FINANCIAL SUPERVISORY COMMISSION
Consolidated Quarterly Report QSr 1/ 2011

(in pursuance of Par.82 Cl.2 and Par.83 Cl.1 of Minister of Finance Regulation dated 19 February 2009 *–Dz.U. Nr 33, poz.259)* for security Issuers running manufacturing, construction, trading or rendering services activities for Q1 2011 fiscal year, 01 January 2011 to 31 March 2011, including Abbreviated Consolidated Financial Statement according to International Accounting Standards IASs (*MSR)* in PLN and Abbreviated Financial Statement according to International Accounting Standards IASs (*MSR)* in PLN. Conveyance date: 16 May 2011.

SELECTED FINANCIAL DATA	[PLN thou]		[EUR thou]	
	Q1 2011 cumulatively 1 January 2011 to 31 March 2011	**Q1 2010 cumulatively 1 January 2010 to 31 March 2010**	**Q1 2011 cumulatively 1 January 2011 to 31 March 2011**	**Q1 2010 cumulatively 1 January 2010 to 31 March 2010**
Abbreviated Consolidated Financial Statement				
I. Net income from sale of products, goods and materials	559 098	633 563	140 682	159 712
II. Profit (loss) from operating activity	50 723	23 432	12 763	5 907
III. Gross profit (loss)	41 268	12 985	10 384	3 273
IV. Consolidated net profit (loss)	31 012	9 687	7 803	2 442
V. Net profit (lost) attributable to shareholders of the dominating company	27 431	8 865	6 902	2 235
VI. Net cash flow from operating activity	-26 069	-2 661	-6 560	-671
VII. Net cash flow from investment activity	10 996	-27 752	2 767	-6 996
VIII. Net cash flow from financial activity	-10 608	43 918	-2 669	11 071
IX. Total net cash flow	-25 681	13 505	-6 462	3 404
X. Number of shares	74 056 038	74 056 038	74 056 038	74 056 038
XI. Net profit/loss on one common share [PLN/EUR]	0.37	0.12	0.09	0.03
	as for 31 March 2011	**as for 31 Dec. 2010**	**as for 31 March 2011**	**as for 31 Dec. 2010**
XII. Total fixed assets	2 206 377	2 120 261	549 958	535 379
XIII. Total current assets	1 416 936	1 523 240	353 183	384 627
XIV. Total assets	3 623 967	3 644 384	903 304	920 229
XV. Liabilities and reserves for liabilities	1 234 281	1 266 920	307 655	319 905
XVI. Long term liabilities	163 782	126 611	40 824	31 970
XVII. Short term liabilities	969 752	1 038 259	241 719	262 167
XVIII. Equity	2 389 686	2 377 464	595 649	600 324
XIX. Share capital	74 333	74 333	18 528	18 770
XX. Number of shares	74 056 038	74 056 038	74 056 038	74 056 038
XXI. Book value on one common share [PLN/EUR]	32.27	32.10	8.04	8.11

SELECTED FINANCIAL DATA	[PLN thou]		[EUR thou]	
	Q1 2011 cumulatively 1 January 2011 to 31 March 2011	**Q1 2010 cumulatively 1 January 2010 to 31 March 2010**	**Q1 2011 cumulatively 1 January 2011 to 31 March 2011**	**Q1 2010 cumulatively 1 January 2010 to 31 March 2010**
Abbreviated Separate Financial Statement				
XXII. Net income from sale of products, goods and materials	141 101	481 933	35 504	121 489
XXIII. Profit (loss) from operating activity	-614	6 440	-154	1 623
XXIV. Gross profit (loss)	-1 682	3 939	-423	993
XXV Net profit (loss)	-1 818	4 131	-457	1 041
XXVI. Net cash flow from operating activity	6 524	-51 631	1 642	-13 015
XXVII. Net cash flow from investment activity	11 776	-18 124	2 963	-4 569
XXVIII Net cash flow from financial activity	-8 440	64 773	-2 124	16 328
XXIX Total net cash flow	9 860	-4 982	2 481	-1 256
XXX Number of shares	74 056 038	74 056 038	74 056 038	74 056 038
XXXI. Net profit/loss on one common share [PLN/EUR]	-0.02	0.06	-0.01	0.01
	as for 31 March 2011	**as for 31 Dec. 2010**	**as for 31 March 2011**	**as for 31 Dec. 2010**
XXXII. Total fixed assets	1 342 575	1 329 382	334 648	335 677
XXXIII Total current assets	240 027	260 705	59 829	65 830
XXXIV Total assets	1 582 607	1 590 092	394 478	401 508
XXXV Liabilities and reserves for liabilities	237 857	243 633	59 288	61 519
XXXVI Long term liabilities	256	648	64	164
XXXVII. Short term liabilities	221 900	228 299	55 310	57 647
XXXVIII Equity	1 344 750	1 346 459	335 190	339 989
XXXIX. Share capital	74 333	74 333	18 528	18 770
XL Number of shares	74 056 038	74 056 038	74 056 038	74 056 038
XLI. Book value on one common share [PLN/EUR]	18.16	18.18	4.53	4.59

In the case of presentation of selected financial data from the quarterly financial information, these data should be properly described

Selected financial data from the consolidated balance sheet (consolidated statement of financial position), or adequately from the balance sheet (statement of financial position) are presented at the end of the current quarter and at the end of the previous financial year, which should be properly described.
The report should be conveyed to the Financial Supervisory Commission, to the company engaged in the regulated market and to the public via agency information In the manner prescribed by law

(Translation from the Polish language)

ABBREVIATED MIDDLE-YEAR CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT FOR THE PERIOD 01 JANUARY 2011 TO 31 MARCH 2011

DRAWN UP IN PURSUANCE OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

KATOWICE, MAY 2011

I. Consolidated Statement of Financial Position of the Capital KOPEX S.A. Group drawn up as for 31 March 2011 in thousand zlotys.

Assets	31 March 2011	31 December 2010
Fixed assets	**2 206 377**	**2 120 261**
Intangible assets	58 102	52 821
Company's value of the subordinated entities	1 233 685	1 241 228
Tangible assets	708 561	721 790
Investment real estates	22 607	1 559
Investments calculated with the property rights method	12 169	8 854
Long-term financial assets available for sale	1 542	1 520
Long-term receivables from supplies and services	4 728	4 961
Long-term other receivables	79 842	12 334
Long-term loans granted	6 898	687
Other long-term financial assets	5 541	5 541
Deferred income tax assets	63 549	63 766
Long-term accruals	9 153	5 200
Current assets	**1 416 936**	**1 523 240**
Inventories	589 122	635 362
Short-term receivables from supplies and services	430 426	439 389
Short-term other receivables	128 393	81 006
Short-term loans granted	47 533	83 949
Current income tax receivables	11 102	8 342
Short-term financial assets available for sale	0	0
Derivative financial instruments	1 431	1 362
Evaluation of equitable financial assets from financial result	0	0
Money assets and their equivalents	139 649	165 191
Short-term accruals	69 280	108 639
Fixed assets assigned to trading	**654**	**883**
Total assets	**3 623 967**	**3 644 384**
Liabilities		
Equity	**2 389 686**	**2 377 464**
Share capital	74 333	74 333
Own shares	-2 979	-2 979
Supplementary capital	2 103 075	2 105 432
Capital from updating evaluation	34 808	34 869
Other reserve capitals	55 409	55 409
Exchange rate differences from conversion	21 139	26 490
Retained profit	41 397	13 868
Minority shareholders capital	62 504	70 042
Long-term liabilities	**213 524**	**172 946**
Long-term credits and loans	101 313	84 234
Long-term liabilities from supplies and services	9 372	9 386
Long-term other liabilities	53 097	32 991
Deferred income tax reserve	31 388	27 609
Long-term pension reserve	15 022	15 413
Other long-term reserves for liabilities	1 033	1 051
Long-term accruals	2 299	2 262

Short-term liabilities	**1 020 757**	**1 093 974**
Short-term credits and loans	541 987	563 892
Short-term liabilities from supplies and services	292 102	343 351
Short-term other liabilities	126 729	121 202
Current income tax liabilities	8 768	6 786
Derivative financial instruments	166	3 028
Evaluation of equitable financial assets from financial result	0	0
Short-term pension reserve	8 733	5 138
Other short-term reserves for liabilities	31 872	37 715
Short-term accruals	10 400	12 862
Total liabilities	**3 623 967**	**3 644 384**
Book value	**2 389 686**	**2 377 464**
Number of shares	**74 056 038**	**74 056 038**
Book value per share(BVSP) in [PLN]	**32.27**	**32.10**

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

	01 January 2011 to 31 March 2011	01 January 2010 to 31 March 2010
Net income from sale of products, goods and materials, incl:	**559 098**	**633 563**
From related parties	*74*	*260*
Net income from sale of products	424 828	326 982
Net income from sale of goods and materials	134 270	306 581
Costs of products, goods and materials sold, incl:	**461 690**	**532 111**
From related parties		
Manufacture cost of products sold	329 595	229 838
Value of goods and materials sold	132 095	302 273
Gross profit (loss) on sales	**97 408**	**101 452**
Other income	10 794	9 727
Selling costs	11 731	17 120
Overheads	40 337	42 689
Other costs	5 411	27 938
Operating profit (loss)	**50 723**	**23 432**
Financial income, incl:	**7 570**	**7 590**
Dividends and share in profits		264
Interest	3 093	3 367
Income from investments sold		
Revaluation of investment	89	3 111
Exchange rate differences		
Other	4 388	848
Financial costs, incl.	**17 351**	**18 037**
Interest	10 308	8 835
Value of investment sold	2	
Revaluation of investment	378	86
Exchange rate differences	4 281	8 030
Other	2 382	1 086
Profit (loss) on sale of total number or part of shares of the affiliated entities		
Company' value contribution of the affiliated entities		
Share surplus in the net equitable assets value of the entity being taken over, above fusion cost		
	326	
Loss of control over a subsidiary		
Gross profit (loss)	**41 268**	**12 985**

Income tax, incl:	**10 082**	**3 180**
current	7 351	7 131
deferred	2 731	-3 951
Share in profit (loss) of the subordinated entities evaluated by ownership rights method	**-174**	**-118**
Net consolidated profit (loss)	**31 012**	**9 687**
Profit (loss) attributable to minority shareholders	3 581	822
Profit (loss) attributable to controlling company shareholder	**27 431**	**8 865**
Average weighed number of common shares	**74 056 038**	**74 056 038**
Profit (loss) per one common share [PLN]	**0.37**	**0.12**

III. Total Income Statement of the KOPEX S.A. Capital Group drawn up for the period 01 January 2011 to 31 March 2011 in thousand zlotys		
	01 January 2011 to 31 March 2011	**01 January 2010 to 31 March 2010**
Consolidated net profit (loss)	**31 012**	**9 687**
Other total incomes:		
Essential error correction	55	
Exchange rate differences from conversion	-1 705	-8 466
Financial assets available for sale	-5	7
Safeguarding cash flow	-12	17 908
Changes in revaluation surplus		
Other incomes	-2	102
All other total incomes after taxation	**-1 669**	**9 551**
Total incomes:	**29 343**	**19 238**
attributable to minority shareholders	3 537	-2 342
attributable to KOPEX S.A. shareholders	25 806	21 580

IV. Consolidated Changes in Equity Statement of KOPEX S.A. Capital Group drawn up for the period 1 January 2011 to 31 March 2011 in thousand zlotys

	Share capital	Own shares	Supplementary capital	Capital from updating evaluation				Other reserve capital	Exchange rate differences from conversion	Retained earnings	Total	Equity falling on minority shareholders	Total equity
				Safeguarding instruments	Financial assets available for sale	Revaluation surplus	Deferred income tax						
Balance as for 1 January 2010	**74 333**	**-2 979**	**2 083 555**	**-37 416**	**-7**	**47 598**	**-1 868**	**36 841**	**20 185**	**39 031**	**2 259 273**	**55 709**	**2 314 982**
Essential error corrections													
Exchange rate differences from conversion									-5 283		-5 283	-3 183	-8 466
Financial assets available for sale					8		-1				7		7
Safeguarding cash flow				22 109			-4 201				17 908		17 908
Revaluation earnings													
Other incomes			76							7	83	19	102
Net profit (loss)										8 865	8 865	822	9 687
Total incomes			**76**	**22 109**	**8**	**0**	**-4 202**		**-5 283**	**8 872**	**21 580**	**-2 342**	**19 238**
Share issue													
Buy back of own shares													
Profit distribution													
Dividends													
Acquisition of a subsidiary													
Other													
Balance as for 31 March 2010	**74 333**	**-2 979**	**2 083 631**	**-15 307**	**1**	**47 598**	**-6 070**	**36 841**	**14 902**	**47 903**	**2 280 853**	**53 367**	**2 334 220**

Balance as for 1 January 2011	**74 333**	**-2 979**	**2 105 432**	**87**	**4**	**43 123**	**-8 345**	**55 409**	**26 490**	**13 868**	**2 307 422**	**70 042**	**2 377 464**
Essential error corrections										55	55		55
Exchange rate differences from conversion									-1 662		-1 662	-43	-1 705
Financial assets available for sale					-5		1				-4	-1	-5
Safeguarding cash flow				-15			3				-12		-12
Revaluation earnings						-54	9			45	0		0
Other incomes										-2	-2		-2
Net profit (loss)										27 431	27 431	3 581	31 012
Total incomes			**0**	**-15**	**-5**	**-54**	**13**	**0**	**-1 662**	**27 529**	**25 806**	**3 537**	**29 343**
Share issue													
Buy back of own shares													
Profit distribution													
Dividends													
Other													
Acquisition of a subsidiary			-2 357								-2 357	-10 863	-13 220
Sale of shares/ loss of control									-3 689		-3 689	-212	-3 901
Balance as for 31 March 2011	**74 333**	**-2 979**	**2 103 075**	**72**	**-1**	**43 069**	**-8 332**	**55 409**	**21 139**	**41 397**	**2 327 182**	**62 504**	**2 389 686**

V. Consolidated Statement on Cash Flow of the KOPEX S.A. Capital Group drawn up for the period 1 January 2011 to 31 March 2011 in thousand zlotys

	01 January 2011 to 31 March 2011	01 January 2010 to 31 March 2010
CASH FLOW FROM OPERATING ACTIVITY		
Gross profit (loss)	**41 268**	**12 985**
Corrections by:		
Depreciation	23 623	20 501
Deduction of the company's value or surplus of net equitable assets value of the entity being taken above fusion costs		
(Profit) loss from exchange rates differences	-4 726	-6 260
Interest and share in profits (dividends)	9 319	5 983
(Profit) loss from investment activity	-2 589	-2 565
Change in reserves	-2 657	-8 299
Change in inventories	46 240	-3 420
Change in receivables from supplies, services and other receivables	-115 112	-177 757
Change in short-term liabilities from supplies, services and other receivables	-44 355	-9 942
Change in accruals	32 981	154 422
Income tax paid	-7 765	-9 090
Other corrections	-2 296	20 781
Net cash flow from operating activity	**-26 069**	**-2 661**
CASH FLOW FROM INVESTMENT ACTIVITY		
Sale of intangible, legal and material fixed assets	13 584	5 158
Sale of investments in real property and intangible assets		
Sale of financial assets	4 647	5 423
Dividends and share in profits received		286
Interest received	226	20
Other investment receipts	376	1 761
Acquisition of intangible, legal and material fixed assets	52 885	45 432
Investments in real property and intangible assets	-32 210	-21 600
Acquisition of financial assets		
Other investment expenses	-10 869	-32 036
Net cash flow from investment activity		-793
	-17 643	-31 403
CASH FLOW FROM FINANCIAL ACTIVITY	**10 996**	**-27 752**
Receipts from share issue, other capital instruments and capital surcharge		
Credits and loans	57 547	178 780
Issue of indebted securities		
Other financial receipts	235	2

Acquisition of own shares		
Dividends and other payments for the benefit of owners		
Expenses from profit distribution other than payments for the benefit of owners		-950
Repayments of credits and loans	-55 857	-125 209
Repurchase of indebted securities	-6	
Expenses on other financial liabilities		
Payments of liabilities from financial leasing agreements	-4 068	-375
Interest paid	-8 446	-8 290
Other financial expenses	-13	-40
Net cash flow from financial activity	**-10 608**	**43 918**
TOTAL NET CASH FLOW	**-25 681**	**13 505**
Balance change in cash and other money assets, incl:	**-25 542**	**14 959**
-change in cash and money assets from differences in exchange rates	139	1 454
Money assets at the beginning of period	**165 191**	**143 665**
Money assets at the end of period, incl:	**139 649**	**158 624**
- of restricted possibility of commanding	2 305	969

VI. Separate Statement of Financial Position of KOPEX S.A. drawn up as for 31 March 2011 in thousand zlotys.

Assets	31 March 2011	31 December 2010
Fixed assets	**1 342 575**	**1 329 382**
Intangible assets	4 976	4 867
Tangible assets	12 612	12 904
Investment real estates	1 287	1 287
Long-term financial assets available for sale		
Long-term receivables from supplies and services		
Long-term other receivables	849	821
Long-term loans granted	4 413	4 356
Other long-term financial assets	1 310 452	1 297 215
Deferred income tax assets	7 986	7 932
Long-term accruals		
Current assets	**240 027**	**260 705**
Inventories	1 231	2 492
Short-term receivables from supplies and services	84 552	95 497
Short-term other receivables	29 105	27 361
Short-term loans granted	89 639	110 440
Current income tax receivables	2 489	2 489
Short-term financial assets available for sale		
Derivative financial instruments	1 359	1 141
Evaluation of equitable financial assets from financial result		
Money assets and their equivalents	30 893	20 916
Short-term accruals	759	369
Fixed assets available for sale	**5**	**5**
Total assets	**1 582 607**	**1 590 092**

Liabilities		
Equity	**1 344 750**	**1 346 459**
Share capital	74 333	74 333
Own shares	-2 979	-2 979
Supplementary capital	1 262 056	1 262 056
Capital from updating evaluation	24	-85
Other reserve capitals	17 021	17 021
Exchange rate differences from conversion		
Retained profit	-5 705	-3 887
Long-term liabilities	**5 067**	**5 128**
Long-term credits and loans		
Long-term liabilities from supplies and services		
Long-term other liabilities	256	648
Deferred income tax reserve	4 199	3 960
Long-term pension reserve	373	373
Other long-term reserves for liabilities		
Long-term accruals	239	147

Short-term liabilities	**232 790**	**238 505**
Short-term credits and loans	148 594	155 083
Short-term liabilities from supplies and services	62 674	61 396
Short-term other liabilities	10 466	11 386
Current income tax liabilities		
Derivative financial instruments	166	434
Evaluation of equitable financial assets from financial result		
Short-term pension reserve	374	236
Other short-term reserves for liabilities	10 516	9 970
Short-term accruals		
Total liabilities	**1 582 607**	**1 590 092**
Book value	**1 344 750**	**1 346 459**
Number of shares	**74 056 038**	**74 056 038**
Book value per share(BVSP) in [PLN]	**18.16**	**18.18**

VII. Separate Income Statement of KOPEX S.A. drawn up for the period 01 January 2011 to 31 March 2011 in thousand zlotys

	01 January 2011 to 31 March 2011	01 January 2010 to 31 March 2010
Net income from sale of products, goods and materials, incl:	**141 101**	**481 933**
Net income from sale of products to related parties	*2 207*	*4 444*
Net income from sale of goods and materials to related parties	*11 317*	*856*
Net income from sale of products	4 571	6 771
Net income from sale of goods and materials	136 530	475 162
Costs of products, goods and materials sold, incl:	**134 941**	**437 505**
Manufacture cost of products sold to related parties	*1 953*	*3 085*
Cost of goods and materials sold to related parties	*9 043*	*610*
Manufacture cost of products sold	3 301	3 417
Value of goods and materials sold	131 640	434 088
Gross profit (loss) on sales	**6 160**	**44 428**
Other income	**3 032**	**175**
Selling costs	**4 583**	**10 152**
Overheads	**4 973**	**5 124**
Other costs	**250**	**22 887**
Operating profit (loss)	**-614**	**6 440**
Financial income	**1 821**	**3 742**
Dividends and share in profits		
Interest	1 154	2 571
Income from investments sold		
Revaluation of investment	89	1 137
Exchange rate differences		
Other	578	34
Financial costs, incl.	**2 889**	**6 243**
Interest	1 952	1 640

Value of investment sold		
Revaluation of investment	378	193
Exchange rate differences	383	4 355
Other	176	55
Gross profit (loss), incl.	**-1 682**	**3 939**
Income tax, incl:	**136**	**-192**
current		2 310
deferred	136	-2 502
Net profit (loss)	**-1 818**	**4 131**
Average weighed number of common shares	**74 056 038**	**74 056 038**
Profit (loss) per one common share [PLN]	**-0.02**	**0.06**

VIII. Separate Statement of Total Income of KOPEX S.A. drawn up for the period 01 January 2011 to 31 March 2011 in thousand zlotys

	01 January 2011 to 31 March 2011	01 January 2010 to 31 March 2010
Net profit (loss)	**-1 818**	**4 131**
Other total incomes:		
Exchange rate differences from conversion		
Financial assets available for sale		
Safeguarding cash flow	109	17 803
Changes in revaluation surplus		
Other incomes		
Income tax from other components of total incomes		
All other total incomes after taxation	**109**	**17 803**
Total incomes	**-1 709**	**21 934**

IX. Changes in Equity Statement of KOPEX S.A. drawn up for the period 1 January 2011 to 31 March 2011 in thousand zlotys

	Share capital	Own shares	Supple mentary capital	Capital from updating evaluation				Other reserve capital	Exchange rate differences from conversion	Retained earnings	Total equity
				Safeguar ding instru ments	Financial assets available for sale	Revaluation surplus	Deferred income tax				
Balance as for 1 January 2010	**74 333**	**-2 979**	**1 259 981**	**-37 703**		**24**	**7 164**	**17 021**		**2 075**	**1 319 916**
Exchange rate differences from conversion											
Financial assets available for sale											
Safeguarding cash flow				21 979			-4 176				17 803
Revaluation earnings											
Other incomes											
Income tax from other components											
Net profit (loss)										4 131	4 131
Total incomes				**21 979**			**-4 176**			**4 131**	**21 934**
Share issue											
Buy back of own shares											
Profit distribution											
Dividends											
Balance as for 31 March 2010	**74 333**	**-2 979**	**1 259 981**	**-15 724**		**24**	**2 988**	**17 021**		**6 206**	**1 341 850**
Balance as for 1 January 2011	**74 333**	**-2 979**	**1 262 056**	**-135**		**24**	**26**	**17 021**		**-3 887**	**1 346 459**
Essential error corrections											
Exchange rate differences from conversion											

Financial assets available for sale											
Safeguarding cash flow				135			-26				109
Revaluation earnings											
Other incomes											
Income tax from other components											
Net profit (loss)										-1 818	-1 818
Total incomes				**135**			**-26**			**-1 818**	**-1 709**
Share issue											
Buy back of own shares											
Profit distribution											
Dividends											
Balance as for 31 March 2011	**74 333**	**-2 979**	**1 262 056**	**0**		**24**	**0**	**17 021**		**-5 705**	**1 344 750**

X. Separate Cash Flow Statement of KOPEX S.A. drawn up for the period 01 January 2011 to 31 March 2011 in thousand zlotys

	01 January 2011 to 31 March 2011	01 January 2010 to 31 March 2010
CASH FLOW FROM OPERATING ACTIVITY		
Gross profit (loss)	**-1 682**	**3 939**
Corrections by:		
Depreciation	408	442
(Profit) loss from exchange rates differences	-506	1 432
Interest and share in profits (dividends)	168	-686
(Profit) loss from investment activities	-32	
Change in reserves	684	5 839
Change in inventories	1 261	1 711
Change in receivables from supplies, services and other receivables	6 630	-113 157
Change in short-term liabilities from supplies, services and other receivables	-109	33 742
Change in accruals	-298	-338
Income tax paid		-2 489
Other corrections		17 934
Net cash flow from operating activity	**6 524**	**-51 631**
CASH FLOW FROM INVESTMENT ACTIVITY		
Sale of intangible, legal and material fixed assets	63	
Sale of investments in real property and intangible assets		
Sale of financial assets		
Dividends and share in profits received		
Repayment of long-term loans granted		
Interest received	43	1 930
Other investment receipts	49 048	45 579
Acquisition of intangible, legal and material fixed assets	-315	-290
Investments in real property and intangible assets		
Acquisition of financial assets	-10 869	-32 036
Long-term loans granted		
Other investment expenses	-26 194	-33 307
Net cash flow from investment activity	**11 776**	**-18 124**
CASH FLOW FROM FINANCIAL ACTIVITY		
Receipts from share issue, other capital instruments and capital surcharge		
Credits and loans	17 658	101 506
Issue of indebted securities		
Other financial receipts		2
Acquisition of own shares		
Dividends and other payments for the benefit of owners		
Expenses from profit distribution other than payments for the benefit of owners		
Repayments of credits and loans	-24 147	-35 062
Repurchase of indebted securities		
Expenses on other financial liabilities		
Payments of liabilities from financial leasing agreements		
Interest paid	-1 951	-1 640
Other financial expenses		-33
Net cash flow from financial activity	**-8 440**	**64 773**
TOTAL NET CASH FLOW	**9 860**	**-4 982**

Balance change in cash and other money assets, incl:	**9 977**	**-5 092**
-change in cash and money assets from differences in exchange rates	117	-110
Money assets at the beginning of period	**20 916**	**24 823**
Money assets at the end of period, incl:	**30 893**	**19 731**
- of restricted possibility of commanding		

ADDITIONAL INFORMATION TO THE ABBREVIATED INTERIM CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT FOR THE PERIOD FROM 01.01.2011 TO 31.03.2011

1. DESCRIPTION OF THE MOST SIGNIFICANT RULES OF ACCOUNTING

KOPEX Group has been applying the IAS / IFRS standards since 01.01.2005 acting on the basis of Article 55 par. 6a of the Accounting Act dated 29 September 1994 (Journal of Laws No. 121, item 591 amended)
This abbreviated interim consolidated financial statement and abbreviated interim financial statement comply with the IAS / IFRS standards.
This abbreviated interim consolidated financial statement and abbreviated interim financial statement are in accordance with the IAS 34 "Interim Financial Reporting".
This abbreviated interim consolidated financial statement and abbreviated interim financial statement have not been subject to audit by an auditor.
The companies of the Capital Group being subject to consolidation are as follows:

Entity	*Consolidation method*
KOPEX S.A.	full
ZZM S.A.	full
TAGOR S.A.	full
DOZUT-TAGOR Sp. z o.o.	full
BREMASZ Sp. z o.o.	full
GRUPA ZARZĄDZAJĄCA HBS Sp. z o.o.	full
KOPEX EQUITY Sp. z o.o.	full
KOPEX GmbH (Germany)	full
KOPEX-ENGINEERING Sp. z o.o.	full
KOPEX-FAMAGO Sp. z o.o.	full
KOPEX CONSTRUCTION Sp. z o.o.	full
HSW ODLEWNIA Sp. z o.o.	full
WAMAG S.A.	full
KOPEX-PRZEDSIĘBIORSTWO BUDOWY SZYBÓW S.A.	full
PBSz INWESTYCJE Sp. z o.o.	full
Grupa HANSEN (Germany)	full
SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING CO. Ltd (China)	full
KOPEX MIN-MONT A.D. (Serbia)	full
KOPEX MIN-OPREMA A.D. (Serbia)	full
KOPEX MIN-LIV A.D. (Serbia)	full
ZZM MASZYNY GÓRNICZE Sp. z o.o.	full
Grupa ZEG S.A.	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
EL-GÓR S.A.	full
KOPEX WARATAH Pty Ltd (Australia)	full
RYBNICKA FABRYKA MASZYN RYFAMA S.A.	full
KOPEX SIBIR Sp. z o.o. (Russia)	full
INBYE MINING SERVICES (Australia)	Proportional
WS BAILDONIT Sp. z o.o.	Of property rights
TIEFENBACH-POLSKA Sp. z o.o.	Of property rights
ODLEWNIA STALIWA ŁABĘDY Sp. z o.o.	Of property rights
ANHUI LONG PO ELECTRICAL CORPORATION Ltd (China)	Of property rights

The company KOPEX MIN – FITIP A.D. in liquidation has been excluded from consolidation. The company was excluded from consolidation in 2010 due to the loss by the parent company, of control understood as the ability to conduct financial and operating policies enabling the company to achieve economic benefits (the IAS 27.21). In addition, the financial data of this company are irrelevant for the financial standing and the financial result of the Group.
The associated company EKOPEX with a registered seat in Ukraine and the subsidiary Group ZZM-KOPEX sp. z o.o. were also excluded from consolidation. EKOPEX was excluded because the company did not start any business activity and ZZM – KOPEX sp. z o.o. because its activity had been suspended.
In preparing this interim financial statement, the same accounting rules and methods of calculation were applied as those used in the annual financial report of the last year.

The Group has applied the following rules of valuation of assets and liabilities and the rules for determining the financial result.

- Consolidation methods:

In accordance with the IAS, KOPEX S.A. is the dominant entity (controlling company) and conducts the consolidation, it means, combines the financial statements of KOPEX S.A. with those of its subsidiaries by summing up the relevant items from all statements, making allowances for all necessary exemptions and adjustments.
The consolidated financial statement is the financial report of KOPEX Group made in such way if it was a statement of a single economic entity.
In order to prepare the consolidated financial statement KOPEX S.A. undertakes the following actions consisting in:
- Excluding the carrying amount of its investments in each of the subsidiaries and this portion of the subsidiaries' equity which corresponds to the share that KOPEX has in them
- Determining of non controlling interests in the net profit or loss of the consolidated subsidiaries for a given fiscal period and
- Identifying and presenting, separately from the equity, the minority interest in net assets of the consolidated subsidiaries.
Non controlling interests in net assets include:
- Value of non controlling interests from the date of the primary merger and
- Changes in equity attributable to non controlling interests starting from the date of merger
Non controlling interests are presented in the consolidated balance sheet within the equity, separately from the equity of KOPEX S.A. The shares in a profit or loss of KOPEX Capital Group are also presented separately.
Balances between the companies of KOPEX Group, transactions, income and expenses are excluded in full.
The great part of subsidiaries use the same rules (policies) of accounting which are used in KOPEX S.A. In case when the accounting policy used by a company from the Group differs from this adopted in the consolidated financial statement , the financial statement of this company is to be accordingly adjusted while preparing a consolidated financial report.
In separate items of the consolidated financial statement, KOPEX presents the shares in associated companies (those on which KOPEX S.A. has significant influence and in which it is a major investor). These shares are valuated using the equity method.
The equity method is an accounting technique in which an investment is initially recognized at purchase price, and then, after the purchase, its value is adjusted proportionally to the change of the share of KOPEX in the company's net assets. The share of KOPEX SA in the profit or loss of the company in which the investment has been made, is reported in the profit or loss of KOPEX. Payments received by way of profits generated by the company in which an investment took place, reduce the carrying amount of investments. Adjustments of the carrying amount may also be necessary due to changes in the proportion of KOPEX shares in a company resulting from changes in the company's equity which have not been included in the profit and loss account. These changes

may also result from the revaluation of fixed assets and exchange rates. The share of KOPEX SA in those changes is directly shown in its equity.
In the event that KOPEX SA ceases to have significant impact on the associated company, it starts to declare the investment in accordance with the IAS 39, starting from this date, provided that the associated company does not become a subsidiary or joint venture. The carrying amount of the investment on the date when it stops being an associated company shall be treated as the purchase price at the moment of its initial valuation as a component of financial assets.

- Intangible assets

Intangible assets are declared in the purchase price or in the cost of manufacture from which amortization and the total sum of depreciation charges related to the loss of value are deducted. Writing down the value of a component of intangible assets should be uniformly spread throughout the period of its useful life estimated as best as possible. Amortization should commence when the asset is ready for use. The used method reflects the way of consuming the economic benefits from the asset.
Intangible assets, excluding the goodwill, are amortized using straight line-method, as follows:
- Licenses for the use of computer software – 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 straight-line method throughout the period of their usage estimated as best as possible.
The period and method of depreciation of intangible assets with a significant original value are reviewed at least at the end of each fiscal year.
Amortization of intangible assets is included in the following items of the profit and loss account: processing costs of products sold, costs of sale, overhead expenses.
Disclosure of information on intangible assets is made by dividing them into homogeneous groups and marking out those intangible assets which are manufactured by the company on its own.
The following items are not included in the intangible assets:
- Goodwill generated by the company on its own
- Trademarks, magazine titles, publication titles, customer lists and items of similar form generated by the company on its own
- Expenditures incurred on commencing the business activity, on advertising, promotion, training and restructuring the part or all the company.

- Goodwill

Goodwill is defined as the excess of the amount due to the purchase and the amounts of all non-controlled interests in the acquiree as well as fair value of shares in the capital of the acquiree held by the acquirer before takeover of control, over the net value of the identifiable acquired assets and the acquired subsidiary’s liabilities as on the day of purchase. The net value both of the assets and liabilities is fixed at the date of takeover.
Goodwill resulting from a transaction that took place before January 1st 2010 is the excess of the purchase price over the fair value of the parent company’s shares in the identifiable net assets of the acquired subsidiary or associated company as on the day of purchase. Goodwill is subject to impairment review.
In the balance sheet, the goodwill is shown as an asset reduced by cumulated deductions due to permanent impairment included in the profit and loss account.
Goodwill arising out of the purchase of a foreign entity is expressed in the currency of the foreign country and converted at the NBP average exchange rate on the balance sheet date.
The differences due to the exchange rate are recognized in equity in the item "Difference in exchange rates”.

In the event of a negative value, the parent company shall immediately re-identify and valuate identifiable assets, liabilities and conditional liabilities of the acquiree as well as reevaluate the cost of business combination. The excess resulting from reevaluation is included in the profit.
At the time of sale (loss of control) over a subsidiary or the company commonly controlled, the goodwill attributable to this subsidiary/company is taken into account at the time of calculating the profit/loss due to sale.

- <u>Costs of research and development works</u>

Expenditures on research are recognized in the profit and loss account at the moment they were incurred.
Expenditures incurred on development projects are recognized when the criteria of activation are met. After initial recognition, the costs of development are reduced by accumulated depreciation write –offs and write-offs due to impairment.
Depreciation write – offs are made on a straight-line basis in the period of the expected revenue related to a given project, but not exceeding 5 years.

- <u>Fixed assets.</u>

The initial value of tangible fixed assets is determined as 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 and 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 value. The value of the fixed asset is subject to amortization, taking into account the planned usage period and recovery value in case of liquidation.
For the fiscal and balance sheet purposes, fixed assets having the initial value lower than 3.500 zlotys, , are depreciated only once at the moment of their receipt for use.
Fixed assets are subject to amortization using the straight-line method starting from the month following the month of receipt for use, the depreciation being performed during the period corresponding to the estimated period of their useful life. The residual value and useful lives are subject to annual reviews and they are amortized with the depreciation rate applicable in the subsequent periods.
For taxation purposes, the adopted depreciation rates shall be the rates under the Legal Persons Income Act dated 15 February 1992. The act determines the amount of depreciation constituting tax deductible costs.
The rates of depreciation for fixed assets are as follows:

- Buildings and structures – 2,5% - 4,5%,
- Technical equipment and machinery – 10% - 38,72%,
- Transport means – 20% - 33,06%,
- Others – 14% - 40%,
- the right of perpetual usufruct of land, purchased for the property
    - acquisition value up to 500 thousand PLN– 20%,
    - acquisition value over 500 thousand PLN – period of the contract

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

Freehold lands are not subject to amortization.

- Fixed assets held for sale

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

- Investment Properties

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

  Feehold lands are not subject to amortization.

- Fixed assets under construction

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

- Long-term receivables

  Long-term receivables are receivables other ones than those due to supplies and services for which payment falls during a period of time longer than one year from the balance sheet day as well as those due to supplies and services which go beyond a normal operating cycle. The operating cycle is construed as a period between the acquisition of assets for processing and the execution thereof in the form of cash or cash equivalents. Long-term loans and receivables are measured at amortized cost using the method of the effective interest rate. As at the balance sheet day, long-term receivables in foreign currencies are measured at the average rate fixed by NBP (Polish National Bank) for this day and exchange differences thus resulting are reported respectively in income or financial costs.

- Leasing

  Lease contract is classified as a finance lease, if all the risks and benefits, due to possessing the object of lease, have been transferred to the lessee.
  The leased object is recognized in the books on the commencement date of leasing at the lower of the two amounts: the fair value or the present value of minimum leasing fees.
  The leased object is amortized for a period of its use. If it is not certain that the lessee obtains the title of ownership by the end of the lease period, the leased object shall be amortized for a shorter period of the two periods: lease term or term of its use.
  Lease contract is classified as an operating lease if all risks and benefits due to possessing the object of lease have not been transferred to the lessee.

- <u>Financial instruments:</u>

  The financial instruments include in particular:
  - Financial assets or financial liabilities measured at fair value with changes in the profit and loss account – they include assets and liabilities acquired principally to generate a profit from the change in price or margin, assets and financial liabilities classified as belonging to this group and derivatives (not used as hedging instruments),
  - Loans and receivables - financial assets which are not derivative instruments, with fixed or determinable payments, not quoted on an active market
  - Investments held to maturity day – these are no derivative financial assets with fixed or determinable payments and fixed maturity period and which the Company intends to hold and is able to hold until their maturity date
  - Assets available for sale

  Valuation of financial instruments:
  - assets are measured at fair value through profit or loss
  - loans and receivables are measured at amortized cost and the effects of this valuation are recognized at the financial result
  - Investments held to maturity date are measured at amortized cost and the effects of this valuation are recognized at the financial result
  - Financial assets available for sale are measured at fair value and the effects of this valuation are referred to equity.

- <u>Hedge Accounting</u>

  For some derivative instruments which can be classified as hedging instruments, hedge accounting is applied to recognize the effects of compensating changes in fair value of a hedging instrument and a hedged item which have impact on the profit and loss account.
  Fair value hedge is recognized in the following manner:
  - gains or losses resulting from revaluation of the fair value of the hedge instrument are recognized in the profit or loss account
  - gains or losses related to a hedged item resulting from a hedged risk shall adjust the carrying amount of the hedged item and are recognized in the profit or loss account.

  Cash flow hedge is recognized in the following manner:
  - the part of the gain or loss on the hedging instrument, that is an effective hedge, is recognized directly in equity by recollecting changes in equity. Gains or losses on the hedging instrument which refer to the equity are recognized in the profit and loss account in the same period where the hedged transaction affects the profit or loss.
  - the ineffective part of gains or losses on the hedging instrument is recognized in the profit and loss account as financial income / expenses.

  Result on cash flow hedging instruments is shown in the profit and loss account as other income/expenses.
  Net investment hedges in foreign companies are recognized similarly to cash flow hedges.

- <u>Inventories</u>

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

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

- Short – term receivables

For short-term receivables are classified all receivables from supplies and services, regardless of contractual due date and all the other titles that are payable within 12 months from the balance sheet date as well as all receivables from supplies and services payable over 12 months, which do not go beyond the normal operating cycle. The operating cycle is the time between the acquisition of the assets for processing and their realization in cash or cash equivalent. Short-term receivables include also the current portion of long-term receivables and granted prepayments and advances. Receivables are reported at net amounts, it means they are reduced by the revaluation write - offs, which are credited to other operating costs (except for deductions from receivables due to interests which are credited to financial costs.).
Revaluation write – offs on receivables are established:
- On the receivables from debtors in liquidation (except from the cases when the liquidation is conducted under the regulations on privatization of state-owned enterprises), under bankruptcy proceedings, the opening of arrangement proceedings – up to the amount of receivables not covered by the guarantee or other security instrument, notified to the liquidator or official receiver in bankruptcy or arrangement proceedings, or up to the amount of proposed redemption
- Receivables from debtors in case of dismissal of bankruptcy petition if the debtor's assets are insufficient to cover the costs of bankruptcy proceedings.
- receivables contested by debtors (controversial) to the amount not covered by the guarantee or other hedging instrument.
- On all receivables the due date of which did not expire before the closing balance sheet date (monthly, annual) or has already expired and the debtor's economical and financial situation is unfavorable – up to the amount due
- On the total amount of unpaid interests on overdue payments.

Receivables denominated in foreign currencies are measured on the balance sheet date at the average exchange rate fixed for a given currency by the NBP (National Polish Bank) for this day. Exchange differences from receivables denominated in foreign currencies arising from the valuation date and the payment date are recognized in the balance sheet as follows: negative ones as financial costs and positive ones as financial income. In justified cases, they are recognized as the production cost of fixed assets or intangible assets (respectively, in order to increase or decrease these costs).

- Cash means of payment

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

- Prepaid expenses and accruals

Prepayments take place when the costs incurred relate to future reporting periods.
The following items are submitted to settlement over time:
- Rents for the lease of premises, machinery and equipment
- Energy paid for several months in advance,
- property insurance
- Annual fees for land taken in perpetuity,

- annual appropriation to the company's social benefits fund
- Paid up magazine subscription for the next year
- Other costs related to the number of reporting periods if their activation has been evidenced with an appropriate document confirming that they were incurred
- excess of established from valuation cumulative revenues over recognized net advance payments is recorded in the balance sheet under short – term prepayments and presented in the assets.

Titles of prepayments that do not relate to the normal operating cycle of the company and their period of settlement exceeds 12 months from the balance sheet date, are recognized in the balance sheet as long – term prepayments.
Accruals are made in the amount of probable liabilities attributable to the current reporting period.
Accruals include:

- Reserve for guarantee service and warranty or reserve for sold goods of long – term use
- Estimated costs for auditing a financial statement
- Reserves for unpaid bonuses for employees, proxies and board members
- The value of services provided for the company that have not been invoiced, and under the contract the contractor was not obliged to invoice them
- Costs of pollution fees, costs related to the current reporting period evidenced with an invoice in the next reporting period
- reserve for future financial costs
- excess of the recognized net advance payments over the established from valuation cumulative revenues is recognized in the balance sheet as short-term accrual and presented in the liabilities at the item "liabilities arising from advances on supplies."

- Equities

Equity capital includes original capital (share capital), spare capital and reserve capital, 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 (equity) can be reduced by redemption of shares only if the Articles of Association provides so.
Original capital is valuated in liabilities at nominal value.
Treasury shares are recognized in the balance sheet at purchase price as a decrease in capital. In case of sale, issuance or redemption of treasury shares, no profits or losses are recognized in the profit or loss account.

- Provisions for liabilities

Provisions are liabilities whose amount and term of payment are not certain. Provision is created when the entity assumes the obligation arising from past events, it is likely that fulfilling this obligation will cause an outflow of resources representing economic benefits and we can accurately estimate the amount of that obligation.
If these conditions are not met, provisions are not created:
The amount of provisions should reflect the best estimated expenditures required to fulfill the existing obligation at the balance sheet date, it means:

- The amount – which according to rational premises, the Group would pay at the balance sheet date fulfilling the obligation or,

- The amount which the Group would pay to a third party in return for taking over the obligation in question at the same time.

Provisions are created for the following titles :

- Loss from business transactions
- Guarantees and waranties granted
- Results of pending litigation and appeal proceedings
- Future employee benefits – jubilee awards
- Value of unused annual employee leaves
- Severance payments on retirement
- Provision for financial costs
- Provision for the costs of contracts in order to preserve the commensurateness of revenues and expenses
- Future costs related to restructuring

Provisions for employee benefits are estimated by the actuary.
The company has chosen the method of immediate recognition of actuarial gains and losses both those being within the range described in the IAS 19, par. 92, as well as those going beyond it

- Assets and provision for income tax

In view of the temporary differences between the value of assets and liabilities shown in the books and their tax value and the tax loss that might be deducted in the future, the entity creates a provision and determines the assets for the deferred income tax of which it is a tax payer.
The Gross Profit calculated on the basis of accounting records, is converted into the tax income via the following:

- adding to the gross profit, the expenditures not being deductible expenses in accordance with the Law on Corporate Income Tax
- deducting, from the gross profit, the revenues not recognized as a tax revenue, according to the said law
- adding to the gross profit the so-called statistical revenues

Adjustments to the gross profit mentioned above can be as follows:

- permanent – these are additions and deductions which are not taken into account when measuring the income, for example: representation expenses, depreciation of passenger cars and their insurance above the amounts deemed boundary limits
- temporary - are those that can be treated as cost of revenues/deductible expenses or revenues under the Income Tax Act, but in a different period than the period foreseen in the Accounting Act.

The provision for a deferred income tax is established at the amount of income tax requiring payment in the future due to positive temporary differences, it means, the differences which will increase the basis for calculating income tax in the future. The provision is valued according to the tax rates which will be applied when the provision is released, taking for a base the tax rates (and tax regulations) that would be effective or were actually effective at the balance sheet date.
The current and deferred tax is recognized as income or expense that affects the net profit or loss of a given period, except from the taxes on the following transactions:

- Transactions or events that are recognized directly in equity, in the same or a different period or
- Business combinations

In the consolidated financial statement, the deferred income tax due to business activity in a special economic zone has been activated. The basis for calculating the value of the asset due to a deferred income tax is the amount of incurred investment expenses as the amount of revenues which would be potentially exempted from income tax depends on the aforementioned investment expenses.
Provision for a deferred income tax as well as for activated income tax must be analyzed and settled on a monthly basis, following the titles under which they were created. The deferred income tax should be recognized in the profit and loss account as "Income tax".

Provision for a deferred income tax as well as for activated income tax is created only for temporary adjustments. Assets and provision for a deferred income tax related to the operations settled with equity refer also to the equity.

- Liabilities

Long-term liabilities include liabilities for which the due date falls at least one year after the balance sheet date. This item also contains long-term bank loans and borrowings as well as liabilities for supplies and services maturing above 12 months, going beyond the normal operating cycle. Long-term liabilities, beyond the normal operating cycle, are valuated on the balance sheet date at amortized cost using the effective interest rate.
Bank loans are recorded at the purchase price equal to the fair value of cash received and reduced by the costs of credit.
Short-term liabilities are all the liabilities for deliveries and services in the normal production cycle as well as other liabilities which are due within 12 months from the balance sheet date.
Liabilities are valuated at the amount payable.
Liabilities denominated in foreign currencies are valuated on the balance sheet date at the average exchange rate fixed for a given currency by the NBP for this day. Exchange differences from liabilities denominated in foreign currencies arising on the valuation date and the payment date are recognized in the balance sheet as follows: negative ones as financial costs and positive ones as financial income respectively.

- Revenues

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

- Goverment grants:

Government grants, including non-monetary grants at fair value are recognized when it is certain that:
– the Group will meet the conditions related to obtaining grants
– grants will be given
The concept of the government refers to government, governmental institutions, governmental agencies and other similar bodies whether local, national or international.
Government grants are recognized systematically as an income in particular periods in order to match them with the related costs which the grants ought to compensate. The grants do not increase directly in equity.
A government grant that becomes due as compensation for costs already incurred or losses or that is given to the company in order to provide an immediate financial support, without any future related costs, shall be recognized as an income in the period in which it becomes due.
Non-monetary government grants may have the form of transfer of non-monetary asset such as land, or other assets given to the company to use. In such cases, a non-monetary asset shall be valuated and booked at fair value.

Government grants to assets, including non-monetary grants at fair value, are presented in the balance sheet as a deferred income of the future periods or the amount of grants is subtracted in order to obtain the carrying amount of the assets.
The Company has adopted the method of presenting non-monetary grants related to the assets at fair value as deferred income of the future periods and recognizing them in the balance sheet as an income during the period of their utilization.
Grants are presented in the profit and loss account as other operating income.
Government grants being subject to repayments are recognized as a change in the estimated value. It means that the repayment of the grant is firstly referred to the unpaid balance of a deferred revenue. The remaining part is referred to the costs of the current period.
The standard does not resolve the matter of the EU subsidies. The Company treats the EU subsidies as government grants.

- Contracts of construction services

Income from contracts for provision of construction services is valuated on the balance sheet date using the method of "services progress" (stage of completion of contracts in progress method), which is estimated as the relation between costs already incurred to planned, currently updated costs of contract execution, i.e. the rate of performance of the cost budget for the construction. Income from executed contracts is recorded with reference to the degree of contract execution
Excess of recorded cumulative revenues over the sum of losses and receivables conditioned by contract execution (partial invoices) is recognized in "short-term prepayments and accruals" and presented in the assets. Excess of recorded losses and receivables conditioned by contract execution (partial invoices) over the cumulative revenues is recognized in "short-term accruals" and shown in the liabilities at "other liabilities".
If the estimated total and final income as well as costs related to the contract of construction services which is being executed indicate a loss, in this case, the provision for the whole loss is created in the balance sheet and credited to costs.

- Net profit or loss

The financial results - net profit or loss of the Group is determined using the accrual basis of accounting and matching the revenues with the expenses.

2. THE PUBLISHED STANDARDS AND INTERPRETATIONS THAT ENTERED INTO FORCE ON 1 JANUARY 2011 AND THEIR IMPACT ON THE FINANCIAL STATEMENT

- Amendments to the IAS 32 "Financial instruments : presentation" – classification of rights issue, approved in the EU on 23 December 2009 (effective to annual periods beginning on or after February 1st 2010)
- Amendments to the IFRS "First –time Adoption of IFRS" – limited exemption of the entities adopting the IFRS for the first time from disclosure of comparative information under the IFRS 7, approved in the EU on 30 June 2010 (effective to annual periods beginning on or after July 1st 2010)
- Amendments to the IFRIC 14 "IAS 19" – "Limit of the valuation of the assets due to defined benefit, Minimum Funding Requirements and their Interaction" - prepayment under the minimum funding requirements approved in the EU on 19 July 2010 (effective to annual periods beginning on or after January 1st 2011)

- Interpretation of the IFRIC 19 – "Extinguishing Financial Liabilities with equity Instruments" approved in the EU on 23 July 2010 (effective to annual periods beginning on or after July 1st 2010)
- changes to various standards and interpretations "Amendments to the IFRS (2010) - changes made within the procedure of introducing annual amendments to the IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13) focused primarily on resolving inconsistencies and clarifying the vocabulary, approved in the EU on 18 February 2011 (effective to annual periods beginning on or after January 1st 2011).
- IAS 24 "Related Party Disclosures" is applied to annual periods beginning on or after January 1st 2011. The updated standard simplifies the definition of a related party, clarifies the meaning and eliminates the inconsistencies of definition.

The application of these changes had no impact on the financial standing nor on the results on the operations of the Group.

3. THE PUBLISHED STANDARDS AND INTERPRETATIONS THAT DID NOT ENTER INTO FORCE AND WERE NOT ACCEPTED BY THE EUROPEAN UNION.

- IFRS 9 – „Financial instruments". The standard was published by the IASB on 12 November 2009 and the amendment took place on 28 September 2010. The standard will be effective from January 1st, 2013.
- IFRS 1 – „First – time Adoption of International Financing Reporting Standards". The changes to the standard were published by the IASB on 20 December 2010 and they are effective for annual periods beginning on July 1st, 2011
- IFRS 7 – „Financial instruments-Disclosures" – the amended standard was published by the IASB on 7 October 2010 and it will be effective for annual periods beginning on or after July 1st, 2011
- IAS 12 – „Income Tax". The amendments to this standard were published by the IASB on 20 December 2010 and they will be effective for annual periods beginning on or after January 1st 2012.

4. CHANGES OF CONTINGENT LIABILITIES OR ASSETS

In KOPEX Group

	As at 31.03.2011	increase / decrease	As at 31.12.2010
1. contingent receivables	**49 142**	**-8 098**	**57 240**
1.1 from related entities	-	-	-
1.2 from the other entities	49 142	-8 098	57 240
- received guarantees and sureties	27 758	1 686	26 072
- received promissory notes	21 384	-9 784	31 168
- mortgages , pledges	-	-	-
2. Contingent liabilities	**1 224 679**	**64 398**	**1 160 281**
2.1. in favor of related entities	909 543	65 823	843 720
- guarantees , sureties granted	158 186	13 464	144 722
- granted guarantees and sureties for credit approvals	751 357	52 359	698 998
2.2 in favor of the other entities	315 136	-1 425	316 561
- guarantees , sureties granted	77 682	-7 275	84 957
- issued promissory notes	236 909	5 893	231 016
- other	545	-43	588

At the Issuer

	As at 31.03.2011	increase / decrease	As at 31.12.2010
1. contingent receivables	**909 978**	**26 915**	**883 063**
1.1 from related entities	894 499	27 397	867 102
- received guarantees and sureties	333 814	4 433	329 381
- received promissory notes	560 685	22 964	537 721
- mortgages , pledges	-	-	-
1.2 from the other entities	15 479	- 482	15 961
- received guarantees and sureties	12 183	-533	12 716
- received promissory notes	3 296	51	3 245
- mortgages , pledges	-	-	-
2. Contingent liabilities	**838 628**	**39 586**	**799 042**
2.1. in favor of related entities	771 418	43 826	727 592
- guarantees , sureties granted	70 431	-23 688	94 119
- issued promissory notes	338 814	3 341	335 473
- granted guarantees and sureties for credit approvals	362 173	64 173	298 000
2.2 in favor of the other entities	67 210	-4 240	71 450
- guarantees , sureties granted	60 825	-4 240	65 065
- issued promissory notes	6 385	-	6 385
- other	-	-	-

The other contingent liabilities concerning potential claims from KOPEX contractors in case of change of invalid sentences are estimated to the amount of 985 thousand PLN.

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

a) lawsuit for payment filed by Fazos S.A. against the companies Kopex S.A. and Tagor S.A. (entity indirectly related). The value of the claim in the lawsuit amounts to 51 876 thousand PLN.
b) lawsuit for payment filed by Fazos S.A. against the companies Kopex S.A. and Tagor S.A. (entity indirectly related). The value of the claim in the lawsuit amounts to 22 207 thousand PLN.
c) lawsuit filed by Famur S.A. against Kopex S.A , subject of the lawsuit is the demand for payment of the sum of 40 262 thousand PLN.
d) Request for settlement submitted by Fazos S.A.; the requested amount for payment is 6 683 thousand PLN

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

5. INFORMATION ON CONVERSION OF SELECTED FINANCIAL DATA

- Assets and liabilities were calculated according to average exchange rate for the currency of EURO, being in force on the balance sheet date.
  - As at 31.03.2011 - 4,0119
  - As at 31.12.2010 – 3,9603

- Items of the profit and loss account and cash flows were calculated according to the arithmetic average of rates EURO being in force at the end of each month during the reporting period.
  - in the I quarter 2011 – 3,9742
  - in the I quarter 2010 – 3,9669

- Maximum rates in the period
  - in the I quarter 2011 – 4,0119
  - in the I quarter 2010 – 4,0616

- Minimum rates in the period
  - in the I quarter 2011 – 3,9345
  - in the I quarter 2010 – 3,8622

6. INFORMATION ON CHANGE IN RESERVES AND ASSETS DUE TO DEFERRED INCOME TAX

In KOPEX Group

In thousand zloty

	from 01.01.2011- to 31.03.2011	from 01.01.2010- to 31.03.2010
1 change in provisions for liabilities	**1 122**	**-12 464**
a) increases , in this	18 644	17 286
- pension benefits, leaves	4 088	632
- provision for liabilities	4 594	1 940
- provision for contract expenses	3410	10 451
- provision for a deferred income tax	6 552	4 263
b) decreases	17 522	29 750
- pension benefits, leaves	884	665
- provision for liabilities	9173	13 698
- provision for contract expenses	4 692	6 855
- provision for a deferred income tax	2 773	8 532
2. change in deferred tax	**-217**	**-4 764**
- decrease	4 780	107
- increase	4 997	4 871

At the Issuer

In thousand zloty

	from 01.01.2011- to 31.03.2011	from 01.01.2010- to 31.03.2010
1 change in provisions for liabilities	**923**	**4 327**
a) increases , in this	4 804	12 601
- pension benefits, leaves	324	213
- provision for liabilities	3	-
- provision for contract expenses	3 411	10 367
- provision for a deferred income tax	1 066	2 021
b) decreases	3 881	8 274
- pension benefits, leaves	186	192
- provision for liabilities	56	22
- provision for contract expenses	2812	4 422
- provision for a deferred income tax	827	3 638
2. change in deferred tax	**54**	**-3 274**
- decrease	54	6124
- increase	-	9 398

7. INFORMATION ON REVALUATION WRITE - OFFS ON ASSETS AFFECTING FINANCIAL RESULT

Within the Capital Group

In thousand zloty

	from 01.01.2011- to 31.03.2011	from 01.01.2010- to 31.03.2010
1. increases , in this in	**571**	**603**
- receivables	466	492
- investments	88	24
- fixed assets and intangible assets	4	63
- stocks of current assets	13	24
2. decreases, in this in	**4 407**	**912**
- receivables	3 776	839
- investments	469	-
- fixed assets and intangible assets	149	-
- stocks of current assets	13	73

At the Issuer's

In thousand zloty

	from 01.01.2011- to 31.03.2011	from 01.01.2010- to 31.03.2010
1. increases , in this in	**117**	**24**
- receivables	33	-
- investments	84	24
- stocks of current assets	-	-
2. decreases, in this in	**2 088**	**54**
- receivables	2 088	54
- investments	-	-

8. PURCHASE AND SALE OF FIXED ASSETS

Within the Capital Group

In thousand zloty

	from 01.01.2011- to 31.03.2011	from 01.01.2010- to 31.03.2010
PURCHASE	52 892	20 907
SALE	7 739	5 378

At the Issuer's

In thousand zloty

	from 01.01.2011- to 31.03.2011	from 01.01.2010- to 31.03.2010
PURCHASE	83	40
SALE	63	-

9. TRANSACTIONS WITH RELATED ENTITIES

a) within the Capital Group

Revenues from sales to the related entities

	from 01.01.2011 to 31.03.2011		
	Revenues from sales of products, goods and materials	The remaining sales	Financial income
From the associated companies	45	-	-
From the other related entities	29	9	161
Total	**74**	**9**	**161**

	From 01.01.2010 to 31.03.2010		
	Revenues from sales of products, goods and materials	The remaining sales	Financial income
From the associated companies	-	-	-
From the other related entities	260	9	-
Total	**260**	**9**	**-**

Purchase from the related entities

	from 01.01.2011 to 31.03.2011		
	Purchase of goods and services	Purchase of fixed assets and intangibles assets	Financial costs
From the associated companies	-	-	-
From the other related entities	535	-	-
Total	**535**	**-**	**-**

	od 01.01.2010 do 31.03.2010		
	Purchase of goods and services	Purchase of fixed assets and intangibles assets	Financial costs
From the associated companies	-	-	-
From the other related entities	1 350	-	8
Total	**1 350**	**-**	**8**

Receivables from the related entities

	31.03.2011	31.03.2010
From the associated companies	19 198	-
From the other related entities	5 221	12 445

Liabilities to the related entities

	31.03.2011	31.03.2010
to the associated companies	-	-
From the other related entities	174	219

Revaluation write – offs on the receivables from the related entities

	31.03.2011	31.03.2010
From the other entities		
Situation as of the beginning of the period	-	-
Creation of the write – off	-	-
Release of the write - off	-	-
Situation as of the end of the period	**-**	**-**

b) At the Issuer's

Revenues from sales to the related entities

from 01.01.2011 to 31.03.2011

	Revenues from sales of products, goods and materials	The remaining sales	Financial income
From the subsidiaries	3 324	63	357
From the associated companies	-	-	-
From the other related companies	-	-	-
Total	**3 324**	**63**	**357**

od 01.01.2010 do 31.03.2010

	Revenues from sales of products, goods and materials	The remaining sales	Financial income
From the subsidiaries	5 300	-	862
From the associated companies	-	-	-
From the other related companies	-	-	-
Total	**5 300**	**-**	**862**

Purchase from the related entities

from 01.01.2011 to 31.03.2011

	Purchase of goods and services	Purchase of fixed assets and intangible assets	Financial costs
From the subsidiaries	8 869	176	-
From the associated entities	-	-	-
From the other related entities	325	-	-
Total	**9 194**	**176**	**-**

From 01.01.2010 to31.03.2010

	Purchase of goods and services	Purchase of fixed assets and intangible assets	Financial costs
From the subsidiaries	148 866	-	-
From the associated entities	-	-	-
From the other related entities	221	-	-
Total	**149 087**	**-**	**-**

Receivables from the related entities

	31.03.2011	31.03.2010
From the subsidiaries	12 050	24 947
From the associated entities	-	-
From the other related entities	-	-

Liabilities to the related entities

	31.03.2011	31.03.2010
Towards the subsidiaries	35 041	65 068
Towards the associated companies	-	-
Towards the other related entities	62	11

Revaluation write – offs on the receivables from the related entities

From the other entities	31.03.2011	31.03.2010
Situation as of the beginning of the period		61
Creation of the write – off		-
Release of the write - off		-21
Situation as of the end of the period		**40**

	31.03.2011	31.03.2010
From the associated companies		
Situation as of the beginning of the period	512	46
Creation of the write – off	83	-
Release of the write - off	-	-
Situation as of the end of the period	**595**	**46**

From the other related entities	**31.03.2011**	**31.03.2010**
Situation as of the beginning of the period	-	-
Creation of the write – off	-	-
Release of the write - off	-	-
Situation as of the end of the period	**-**	**-**

10. INFORMATION ON SIGNIFICANT EVENTS

Loss of joint control over the entity

On 10 February 2011, KOPEX S.A. concluded the agreement of sale of 50% of shares held in Inbye Mining Services with a registered seat in Australia , i.e. 25% of all owned shares. The indirect Issuer's subsidiary – TAGOR S.A. held 50% of shares in Inbye Mining Services until the conclusion of the aforementioned agreement. Inbye was consolidated using a proportional method until the day of 10 February 2011, but from that day, i.e. after the loss of joint control, the aforementioned shares were recognized in the books in accordance with the IAS 28 and they are accounted using the equity method. At the time of the loss of joint control over Inbye Mining Services , the retained shares were measured using the equity method and the profit was established on the loss of joint control. This profit was shown in the consolidated separate income and loss account at the item" loss of control over a subsidiary".

11. INFORMATION ON EVENTS FROM PREVIOUS YEARS

In the audited consolidated financial statement for 2010 published on 2 May 2011, we informed on significant events related to previous years and included in the financial statement for 2010. Due to these events, in the published consolidated financial statement, we made an adjustment to error retrospectively, concerning the changes in equity for the comparative period of 01.01.2010 – 31.03.2010.
As a result of the adjustment, the following items of the balance as at 31 March 2010 have changed:

- exchange rate differences from conversion - +2 492 thousand PLN
- retained profits – 13 840 thousand PLN
- Equity attributable to non-controlling interests – 3 248 thousand PLN

12. BASIC INFORMATION ABOUT THE ISSUER

Contact details:
KOPEX S.A.
Ul. Grabowa 1
40-172 Katowice
tel.: +48 32 604 70 00; fax: + 48 32 604 71 00
e-mail: kopex@kopex.com.pl
website: www.kopex.com.pl
statistical number REGON: P-271981166
tax identification number NIP: 634-01 - 68-49
registered in the National Court Register under the number KRS 0000026782
District Court Katowice-East of Katowice, VIII Commercial Division of the National Court Register.

12.1. HISTORY OF THE ISSUER

The KOPEX company was founded by the Regulation No 128 of the Minister of Mines and Energy dated 4 November 1961 as a State-owned enterprise under the name of „Przedsiębiorstwo Budowy Zakładów Górniczych za Granicą - KOPEX" - „KOPEX Overseas Mine Construction Company and after entering into the Register of State-owned Enterprises on 1 January 1962, the company started the activity as a general contractor for complete mining facilities / projects and equipment abroad. In May 1971 the enterprise obtained an authorization for conducting the business in foreign trade including export and import of mining and drilling machinery and equipment, on the exclusive basis, as well as execution of turnkey mining projects. Since 1 January 1989, as a result of reorganization made, a State-owed enterprise under the name of Przedsiębiorstwo Eksportu i Importu KOPEX / KOPEX Export and Import Company, based in Katowice was set up.

On 25 October 1993, by the Regulation No 267/Org/93 of the Minister of Industry and Trade, the enterprise was transformed into a Single-Entity Partnership of State Treasury under the name of Przedsiębiorstwo Eksportu i Importu KOPEX Spółka Akcyjna / KOPEX Export and Import Joint Stock Company. On 19 November 1993 the transformation act was signed and the first Statutes of Association was established as an notarial act. On 3 January 1994 the Company was entered in the Commercial Register under the number RHB 10375. Share capital contained 1.989.270 bearer common shares with a nominal value of PLN 100.000 (after the denomination: PLN 10) each.

As a part of the privatization program, on 17 December 1996, the Cabinet adopted the Resolution No. 142 authorizing the introduction of KOPEX shares for public trading on the Warsaw Stock Exchange, the sale of at least 25% of the shares offered to the public and the acquisition of 15% of the shares by employees of KOPEX. On 4 June 1998 the Company debuted on the Warsaw Stock Exchange.

Following the entry into force of a new legislation on business registration in 2001, on 12 July 2001, KOPEX S.A. was entered into the National Court Register under the new number: 0000026782. On 23 October 2003 the company's new name was registered: KOPEX Spółka Akcyjna (currently used) and the abbreviation KOPEX SA was approved.

On 16 December 2004, 64,64% of KOPEX S.A. shares were made by the State Treasury , as a non-cash contribution to the company Krajowa Spółka Cukrowa S.A. / National Sugar Company in exchange for the shares of this company covered by the State Treasury in connection with the increase of its share capital.

The date of 9 February 2006 was a milestone in KOPEX S.A. privatization process, since National Sugar Company sold (after a public invitation) all the KOPEX S.A. shares held to the branch investor - Zabrzańskie Zakłady Mechaniczne S.A. / Zabrze Mechanical Works Joint Stock Company (ZZM S.A.) with a registered seat in Zabrze. The ZZM- KOPEX Group was set up, the biggest industrial group in the mining machinery and equipment sector in Poland. The integrated potential of the Group created the possibility of offering a comprehensive equipment and services for mining, placing the ZZM-KOPEX Group in the strict lead of the biggest global mining companies.

Another significant stage took place in the second half of 2007. KOPEX S.A. issued 47 739 838 Series B bearer shares in a public trade directed to ZZM S.A. shareholders and reverse takeover process of ZZM S.A. by KOPEX S.A. was accomplished (KOPEX S.A. entered into possession of 1.285.406 of ZZM S.A. shares representing 97,57% of its share capital). As a result of this transaction KOPEX S.A. became the dominant entity and the leader of KOPEX Capital Group which includes over 50 companies in Poland and abroad.

At the end of 2009, the issue of 6.700.000 Series C bearer shares of KOPEX S.A. was successfully executed. The offer of acquisition of shares was directed to the selected investors in accordance with the Art. 7, Par. 7, Item 2 of Law on Offer. On 1 December 2009 an increase of the company's share capital was entered into the register and currently it amounts to PLN 74.332.538.

13. SUBJECT AND SCOPE OF ACTIVITY OF THE CAPITAL GROUP

KOPEX SA Capital Group (“KOPEX Group”, “Group”) operates in the mining industry. The Group consists of a parent - public company KOPEX SA (Issuer, company, dominant entity) and organizationally and financially related subsidiaries and indirect subsidiaries in accordance with the provisions of the Act on Accounting.
Currently, the Group consists of over 50 companies in the country and abroad. Kopex Group has its business in Germany, Czech Republic, Serbia, South Africa, China, Indonesia and Australia. The description and diagram of KOPEX Group with its subsidiaries has been shown in section 14 of this interim report.

The Group offers comprehensive solutions for underground and open pit mining. It is a major manufacturer and supplier of high quality mining equipment and machinery as well as mining technology. The Group uses the specialized capabilities of its companies members that complement each other in the implementation of the projects.

<u>Parent company – KOPEX SA with a registered seat in Katowice</u>

The scope of activity of the company according to The Polish Classification of Activities (PKD) has been determined in detail in par.6 of the Articles of Association.
According to The Polish Classification of Activities (PKD) the predominant type of KOPEX S.A. activity is:

„wholesale of machinery used in mining, construction and civil engineering - PKD No 4663Z".

For over 48 years of existence, KOPEX S.A. specialized in foreign trade with other countries, transforming with time, into general contractor and supplier of machinery, equipment and services for mining industry.

<u>The offer of KOPEX SA includes:</u>

- Execution of complex investment projects, in particular, of mining objects. The offer is distinguished by the possibility of implementing the whole process of investments in mining industry:
  - project feasibility study,
  - supervision of geological surveys of the mining area and calculation of resources deposits,
  - development of the technology of deposit opening
  - designing of mines
  - construction, supply and assembly of machinery, equipment and technological systems,
  - construction, development, modernization, extraction and liquidation of mines,
  - staff training and engineering support during the investment project
- Specialized mining services involving shaft sinking, underground constructions including construction and renovation of tunnels, designing services and know-how,
- Supply of machinery and technologtical systems for open pit mines,

- Trading in power energy
- Export of power raw materials, in particular, energy coal and coking coal

Subsidiary – Zabrzańskie Zakłady Mechaniczne S.A. with a registered seat in Zabrze

Leading manufacturer of mining longwall shearers together with its subsidiaries creates the largest group among the Polish suppliers advanced of technologies for the mining industry - exporter of modern mining technology.
Zabrzańskie Zakłady Mechaniczne SA specializes in manufacture of machinery and equipment, rendering services and hire of machinery for mining branch. The company's offer includes machines and equipment as follows:

- longwall shearers,
- shearer cutting drums and roadheader cutter heads,
- bit blocks for cutting drums and cutter heads,
- filters for shearer spray systems - used in sprinkling systems in the shearers for preliminary and accurate water purification.

ZZM also executes welding works of steel structures, in compliance with customers' technical documentation as well as machining and thermal treatment. The company is capable of accomplishing overhaul works of shearer subassemblies as well as pumps and power hydraulics authorised by Mannesmann Rexroth.
Besides, ZZM also offers hire of shearers and shearers subassemblies, along with 24 hours service.

Subsidiary - KOPEX - Przedsiębiorstwo Budowy Szybów S.A. with a registered seat in Zabrze

KOPEX - Przedsiębiorstwo Budowy Szybów S.A. belongs to a small group of highly specialized companies operating in the underground construction sector. The company enjoys a recognised position in the mining construction market and has gathered a wide experience and significant achievements in the industrial construction.

Underground construction, of which the important part is mining construction, represents, since the beginning of the company, primary sphere of activity. The offer includes a comprehensive implementation of all types of undergroung facilities.
KOPEX-Przedsiębiorstwo Budowy Szybów S.A. has an experience in the implementation of:

- shafts, foreshafts and reservoirs, together with related facilities (shaft bottoms, inlets, pockets, fan drifts, etc.), driven both from the surface and from the underground workings;
- underground horizontal and chamber workings - drifts, roadways, ramps and side drifts;
- tunnels and underground passages;
- equipping all the aformentioned objects with steel structures, pipelines, installations and equipment
- modernization, overhaul works and liquidation of mining objects and facilities

General construction

- general construction works – industrial plants and public utility structures
- engineering works
- plumbing works – industrial, electric and sanitary systems
- insulation works
- anticorrosion works by using various methods, among others, alpinist methods
- steel construction – erection as well as overhaul works of steel structures
- house breaking and demolition works – by using among others, blasting methods

drilling

- drilling from the surface and underground
- drillling including normal and middle – diameter holes for different purpose
- drilling of large – diamater holes to the diameter of 6000m
- stablilization of the rock mass by freezing, piping, injections etc
- protection of excavations with different methods
- protection of historic buildings
- drilling related to the exploration and identification of groundwater

- rectification of surface objects

as well as designing, steel constructions, transport, automation and measurement, renting of machinery and equipment without operator

Subsidiary – Rybnicka Fabryka Maszyn “RYFAMA S.A.” with a registered seat in Rybnik

RYFAMA S.A. is a company with a rich tradition in designing and manufacturing machines and equipment for underground mining. The company specializes and is known on the local market and abroad mainly for the production of various kinds of complete means of transport and scraper conveyors. The company also produces crushers installed on a scraper conveyor and the other components used in mining equipment: toothed reduction gearboxes, overlapping return – end stations, anchoring and advancing devices, rope suspensions etc.

Subsidiary - Zakłady Urządzeń Technicznych WAMAG SA based in Wałbrzych

WAMAG SA is a supplier of equipment for coal preparation (including: crushers, screens, jiggers, separators and dewatering equipment), roadheaders and transporting devices (tube belt conveyors, belt conveyors, bucket elevators, bucket elevators with profile rubber belt).

Products of WAMAG SA are designed for customers from various industries, mainly mining, energy, metallurgy, chemical industry, cement and lime, sugar industry.

Subsidiary - KOPEX EQUITY Sp. z o.o. based in Katowice

The Company's field of activity is financial leasing, other monetary and financial intermediation, renting of machinery and equipment, vehicles and buildings, auxiliary financial activities, sale of machinery, equipment and vehicles.

Subsidiary - KOPEX EKO Sp. z o.o. based in Katowice

The Company's field of activity is acquisition of raw materials for biomass production and sale of it, waste management and energy trading.

Subsidiary - „EL-GÓR" Sp. z o.o. (currently joint-stock company) based in Chorzów

The Company carries out manufacture of flameproof electrical equipment for mining as well as renders services related to assemby, repair and maintenance of this equipment, i.e. electric switchgears, control apparatus etc.

Subsidiary - HANSEN Sicherheitstechnik AG based in Munich/Germany

The Company's activity is design, manufacture and repair of explosion-proof electrical and electronic systems, completion of supplies of electric equipment, development of technical documentation of electronic systems used in mining, in particular in the explosive and methane hazards areas, manufacture of electronics for mining.

Subsidiary - KOPEX GmbH z siedzibą based in Moers/Germany

The Company's activity is focused on implementation and intermediation in contracts on supplies and technical services in Germany.

Subsidiary - PT KOPEX MINING CONTRACTORS based in Jakarta / INDONESIA

The company’s activity is focused on implementation of mining services in Indonesia ... as well as leasing of mining machinery and equipment

Subsidiary - KOPEX MIN - MONT A.D., KOPEX MIN - FITIP A.D. in liquidation, KOPEX MIN - OPREMA A.D. based in Nis /Serbia

The Companies' activity is focused on manufacture of mining equipment and machinery, steel structures and installation services.

Subsidiary - KOPEX MIN - LIV A.D. based in Nis /Serbia

The Company's activity is focused on manufacture and supply of steel castings and iron castings.

Subsidiary - SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING CO.LTD based in Taian /China

The Company's activity is focused on design and manufacture of mining machinery and equipment, sales of own products, as well as after-sales maintenance services.

The remaining selected subsidiaries of KOPEX Group.

FMiU TAGOR S.A.
with a registered seat
in Tarnowskie Góry

manufacturer of powered roof supports, belt and scrape conveyors, repairs and modernization of existing roof supports.

KOPEX FAMAGO sp. z.o.o.
with a registered seat in
Zgorzelec

operates in the engineering industry, serving the following sectors: mining,energy, machine, handling and mineral resources. The Company, continuing the activites of the acquired FAMAGO company, has a nearly 30-years experience in the manufacture of excavators and 50-years experience in the manufacture of spraeders, belt conveyors and spare parts for the open pit mining and is a leading manufacturer in this field in the domestic market and one of the few in the world. The activity of the Company is mainly focused on manufacture of the following machines and systems :

- machines for open pit mining and construction,
- subassemblies and spare parts for basic machines operated in the open pit mining and reloading industry (wear parts: knives, teeth, crawler members, clutches, chassis elements, plates; large-size machine elements: ball ways, toothed rims, gear wheels, drums, elements of rail-mounted and crawler mounted chassises; large-size toothed elements: wheels, shafts),
- conveyor systems and spare parts (drums, rollers and drive units),
- large-size hydro power valves (butterfly, ball, slide),
- crane structures,
- bridge structures,
- other advanced steel structures,
- bronze castings.

Zakład Elektroniki Górniczej ZEG S.A.
With a registered seat in Tychy

Manufacturer of industrial automation electronic equipment, control and measuring equipment as well as signaling and communication equipment for industry, particulary for mining industry.

The commercial offer of ZEG SA includes manufacture of mining electronics and automation equipment as follows:

- equipment and systems for underground mine automation and haulage,
- mining transmission communication appliances and systems,
- equipment and systems for mine atmosphere parameters analysis,
- methane monitoring systems,
- control, measurement and blasting appliances
- equipment of power network protection for underground mines,
- power electronics converters,
- opencast mining appliances

Zabrzańskie Zakłady Mechaniczne – Maszyny Górnicze sp. z o.o. with a registered seat in Zabrze (before "INFRABUD sp. z o.o.

Rental and leasing of other machinery, equiment and material goods, manufacturer of structures and parts, manufacturer of general purpose machinery, general construction services associated with construction of buildings, buying, selling and renting of real estates on its own account, building, urban and technological design, manufacturer of plastic products for civil engineering.

ELGÓR +Hansen sp. z o.o. with a registered seat in Chorzów

The company carries out design, manufacture, and repair of flameproof electrical equipment for mining, elaboration of technical documentation of integrated power and control systems of longwall equipment, plugs etc. Elgór Hansen also renders services including:

- complete preparation of electrical equipment supply
- renovation and modernization of flameproof electrical apparatus
- elaboration of technical documentation of electrical systems used in mining , particulary , in excavations with explosion risk.

DOZUT – TAGOR sp. z o.o. with a registered seat in Tarnowskie Góry

manufacturer of sealing elements designed for power, control hydraulics and for pneumatics as well as protective ecological coatings known under the name DURACHROM

KOPEX Construction Sp. z o.o. with a registered seat in Katowice

The activity of the company focuses on manufacture of concrete construction products as well as rendering advisory services and consulting, in this, organization of tenders, technical consulting, preparation of documentation and specifications, engineering supervision

BPOZ BREMASZ sp z o.o. with a registered seat in Dąbrowa Górnicza

repair and maintenance of mining machinery , manufacture, repair and modernization of powered roof supports, welding of steel structures

KOPEX Technology sp z.o.o with a registered seat in Zabrze

Other services concerning investigation and technical analysis.

KOPEX AUSTRALIA (Pty) Ltd with a registered seat in Newcastle

overhaul, repair and modernization of mining machinery and equipment.

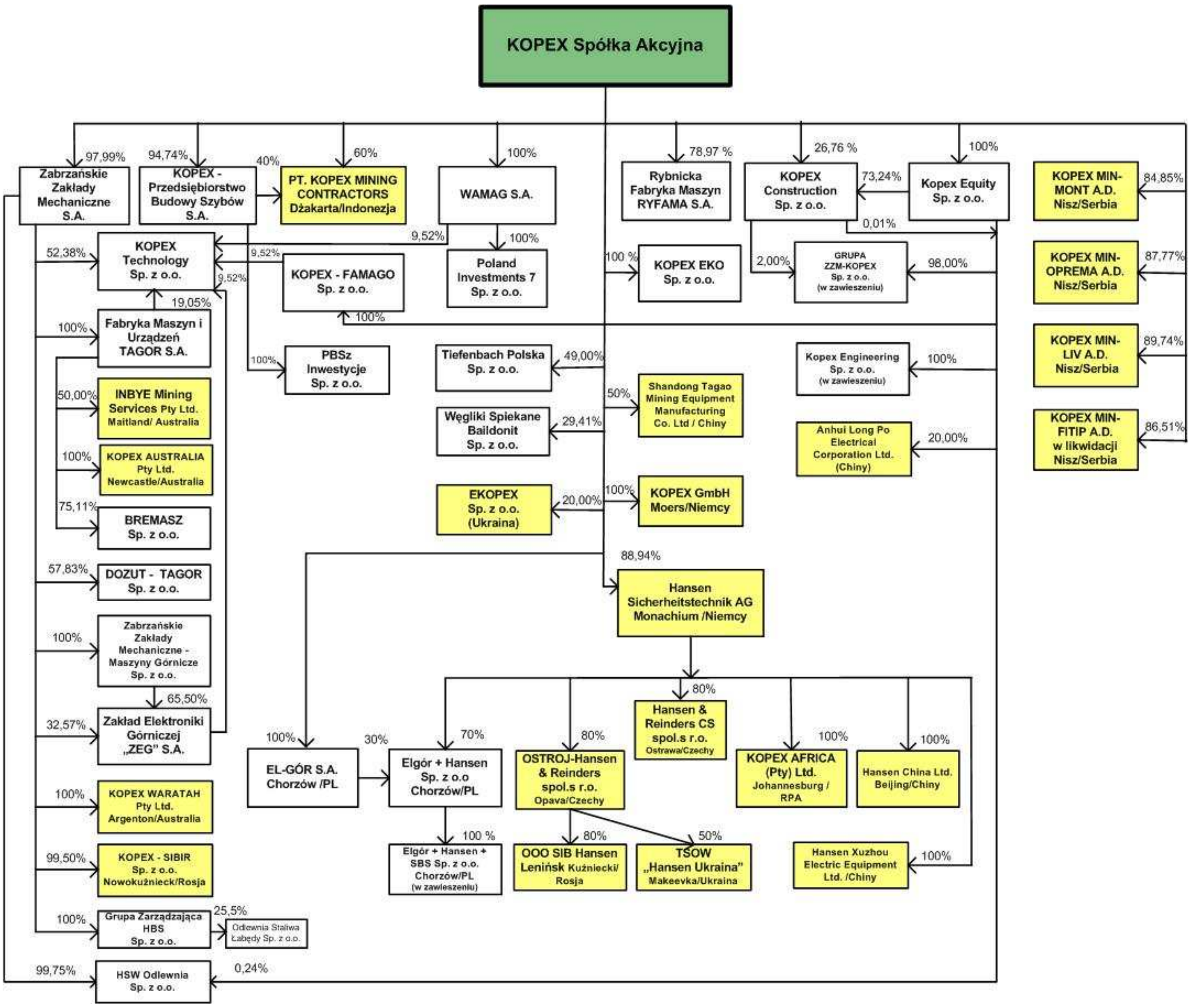
KOPEX WARATAH (Pty) Ltd. with a registered seat in Argenton Australia	Manufacture of mining machinery and equipment , particulary of shuttle cars known as Waracar as well as maintanance of this equipment
INBYE MINING SERVICES (Pty) Ltd with a registered seat in Argenton Australia	Manufacturer of scraper conveyors, technical coordinator of supplies of longwall equipment in the australian market

14. CAPITAL GROUP. INFORMATION ABOUT CHANGES IN ORGANIZATIONAL OR CAPITAL STRUCTURE Of THE ISSUER AND ISSUER'S SUBSIDIARIES

14.1. THE ORGANIZATIONAL STRUCTURE OF KOPEX CAPITAL GROUP

As at 31 March 2011 the Capital Group of KOPEX S.A. (KOPEX Group, Group, Capital Group of the Issuer) consists of the parent company - KOPEX S.A. with a registered seat in Katowice, listed on the Stock Exchange in Warsaw and 16 subsidiaries with associated entities. On the date of preparing this financial statement 21 subsidiaries had their registered seats abroad, in this, 17 in Europe (4 in Serbia, 2 in Germany, 2 in the Chech Republic, 2 in Russia and 2 in Ukraine), 1 in the Republic of South Africa, 5 in Asia (4 in China and 1 in Indonesia) and 3 in Australia. These companies are characterized by various degree of business importance in the KOPEX Group and their significance. The diagram below illustrates the entities of the KOPEX Group, their interrelationship and percentage in the share capital.

KOPEX SA, as the Group's leader has, in this structure, a particular duty focusing central functions – it is a management company of the Group, establishing the development strategy of the Capital Group and indicating to the companies within the Group, directions of their activities in production and rendered services



Note: The yellow color indicates companies established abroad

Source: Company

14.2. MARKET POSITION OF KOPEX GROUP

KOPEX Group is the general executor of investment projects in mining of coal, lignite and non-ferrous ores offering full service of investments. The offer of KOPEX Group includes: design, manufacture, supply and assembly of machinery and complete tecnological systems, as well as maintenance services and training.

<u>What makes KOPEX Group different?</u>

- full range of products and technology for coal mining (underground mining, open pit mining)
  - mining equipment and machinery,electronics for mining equipment, electronic and electric systems for mines,
  - ability to offer the entire longwall system in each market
  - innovative and technologically advanced products and the company's own solutions
- Presence in all major mining markets in the world
- Diversified portfolio of clients
  - leading mining corporations in the world (Vale, Shenhua, Anglo American)
  - Polish largest coal mines and energy suppliers (Jastrzębska Spółka Węglowa, Katowicki Holding Węglowy, Kompania Węglowa, BOT, PGE).

14.3. INDICATION OF THE RESULTS OF CHANGES IN THE STRUCTURE OF THE COMPANY, INCLUDING THOSE ARISING FROM BUSINESS COMBINATIONS, ACQUISITIONS OR SALES OF THE ISSUER'S SUBSIDIARIES, LONG -TERM INVESTMENTS, DIVISION, RESTRUCTURING AND DISCONTINUED ACTIVITY.

(Information includes events in the period from 01.01.2011 to 31.03.2011 including changes that occurred in the period from 01.04.2011 to the day of publication of this interim report).

1) **acquisitions of shares made by KOPEX SA or a by a Group's subsidiary**

a) <u>further acquisition of shares of Rybnicka Fabryka Maszyn RYFAMA S.A. with a registered seat in Rybnik and increase of share in this company to 100% .</u>

On 26.01.2011 as a result of implementation of the Agreement on transfer of shares, the direct participation of KOPEX S.A. in the subsidiary Rybnicka Fabryka Maszyn RYFAMA S.A. with a registered seat in Rybnik increased by 10.59%. Once the agreement was signed, the Investor issued to the Issuer 258 691 common bearer shares of series B, and the transfer of 76 007 shares of series A in favor of KOPEX S.A. took place upon completion of an appropriate entry in the depository of securities of BRE Bank SA Warsaw. As a result of this transaction, KOPEX S.A. acquired a total of 2 830 098 of shares of RYFAMA SA, which represented 89.56% of the share capital.

As a result of the share purchase agreement dated 17 February 2011 and realized by BRE Bank S.A. Warsaw, KOPEX S.A. acquired further 315 993 common bearer shares of Rybnicka Fabryka Maszyn "RYFAMA S.A." This transaction was the fulfillment of the provisions of the third Preliminary Share Purchase Agreement of RYFAMA SA dated 19 February 2010 (with amendments introduced by the Annexure No 1 concluded on 14 September 2010). As a result of these transactions KOPEX owns a total of 3 146 091 shares of RYFAMA S.A which represents 99,56% in the share capital and gives the right to 99,56% of votes during the General Meeting of Shareholders. The remaining 0,46% of shares of RYFAMA SA are held by Krzysztof Jedrzejewski - the majority shareholder of KOPEX SA.

On 9 March 2011, two agreements were concluded by KOPEX S.A. under which KOPEX SA acquired the remaining 13 909 shares of series B with the nominal value of 1,59 PLN each representing 0,46% in the share capital of RYFAMA SA. Ipso facto, KOPEX SA has a total of 3 160 000 of shares of the company RYFAMA SA which represent 100.00% of the share capital of the company RYFAMA SA and give the right to 100.00% of votes at the general meeting of RYFAMA SA. The Issuer informed on the changes of KOPEX involvement in the RYFAMA share capital in the current report No 24/2011 dated 10 March 2011.

2) **Business combination of selected companies from among KOPEX Group aiming to simplify its structure and make it more transparent and having in purpose to reduce the operating costs and improve the management**

a) decision of the intention to merge the company KOPEX S.A. and the subsidiary KOPEX Equity sp. z o.o. with a registered seat in Katowice**.**

On 18 March 2011, The Management Board of KOPEX SA adopted the resolution No 012/2011 concerning the decision of merger of KOPEX SA (the acquirer) and KOPEX Equity Sp. o.o. (the acquiree). KOPEX SA owns 100% of the share capital of the company being acquired - KOPEX Equity Sp. z o.o. The merger of the companies will be done in accordance with the art. 492 § 1. 1), subject to the Art. 515 § 1 and the art. 516 § 6 of the Act dated 15 September 2000 - Code of Commercial Companies (Journal of Laws 2000 No. 94, item. 1037, as amended) (CCC), i.e. by transferring all the assets of the acquired company to the acquiring company without increase of the share capital of the acquiring company and without issuing new shares of the acquiring company in exchange for the shares of the acquired company (merger) under the terms of the Merger Plan. The Issuer informed on the merger in the current report No 28/2011 dated 18 March 2011. The Merger Plan was accepted and signed on 29 March 2011. The main activity of KOPEX Equity sp. z o. o. is focused on financial leasing.
Completion of the merger of KOPEX SA and KOPEX Equity Sp. z o. o. will have a positive impact on the merging companies. It will allow to obtain tangible economic and organizational benefits and implement long-term objectives which are intended to be achieved and which include:

a) significant simplification of the management process in KOPEX Group that will contribute to reduce the costs and improve the effectiveness. (The acquired company KOPEX Equity Sp. z .o. o. is the controlling shareholder in several companies of the KOPEX Capital Group, holding 100% of the share capital of KOPEX Famago sp. z o.o. in Zgorzelec, 73,24% of the share capital of KOPEX Construction sp z o.o. in Katowice, 98% of the share capital in ZZM – KOPEX Group sp. z o.o. in Katowice, 100% in KOPEX Engineering sp. z o.o. in Katowice, 20% in a Chinese company Anhui Long Po Electrical Corp and 9,58% in Polskie Konsorcjum Gospodarcze in Warsaw).
b) continuation of the current activities by the companies basing on the best solutions in each of them, using the optimum infrastructure, skills and experience of the employees of the merging companies
c) Enhancement of the potential of the merging companies and increase of the effectiveness of their business activity.
d) Economic benefits arising from the scale and synergies associated with the growth of revenue, the maximum reduction of costs and a more efficient usage of human potential of the both companies.
e) Expansion of the scope of activities of the acquiring company by adding the scope of the company being acquired and creating, in this way, a new segment in the acquiring company.

Currently, formal and legal procedures are being implemented aiming to complete the process of merging of the two companies.

3) **Sales of the shares by KOPEX S.A. or by the companies of the Group, discontinuation of the activity or liquidation processes of selected companies within the restructuring process and organization of the companies of KOPEX Capital Group led by the Issuer.**

a) restructuring process of the company HSW Odlewnia sp. z o.o. located in Stalowa Wola

The company HSW Odlewnia sp. z o.o. in 2010 underwent an intensive process of restructuring aiming to adjust the operating costs to the level enabling to compete with the other foundries in the market. One of the elements of this restructuration process was an increase of the company's share capital by the amount of 20 000 000 PLN by issuing 20 000 shares at 1 000 PLN each, which were acquired by the KOPEX subsidiary – Zabrzańskie Zakłady Mechaniczne S.A. located in Zabrze. By virtue of the decision dated 9 February 2011, the District Court in Rzeszów made an entry in the National Court Register, of the company ZZM SA - the unique Shareholder of the company HSW Odlewnia Sp. o.o. owning all its shares i.e. 20 050 shares with a nominal value of 20 050 000 PLN.

b) sale of the part of shares in INBYE Mining Services Pty. Ltd located in Maitland, Australia by the indirect subsidiary – TAGOR S.A. in Tarnowskie Góry.

On 10 February 2011 , the company TAGOR S.A. located in Tarnowskie Góry (the indirect subsidiary) and the Australian company Standens Equipment Pty Ltd and two physical persons (the Australian citizens) concluded the agreement for sale of shares of INBYE Mining Services PTY Ltd. located in Australia by TAGOR SA in the total number constituting 25% of the capital in INBYE company. Before the sale, TAGOR SA held the package representing 50% of the capital of INBYE Mining Services Pty Ltd. The concluded share sale agreement is the result of the fulfillment by TAGOR S.A., of the provisions of the original sale and purchase agreement (clause 6.1) concerning the sale of 50% of shares in INBYE Mining Services Pty Ltd dated 6 February 2008, i.e. the INBYE's option to repurchase from TAGOR SA of 25% of shares at a price fixed in the contract. INBYE is a producer of scraper conveyors and a technical coordinator for supplies of longwall systems in the Australian market. TAGOR SA holds a package authorizing itself to recommend one representative on the Board of Directors in accordance with the shareholders agreement.

Except for the above-described events and changes in KOPEX Capital Group, there were no other significant changes in the reporting period, particularly, those concerning capital and organizational combinations between the individual companies of the Group.

The KOPEX Group's major investments in financial and tangible fixed assets for the 1st quarter of 2011 have been shown in the following table:

INVESTMENTS	Value
1. Machinery and equipment	51.176
2. Acquisitions and takeovers	13.237
3. New products and project	1.193
4. Intangible Assets	142
5. Buildings and Real estates	73
6. Others	1.643
Total	**67.464**

The Group incurred depreciation costs of the held tangible assets in the amount of 23 623 thousand PLN for 1st quarter of 2011. The investments made were financed from the company's own funds and external sources of financing (bank loans).

15. INDICATION OF SHAREHOLDERS HAVING, DIRECTLY OR INDIRECTLY AT LEAST 5% OF TOTAL NUMBER OF VOTES AT THE ISSUER'S GENERAL MEETING ON THE DAY OF TRANSMISSION OF THE QUARTERLY REPORT AND INDICATION OF CHANGES IN OWNERSHIP STRUCTURE OF SIGNIFICANT SHARES PACKAGES FROM THE PREVIOUS QUARTERLY REPORT

According to the information held by the Issuer on the day of the quarterly report transmission , the shareholders having directly or indirectly at least 5% of the total number of votes at a General Meeting of KOPEX SA were:

SHAREHOLDER	Number of Shares	% of the share capital of KOPEX S.A.	Number of votes at the General Meeting	% of votes at the General Meeting
Krzysztof Jędrzejewski	44 906 459 [1])	60,41 %	44 629 959 i[c,d])	60,27 %
Aviva OFE Aviva BZ WBK	3 789 840 [2])	5,10 %	3 789 840	5,10 %

Notes:

[1] Total number of shares of KOPEX SA held by the controlling shareholder Krzysztof Jędrzejewski (directly and indirectly with the fathter Damian Jędrzejewski) according to the last notice received by the Issuer (the Issuer informed about it in the current report No 27/2011 dated 10 March 2011), including:

a) directly 44.050.175 shares representing 59,26% of the company's share capital and entitling to 44.050.175 votes at the general meeting which represents 59,26% of the total number of votes

b) indirectly through PBP „Puławy" Development Sp. z o.o. with a registered seat in Poznań owning 270.000 shares of KOPEX S.A. based in Katowice, representing 0,36% of the share capital and entitling to 270.000 votes at the general meeting which represents 0,36% of the total number of votes.

c) indirectly, through KOPEX S.A. with a registered seat in Katowice, he holds 276.500 shares (the own shares purchased by KOPEX) representing 0,37% of the share capital. In accordance with the Art.364§2 of the Commercial Companies Code, the company does not exercise the rights of its own shares, except from the authorization to dispose of those shares or to carry out activities which seek to preserve those rights, therefore they do not entitle to vote at the general meeting.

d) indirectly, through the father - Damian Jędrzejewski, he owns 309.784 shares of KOPEX S.A., representing 0,41% of the share capital and entitling to 309.784 votes at the general meeting which represents 0,41% of the total number of votes.

[2]) the information on the total number of shares / votes held by **Aviva OFE Aviva BZ WBK SA**, was conveyed by the Issuer basing on the last notice dated 31.12.2008 and received by him from Aviva OFE Aviva BZ WBK SA (till 31.05.2009 the Company was known under the name of Commercial Union PTE BPH CU WBK S.A.).

15.1. INDICATION OF CHANGES IN THE STRUCTURE OF SIGNIFICANT SHARES PACKAGES HELD BY THE ISSUER IN THE PERIOD FROM THE TRANSMISSION OF THE PREVIOUS QUARTERLY REPORT

In the period from the transmission of the previous quarterly report for the 4th quarter of 2010 till the day of publication of the quarterly report for the 1st quarter of 2011 there were no significant changes in the structure of the Issuer's major shares packages.

16. SPECIFICATION OF THE SHARES HELD BY THE ISSUER OR THE RIGHTS TO HOLD THEM BY THE MANAGEMENT AND SUPERVISORY BOARD ON THE DAY OF SEMI ANNUAL REPORT TRANSMISSION AND INDICATION OF CHANGES IN OWNERSHIP OF THE SHARES IN THE PERIOD FROM THE TRANSMISSION OF THE PREVIOUS QUARTERLY REPORT

16.1. THE SHARES HELD BY THE ISSUER OR THE RIGHTS TO HOLD THEM BY THE MANAGEMENT BOARD ON THE DAY OF TRANSMISSION OF THE QUARTERLY REPORT

Name and surname	Post in Management Board	Total number of shares of KOPEX S.A.	Changes in ownership of KOPEX shares in the period from the transmission of the previous quarterly report
Marian Kostempski	Chairman of the Board	200.000	unchanged [1])
Józef Wolski	Vice Chairman of the Board	Does not have any	unchanged i)
Joanna Parzych	Vice Chairman of the Board	3.970	unchanged i)
Total		**203.970**	unchanged i)

Note:

1) The Issuer's total number of shares in the period from the transmission of the prevoius report QSr-4/2010 on March 1st 2011 remains uchanged.

16.2. THE SHARES HELD BY THE ISSUER OR THE RIGHTS TO HOLD THEM BY THE SUPERVISORY BOARD ON THE DAY OF TRANSMISSION OF THE QUARTERLY REPORT

Name and surname	Post in Supervisory Board	Total number of shares of KOPEX S.A.	Changes in ownership of KOPEX shares in the period from the transmission of the previous quarterly report
Krzysztof Jędrzejewski	Chairman of the Board	44.906.459 [1])	unchanged [2])
Artur Kucharski	Vice Chairman of the Board	Does not have any	unchanged [2])
Michał Rogatko	Secretary of the Board	Does not have any	unchanged [2])
Adam Kalkusiński	Member of the Board	Does not have any	unchanged [2])
Marzena Misiuna	Member of the Board	Does not have any	unchanged [2])
Total		**44.906.459**	unchanged

Notes:
[1]) total number of shares of KOPEX S.A. (directly and indirectly) according to the last notice dated 10 March 2011 received by the Issuer from the controlling shareholder- Krzysztof Jędrzejewski, including:

- Indirectly 44 050 175 shares representing 59,26% of the share capital of KOPEX S.A. and entitling to 44 050 175 votes at the general assembly, which represents 59,26% of the total number of votes

2) The Issuer's total number of shares in the period from the transmission of the prevoius financial report QSr-4/2010 on March 1st 2011 remains uchanged

On the day of transmission of the quarterly report the members of the Management and Supervisory Board do not have any shares in the related entities.

17. INFORMATION, THAT ACCORDING TO THE ISSUER'S OPINION IS IMPORTANT FOR THE ASSESSMENT OF ITSELF AND ITS SUBSIDIARIES INCLUDING: HUMAN RESOURCES SITUATION, FINANCIAL SITUATION, FINANCIAL RESULT AND THEIR CHANGES AS WELL AS INFORMATION DEEMED TO BE IMPORTANT FOR THE ASSESSMENT OF A POSSIBLE FULFILLMENT OF THE COMMITMENTS BY THE ISSUER AND ITS SUBSIDIARIES.

FINANCIAL RESULTS

Human Resources / Personnel

The human resources policy of KOPEX S.A. is closely related to the human resources policy of the Capital Group. The Company's organizational structure was adjusted to the current needs resulting from internal and external circumstances.

Employment was as follows:

		PERSONNEL
	31.03.2011	31.12.2010
WHITE COLLAR WORKERS	154	153
BLUE COLLAR WORKERS	13	13
TOTAL	**167**	**166**

Financial situation

The value of total assets as of the end of the I quarter of 2011 amounted to PLN 1.582.607 thousand and it decreased by 0,5% comparing to the year of 2010. The main factors causing reduction in the value of total assets was a decrease in the volume of assets in the group of current assets by 7.9%. In case of liabilities, the decrease in equity by 1,709 thousand PLN and reduction in the volume of long-term liabilities by 61 thousand PLN i.e. by 1.2% and in the volume of short –term liabilities by 5.715 thousand PLN i.e. by 2.4%. is observed.

The most significant changes in the 1st quarter of 2011 occurred in the following items of the balance sheet.

ASSETS

Increase in the value of fixed assets during the I quarter of 2011 compared with the year of 2010 by PLN 13,193 thou., i.e.1.0% was mainly done through:

- Increase in intangible assets by PLN 109 thou. i.e. by 2,2%
- Increase in other long-term liabilities by PLN 28 thou. i.e. by 3,4%
- Increase in long – term loans granted by PLN 57 thou. i.e. by 1,3%
- Increase in other long-term financial assets by PLN 13.237 thou. i.e. by 1,0%
- Increase in assets due to deferred income tax by PLN 54 thou. i.e. by 0,7%
- Decrease of the volume of fixed assets was made in the item "tangible assets" by PLN 292 thou. i.e. by 2,3%

The changes were made in the group of circulating assets which were reduced from PLN 260.705 thou. to 240.027 thou. i.e. by 7,9%, The following factors had impact on the diminution of circulating assets

- Decrease in stocks from PLN 2.492 thou. to PLN 1.231 thou. i.e. by 50,6%
- Decrease in short-term liabilities for supplies and services from PLN 95.497 thou. to PLN 84.552 thou.
- Decrease in granted short-term loans from PLN 20.801 thou. to PLN 89.639 thou. i.e. by 18,8%
- Increase in other short-term liabilities from PLN 27.361 thou. to PLN 29.105 thou. i.e. by 6,4%
- Increase in hedging derivative financial instruments from PLN 1.141 thou. to PLN 1.359 thou.
- Increase in the volume of cash and cash equivalents from PLN 20.916 thou. to 30.893 thou. i.e. 47,7%
- Increase in the volume of short-term accruals from PLN 369 thou. to PLN 759 thou. i.e. by 105,7%.

LIABILITIES

On the liabilities side, decrease in equity by PLN 1.709 thou. was observed.

Decrease in the value of long – term liabilities was also observed during the I quarter of 2011 compared with the year of 2010, by PLN 61 thou. and the following operations had influence on it:

- Decrease in other long-term liabilities by PLN 392 thou i.e. 60,5%
- Increase in provisions due to deferred income tax by PLN 239 thou. i.e. 6,0%
- maintaining the same level of long-term provision for retirement benefits
- increase in accruals and prepayments by PLN 92 thou. i.e. 62,6%

Reduction in the value of short-term liabilities by PLN 5.715 thou. during the I quarter of 2011 compared with the year of 2010 was influenced mainly by:

- decrease in short-term credits and loans by PLN 6.489 thou. i.e. by 4,2%
- increase in the volume of short – term liabilities for supplies and services by PLN 1.278 thou. i.e. by 2,1%
- decrease in other short-term liabilities by PLN 920 thou. i.e. by 8,1%
- decrease in derivative financial instruments by PLN 268 thou. i.e. by 61,8%
- increase in short-term provision for retirement benefits by PLN 138 thou. i.e. by 58,5%
- increase in other short-term provisions for liabilities by PLN 546 thou. i.e. by 5,5%

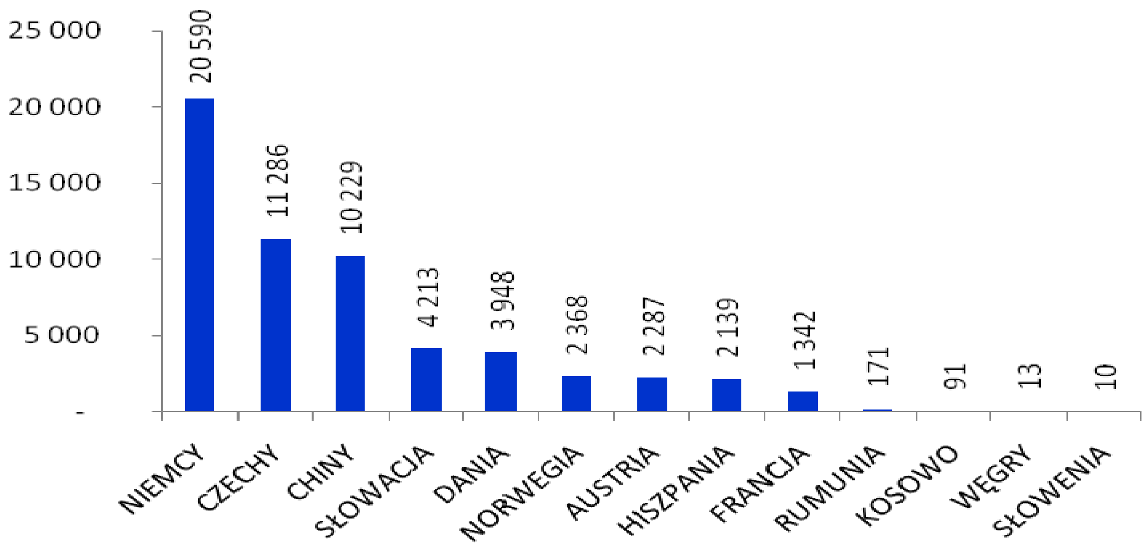
SEPARATE PROFIT AND LOSS ACCOUNT

In the I quarter of 2011 the Issuer's sales revenues reached the amount of PLN 141.101 thou. and were lower than those in the same period of the last year by PLN 340.832 thou. i.e. by 70,7%. The reduction in the volume of sales revenue is a result of decrease in export sales by 80.5% and in domestic sales by 54.6%.

During the I quarter of 2011, the revenues from export sales reached PLN 58.687 thou. The aforementioned revenues from export sales consist of:

- sale of energy to Austria, Czech Republic, Germany and Slovakia in the amount of PLN 36.716 thou.
- sale of mining machinery and equipment to China, Romania, Slovenia and Hungary in the amount of PLN 10.423 thou.
- mining services in the amount of PLN 1.342 thou. rendered in France
- sale of bulk raw materials (coal) in the amount of PLN 10.096 thou. to Denmark, Spain, Norway and Slovakia
- other services in the German market and in Kosovo amounting to PLN 110 thou.

The diagram below illustrates a geographical breakdown of export of KOPEX SA for the period January-March 2011



On the domestic market for the period of January-March 2011, the Issuer's sales revenue reached the amount of PLN 82.414 thou. Those revenues include among others:

- sales of energy in the amount of PLN 34.784 thou. and optimization services of PLN 137 thou.
- sales of coal in the amount of PLN 44.696 thou.
- debt collection services in the amount of PLN 1.213 thou.
- logistics services in the amount of PLN 581 thou.
- IT services in the amount of PLN 966 thou.
- Other sales in the amount of PLN 37 thou.

Gross profit on sales in the I quarter of 2011 amounted to PLN 6.160 thou, comparing with the result obtained in the same period of the previous year, it decreased by PLN 38.268 thou. i.e. by 86.1%

Costs of sales for the I quarter of 2011 amounted to PLN 4.583 thou. - their level is by PLN 5.569 thou. lower comparing to the level in the analogical period of the previous year. The decrease of the transaction costs associated with exports of machinery and mining equipment had influence on diminution of sales costs.

Overheads expenses for the I quarter of 2011 amounted to PLN 4.973 thou. – their level is by PLN 151 thou. lower comparing to the level in the analogical period of the previous year.

Other revenues and expenses during the analyzed period are as follows (in thousand PLN)

Other revenues

	I Q 2011	I Q 2010
Reduction in revaluation write - offs on assets	1.623	143
Result related to cash flow hedging transactions	1.235	
Sale of fixed assets	63	
Release of provisions for liabilities	54	
Damages, penalties, reimbursement of judicial costs	52	19
Discontinued prescribed proceedings		13
Other	5	
TOTAL	**3.032**	**175**

- other costs

	I Q 2011	I Q 2010
Result related to cash flow hedging transactions		22.742
Receivables written – off and prescribed	16	89
Membership fees	29	29
Value of the assets sold	32	
Judicial costs, legal representation, damages, penalties	26	13
Other	147	14
TOTAL	**250**	**22.887**

The balance on "other activities" for the period from January to March 2011 amounted to PLN 2.782 thou. The positive balance is mainly due to reduction of revaluation write – offs on assets in the amount of PLN 1.623 thou. and a positive result on cash flow hedging transactions in the amount of PLN 1.235 thou.

In the first quarter of 2011, the Issuer obtained a negative result on operating activity amounting to PLN 614 thou. which is worse than the result obtained in the same period of the previous year, diminution of the profit on operating activity amounted to PLN 7.054 thou.

Revenues and expenses during the analyzed period are as follows (in thousand PLN)

Financial revenues

	I Q 2011	I Q 2010
Dividends and profit sharing		
interests	1.154	2.571
Revenues from sales of investments		
Revaluation of investments	89	1.137
Others, including:	578	34
• release of reserve due to foreign exchange differences		21
• release of revaluation write – offs on receivables due to interests	466	
• commissions for making credit limits accessible	97	
• other	15	13
TOTAL	**1.821**	**3.742**

• financial costs

	I Q 2011	I Q 2010
Interests	1.952	1.640
value of sales of investments		
Revaluation of investments	378	193
negative balance of exchange differences	383	4.355
Other , including	176	55
• bank commissions	46	33
• revaluation write – offs on receibables	127	22
• created provisions	3	
TOTAL	**2.889**	**6.243**

The Issuer, during the period from January to March of 2011 recorded the negative balance on financial activities amounting to PLN 1.068 thou. The negative balance was mainly due to the interest costs and the foreign exchange differences.

The Issuer incurred net loss of PLN -1,818 thou. for the period from January to March 2011, which is a worse result than this obtained in the same period of the previous year, diminution in the net profit amounted to PLN 5.949 thou.

Possibility of settlement of liabilities

Economic and financial situation is reflected in the Company's liquidity ratios, which are respectively:

	31.03.2011	31.12.2010
Current liquidity	1,08	1,14
Fast liquidity	1,08	1,13
Cash liquidity	0,14	0,09

The current level of liquidity ratios does not indicate a risk of losing the ability of current regulating the company's short – term liabilities.

CONSOLIDATED RESULTS

Personnel

The employment in the Capital Group of KOPEX SA looked as follows:

PERSONS

	31.03.2011	31.12.2010
- White-collar workers	2.059	2.128
- Blue-collar workers	4.469	4.631
Total staff, including	**6.528**	**6.759**

Financial situation

Revenues and results by business operational segments

Taking into account the rules of the IFRS 8 being in force since 01.01.2009, the activity of KOPEX Group has been divided into operating segments reflecting the main areas of the activity. The primary division is the division into business segments. The reporting formula by business segments results from the structure of internal managing and reporting within the Group. These segments include:

- Mining services,
- Production and sales of machines and equipment for underground mining,
- Production and sales of machines and equipment for open pit mining,
- Production and sales of machines and equipment for industry
- Production and sales of electronic and electric machines and equipment,
- Sales of energy,
- Sales of coal,
- Castings
- Other activity

The segment labeled 'Other activity' comprises construction services, maintenance services, agency services, rental services, transport services, leasing services , consulting, sale of cars and other.

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

The above-mentioned scope of activity, essentially does not show signs of a mass activity, but it is a specific activity, conditional upon individual needs of the customers.

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

It should be noticed that not all of the identified business segments meet the requirement of the 10% quantitative threshold related to internal and external revenues. The Management Board decided to present them in respect of their importance from the Group's point of view.

The body responsible for making decisions in the company, assesses the result on the activity of individual operating segments basing on the gross result on sales and the result on operating activity which is reflected in its presentation. Consolidation adjustments, exemptions have been included in revenues and results of the segments, which objectifies the result of the segment.

The Group operates in several geographical areas and due to the complexity of territorial activity, the Management Board founds it necessary to complete the sales revenues presented in individual countries. The following tables provide information on the consolidated operating segments by industries and geographical areas.

KOPEX S.A. IN THOUSANDS PLN

INFORMATION ON THE CONSOLIDATED OPERATING SEGMENTS BY INDUSTRY

	Mining services		Production and sales of machinery and equipment for underground mining		Production and sales of machinery and equipment for surface mining		Production and sales of machinery and equipment for industry		Production and sales of machinery as well as electrical and electronic equipment		Sales of electricity		Sales of coal		Castings		Other activitiy		Consolidated value	
	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010
Revenue of the segment	48 592	54 442	286 561	199 888	13 797	14 796	11 020	3 750	48 759	42 132	70 411	224 311	54 792	56 210	4 205	2 294	20 961	35 740	559 098	633 563
Gross profit / loss on sale	13 221	10 156	59 277	68 336	3 713	4 388	224	-111	16 880	11 901	2 135	4 407	683	895	1 136	71	139	1 409	97 408	101 452
Operating result in the segment	9 798	6 608	36 146	12 757	1 404	1 658	-1 011	-1 502	8 335	4 428	128	2 165	235	291	425	-685	-4 737	-2 288	50 723	23 432
The financial result of the Group																			-9 781	-10 447
Profit (loss) on sale of all or part of the shares in the associated companies																				
Write – off on goodwill of subsidiaries																				
Excess of fair value of net assets of the acquiree over call costs																				
Loss of control over the subsidiary																			326	
Gross profit (loss)																			41 268	12 985
Income tax																			10 082	3 180
Share of subsidiaries in net profits (losses) valuated under the equity method																			-174	-118
Net profit /loss																			31 012	9 687
Net profit (loss) attributable to non-controlling shares																			3 581	822
Net profit (loss) attributable to the shareholders of the parent company																			27 431	8 865

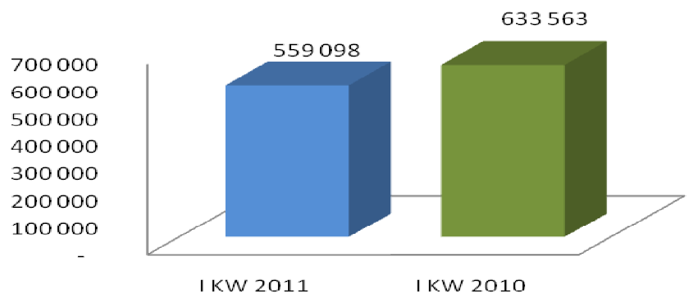
Information on the major external customers, from whom the income coming exceeds 10% or more of total revenues of the Group, i.e. 55.909 thou. PLN or more. During the first quarter of 2011, the quantitative criterion determining the main customer has not been reached with any contractor.

INFORMATION ON CONSOLIDATED INCOME ACCORDING TO THE GEOGRAPHICAL LAYOUT

	Mining services		Production and sales of machinery and equipment for underground mining		Production and sales of machinery and equipment for surface mining		Production and sales of machinery and equipment for industry		Production and sales of machinery as well as electrical and electronic equipment		Sales of electricity		Sales of coal		Castings		Other activity		Consolidated value	
	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010	I QR 2011	I QR 2010
SOUTH AFRICA									7 893	11 508									**7 893**	**11 508**
AMERICA										-536									**0**	**-536**
AUSTRALIA			26 215	37 006														180	**26 215**	**37 186**
AUSTRIA						17			131	32	2 287	7 125							**2 418**	**7 174**
BELARUS			211	164					270	71									**481**	**235**
BOSNIA							17	16							64	33			**81**	**49**
BULGARIA							27	46											**27**	**46**
CHINA			117 340	96 324															**117 340**	**96 324**
MONTENEGRO																35			**0**	**35**
CZECH REPUBLIC	273	41	9 728	3 162					6 263	9 396	11 286	33 727					900	514	**28 450**	**46 840**
DENMARK													3 948	4 618			102	709	**4 050**	**5 327**
FRANCE	1 342	1 905			242	291													**1 584**	**2 196**
SPAIN			10										2 139	3 309					**2 149**	**3 309**
NETHERLAND																	437		**437**	**0**
INDONESIA	1 394	8 911																	**1 394**	**8 911**
KOSOVO							1 585										91		**1 676**	**0**
MACEDONIA															59	32			**59**	**32**
GERMANY	614	448	53	12	4 271	5 055	7 916		12 210	1 590	20 571	49 045					131	2 732	**45 766**	**58 882**
NORWAY						425							2 368	1 683					**2 368**	**2 108**
POLAND	44 124	42 749	130 054	51 137	8 753	9 008	340	1 706	11 778	16 232	33 695	130 484	44 696	45 854	2 127	1 252	18 780	31 560	**294 347**	**329 982**
RUSSIA	405		2 549	12 083					7 154	3 478									**10 108**	**15 561**
ROMANIA			171																**171**	**0**
SERBIA							1 135	1 967							1 955	942	94	45	**3 184**	**2 954**
SLOVAKIA									433	107	2 572	3 930	1 641	746					**4 646**	**4 783**
SLOVENIA			11																**11**	**0**
SWITZERLAND																	2		**2**	**0**
SWEDEN					531			15											**531**	**15**
UKRAINE									552	254									**552**	**254**
USA			207																**207**	**0**
G. BRITAIN									2 075										**2 075**	**0**
HUNGARY			12														424		**436**	**0**
ITALY	440	388																	**440**	**388**
Total sale	**48 592**	**54 442**	**286 561**	**199 888**	**13 797**	**14 796**	**11 020**	**3 750**	**48 759**	**42 132**	**70 411**	**224 311**	**54 792**	**56 210**	**4 205**	**2 294**	**20 961**	**35 740**	**559 098**	**633 563**

CONSOLIDATED NET REVENUES
FROM SALES OF PRODUCTS, GOODS AND MATERIALS

IN THOUSAND PLN



Consolidated net revenues from sales of products , goods and materials of KOPEX Capital Group in the I quarter of 2011 amounted to 559.098 thou PLN. Drop in revenues from sales, during this period amounted to 74.465 thou PLN, i.e. 11,8%.

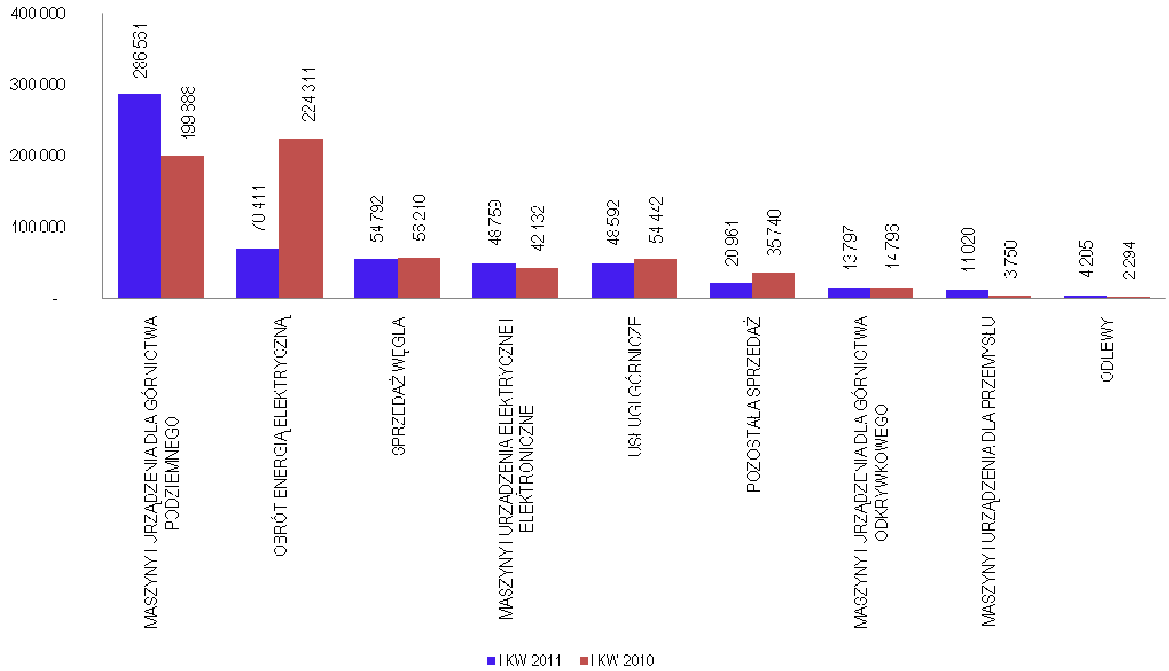
While analyzing the structure of the consolidated revenues from sale for the I quarter of 2011, it can be noticed that the largest increase was recorded in the following segments:

- production and sales of equipment and machinery for underground mining (by 43,4%)
- production and sales of equipment and machinery for industry (by 193,9%)
- production and sales of electrical and electronic equipment (by 15,7%)
- castings (by 83,3%)

Drop in sales was recorded in the following segments
- mining services – by 10,7%
- production and sales of equipment and machinery for surface mining – by 6,8%
- sales of electricity – by 68,6%
- sales of coal – by 2,5%

The structure by industries of net revenues from sales of products, goods and materials has been shown in the following drawing.

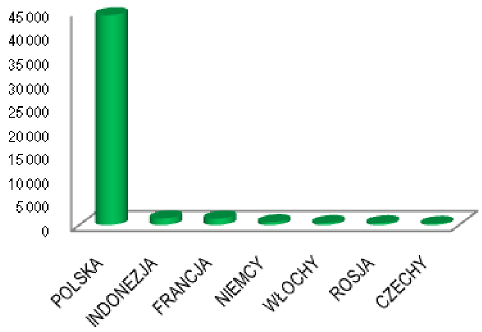
In thousand PLN



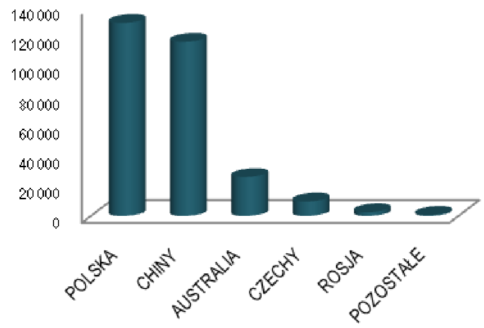
Geographical structure of sales revenues from particular segments for the I quarter of 2011 has been shown in the following drawings

(in thousand zloty)

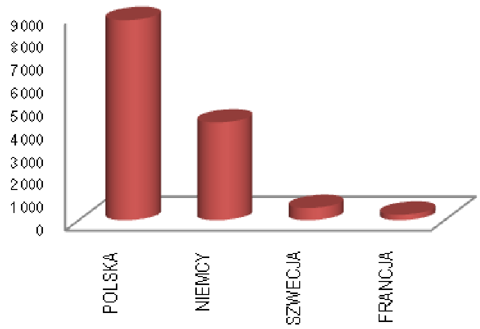
Mining services
share in total sales8,7%



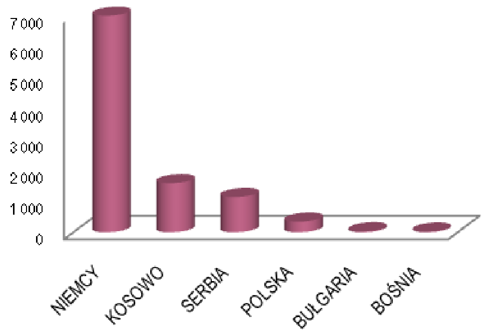
Production and sales of equipment and machinery for underground mining
Share in total sales 51,3%



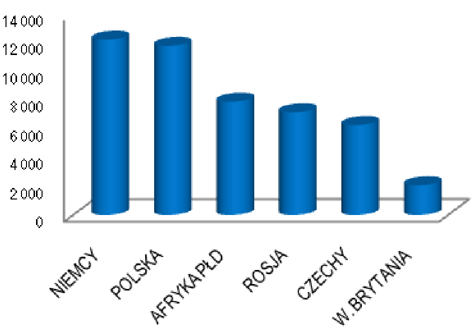
Production and sales of equipment and machinery for surface mining
Share in total sales 2,5%



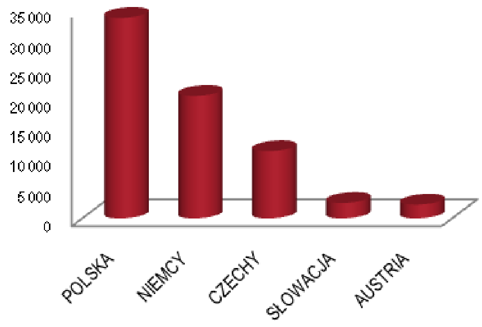
Production and sales of equipment and machinery for industry
Share in total sales 2,0%

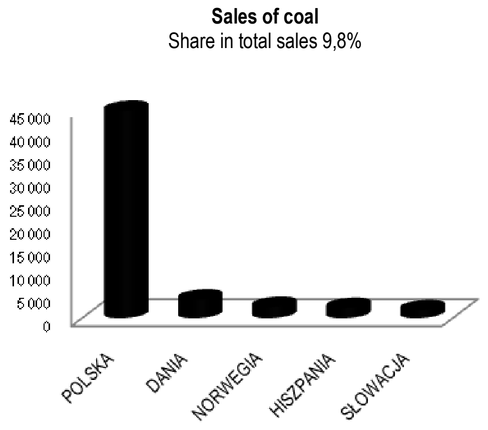


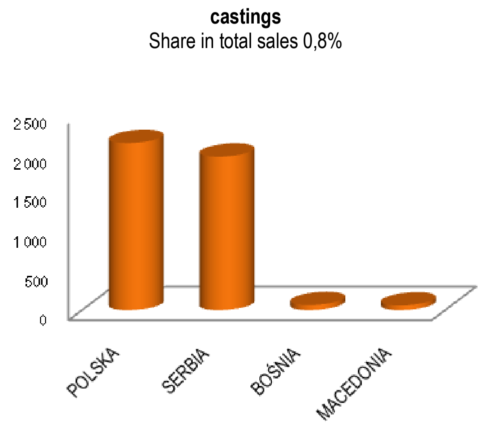
Production and sales of electrical and electronic equipment
share in total sales 8,7%



Sales of electricity
Share in total sales 12,6%







The consolidated gross income from sales during the 1st quarter of 2011 amounted to PLN 97.408 thou , and it decreased by PLN 4.044 thou, i.e. by 4,0% compared to the income achieved in the analogical period of the last year.

Sales costs during the 1st quarter of 2011 amounted to PLN 11.731 thou. and they decreased by PLN 5.389 thou. compared to the analogical period of the last year. A drop in costs of sales was influenced by a decrease in transaction costs related to export of equipment and machinery for underground mining.

Overheads costs during the 1st quarter of 2011 amounted to PLN 40.337 thou they decreased by PLN 2.352 thou. compared to the analogical period of the last year.

The remaining revenues and expenses in the analyzed period of time are as follows (in thousand PLN)

The remaining revenues

	I Q 2011	I Q 2010
Release of write – offs due to revaluation of non financial assets	2.701	1.157
Release of provisions	504	365
Sale of fixed assets	3.269	5.199
Grants	99	150
Other, including:	4.221	2.856
⇒ result on cash flow hedging instruments	1.235	
⇒ indemnifications, penalties and legal costs	656	409
⇒ remitted liabilities	135	326
⇒ other	2.195	2.121
TOTAL	**10.794**	**9.727**

The remaining costs

	I Q 2011	I Q 2010
Value of fixed assets sold	1.606	2.587
Created provisions	717	406
Created write – offs due to revaluation of non financial assets	64	91
Other, including:	3.024	24.854
⇒ result on cash flow hedging instruments		22.742
⇒ debts written	928	89
⇒ penalties, legal costs, indemnifications	415	215
⇒ cost of maintenance of social facilities	60	67
⇒ membership fees	36	30
⇒ other	1.585	1.711
TOTAL	**5.411**	**27.938**

The result on operating activity achieved by the Group for the 1st quarter of 2011 amounted to PLN 50.723 thou. and it decreased by PLN 27.291 thou. compared to the result achieved in the analogical period of the last year. The bigger profit on operating activity is a result of growth in return on operating activity for the contracts being executed mainly in the following branches:
- production and sales of equipment and machinery for underground mining (increase in return by 6,2%)
- mining services (increase in return by 7,9%)
- production and sale of electrical and electronic equipment (increase in return by 6,6%)

Financial revenues

	I Q 2011	I Q 2010
Dividends	-	264
Interests	3.093	3.367
Income from sale of investments	-	-
Revaluation of investment	89	3.111
Other, including:	4.388	848
⇒ release of write – downs	3.554	405
⇒ release of reserves	35	21
⇒ Other	799	422
TOTAL	**7.570**	**7.590**

Financial costs

	I Q 2011	I Q 2010
Interests	10.308	8.835
Value of investment sale	2	-
Revaluation of investment	378	86
Exchange rate differences	4.281	8.030
Other , including:	2.382	1.086
⇒ Write - downs	377	454
⇒ Costs of bank guarantees	65	30
⇒ Bank commissions	286	88
⇒ other	1 654	514
TOTAL	**17.351**	**18.037**

The financial situation of the Group is reflected in the ratios of liquidity, which are respectively:

	31.03.2011	31.12.2010
• current liquidity ratio	1,46	1,47
• quick liquidity ratio	0,85	0,86
• Cash liquidity ratio	0,14	0,16

The current liquidity ratios do not indicate a risk of losing the ability of regulating by the Group their short – term liabilities on an ongoing basis.

Net income of the Capital Group was established taking into account the revenues and costs of the individual entities within the Group, excluding the revenues and costs related to internal turnover between the consolidated entities, as well as those due to interests obtained from these entities.

Consolidated gross income for the 1st quarter of 2011 amounted to PLN 41.268 thou. and it was by PLN 28.283 thou, i.e. by 217,8% higher than this generated in the same period of the last year.

Net profit attributable to the parent company's shareholders amounted to PLN 27.431 thou. during the 1st quarter of 2011 and it was by PLN 18.566 thou., i.e. by 209.4%. higher than that obtained during the same period of the last year.

A higher net profit attributable to the shareholders of the parent company comparing to the same period of the last year is the result of an increase in operating margin on the contracts realized mainly in the sector of production and sale of equipment and machinery for underground mining (increase in operating margin by 6,2%), in the sector of mining services (increase in operating margin by 7,9%), in the sector of production and sale of electrical and electronic equipment (increase in operating margin by 6,6%).

FINANCIAL SITUATION

The value of the consolidated total assets at the end of the 1ST quarter of 2011 amounted to PLN 3.623.967 thou. and compared to the end of 2010, it dropped by 0,6%. The main factors causing reduction in total assets were a decrease in the group of current assets by 7,0% and an increase in fixed assets by 4,1%. The liabilities recorded an increase in the group of equities by PLN 12 222 thou. and an increase in the volume of long-term liabilities by PLN 40 578 thou., i.e. by 23,5% as well as a decrease in short-term liabilities by PLN 73 217 thou. i.e. by 6,7%.

The most significant changes during the first quarter of 2011 occurred in the following items of the balance sheet:

ASSETS

The changes occurred in the group of current assets that during the 1st quarter of 2011 decreased comparing to the end of 2010 from PLN 1 523 240 thou. to PLN 1 416 936 thou. i.e. by 7,0%. The most significant changes are as follows:

- Decrease in the volume of stock from PLN 635.362 thou. to PLN 589.122 thou. i.e. by 7,3%;
- Decrease in short-term receivables due to supplies and services from PLN 439.389 thou. to PLN 430.426 thou. i.e. by 2,0%;
- Increase in other short-term receivables from PLN 81.006 thou. to PLN 128.393 thou. i.e. by 58,5%;
- Decrease in granted short-term loans from PLN 83.949 thou. to PLN 47.533 thou. i.e. by 43,4%
- Increase in receivables due to current income tax from PLN 8.342 thou. to PLN 11.102 thou. i.e. by 33,1%;
- Increase in derivative financial instruments from PLN 1.362 thou. To PLN 1.431 thou. i.e. by 5,1%;
- Decrease in the volume of cash and cash equivalents from PLN 165.191 thou. to PLN 139.649 thou. i.e. by 15,5%;
- Decrease in short-term prepayments from PLN 108.639 thou. to PLN 69.280 thou. i.e. by 36,2%.

Increase in the value within the group of fixed assets by PLN 86.116 thou. i.e. by 4,1% during the 1st quarter of 2011 comparing to the end of 2010 is mainly done due to:

- Increase in intangible assets by PLN 5.281 thou. i.e. by 10,0%;
- Decrease in goodwill of related entities by PLN 7.543 thou. i.e. by 0,6%;
- Decrease in tangible fixed assets by PLN 13.229 thou. i.e. by 1,8%;
- Increase in investment properties by PLN 21.048 thou. i.e. by 1350,1%;

- increase in investment properties accounted for under the equity method by 3.315 thou. i.e. by 37,4%;
- increase in the long- term financial assets available for sale by PLN 22 thou. i.e. by 1,4%;
- decrease in the long-term receivables from supplies and services by PLN 233 thou. i.e. by 4,7%;
- increase in other long – term receivables by PLN 67.508 thou. i.e. by 547,3%;
- increase in granted long – term loans by PLN 6.211 thou.
- decrease in assets due to deferred income tax by PLN 217 thou. i.e. by 0,3%;
- increase in long – term prepayments by PLN 3.953 thou. i.e. by 76,0%.

➲ Decrease in value of the fixed assets for sale by PLN 229 thou. i.e. by 25.9%.

LIABILITIES

Increase in equity by PLN 12 222 thou. has been recorded on the liabilities side.

Increase in the value of long – term liabilities by PLN 40.578 thou. during the 1st quarter of 2011 comparing to the end of 2010 is mainly due to:
- Increase in long – term bank loans and credits by PLN 17.079 thou. i.e. by 20,3%;
- Increase in other long – term liabilities by PLN 20.106 thou. i.e. by 60,9%;
- Increase in the long – term provision due to deferred income tax by PLN 3.779 thou. i.e. by 13,7%;
- Increase in long – term accruals by PLN thou. i.e. by 1,6%;
- Decrease in the items : long – term liabilities due to supplies and services by PLN 14 thou. i.e. by 0,1% ; long – term provision due to retirement and pension benefits by PLN 391 thou. i.e. by 2,5% and other long – term provisions for liabilities by PLN 18 thou. i.e. by 1,7%.

Decrease in the value of long – term liabilities by PLN 73.217 thou. during the 1st quarter of 2011 comparing to the end of 2010 is mainly due to:
- Decrease in short-term loans and credits by PLN 21.905 thou. i.e. by 3,9%;
- Decrease in short-term liabilities for supplies and services by PLN 51.249 thou. i.e. by 14,9%;
- Decrease in derivative financial instruments by PLN 2.862 thou. i.e. by 94,5%;
- Decrease in short-term provisions for liabilities by PLN 5.843 thou. i.e. by 15,5%;
- Decrease in short-term accruals by PLN 2.462 thou. i.e. by 19,1%;
- Increase in the items: other short-term liabilities by PLN 5.527 thou. i.e. by 4,6%; liabilities due to the income tax by PLN 1.982 thou, i.e. by 29,2% and those due to short-term provision for social benefits by PLN 3.595 thou. i.e. by 70,0%.

18. BRIEF DESCRIPTION OF SIGNIFICANT ACHIEVEMENTS OR FAILURE OF THE ISSUER DURING THE PERIOD OF THE CONCERNED REPORT, ALONG WITH THE LIST OF MAIN EVENTS

During the reporting period, the Issuer and the related companies conducted the business under their Acts of Association.
In the referred reporting period, the companies within the KOPEX Group concluded several trade agreements among which the most important are :
- ➢ Agreements signed with Kompania Weglowa SA, the subject of which was: lease of shearers, repair of shearer subassemblies, repair of elements and subassemblies of crushers and supply of powered roof supports, steel canopies, vacuum pumps, screens along with spare parts, showing the total price of PLN 49.715 thou.
- ➢ Agreements signed with Jastrzębska Spółka Węglowa by particular companies belonging to the Group amounting altogether to PLN 56.049 thou. The aforementioned agreements were related to specialized mining services, lease of shearers and supply of mining equipment and machinery.

- The agreements signed with Katowicki Holding Węglowy by particular companies of the Group, the total value of which was approximately PLN 23.934 thou. The agreements concerned in particular, lease of shearers, supply of machinery, equipment and spare parts.
- Agreements signed with KGHM showing the total price of approximately PLN 296.803 thou. The agreements concerned particularly specialized mining services.
- The agreement concluded with Zakłady Górniczo – Hutnicze “Bolesław S.A.” concerning specialized mining services, the total value of which reached approximately PLN 50.000 thou.

All significant information for the period of 2011 is available on the following web site of KOPEX S.A. : http: //www.kopex.com.pl/idm,456,bezace.html

19. DESCRIPTION OF THE FACTORS AND EVENTS IN PARTICULAR OF UNUSUAL NATURE HAVING A SIGNIFICANT IMPACT ON FINANCIAL RESULTS:

Significant risks and hazards have been presented in the following SWOT analysis

CHANCES	RISKS
• Growth of interest in feasibility study projects in mining industry – which bears testimony to upcoming significant investments in the world • Possession of licenses to sell electricity and liquid fuels • Demand for mining services, also those associated with extraction of salt and other minerals • Significant increase in quality of Polish industrial products and attractiveness of their price. • Greater openness to the activity of Polish enterprises on the world markets • Increase in expenditures and requirements for environmental protection • Increase in electricity prices • Decrease in interest rates and thus the reduction of external financial cost	• Quickly advancing consolidation process of the Company’s main competitors • Lack of specialists in typical industrial professions • Generation gap among skilled miners in Poland • Strengthening of the position of competitive Polish and foreign companies • Weak government’s support for Polish exporters • Changes in legislation • Changes in tax system • Possibility of loss of skilled employers • Increase in rate of inflation • Increase in labor costs / salaries • Increase in electricity prices • Increasing competition on global and national markets • Delays in schedules of contracts • Expensive import • High barriers to entry into certain markets • Increase in costs associated with reconstruction of owned production facilities • Existing limits of utilization of production capacity • Economical and financial crisis • Large, unpredictable fluctuations in exchange rates • The expected increase in interest rates (MPC decision)

STRENGTHS	WEAKNESSES
• Established position and Brand at home and abroad • Entry into new areas of sale which require advanced technologies • Industrial and geographical diversification of products and services • Stable cooperation with customers • Convenient ownership structure providing a clear strategy for development of the Group • Access to production facilities providing a complex commercial offer • Stable financial position • Large experience in conducting huge investment projects worldwide • Diversified portfolio of products and services offered • Good orientation in the foreign contractors’ needs as well as in production capacities of the Polish industry of mining engineering • Experience in obtaining funding and in creating trade finance for investments projects • Experience in successful reducing the exchange rate risk .	• Large exposure to fluctuation of foreign currencies • Dispersion of the Company’s assets • Lack of the personnel for ongoing abroad projects • Dependence of the value of revenues from economic trends present in coal mining industry

FOREIGN EXCHANGE RISK – ISSUER

The Company is exposed to Foreign Exchange Risk mainly due to the core business , i.e. transactions of sale and purchase of goods and services in foreign currencies (EUR and USD in majority).
The main financial instruments hedging the exchange risk are forward foreign exchange transactions.
In order to reduce the foreign exchange risk, the Company has implemented the procedure for actual cash flow hedging.
The Company is not engaged in speculative trading.

In 2005, the Company adopted "the strategy of hedging the exchange risk and interest rate risk" under which foreign exchange risk hedging transactions are made (in relation to the exchange rate adopted in the calculation of a bid) while signing a trade contract and in case of contracts for sale / purchase of coal / energy, the hedging transaction is made while placing an order for shipment of goods / purchase of energy.

The Company applies hedge accounting (for detailed description see the accounting rules), and natural hedging.
As at the day of 31.03.2011, the Company had open positions hedging the foreign exchange risk amounting to:

- 8 500 thousand USD
- 3 055 thousand EUR

As at the day of 31.03.2011, the fair value of the above mentioned forward transactions was estimated for the total amount of 1193 thousand PLN (positive value) which is the valuation of unrealized transactions according to valuation models used by the banks in which the transactions were carried out.
The amount of 1 193 thousand PLN (positive value) was recorded in the profit and loss account. The part of this sum amounting to 1 252 thousand PLN relates to the transactions for which hedge accounting is used.
Positive valuation of hedging transactions of the Company as of the day of 31.03.2011 was carried out by the banks basing on the spot rate:

- USD 2,8229
- EUR 4,0119

FOREIGN EXCHANGE RISK – THE CAPITAL GROUP

The Companies within the Group are exposed to Foreign Exchange Risk mainly due to the core business , i.e. transactions of sale and purchase of goods and services in foreign currencies (EUR and USD in majority).

The main financial instruments hedging the exchange risk are forward foreign exchange transactions.
In order to reduce the foreign exchange risk, the Group has implemented the procedure for actual cash flow hedging.
The Group is not engaged in speculative trading.

In 2005, The Group adopted "the strategy of hedging the exchange risk and interest rate risk" under which foreign exchange risk hedging transactions are made (in relation to the exchange rate adopted in the calculation of a bid) while signing a trade contract and in case of contracts for sale / purchase of coal / energy, the hedging transaction is made while placing an order for shipment of goods / purchase of energy.
The Group applies hedge accounting (for detailed description see the accounting rules), and natural hedging.

As at the day of 31.03.2011, the Group had open positions hedging the foreign exchange risk amounting to:

- 8 500 thousand USD
- 5 112 thousand EUR

As at the day of 31.03.2011, the fair value of the above mentioned forward transactions was estimated for the total amount of 1265 thousand PLN (positive value) which is the valuation of unrealized transactions according to valuation models used by the banks in which the transactions were carried out.

The positive value of 1265 thousand PLN includes:

- The amount of 72 thousand PLN (positive value) which was recognized as a revaluation of shareholder's equity
- The amount of 1193 thousand PLN (positive value) which was recorded in the profit and loss account and the part of this sum amounting to 1252 thousand PLN relates to the transactions for which hedge accounting is used).

Positive valuation of hedging transactions of the Group as of the day of 31.03.2011 was carried out by the banks basing on the spot rate:

- USD 2,8229
- EUR 4,0119

20. EXPLANATIONS FOR SEASONAL OR PERIODIC CHARACTER OF THE ISSUER'S ACTIVITY IN THE REPORTING PERIOD

Services within the energy industry are characterized by seasonality since most of the modernizations in this branch are carried out in summer months.

Furthermore, the services of KOPEX - Construction Ltd, the company operating in the construction industry are subject to seasonal fluctuations.

21. INFORMATION ON ISSUE, REDEMPTION AND REPAYEMENT OF THE ISSUER'S SECURITIES OF NON PARTICIPATING NATURE

- Redemption and repayment of securities of non participating nature – does not concern
- Issue of securities – does not concern
- Redemption and repayment of securities – does not concern

22. INFORMATION ON PAID OR DECLARED DIVIDENDS, IN TOTAL AND PER ONE SHARE, DIVIDED INTO COMMON AND PREFERRED SHARES.

The Issuer did not pay a dividend for the years 2007, 2008 and 2009.

23. INDICATION OF THE EVENTS THAT OCCURRED ON THE DAY FOLLOWING THE DAY ON WHICH THE QUARTERLY CONSOLIDATED FINANCIAL REPORT WAS PREPARED, WHICH WERE NOT INCLUDED IN THIS REPORT AND COULD SIGNIFICANTLY AFFECT THE FUTURE FINANCIAL RESULTS OF THE ISSUER

No significant events which are not included in this report and which could significantly affect the Issuer's future financial results occurred on the day following the day of preparing this quarterly abbreviated financial statement.

24. THE MANAGEMENT BOARD ATTITUDE REGARDING THE ABILITY TO ACHIEVE PREVIOUSLY PUBLISHED FORECASTS CONCERNING THE RESULTS FOR A GIVEN YEAR, TAKING INTO ACCOUNT THE RESULTS PRESENTED IN THE QUARTERLY FINANCIAL REPORT IN RELATION TO THE PREDICTED ONES.

The Issuer did not publish the forecasts concerning the financial results for the year 2011.

25. INDICATION OF PROCEEDINGS PENDING BEFORE THE COURT, THE AUTHORITY COMPETENT TO CONDUCT ARBITRATION OR AN AUTHORITY OF PUBLIC ADMINISTRATION

- Proceedings concerning the Issuer's liabilities or receivables or the liabilities and receivables of the Issuer's subsidiary whose value represents at least to 10% of the Issuer's equity specifying : the object of litigation, the amount in dispute, the date of opening the proceeding, the parties of the initiated proceeding, and the Issuer's attitude.
- Two or more proceedings concerning liabilities or receivables whose total value represents at least 10% of the Issuer's equity, indicating the total value of the proceedings separately in the group of liabilities and in the group of receivables along with the Issuer's attitude in this matter and with reference to the biggest proceedings within the group of liabilities and the group of receivables – specifying the object of litigation, the amount in dispute, the date of opening the proceedings, the parties of the initiated proceeding.

On the day of submission of this report, no proceedings concerning the Issuer or the Issuer's company whose value is equal at least to 10% of the Issuer's equity, are pending before the court, the authority competent to conduct arbitration or any authority of public administration.

26. LIST OF INFORMATION ABOUT SIGNIFICANT TRANSACTIONS MADE BY THE ISSUER OR ITS SUBSIDIARY WITH THE RELATED ENTITIES ON THE CONDITIONS OTHER THAN THE MARKET CONDITIONS, INCLUDING THE AMOUNTS AND INFORMATION ON THE NATURE OF THESE TRANSACTIONS.

According to the information possessed, neither KOPEX SA nor the subsidiaries or indirect subsidiaries of the Issuer did not make any transactions with the related entities on the conditions other than market conditions during the reporting period.

27. INFORMATION ON LOAN OR CREDIT SURETIES OR GUARANTEES GIVEN BY THE ISSUER OR BY ITS SUBSIDIARY TO A COMPANY OR ITS SUBSIDIARY PROVIDED THAT THE TOTAL VALUE OF EXISTING WARRANTIES OR GUARANTEES REPRESENTS AT LEAST 10% OF THE ISSUER'S EQUITY.

In thousand PLN

Date of providing a surety	Entity that provided a surety	Entity for which the surety has been given	Entity in favor of which the surety has been given	Granted amount of the surety	Date of the surety	Nature of relationship existing between the Issuer and the entity
02-07-2008	ZZM S.A.	KOPEX S.A.	PKO BP S.A.	261 000	01.07.2011	Subsidiary of the parent entity
27-08-2008	ZZM S.A.	KOPEX S.A.	ING Bank Śląski	15 653	31.03.2011	Subsidiary of the parent entity
04-01-2010	ZZM S.A.	KOPEX S.A.	Fortis Bank Polska	10 000	24.02.2012	Subsidiary of the parent entity
27-02-2009	ZZM S.A.	KOPEX S.A.	Raiffeisen Bank	17 300	28.05.2011	Subsidiary of the parent entity
TOTAL				303 953		

In thousand PLN

Date of providing a surety	Entity that provided a surety	Entity for which the surety has been given	Entity in favor of which the surety has been given	Granted amount of the surety	Date of the surety	Nature of relationship existing between the Issuer and the entity
25-02-2011	ZZM S.A.	KOPEX S.A.	ING Bank Śląski	2 000	30.06.2012	Subsidiary of the parent entity

28. IDENTIFICATION OF THE FACTORS THAT IN THE ISSUER'S OPINION WILL HAVE IMPACT ON THE RESULTS ACHIEVED BY HIM IN THE NEXT QUARTER

On 28 February 2011, KOPEX S.A. acquired the registered bonds 13 series pertaining to Katowicki Holding Węglowy S.A. with the total nominal value of 18 000 000 PLN and issued within the frame of Bond Issue Program on the grounds of the agreement signed with BRE Bank S.A. on 31 July 2009. Bond acquisition will be effected by a non pecuniary performance of coal supplies realized in the 3rd and the 4th quarter of 2011. The deadline for bond acquisition is determined for 26 August 2011.

The other factors, that in the Issuer's opinion, may have a significant impact on the financial results gained during at least the next quarter are:

- Internal economic policies of the Companies, including the rationalization of operating costs
- acquisition activities aiming to obtain new contracts, including an active policy of acquiring contracts on the foreign markets, and consequently, increase in the portfolio of orders
- Qualified staff to implement projects related to complex construction of mining facilities
- Competitiveness of Polish products including price competitiveness
- Development of the global boom in commodity
- The level of investment expenditures in the industry related to the Issuer's activity
- Support for Polish exports, including credit agreements concluded at government level
- Diversification of the Company's activity both in terms of geographical and industrial aspect, abandonment of the tasks weakly associated with the core activity of KOPEX SA or those characterized by a low level of profitability.

Both Kopex Group and its various entities are well known among the local and foreign consumers and belong to recognized and appreciated suppliers of equipment and services. However, they operate in a challenging business environment. The ownership structure of most Polish mines as well as tender procedures conducted basing on the Law on Public Procurement do not allow for a quiet and regular sales development. Adoption of the lowest price as the criterion determining the award of the contract as well as prolonged processes of appeals in various instances do not allow for proper planning both by the manufacturers and the consumers. The chance for the technical development of the longwall systems installed in Polish mines minimizes.

Demand for mining equipment and services will have a growing trend in the coming years. However, the acquisition aiming to gain new markets and development in existing ones encounter and will encounter the so called "barriers to entry."

Barriers to entry in advanced markets such as Australia, South Africa, USA, China will be: higher reference demands for the parameters of equipment and longwall systems as well as the need to prove the required number of successfully installed longwall systems in the global mining markets.

Barriers to entry in emerging markets are often created by the problems associated with the lack of a local staff able to quickly learn how to properly operate the technically advanced equipment or even simply not having any experience in operating mining longwall systems. It is also the lack of sufficient number of the company's own specialists that would be at the disposal in case of having to implement more longwall systems in the same time. In this situation, intensive measures concerning the training of a future personnel will have to be taken. Another obstacle are shortages in the client's infrastructure

required for feeding and operating mining longwall systems as well as the ways of investment financing in infrastructure and equipment in the mines.
Almost every market will require a separate and careful approach to maintain the position of the Group's entities and ensure its growth, as well as to acquire new customers and build an adequate financial background.
The prospects of a development as well as a current situation in the industry can be better understood through the analysis of the obtained information and by observing the situation in the most important mining markets all over the world.

Australia

Extraction and export of coal (mainly coking coal) represents over 65% of the country's economic activity. At the moment, a characteristic phenomenon in the Australian mining branch is the involvement in obtaining mining concessions and construction of new mines by foreign entities registering their subsidiaries in Australia. They begin extraction activity there – next to the local and international companies, thus far operating on this market – from the construction of mines on the coal reserves basing on concessions granted to them. A significant example is the involvement of a potent Brazilian concern Vale, which for the first time in its history, exactly in Australia, has engaged in underground coal operation. For this concern Kopex had made a delivery of integrated longwall system through its subsidiary INBYE Mining Services Pty. Ltd., consisting i.a., of powered supports produced by TAGOR SA with a registered seat in Tarnowskie Góry. Entry of national funds (Chinese, Indian and Brazilian) to the Australian market is seen as a new quality and a new trend. So far, the above-mentioned countries acquired the Australian coal through purchases from local or international mining concerns. Currently, they are establishing there their own companies engaged also in the operation of coal deposits. Of course, all existing coal producers are also increasing production by opening up new mining fields and the exchange of older systems to modern technology. This is a key market for the Group. It is the most technically demanding market in the world and references gained therein have unprecedented importance in other markets of mining equipment. Knowledge of the importance of that market was the reason for a capital involvement of Kopex Group in the previous years, through the acquisitions of companies operating there and through opening of new ones. Kopex Group had already invested there significant resources through the acquisition of shares of INBYE Mining Services Pty. Ltd. in New South Wales, the establishment of the company Kopex Australia Pty. Ltd. in Queensland and the acquisition (October 2009) of the company Waratah Engineering in New South Wales, which manufactures mining machinery for pillar-chamber technology. Underground coal mining technology in the pillar-chamber system is the second, in addition to longwall technology, most common method of mining operation. Waratah Engineering that in fact, has been formally named Kopex Waratah – is a manufacturer and supplier of shuttle cars, which are used for receiving excavated material from the „continuous miner“ and for transport of this excavated material on the surface or to a loading station of belt conveyors. Till now, the Company acquired the orders for 10 *shuttle cars.* Growth prospects of the Group's presence in the Australian market are high. In addition, the worldwide demand for coking coal is growing significantly. Australian market is also interested in the new roadheader (NVS-200) designed and produced by WAMAG, a product which is intensively promoted there by Kopex Australia. In September 2011, the first roadheader of this type will be demonstrated during the world mining exhibition AIMEX 2011', and then it will go to interested customers after completing formalities related to its admission.

China

It is the largest and most dynamically developing market of the world mining. China – as previously announced – is thoroughly modernizing the structure of its mining industry. It is followed by processes of consolidation of small, technically old mines, dangerous to humans, into large and modern consortia and mining companies. In 2010 China exceeded the barrier of an annual output at 3.0 billion tones. The government has assigned to mining companies operating there, the task of increasing output by 10 million tons annually. Obtaining such results is possible only by using mining equipment of the latest generation, mainly longwall shearers with huge capacity and advanced control and monitoring systems. Chinese producers still do not have such equipment, hence the Kopex Group has high hopes in the supplies of its newest shearers to this country. So far, Kopex successfully supplied power roof supports there. In this way, the last capital expenditure incurred on the development of these new equipment and production facilities are likely to be relatively quickly returned. Of course, this will enable the further intensive development of this equipment in order to meet the well-known global competitors. The Group expects also the development of sale of next powered supports, however – in the view of raised customs duty rates on this equipment by the Chinese government – it will be done by increasing the activities of a Chinese subsidiary Tagao in Shandong province. The promotion of the other products of the Group will be also carried out there in order to make full use of Kopex presence in China in the field of basic machine-made systems of longwall technology. Currently, China's mining industry is not only known for dangerous mines and catastrophes. There are also ultra modern mines, whose production level reaches 1 million tons of excavated material per month from only one face. Any other country, including Australia, cannot boast of such results. Thus, the sale of Kopex's systems in China is also an excellent reference for other mining markets.

Kopex Group – through its subsidiary ZZM SA based in Zabrze – is engaged in intensive efforts to introduce to the Chinese market another product – modern longwall shearers. Kopex, together with the XINWEN Mining Union - current shareholder of the company TAGAO – is expanding production and technological capabilities of that company from the manufacture of sub-assemblies for powered roof supports to the possibility of mounting longwall shearers for the Xinwen Union needs.

In the future, there is a plan to progressively subcontract the production of mechanical sub-assemblies for the longwall shearers supplied by the ZZM to Xinwen Mining Union. By 2009 the Union had 26 underground coal mines and the next 5 coal mines were in the phase of project. At the end of the year 2015 the Union – through the construction of new 31 mines as well as the acquisition made outside the Shandong province – will possess as many as 42 coal mines with a total production capacity of up to 96 million tons of coal per year.

Therefore, it is an extremely important partner for Kopex Group on this enormous market. Kopex had already supplied to Xinwen the first modern KSW-1500EU longwall shearer, which has already started to operate on the Lunggu mine. Written references obtained by ZZM SA from the Lunggu mine indicate that the shearer operates very well extracting not less than 18 thou. tones per day.

Further development of the TAGAO's assembly and production halls is almost completed. The hall of the main assembly of the longwall shearers has already reached its full organizational and technical capacity.

India

It is – like China – intensively developing country , however suffering from shortages of energy to power economic and civilization growth. Development of the Indian mining industry comes up against many obstacles and complicated domestic conditions, slowing down the progress in the intensification of coal production. Already existing large companies have a complex ownership structure. They are usually partially owned by central government and state and provincial authorities. The complicated political situation is not conductive to important key decisions concerning the development of mining industry. Small private investors have taken up the desperate decision to purchase a mining license outside India, although India has enormous coal reserves of both steam coal and coking coal. All these phenomena – together with the lack of experienced engineering staff that knows the problems of modern systems of mining – motivate coal companies to make unconventional business proposals for potential suppliers of mining systems. Usually, these are BOO or BOT proposals – proposals of long-term investment in the supply of mining systems, installation of them in Indian mines and conducting mining operation individually or as a joint venture. Profit on sales from coal would be divided between the local coal mine owner and the contractor. However, this proposal does not meet with a larger and more serious interest of the world's leading manufacturers of equipment, since the great majority of the companies is not directly involved in the typical mining activity. A potential period for return on invested capital and the uncertainty as to long-term of business assumptions effectively discourage to engage in such agreements. However, significant and beneficial changes were recorded in this area from the beginning of 2009. The most modern union Singareni (SCCL), partially owned by a central government, and partially by the government of Andra Pradesh state, opened some classical tendering procedures and one of them ended with an agreement signed with Kopex Group‘s competitor - the American company of BUCYRUS. It concerned delivery of longwall systems and services for Adriala mine. However, due to the fact that most new mines of SCCL planned to start mining operation, have not so good geological conditions that would justify the use of such expensive systems like those used in Adriala mine , SCCL does not foresee the purchase of such expensive mining systems. A global competitive advantage is our manufacturers’ experience in designing the equipment able to work in deep mines (min.650m) and the equipment for inclined coal seams. And these are precisely the conditions which we can find in subsequent mines of SCCL planned for development and operation. The scope of a future cooperation includes all equipment longwall systems, roadheaders, but also the equipment for open pit mines manufactured by Kopex FAMAGO as well as the systems for coal preparation plants produced by WAMAG based in Wałbrzych. The year of 2011 will be a breakthrough year for the KOPEX Group in the Indian market. Kopex is conducting intensive promotional activities and the development of contacts. The aim is to acquaint the Indian partners with the latest technical offer and to propose technical and organizational solutions for the current problems of the Singareni mines. The purpose of this is to strengthen the position of the Kopex Group in the future international tenders for the supply of longwall systems.

<u>South Africa</u>

Renowned exporter of high quality steam coals. There are several international mining companies operating in this country. In the recent years, there were opened up many smaller local mining companies usually operating in one open pit mine and/or underground mine. At the moment South Africa’s underground mines are dominated by the systems to conduct the operation by using a pillar-chamber method. This fact is associated with the specific geological areas in which mining is carried out and with the restrictions on conducting the longwall mining, arising from mining and geological conditions.

In the recent years there has been a significant increase in the number of electricity consumers, coming from the growing industry as well as more modernly equipped households. Over the last three years, the state-owned energy corporation was not able to provide an adequate level of energy supplies and was often forced to the periodic cut off supply in the considerable regions of the country. This cut-off concerned even so preponderant institutions as government facilities, hospitals, clinics and even international airports. As a result of the above mentioned problems, the South African government has decided on intensive expansion of the country’s energy base, by building new power plants and by modernizing and re-running facilities that have been excluded from the activity. However, due to longstanding investment cycle of building new power plants, at the moment, the priority is modernization and commissioning of old power plants. This also leads to a rapid growth in demand for coal within the country. Many new mines (open pit and underground) are opened up (preferably near a potential recipient). At the same time, intensive design works of new underground mines are ongoing. Development and future prospects of African mining industry inclined the Group’s Management to expand the activities of the local company Kopex Africa (before Kopex+Genwest) so far been involved in the production and delivery of power systems and distribution of electrical power for deep mines, by the activity related to the production of mining equipment. In the face of strong growth in demand for coal, return to longwall systems by mining companies is very probable. However, new energy facilities will require supplies at a level not less than 10-11 million tons per year. Therefore, large mining companies have already begun the intensive analysis concerning the return to longwall operation as the only one that is able to provide the expected level of output.

Kopex Africa has expanded its area of the activity by neighboring countries, i.e. by Bostwana, Mozambique, Namibia, Angola. The company recorded a significant increase in revenues. The company – manufacturer and distributor of electrical equipment in flameproof enclosures for the coal mining – has also become a manufacturer and supplier of the oil transformers for the mining of gold and platinum. It is also the sole representative of the German manufacturer of high pressure pumps, i.e. the company Hauhinco.

The company demonstrated its first *shuttle car* at the international mining exhibition Electra Mining 2010 at the beginning of October 2010. The shuttle car has gone to one of the mines of South Africa.

Indonesia

A renowned exporter of high quality steam coal. Coal mining is based there solely on open pit mines. Currently, the prognosis for the local mining industry is determined by two main geological and geographical factors. Open pit mines are a source of enormous problems of water and environmental devastation. The only reasonable way to the continued operation of such mines seems to be underground mining. This gives benefits such as significant less disruption of water and opportunity to preserve forest areas almost intact. However, the inclination of the underground coal seams causes that the typical Australian mining technology (operation of flat seams) is not applicable in those conditions. What is needed, it is the ability of conducting mining operation in the seams with the inclination of the range of 20 degrees, which – in Polish conditions – is not a problem. This is the experience in mining operation of the inclined seams which is a strong technological advantage of Kopex in the promotion and use of Polish experiences in the Indonesian conditions.

Russia

Traditional user of Polish longwall systems for coal mining. This market has been particularly affected by the financial crisis. In its initial phase, it has led almost to retention of investment processes in major mining companies. However – according to the policy of the Russian government – coal is to be the primary energy carrier of the Russian economy, while the other fossil fuels, such as oil and gas remain the primary source of income coming from the export. Russia is the traditional user of the products and services of the Group. In particular, longwall shearers produced by Zabrzańskie Zakłady Mechaniczne have a high reputation in Russia. An important role in the Russian market is played by the Chinese manufacturers who, by offering very attractive credit terms of supply, are flooding the market with their products. Noticeable is also intensive activity of Czech competitors who also have an attractive credit to customers, guaranteed by the Czech government. In the current financial circumstances we must be aware of the fact that the Chinese and Czech offers might prove to be attractive for the Russian coal producers. Our hope lies in the fact that the willingness of Russian coal companies to provide the highest level of equipment which will ensure the achievement of significantly higher performance, simultaneously with very high technical parameters and a high reliability, will encourage coal producers in Russia (or at least the most important of them) to pay closer attention to the latest technology of Kopex Group's companies. In 2011 we are expecting to sell at least several modern longwall shearers and scraper conveyors produced by Ryfama based in Rybnik, which has a good brand on this market. Russia is an attractive market for longwall systems, but it is still a developing market.
Kopex Group - recently extended by RYFAMA, the company well-known and highly valued in the Russian market and by the enterprises from Hansen Group - modifies its organizational structure in Russian Federation.
The commercial position of the Kopex Group companies is still strong in the traditional markets: in CIS countries (Commonwealth of Independent States) as well as in the countries which formed before the Soviet Union.

Mexico

Mining activity in this country is primarily related to the AMSA company, listed on the New York Stock Exchange. The AMSA's area of activity is the supply of electricity to Mexico and the United States, as well as coal extraction in Mexico (surface mining and underground mining). The main focus of the KOPEX Group are two mining companies belonging to the AMSA namely MIMOZA and MICARE extracting the coal from underground mines. Many global companies, including Polish companies take part in tenders for the supply of mining machinery. So far, RYFAMA has been successful in this market providing there the complete systems of scraper conveyors.

Turkey

Almost all power engineering in Turkey is based on coal. Kopex has been present in this market for a long time, both as a supplier of longwall systems and the contractor of mining services (shafts, headings, underground chambers).
The main organizer of the next tenders is the Turkish state-owned company TKI. At the moment we are involved in the tendering procedure for the delivery of two longwall systems in the underground lignite mine, to operate in a LTCC system (*Longwall Top Coal Caving*). We have successfully passed through the first stage of pre-qualification as one of three global suppliers.

Domestic market

It is a traditional market for the companies within the Kopex Group, where – depending on the type of equipment – they have more or less stable position as a supplier. The strongest market position – due to the undisputed quality and technological level of its products – has Zabrzańskie Zakłady Mechaniczne. The fundamental and attractive form of cooperation for the customers is lease of longwall shearers. There are plans to put into the lease about 40 new longwall shearers of various types. In the first quarter of this year, the companies ZZM MG and ZZM signed the contract for sale and lease of longwall shearers with the value of approximately 57 million PLN.
WAMAG based in Wałbrzych obtained significant orders in the first quarter of this year which. The supplies will start in the second quarter of 2011. These are inter alia:

- Mechanical equipment for the coal processing plants (vibrating screens, scraper conveyor, vacuum pump) for the mines KWK Marcel, Murcki-Staszic, Ziemowit, Bielszowice, ZG Piekary. The value of the contract amounts to 1.106 thou. PLN
- Elevators (4-level cages, skips) for the mines KWK Sośnica – Makoszowy, LW Bogdanka. The value of the contract amounts to 1.709 thou. PLN
- flameproof enclosures for ZEG Tychy and Elgór+Hansen. The value of the contract amounts to 1.557 thou. PLN.
- belt conveyor for KWK Krupiński. The value of the contract amounts to 1.208 thou. PLN
- a framework agreement for the supply of spare parts for dewatering equipment for the mines belonging to KW SA is also in phase of realization. The value of the contract amounts to 1.306 thou. PLN.

The subsidiary KOPEX – Famago realizes a contract for a design and manufacture of a wheel excavator for the mine KWB Turów. The income expected from this contract in the year 2011 amounts approximately to 24 million PLN.
RYFAMA SA won the tenders and signed, in the I quarter of 2011, the contracts for the supply and lease of a scraper Armoured Face Conveyors and Beam Stage Loaders for the mines of Pniówek, Piast and Ziemowit. Execution of the contracts is foreseen for the second quarter of this year. RYFAMA also realizes the supplies of spare parts and components for scraper conveyors and provides renovation services basing on the signed framework agreements.

A positive phenomenon is the increase in demand for mining services rendered by the KOPEX Group's subsidiary – the company KOPEX-PBSz. The company – apart from a continued execution of headings for the KGHM, drilling of a stone ramp for KWK Murcki – Staszic, realizes so significant contracts as excavation of a shaft for the mine Zofiówka and a shaft for the mine Mysłowice, as well as excavation of development and exploitation workings for the mine Olkusz – Pomorzany (ZGH Bolesław SA).

In the tenders announced in December 2010 by JSW SA, KOPEX submitted, in February, the offers for the supply of longwall systems. The supplies will be realized by the following plants belonging to KOPEX Group: Tagor, ZZM, Elgór Hansen, Ryfama.

- supply of a new longwall system along with accessories for the JSW S.A. KWK Pniówek.

The offer presented by KOPEX whose value amounted to 53,9 million PLN was the most advantageous. In April, JSW SA selected the offer submitted by KOPEX SA.

- supply of a new longwall system along with the necessary equipment for the JSW S.A. KWK Borynia – Zofiówka, Ruch Zofiówka. The tender is not yet complete.

Moreover, KOPEX submitted the offers for the supply of a longwall system and roadheaders for PG SILESIA.

The domestic market, although not belonging to the large world's mining markets, is still the most important one for the companies of the Group. It is here were the machines and equipment which are later promoted in world markets are tested. It is here where there are and there will be a large part of our reference mining systems and especially on this local market, for logistical reasons, we can demonstrate to foreign customers the entities of the Group and their equipment in working conditions.

In the recent years, a multidirectional and multi-level lobbying is observed both among the recipients and the environmental legislative bodies aiming to pay bigger attention in public tenders to technical solutions (performance, quality, safety, additional features) and not only to a price and a promotion of products and technical solutions that our competitors do not have. The continuous technical development of products for the needs of Polish mines and/or adaptation of the products destined to the other world markets, to the conditions of the Polish mines.

This development will be adequately promoted through all marketing techniques. Since promotion in the trade press, through an active participation of the technical staff of the companies within the Group in industry conferences, till shows and presentations organized by Kopex or the entities of the Group. Each new solution which has already been in phase of a prototype will be presented physically to the technical staff and the executives of the mining companies and mines. This applies obviously also to the achievements of the Group in foreign markets. The Group - in selected cases - will send abroad the specialists from Polish mines in order to visit the installed longwall systems operating there.