

## **FINANCIAL SUPERVISORY COMMISSION**

### **Current Report No 62/2008**

Date: 13 June 2008

Issuer's shortened name: KOPEX SA

**Subject: Supervisory Board opinion on Company.**

#### **Report contents:**

Management Board of KOPEX SA with registered seat in Katowice (the Issuer) informs as follows:

Supervisory Board of KOPEX S.A. ,adopted by resolution No 20/VI/2008, dated 11 June 2008 Report of KOPEX S.A. Supervisory Board, as Company's body, on its activities in the year 2007 and in Cl.6 of this Report comprised a concise opinion on company's situation and internal control system.

Supervisory Board of KOPEX S.A. acting in compliance with implemented by KOPEX S.A. rules of corporate governance comprised in the "Code of Best Practice for WSE listed companies" document ,accepts the after-mentioned concise opinion on Company's situation for the year 2007 and presents it to the shareholders prior to the Ordinary General Meeting of KOPEX S.A. convened by the Management Board on 23 June 2008 in the Company's seat.

#### **I. Economic and financial results in the year 2007**

According to the opinion of the in Supervisory Board, the Company achieved good financial results in the year 2007. There was further increase in income from sale, mainly thanks to export increase, amounting to PLN 748,284 thou, i.e. by 106.2% more than in 2006. Profit amounted to PLN 136,460 thou and increased, mainly from dividend receipts, and was higher by PLN 125,993 thou in comparison with 2006. Company's equity increased sixfold in comparison with 2006; acquisition by KOPEX S.A. shares of Zabrzanskie Zaklady Mechaniczne S.A. last year contributed mainly to this increase.

Profit indices improved significantly: ROE index had amounted to 11.37 % in 2006 while in 2007 it amounted to 21.27% and ROA index had amounted to 4.35 % in 2006 while in 2007 it amounted to 15.37% and also profit on sale increased from 2.88% to 18.24%. Supervisory Board, taking into account results of the financial statements audit and opinion of the independent chartered auditor does not see any threat that can influence negatively neither Company's equity situation in substantial extend nor financial standing in the fiscal year 2008.

## **II. Capital changes and in Company's shareholders**

In 2007 there were significant capital changes in the Company. Share capital was increased by PLN 47,739,838 - due to "B" series share emission by KOPEX S.A. in 2007 half year. As of 31 December 2007, KOPEX S.A. share capital amounted to PLN 67,632,538 and was divided into 67,632,538 shares of nominal value PLN 1 per share. Moreover, a reverse takeover transaction resulted in becoming KOPEX S.A. a controlling shareholder and a predominating entity of Zabrzanskie Zaklady Mechaniczne S.A. and Mr. Leszek Jedrzejewski and Krzysztof Jedrzejewski became controlling shareholders; Mr. L. Jedrzejewski holds 57.98% and Mr. K. Jedrzejewski holds 6.77% of the share capital.

## **III. Operational activity**

1. In 2007 the Company was continuing product expansion, basing mainly on its own commodities manufactured by machinery and equipment works composing the ZZM-KOPEX Group, and also continued geographic expansion in the present markets i.e. of Russian Federation, Argentina, China and in new markets, like Indonesia and Australia. The Company also intensified actions to implement strategy of executing potential development and enhancing the ZZM-KOPEX Group ranking in the foreign markets.

2. Supervisory Board appraises positively actions taken by the Management Board in 2007 and prospects for the future development of the Company and also of the ZZM-KOPEX Group.

## **IV. Appraisal on Internal Control System (WSK)**

1. Control system in the Company is founded on functional control and bases on rules of internal control and on the following instructions: on financial and accountancy documents, on stocktaking, on cash, on receivables vindication and on supporting the Company's Management Quality System obligatoruy at the company with other procedures. KOPEX S.A. was granted certificates issued by the following certifying entities:

- TUV NORD Polska sp. z o.o.- conformity with PN-EN ISO 9001 standard
- Ministry of Defence Department for Quality Management Systems (QMS) in Warsaw- conformity with NATO AQAP 2110 standard
- Polish Centre for Research and Certification Joint Stock Company in Warsaw -conformity with Internal Control System (WSK) criteria.

2. In 2007 Quality Management System operated at the Company was day by day supervised through accomplishment of internal and external audits. Internal audits were accomplished in accordance with a plan covering 18 organizational units of the Company. It resulted in undertaking proper revising and preventive actions aimed at further Quality Management System improvement.

There were also executed successfully audits by certifying entities. The following audits were accomplished in 2007: on Internal Control System, on trading in state security strategic commodities,

on supervision of circulation documentation basing on AQAP 2110 standard and also supervisory audit on ISO 9001 audit. They proved that Quality Management System at KOPEX S.A. is effective and was improved regularly.

3.Control and protection system at KOPEX S.A. will be further enhanced by Information Safety Management System, in accordance with ISO 27001 standard; works on that system has already started the Company.