

(Translation from the Polish language)

Dear Sirs and Madams,

I hereby submit you with pleasure the Annual Report presenting financial results and accomplishments of the KOPEX Group in the year 2011.

It was a year of significant achievements. Our development strategy, consisting in the reconstruction of the organisational structure, and also in the investment in modern technologies worked well.

The year 2011 was one of the best years in our history in terms of revenues that were record breaking.

It was also a very good year for Poland's coal industry. Economic situation combined with the capabilities of our Capital Group resulted in winning several high value contracts by us.

The contract amounted to over PLN 100 million signed with Katowicki Holding Węglowy /KHW/ for supply of 220 powered roof support units and accompanying equipment to the Mysłowice- Wesoła Coal Mine was one of our major successes in the domestic market.

Two contracts with Jastrzębska Spółka Węglowa /JSW/, amounted in total to more than PLN 143 million will surely go down in history. Our mining equipment has already been operated in the Zofiówka and the Pniówek Coal Mines of JSW. The first of the mines was supplied with a highest range longwall system in Poland's mining industry by us, and the latter one , with a medium range but the first automated longwall system operated in the Polish mines. These are also the first longwall systems completely composed of the machinery and equipment manufactured solely by the companies of our Group and supplied to the domestic market.

We also took advantage of the economic situation in the mining market also in the mining services sector. First of all, worth mentioning are new annexes to the contract signed with KGHM Polska Miedź in 2007 that increased the contract value to PLN 565.5 million, a contract for driving galleries, together with Bolesław Zakłady Górniczo-Hutnicze of estimated value of PLN 50 million and the contract for opening and development mining works signed with Katowicki Holding Węglowy, amounted to over PLN 35.7million.

We were also successful in foreign markets. In the Russian market, a very important one for our Group, we won a tender whose value amounted to EUR 16.2 million, for supply of mechanized longwall system to the Antonovskaya Coal Mine/ Sibuglemet Group/. This contract is of groundbreaking importance to us, as for several years we had made efforts to sell our longwall system in Russia again.

Konta bankowe:

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Zarząd Spółki:

Prezes Zarządu - Dyrektor Generalny - Krzysztof Jędrzejewski
Wiceprezes Zarządu, Dyrektor Finansowy - Józef Wolski • Wiceprezes Zarządu, Dyrektor Handlowy - Joanna Parzych
Członek Zarządu - Artur Kucharski • Członek Zarządu - Andrzej Meder

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We also started a joint execution of the contract of the value amounted to EUR 27.3 million signed by Bumar Łabędy Zakłady Mechaniczne based in Gliwice with Yacimiento Carbonifero Rio Turbio-YCRT based in Argentina. Scope of the contract includes supply of a complete longwall system and spare parts. This contract is a continuation of cooperation with the Argentine mining industry which KOPEX started in 1960s.

In the Czech market, mining works of the value amounting to PLN 157.3 million will be executed in the Karvina Coal Mine /OKD Group/ by us. Besides, we exported the third, the KSW -1500EU high-powered longwall shearer to China and the supply of the fourth one is scheduled for this year. We also completed commercial negotiations on the sale of the subsequent, fifth longwall shearer to China.

After several years of absence, in 2011 we came back into the Turkish market, where we signed a contract with Cayeli Bakir Isletmeleri for development works, worth almost USD 237 thousand.

We have been strengthening our position steadily in the highly demanding Australia's market. Our subsidiaries operating in the Antipodes are specialised in supplying equipment to the room-and-pillar coal mining system and they have a 30 per cent share in the shuttle car market. We are currently working on introducing more equipment of this segment into the market, i.e. feeder breakers and the KTW-200 roadheader, that were presented at last year's AIMEX Fair in Sydney. Our market expansion plans also include offering this equipment in South Africa's market.

The year 2011 was also marked by the mining fair events. Our manufacture and trade capabilities we presented at exhibitions held in Poland, Russia, Australia and China- the Group's largest sales market. Katowice 2011 International Trade Fair for Mining, Power Industry and Metallurgy was of particular importance to us. At the Fair we presented the first automated longwall system (purchased by the Pniówek Coal Mine) along with electronic and electrical equipment as well as the KTW-150 roadheader.

In order to expand capabilities of the mining services division- to be established in the nearest future- and in response to demand for drilling services, we acquired Dalbis Śląskie Towarzystwo Wiertnicze, the company which fits well with the activities of our Group. The company is known for its drilling services accomplished While exploring coal, copper, salt or water resources. The company is specialised in drilling and implementing drilling technology in engineering and geotechnical works. Development strategy that we adopted for this newly acquired company includes its expansion in international and domestic markets.

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Last year we also carried out intensive works on the restructuring of the KOPEX Group, primarily intended to reduce costs, improve its management and make use of synergies, i.e. mergers of companies and creation of industrial divisions.

Kopex Electro Systems- a company formed by merger of ZEG Zakład Elektroniki Górniczej based in Tychy and Elgór+ Hansen based in Chorzów- is the first result of the actions undertaken. In the next turn the following divisions will be formed: the Machinery Divisions- to be composed of the following basic Group's companies: ZZM, Tagor, Ryfama and Wamag as well as the Mining Services Division, based on Kopex-PBSz. We believe that these actions will enable us to take a better advantage of our employees' competencies and will open up new opportunities for growth and advancement for them.

Our plans for 2012 envisage a subsequent improvement in financial results. There are good prospects for the mining industry, what has been confirmed by analysts' forecasts predicting that coal will be the primary energy source for at least the next 20 years, and its consumption will be definitely higher due to the increase of electricity demand. Then, there will be a raise in its production volume, which will result in new investments in the construction of mines and purchase of mining machinery.

We permanently pay attention to new technologies and it will be so in 2012. Offering engineering solutions that are able to compete with offers of the world's largest manufacturers is one of the most crucial elements of our development strategy. We want to improve our products continually and to serve our customers better and better.

In terms of managing the whole KOPEX Group, we want to adopt a method of team management. We are committed to building competent teams and effective management of them. We want to gain more from the knowledge of our staff who have considerable experience and expertise.

The results achieved in 2011 proved that the KOPEX Group is prepared very well to increase in investments in the mining industry in Poland and abroad.

That is why we have entered the year 2012 self-confident and optimistic. I am convinced that this year will be also equally good for us.

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We manufacture better and better machinery and equipment and apply state-of-the-art technologies. Besides, what is more important, we have a wonderful and gifted people whom I would like to thank for the previous year. I am convinced that our collective hard work will bring even greater benefits. I would also like to thank our clients, partners and shareholders. I appreciate your unswerving support and trust.

Krzysztof Jędrzejewski

President of the Board
CEO

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