not formally associated with the above client.

15. Information on significant events after the balance-sheet day, not included in the financial statement

Up to the day of approval of the consolidated financial statement for publication, i.e. 26 April 2013, no significant events requiring disclosure had taken place.

16. Information on total remuneration and rewards paid or due to the persons managing and supervising the issuer in the issuer's company and the information on the value of remuneration and rewards received for the performance of functions in the governing bodies of subsidiaries, co-affiliates and affiliates in 2012 (net)

MANAGEMENT BOARD				SUPERVISORY BOARD		
First name	and surname	in PLN thou		First name	and surname	in PLN thou
ANDRZEJ	JAGIELLO	478		KRZYSZTOF	JĘDRZEJEWSKI	373
JÓZEF	WOLSKI	735		MICHAŁ	ROGATKO	133
ANDRZEJ	MEDER	297		BOGUSŁAW	BOBROWSKI	38
ANDRZEJ	CZECHOWSKI	15		ZOFIA	DZIK	35
ARKADIUSZ	ŚNIEŻKO	18		ADAM	KALKUSIŃSKI	39
PARZYCH	JOANNA	448		MARZENA	MISIUNA	43
ARTUR	KUCHARSKI	164		WOJCIECH	NAPIÓRKOWSKI	20
KOSTEMPSKI	MARIAN	412		ADAM	ŁYCZKOWSKI	25
TOTAL REMUNERATION		**2 567**		**TOTAL REMUNERATION**		**706**

17. Transactions with related parties

	Revenues from the sale of products, goods and materials	Other sale	Financial revenues
01 Jan. 2012 to 31 Dec. 2012			
from affiliates	3 903	194	342
from other related parties	534	77	1 111
01 Jan. 2011 to 31 Dec. 2011			
from affiliates	402	-	-
from other related parties	145	135	1 124

	Purchase of goods and services	Purchase of fixed and intangible assets	Financial expenses
01 Jan. 2012 to 31 Dec. 2012			
from affiliates	8 626	-	516
from other related parties	10 259	608	13
01 Jan. 2011 to 31 Dec. 2011			
from other related parties	2767	351	-

Receivables and liabilities from related entities	31.12.2012	31.12.2011
Receivables from affiliates (gross)	12 316	19 129
Receivables from other related parties (gross)	53 853	6 304
Liabilities towards affiliates	4 199	-
Liabilities towards other affiliates	945	111

Revaluation write-offs on receivables from affiliates	31.12.2012	31.12.2011
As at the beginning of the period	4 970	-
Creation of write-off	-	4 970
As at the end of the period	4 970	4 970

Revaluation write-offs on receivables from other related parties	31.12.2012	31.12.2011
As at the beginning of the period	6 647	-
Creation of write-off	532	6 647
Release of write-off	3 280	-
As at the end of the period	3 899	6 647

Receivables and liabilities related to loans	31.12.2012	31.12.2011
Receivables related to loans from affiliates	-	2 200
Receivables related to loans from other related parties	23 312	-

Transactions with related parties concluded exclusively on market conditions

18. Declaration of the Management Board

The annual consolidated financial statement and comparative data have been drawn up in accordance with the valid International Accounting Standards and they reflect, in a true, reliable and clear manner, the asset and financial position as well as the profit or loss of the KOPEX Capital Group.

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

The enity authorised to audit financial statement, auding the annual consolidated financial statement, has been selected in accordance with the provisions of law.

This entity and the certified auditor who performed the audit satisfied the conditions required to issue of an unbiased and independent audit report, as required by the national law.

Andrzej Jagiełło Chairman of the Management Board	Józef Wolski Vice Chairman of the Management Board	Andrzej Meder Member of the Management Board	Andrzej Czechowski Member of the Management Board	Arkadiusz Śnieżko Member of the Management Board

Joanna Węgrzyn
The person responsible for
book-keeping

Katowice, 26.04.2013