



**DIRECTORS' REPORT
ON THE OPERATIONS OF
KOPEX S.A.
AND THE KOPEX GROUP
in H1 2017**

KATOWICE, SEPTEMBER 2017

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1. KEY INFORMATION ON THE COMPANY (THE PARENT)

- Name and address: **KOPEX Spółka Akcyjna, ul. Grabowa 1, 40-172 Katowice, Poland**
- Telephone No.: **+48 32 604 70 00**
- Fax No.: **+48 32 604 71 00**
- Email address: **KOPEX@KOPEX.com.pl**
- Corporate website: **www.KOPEX.com.pl**
- Industry Identification Number REGON: **271981166;**
- Tax Identification Number NIP: **634-012-68-49;**
- National Court Register: **The Company is entered in the Business Register of the National Court Register maintained by the District Court for Katowice-Wschód in Katowice, 8th Commercial Division of the National Court Register, under No. (KRS) 0000026782;**
- Share capital: **PLN 74,332,538.00, divided into 74,332,538 ordinary bearer shares with a par value of PLN 1.00 per share. All the shares are fully paid.**

1.1. HISTORICAL BACKGROUND

KOPEX was established under Regulation No. 128 of the Minister of Mining and Energy dated November 4th 1961, as a state-owned enterprise under the name of Przedsiębiorstwo Budowy Zakładów Górniczych za Granicą – KOPEX, and on January 1st 1962 launched its operations as a general supplier of mining facilities and equipment for export. In May 1971, the enterprise was licensed to independently enter into foreign trade transactions, including, on an exclusive basis, for export and import of mining and drilling machinery and equipment, as well as of complete mining facilities.

On November 19th 1993, under a notarial deed, KOPEX was transformed from a state-owned enterprise into a state-stock company under the name of Przedsiębiorstwo Eksportu i Importu KOPEX Spółka Akcyjna, and on January 3rd 1994 the Registry Court entered KOPEX S.A. into the commercial register as a commercial-law company under entry No. RHB 10375.

KOPEX S.A. was first listed on the main market of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) on June 4th 1998.

By the Registry Court's decision of October 23rd 2003, the Company's new name, KOPEX Spółka Akcyjna, was entered into the register, and the abbreviated name, KOPEX S.A. was approved.

In 2009, the Group's trade name was changed from the ZZM-KOPEX Group to the KOPEX Group.

In December 2016, its ownership structure changed as TDJ S.A., an investment vehicle owned by Mr Tomasz Domogała, became the parent of the KOPEX Group. TDJ S.A.'s investment portfolio comprises a number of WSE-listed companies, including FAMUR S.A., Zamet Industry S.A., PGO S.A., and Pemug S.A. The acquisition of shares by TDJ marked the beginning of consolidation of the two leading names in the mining support industry, specialising in the manufacture of machinery and provision of services for the mining and power industries. In May 2017, the Management Boards of KOPEX S.A. and FAMUR S.A. signed an agreement intended, among other things, to commence the integration of KOPEX S.A.'s machinery business assets with FAMUR S.A.'s assets. The next step on that road was the acquisition by FAMUR S.A. of a controlling interest in the Company in June 2017.

2. THE GROUP'S BUSINESS

The principal business activity of the KOPEX Group ('KOPEX Group' or 'Group') is the manufacture of technologically advanced machinery and equipment for the mining industry. The KOPEX Group is not only a manufacturer and supplier of machinery and equipment for hard coal and lignite mining, but also a general contractor for investment projects. The Group includes companies operating in Poland, Russia, China, Serbia, South Africa, and other countries.

The KOPEX Group's competitive advantages include a comprehensive portfolio of products and services for underground mining and the capacity to deliver products and services strictly to specific requirements of individual customers. The Group includes manufacturers of high-quality machinery and equipment as well as providers of high-quality technologies and

solutions for the mining sector, recognised in Poland and abroad. The Group leverages the technical expertise and specialist capabilities of its companies, which have well-diversified and complementary product and service portfolios.

The KOPEX Group's offering as a general contractor spans the entire investment process in the mining industry, including:

- Project feasibility studies,
- Supervision over geological surveys of a mining area and assessment of deposit volumes,
- Development of first-working technologies,
- Design of mining facilities,
- Manufacture, delivery and assembly of machinery, equipment and process systems, including maintenance services and spare part supplies,
- Construction, extension, modernisation, operation and decommissioning of mines,
- Project owner personnel training and engineering support during project execution.

Mining machinery and equipment offered by the KOPEX Group include:

- Mechanised longwall systems,
- Various types of roof supports,
- Heavy-duty shearer loaders, such as KSW 800, KSW 1500, KSW 2000,
- Scraper and belt conveyors for underground mining,
- Hydraulic actuators and controls for powered roof support systems,
- Electric power supply and control equipment, including DC transmission for mining systems,
- Mining electronics,
- I&C systems,
- Methane detection equipment and communications,
- Controls and instruments,

As well as maintenance services, including the supply of necessary spare parts for customers' mining machinery and equipment.

2.1. MARKET POSITION

Restructuring of the KOPEX Group

Following material deterioration of the KOPEX Group's financial condition and its failure to comply with bank covenants in Q4 2015, in early 2016 the Company was forced to enter into negotiations with the financing banks to restructure its debt. On December 1st 2016, a Restructuring Agreement was signed between the Company and its selected subsidiaries, the lending institutions, and the Investor.

The Group agreed to implement a number of restructuring measures, including:

- restructuring (divestment) of non-core non-current assets, with proceeds to be applied towards debt repayment,
- divestment of shares in non-strategic companies,
- cost and operational restructuring of the Company to reduce operating expenses and improve efficiency,
- streamlining of the organisational structure and reducing operating expenses, which should enable the Group to perform the provisions of the Restructuring Agreement.

At present, given the ongoing restructuring process and the Group's continuing financial distress, KOPEX S.A. is unable to obtain multi-purpose credit and guarantee facilities to finance its operations, which is an obstacle to securing and completing major contracts by the Company on its own, both in Poland and in foreign markets. The parent's current priority is to act in compliance with the provisions and obligations set out in the Restructuring Agreement. Successful performance of the Restructuring Agreement is expected to enable the parent to continue as a going concern.

Integration with the FAMUR Group

- On May 5th 2017, the KOPEX Management Board passed a resolution defining a model for the integration of the KOPEX and FAMUR Groups, and entered into a conditional agreement with FAMUR S.A. to set out the terms of cooperation and integration of the two companies ('Agreement').

The integration process is expected to include the following steps:

1. Preparation for the integration by splitting off the following parts of the KOPEX business:
 - a. trading and services, comprising the KOPEX Group's current trading operations and services, to include KOPEX PBSz, ŚTW Dalbis and coal trading; and

- b. machinery business, including in particular the operating assets and companies involved in the manufacture, maintenance and distribution of mining machinery ('Machinery Business').
2. Integration of the Machinery Business pursuant to the Agreement, in particular by:
 - a. integrating sales processes,
 - b. restructuring production processes,
 - c. concentrating in FAMUR all sales, sales support, cooperation and logistics departments as well as other corporate functions currently performed by KOPEX.
3. Drafting and signing, by June 30th 2017, a plan to demerge KOPEX by spinning off the Machinery Business, which will be acquired by FAMUR in exchange for new FAMUR shares. In exchange for KOPEX shares representing the Machinery Business, the minority shareholders will – following the demerger of KOPEX – receive new shares issued by FAMUR, based on the exchange ratio of 0.76 FAMUR share for 1 cancelled KOPEX share. Given the net value of the Machinery Business assets estimated as at March 31st 2017, it is expected that the demerger will result in cancellation of approximately 81% of KOPEX shares currently held by KOPEX shareholders. The final net value of KOPEX assets, and thus the net value of the Machinery Business assets, will be determined at the time of signing the demerger plan, based on values and amounts determined as at May 1st 2017. The exchange ratio is based on the average market prices of KOPEX and FAMUR shares in the three months preceding the date as at which data for the demerger plan will be adopted, i.e. May 1st 2017: PLN 3.94 per KOPEX share and PLN 5.16 per FAMUR share. The exchange ratio was calculated using the method defined in Art. 79.7. of the Public Offering Act, i.e. it was based on the arithmetic mean of daily volume-weighted average prices of KOPEX and FAMUR shares. The demerger of KOPEX is expected to be officially completed in Q1 2018.

In parallel to the process of integrating the two Groups, KOPEX will continue its current restructuring measures, including further workforce restructuring. According to current estimates, the KOPEX Group plans to reduce its workforce by around 10% relative to the headcount as at June 30th 2017. Approximately PLN 31m will be charged against the KOPEX Group's profit on account of the aggregate cost of the workforce restructuring in 2017, comprising severance pay and benefits.

Acting in accordance with the Articles of Association, on May 5th 2017 the KOPEX Management Board submitted a request to the Supervisory Board for approval of the FAMUR-KOPEX integration plan. On May 5th 2017, the Management Board was notified of a conditional offer made by FAMUR to purchase 65.83% of KOPEX shares from TDJ S.A.'s subsidiaries.

On May 9th 2017, KOPEX was notified of: approval of the integration plan by the KOPEX Supervisory Board, approval by the FAMUR Supervisory Board of the conditional offer to acquire KOPEX shares, and conclusion of the Agreement. On June 27th 2017, following a number of transactions, FAMUR S.A. acquired a total of 48,932,015 shares in KOPEX S.A. and became its majority shareholder with a 65.83% equity interest.

- On June 29th 2017, the Management Board of KOPEX S.A. resolved to demerge the Company by spinning off an organised part of its business including in particular the operating assets and shares in companies engaged in the manufacture, maintenance and distribution of mining machinery, as well as selected manufacturing or investment processes ('Machinery Business'). The main objective of the demerger is for KOPEX and FAMUR to closely integrate within a single entity the production business (manufacturing of machinery) related to underground mining, so far conducted separately at both companies.

The planned demerger of the Company will be effected by way of a transfer to the existing company FAMUR S.A. of a part of KOPEX's assets in the form of an organised part of its business, including in particular the operating assets and shares in companies engaged in the manufacture, maintenance and distribution of mining machinery (demerger through a spin-off). These changes will deliver business benefits resulting from the KOPEX Group's reorganised internal procedures, which will also be specifically adjusted to individual business lines. The ongoing efforts related to the spin-off of the Machinery Business from KOPEX are directly related to the contemplated integration of the KOPEX and FAMUR Groups.

Overview of the business of the KOPEX Group's material subsidiaries

⇒ **KOPEX S.A.** – main entity of the KOPEX Group; its business comprises manufacturing and trading activities.

KOPEX S.A. trades on international markets. Over time, it has developed into a general contractor and supplier of machinery and equipment, as well as a provider of specialist hard coal and lignite mining technology and services. With its extensive experience and highly-qualified personnel, KOPEX S.A. is an expert in extraction of coal and other minerals, and a provider of professional services to the mining sector and other industries.



On December 8th 2016, KOPEX S.A. (acquiring company) merged with its subsidiaries: KOPEX MACHINERY S.A., Fabryka Maszyn i Urządzeń TAGOR S.A., Zabrzeńskie Zakłady Mechaniczne – Maszyny Górnicze Sp. z o.o. and KOPEX Hydraulika Siłowa Sp. z o.o. (acquirees). As a result of the merger, the structure of the Group was streamlined and four branches were established within KOPEX S.A.:

- ⇒ **KOPEX Head Office, Zabrze Branch** – sales to foreign markets, finance, accounting, support services, investor relations and corporate supervision.
- ⇒ **KOPEX S.A. Kombajny Zabrzeńskie Przenośniki Ryfama, Zabrze Branch (the branch largely focuses on activities previously carried out by KOPEX MACHINERY S.A. and Zabrzeńskie Zakłady Mechaniczne – Maszyny Górnicze Sp. z o.o.)** – manufacture of mining shearer loaders, rotating drums for shearer loaders, face conveyors, beam stage loaders, toothed reducers, dynamic crushers, cable suspensions, haulage assemblies, reversible drives with follow-up chain tensioning, belt conveyors, Ryfama conveyor belt turning stations, transport equipment (such as pipe, bucket and scraper conveyors, cages and skip hoists). The branch also supplies spray system filters for shearer loaders.



MECHANISED AND AUTOMATED LONGWALL SYSTEMS



SHEARER LOADERS

- ⇒ **KOPEX S.A. Obudowy Tagor, Zabrze Branch (the branch largely focuses on activities previously carried out by Fabryka Maszyn i Urządzeń TAGOR S.A.)** – design and manufacture of powered roof support systems and powered gate road support systems; supply of custom-built elements of roof support systems.



POWERED ROOF SUPPORT SYSTEMS

- ⇒ **KOPEX S.A., Hydraulics Branch of Zabrze (the branch largely focuses on activities previously carried out by KOPEX Hydraulika Siłowa Sp. z o.o.)** – the branch's primary offering comprises hydraulic actuators used in a number

of industries, in particular mining (including for powered roof support systems, shearer loaders, conveyors and other machinery), for CNC machines and other equipment. The range of products includes a proprietary and very durable protective coating for hydraulic cylinder bearing surfaces (piston rods and upper props) marketed under the DURACHROM brand. KOPEX also manufactures standard and special seals mainly for hydraulic cylinders (actuators) and control fittings, as well as repair-grade sealing elements for the same units (cylinders). The business also includes repairs of hydraulic cylinders and their subassemblies, manufacture of thermoplastic elements by injection methods, design of hydraulic supports and cylinders (actuators), moving and resting sealing systems for special applications, as well as testing of functionality and durability of hydraulic elements (in particular seals), and measuring physical and mechanical properties and strength parameters of materials (plastics, metals, rubber).



HYDRAULIC PROPS COATED WITH A LAYER OF UNIQUE DURACHROM PROTECTIVE COATING

⇒ **KOPEX-SIBIR Sp. z o.o. (Russia)** – supply of machinery and equipment for underground mining, on-site aftermarket maintenance, repairs, supplying spare parts for machinery and equipment, and customer support during delivery of new solutions.



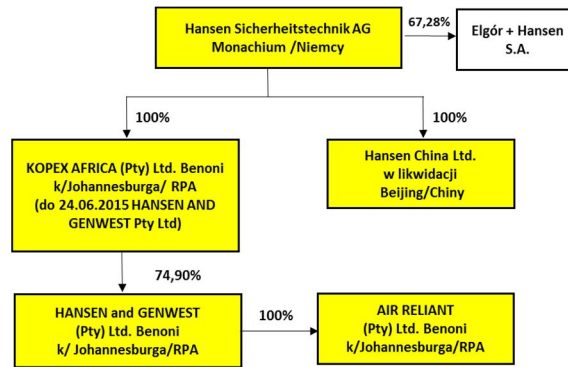
SERVICE CENTRE

⇒ **ELGÖR+HANSEN S.A.** – manufacturing of mining electrical equipment; drafting technical documentation for mining electrical equipment, providing end-to-end project management services, including design, manufacture and repair of explosion-proof equipment, as well as drafting documentation for integrated power supply and control units for mining systems.



MINING ELECTRICAL EQUIPMENT

⇒ **HANSEN Sicherheitstechnik AG (Germany)** – the company's business comprises: purchase and management of own and/or third-party assets, shares in other companies involved in the manufacture and supply of electric explosion-proof equipment, in particular the design, manufacture and repair of power distribution systems in explosion-proof housing, procurement of electrical equipment for mining machinery, drafting technical documentation for mining electrical systems, in particular for explosive atmospheres, and manufacture of electronics for mining applications. The structure of the Hansen Group as at the date of this report is presented below:

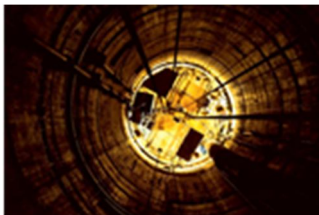


- ⇒ **HANSEN AND GENWEST Pty Ltd (RSA)** – currently the HANSEN Group’s main manufacturing company in South Africa. In South Africa, the company is approved by SABS to manufacture, repair and modify switchgears in explosion-proof housing and non-anti-explosive housing for mining applications. The company also delivers equipment and provides maintenance services for electrical motor starters, workstations, control stations, mobile substations, gate end boxes and specialised custom-built equipment and projects in the mining industry.



MINING ELECTRICAL EQUIPMENT

- ⇒ **KOPEX-Przedsiębiorstwo Budowy Szybów S.A.** – specialist contractor for the mining industry: vertical workings (chiefly shafts and fore-shafts), horizontal workings and tunnels. Construction, architecture, engineering; lease of machinery and equipment; assembly, repairs and maintenance of machinery for mining and construction applications.



SPECIALIST SERVICES FOR THE MINING INDUSTRY

- ⇒ **Śląskie Towarzystwo Wiertnicze DALBIS Sp. z o.o.** – the company specialises in drilling for various applications and implementing drilling technologies in engineering and geotechnical work at surface and underground mining facilities.



DRILLING SERVICES

3. KOPEX GROUP. INFORMATION ON CHANGES IN THE COMPANY'S AND THE GROUP'S ORGANISATIONAL OR EQUITY TIES

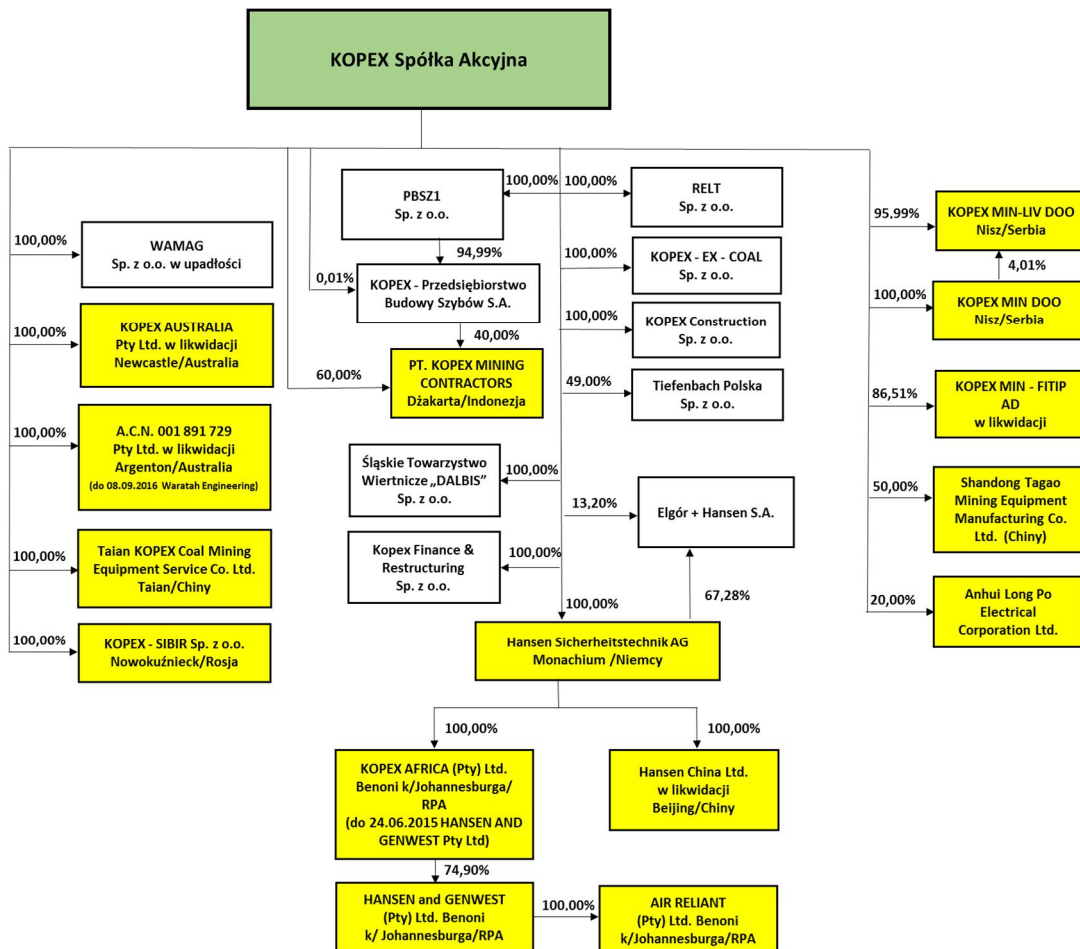
3.1. ORGANISATION OF THE GROUP

The KOPEX Group consists of the parent, KOPEX S.A., and over a dozen subsidiaries with their respective related entities. The subsidiaries are of varying significance to the KOPEX Group's business and results of operations.



KOPEX S.A. conducts manufacturing and trading activities through its branches described in the previous section. As the parent of the Group, it also exercises corporate governance functions over the KOPEX Group companies.

**KOPEX GROUP CHART
AS AT JUN 30 2017**



Note: companies marked in yellow are based outside Poland
Source: The Company; as at June 30th 2017.

3.2. CHANGES IN THE GROUP STRUCTURE, INCLUDING CHANGES RESULTING FROM BUSINESS COMBINATIONS, ACQUISITION OR LOSS OF CONTROL OF SUBSIDIARIES, LONG-TERM INVESTMENTS, DEMERGERS, RESTRUCTURING, OR DISCONTINUED OPERATIONS

In 2016, the Company undertook a number of measures to restructure the organisation and assets of the KOPEX Group, including:

- ⇒ scaling down operations on markets with insufficient business potential (i.e. the Australian and Serbian markets), foundry operations, and manufacturing for the construction market,
- ⇒ phasing out (with due account taken of the outstanding contractual obligations) the manufacture of roadheaders, as their lease proved unprofitable given the high manufacturing costs,
- ⇒ divestment of shares in non-strategic subsidiaries and associates,
- ⇒ declaring bankruptcy or placing in liquidation subsidiaries whose poor financial condition does not justify their continued operation,
- ⇒ restructuring the companies' non-core non-current assets, chiefly by offering redundant assets for sale and reallocating manufacturing operations, which is expected to lead to more efficient use of non-current assets,
- ⇒ reducing current assets, including through disposal or scrapping of non-moving and redundant inventories,
- ⇒ workforce optimisation.

On December 1st 2016, KOPEX S.A. and its selected subsidiaries signed the Restructuring Agreement with financing banks and TDJ EQUITY IV S.A., as the Investor, which specifies the main directions and scope of the KOPEX Group's restructuring efforts. On execution of the Restructuring Agreement, TDJ S.A. became an indirect parent of KOPEX S.A., holding a 65.8% interest in the Company, which gave it indirect control.

In June 2017, there were further equity-related changes resulting in changes of the shareholding structure.

On June 26th 2017, the Company submitted orders to sell to FAMUR S.A. (the Buyer) 276,500 treasury shares in KOPEX S.A., representing 0.372% of the Company's share capital and carrying 276,500 voting rights at the Company's General Meeting. The sale order was executed by way of a block transaction on the stock exchange on June 26th 2017 (to be effected on the next business day, i.e. June 27th 2017). The shares sold in the transaction had previously been acquired by the Company under an authorisation granted by Resolution No. 1 of the Extraordinary General Meeting of KOPEX S.A. of December 11th 2008 on granting approval for and defining the terms of repurchase of Company own shares, and by Resolution No. 2 of the Extraordinary General Meeting of KOPEX S.A. of December 11th 2008 on authorising the Management Board to repurchase Company shares pursuant to Art. 362.1.8 of the Commercial Companies Code. The own shares were sold by the Company for divestment purposes. The average sale price of one KOPEX S.A. own share was PLN 4.17. The par value of one KOPEX S.A. share is PLN 1.00, while the total par value of the sold own shares was PLN 276,500.00. Following the transaction, the Company does not hold any treasury shares.

On June 26th 2017, FAMUR S.A. concluded four block transactions to acquire a total of 48,931,620 shares in the Company. On the same day, FAMUR S.A. also entered into a civil-law agreement to purchase 395 shares outside of a trading venue. The rights attached to the shares were transferred on June 27th 2017.

At present, the shareholding structure of KOPEX S.A. is as follows:

- 1) 48,932,015 shares, representing 65.83% of the Company's share capital, are held by FAMUR S.A.,
- 2) 25,400,523 shares, representing 34.17% of the Company's share capital, are held by other shareholders - Free Float.

In addition, on June 29th 2017, the Company announced (see Current Report No. 43/2017) its intended demerger and long-term goals to be fulfilled in connection with the integration model for the KOPEX and FAMUR Groups, adopted on May 5th 2017 (see Current Report No. 19/2017). The Company's Management Board resolved to demerge the Company by spinning off an organised part of its business including in particular the operating assets and shares in companies engaged in the manufacture, maintenance and distribution of mining machinery, as well as selected manufacturing or investment processes ('Machinery Business'). The main objective of the demerger is for KOPEX and FAMUR to closely integrate within a single entity the production business ('Machinery Business') related to underground mining, so far conducted separately at both companies. The Machinery Business is one of the KOPEX Group's operating segments, whose core capabilities enable it to manufacture machinery and equipment for the mining industry on a turn-key basis. The assets comprising the Machinery Business, which are the subject of the demerger resolution, will be spun off to the Company's parent, i.e. FAMUR S.A. It is the Management Board's intention that, following the demerger, KOPEX should only retain the assets connected with its trading operations and services. The spin-off of the Machinery Business will enable its full integration with the FAMUR Group's assets, while simplifying the production and support processes. In addition, the demerger and integration of the Machinery Business assets within the FAMUR Group will result in more efficient use of the machinery and equipment installed on customer premises, including through joint management of the fleet of shearer loaders and standardised

manufacturing and maintenance processes. The planned demerger will be effected on the basis of Art. 529.1.4 of the Commercial Companies Code, by way of a transfer of a part of KOPEX assets constituting an organised part of business, in particular the operating assets and shares in companies involved in the manufacture, maintenance and distribution of mining machinery to an existing company: FAMUR S.A., which amounts to a demerger through spin-off. The spin-off will be effected in accordance with Art. 530.2 of the Commercial Companies Code on the day of registration of the increase in the acquirer's share capital ('Demerger Date'). The demerger will be registered following the registration of a reduction in the share capital of KOPEX in accordance with the Demerger Plan.

At the same time, in the performance of the Restructuring Agreement and as part of the restructuring measures undertaken in connection therewith, certain changes were made to the Group's structure.

In the period from January 1st 2017 to the date of this report, the following changes took place in the organisational structure of the KOPEX Group entities, including changes resulting from the adopted restructuring measures and changes reflecting the KOPEX Group's development objectives:

1) Declaration of bankruptcy by BSKE Sp. z o.o. under the pre-pack liquidation procedure Disposal of shares in BSKE Sp. z o.o.

On January 12th 2017, the Company was informed that in a decision of January 11th 2017, the District Court for Katowice-Wschód in Katowice, 10th Commercial Division, declared its subsidiary, i.e. BSKE Sp. z o.o. of Tychy (formerly: KOPEX-Eko Sp. z o.o.), bankrupt under the pre-pack liquidation procedure.

On February 22nd 2017, an agreement was signed by KOPEX Finance & Restructuring Sp. z o.o. for sale of all shares in the company to K 77 Sp. z o.o. of Tychy, an entity of the TDJ Group. The shares were sold for PLN 2,400, payable on the agreement execution date.

2) Disposal of shares in KOPEX Foundry Sp. z o.o.

On January 28th 2017, KOPEX S.A. and PGO S.A. signed an agreement for the sale of KOPEX Foundry Sp. z o.o. shares, pursuant to which the Company sold 22,050 shares in KOPEX Foundry Sp. z o.o. for a total price of PLN 7,000 thousand. The share price was paid in two instalments: PLN 1,400 thousand on the agreement execution date and PLN 5,600 thousand by April 30th 2017. The shares represented the entire share capital of KOPEX Foundry Sp. z o.o. and conferred 22,050 voting rights at its general meeting, i.e. 100% of all votes.

In the share purchase agreement, PGO S.A. also agreed to ensure that KOPEX Foundry Sp. z o.o. would repay its liabilities under loan agreements with the KOPEX Group for the aggregate principal amount of PLN 10,300 thousand, with accrued interest.

3) Change to company name of PBSZ Inwestycje Sp. z o.o.

On May 11th 2017, the District Court for Katowice-Wschód in Katowice issued a decision by virtue of which an amendment to the articles of association of PBSZ Inwestycje Sp. z o.o. changing the company name to RELT Sp. z o.o. was registered in the National Court Register.

4) Conditional agreement to sell shares in Tiefenbach Polska Sp. z o.o. for cancellation

On June 30th 2017, a conditional share sale agreement was signed between KOPEX S.A. and Tiefenbach Polska Sp. z o.o. concerning 49 shares held by KOPEX SA in that company. The total agreed consideration due to the shareholder for the sale of shares to be cancelled is EUR 771,000, i.e. approximately EUR 15,734.70 per share. The agreement is conditional and will only enter into force on condition that the registry court registers amendments to Tiefenbach Polska Sp. z o.o.'s articles of association introducing a possibility of share cancellation. Payment of the consideration will be settled upon registration of the aforementioned amendments to Tiefenbach Polska Sp. z o.o.'s articles of association by the competent registry court. On August 30th 2017, the Company was notified of the satisfaction, on August 28th 2017, of the last of the contractual conditions for the sale of Tiefenbach Polska Sp. z o.o. shares intended for cancellation, i.e. entering into the Business Register of the National Court Register of the relevant amendment to Tiefenbach Polska Sp. z o.o.'s articles of association, which resulted in a transfer, on August 28th 2017, of 49 shares in Tiefenbach Polska Sp. z o.o. thus far held by the Company to Tiefenbach Polska Sp. z o.o. As at the date of this report, the Company is no longer a shareholder in Tiefenbach Polska Sp. z o.o.

Long-term investments

In the period from January to June 2017, the Group did not make any long-term equity investments.

4. SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, 5% OR MORE OF TOTAL VOTING RIGHTS AT THE GENERAL MEETING OF THE COMPANY AS AT THE DATE OF ISSUE OF THIS HALF-YEAR REPORT; CHANGES IN MAJOR HOLDINGS OF COMPANY SHARES AFTER THE ISSUE OF THE PREVIOUS QUARTERLY REPORT

From January 1st 2017 to the date of issue of this half-year report, the share capital of KOPEX S.A. did not change. It amounts to PLN 74,332,538.00 and comprises 74,332,538 ordinary bearer shares with a par value of PLN 1.00 per share, including:

- a) 19,892,700 Series A ordinary bearer shares,
- b) 47,739,838 Series B ordinary bearer shares, and
- c) 6,700,000 Series C ordinary bearer shares.

The Company has not issued any shares with a voting preference.

KOPEX S.A. shares have been listed on the Warsaw Stock Exchange since June 4th 1998 (ISIN: KPX PLKOPEX00018, Market/Segment: main market, Sector: Electromechanical, Index: sWIG80).

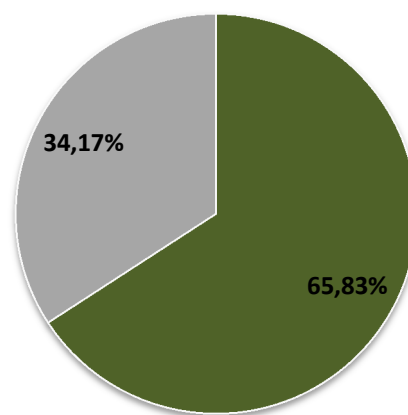
The Company's shareholding structure as at the date of issue of this H1 2017 half-year report:

SHAREHOLDER	Number of shares held	% equity interest KOPEX S.A.	Total number of voting rights at GM	% of voting rights at GM
FAMUR S.A.	48,932,015 ¹⁾	65.83%	48,932,015	65.83%
Other shareholders - Free Float	25,400,523	34.17%	25,400,523	34.17%
Total:	74,332,538	100.00%	74,332,538	100.00%

Notes:

¹⁾ Total number of KOPEX S.A. shares held by FAMUR S.A. (majority shareholder), as specified in a notification of June 27th 2017 (Current Report No. 37/2017 of June 27th 2017).

Shareholder structure of KOPEX S.A.



■ FAMUR S.A. ■ Pozostali Akcjonariusze

Pozostali akcjonariusze	Other shareholders
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5. COMPANY SHARES OR RIGHTS TO SHARES HELD BY THE MANAGEMENT AND SUPERVISORY STAFF AS AT THE DATE OF ISSUE OF THIS HALF-YEAR REPORT. CHANGES IN THE MANAGEMENT AND SUPERVISORY STAFF'S HOLDINGS AFTER THE ISSUE OF THE PREVIOUS QUARTERLY REPORT

NUMBER OF COMPANY SHARES OR RIGHTS TO COMPANY SHARES HELD BY THE MANAGEMENT STAFF

Full name	Position on the Management Board KOPEX S.A.	Total number of KOPEX shares held at this report date	Change in the number of shares held
Beata ZAWISZOWSKA	President of the Management Board	none	none ¹⁾
Bartosz BIELAK	Vice President of the Management Board	none	none ¹⁾

Note:

¹⁾ The number of Company shares held by the persons listed above did not change after the issue of the previous interim report.

The members of the management staff specified above do not hold any rights to Company shares or shares in the Company's related entities.

NUMBER OF COMPANY SHARES OR RIGHTS TO SHARES HELD BY THE SUPERVISORY STAFF

Full name	Position on the Supervisory Board KOPEX S.A.	Total number of KOPEX shares held at this report date	Change in the number of shares held
Tomasz DOMOGAŁA	Chairman of the Supervisory Board	48,932,015 ¹⁾	none ²⁾
Czesław KISIEL	Deputy Chairman of the Supervisory Board	none	none ²⁾
Wojciech GELNER	Secretary of the Supervisory Board	none	none ²⁾
Jacek LEONKIEWICZ	Member of the Supervisory Board	none	none ²⁾
Magdalena ZAJĄCZKOWSKA-EJSYMONT	Member of the Supervisory Board	none	none ²⁾

Notes:

¹⁾ Total number of KOPEX S.A. shares held by **Tomasz Domogała** and (directly or indirectly) his subsidiaries, as specified in notifications of June 27th 2017 received from TDJ Equity I Sp. z o.o. and FAMUR S.A. (Current Report No. 38/2017 of June 27th 2017 and Current Report No. 37/2017 of June 27th 2017), of which:

- Tomasz Domogała, through his subsidiary TDJ S.A., the sole shareholder of TDJ Equity I Sp. z o.o., holds indirectly (through FAMUR S.A., a subsidiary of TDJ Equity I Sp. z o.o.) a total of 48,932,015 shares in KOPEX S.A., representing approximately 65.83% of the share capital of KOPEX S.A. and conferring 48,932,015 voting rights (65.83% of total voting rights) at the General Meeting of KOPEX S.A.

²⁾ The number of Company shares held did not change after the issue of the previous report.

The total number of Company shares held by Tomasz Domogała did not change; however, in the period from the issue of the previous interim report, there was a change in the shareholdings of Tomasz Domogała's subsidiaries (Current Reports No. 33/2017, No. 34/2017, No. 35/2017, No. 36/2017, No. 37/2017 and No. 38/2017 of June 27th 2017), as a result of which:

- TDJ S.A. holds indirectly, through TDJ Equity I Sp. z o.o., which holds indirectly through FAMUR S.A., a total of 48,932,015 shares in KOPEX S.A., representing 65.83% of the share capital of KOPEX S.A. and conferring 48,932,015 voting rights (65.83% of total voting rights) at the General Meeting of KOPEX S.A.

The members of the supervisory staff specified above, excluding Tomasz Domogała, do not hold any rights to Company shares or shares in the Company's related entities.

6. INFORMATION THAT THE COMPANY CONSIDERS MATERIAL TO THE ASSESSMENT OF ITS AND ITS SUBSIDIARIES' HUMAN RESOURCES, ASSETS, FINANCIAL CONDITION AND FINANCIAL PERFORMANCE OR CHANGES IN ANY OF THE FOREGOING. ANY INFORMATION THAT IS MATERIAL TO THE ASSESSMENT OF THE COMPANY'S AND ITS SUBSIDIARIES' ABILITY TO FULFIL THEIR OBLIGATIONS

KOPEX S.A.

HEADCOUNT

Headcount at KOPEX S.A. and its branches:

	NUMBER OF EMPLOYEES	
	Jun 30 2017	Dec 31 2016
WHITE-COLLAR	391	562
BLUE-COLLAR	557	808
TOTAL	948	1,370

REVENUE AND NET PROFIT/ (LOSS) BY OPERATING SEGMENT

On June 27th 2017, FAMUR S.A. obtained control of the Company, as a result of which new business segments were established at KOPEX S.A., as compared with December 31st 2016. The new segment structure was aligned with the segment structure of FAMUR S.A., the parent.

BUSINESS SEGMENTS

UNDERGROUND SEGMENT

involving the following equipment:

- Longwall systems. A typical longwall system consists of a shearer, conveyor and powered roof support, and is designed to meet the customer's specific needs to ensure the most efficient and safe production from a given seam.
- Roadheading systems. Roadheaders are self-propelled machines used primarily to drill galleries and tunnels. Loaders, dinting loaders, drills and drilling rigs.
- Transport and handling systems. These are modern underground railway units designed to transport personnel and equipment, as well as various belt conveyors for further transport of the coal output. The systems may also be used for transport of other bulk materials.

SURFACE SEGMENT

including:

- Underground operations involving assembly of machines and equipment, as well as turn-key delivery and construction of mine shaft hoists.
- Loading and hoisting equipment.
- Design, construction and engineering services for the mining industry at large.

SERVICES FOR MINING INDUSTRY

including:

- Mining construction services, such as:
 - sinking of new shafts and sub-shafts,
 - deepening of existing shafts and sub-shafts,
 - shaft equipping, shaft lining, mounting shaft inset equipment, pipelines and cables,
 - comprehensive upgrades of mine shaft hoists,
 - construction of coal bunkers and reservoirs,
 - repairs of shaft casings and inlets, shaft equipment and bunkers,
 - drilling galleries in rock and in rock and coal.
- Design services for mining construction, including: conceptual and design documentation (technical, technological, detailed design and as-built).

- Drilling services, including surface and underground drilling.
- Coal trading.

Because the Company operates in many geographical regions, the management considered it necessary to additionally present revenue by geography to properly reflect the complexity of the Company's geographical presence. The tables below present the operating segments by business line and geography.

OPERATING SEGMENTS BY BUSINESS LINE

	UNDERGROUND		SURFACE		SERVICES FOR MINING		TOTAL	
	Q1-Q2 2017	Q1-Q2 2016*	Q1-Q2 2017	Q1-Q2 2016*	Q1-Q2 2017	Q1-Q2 2016*	Q1-Q2 2017	Q1-Q2 2016*
REVENUE FROM SALE OF PRODUCTS, MERCHANDISE AND MATERIALS	240,172	221,892	11,285	4,734	42,540	40,545	293,997	267,171
COST OF SALES	196,211	240,583	11,467	5,652	38,960	36,704	246,638	282,939
SEGMENT'S GROSS PROFIT	43,961	-18,691	-182	-918	3,580	3,841	47,359	-15,768
DISTRIBUTION COSTS	7,566	5,825	-32	741	417	521	7,951	7,087
ADMINISTRATIVE EXPENSES	23,244	21,899	593	818	1,409	3,566	25,246	26,283
SEGMENT'S PROFIT/(LOSS) ON SALES	13,151	-46,415	-743	-2,477	1,754	-246	14,162	-49,138

* restated

REVENUE BY GEOGRAPHY

	UNDERGROUND		SURFACE		SERVICES FOR MINING		Total	
	Q1-Q2 2017	Q1-Q2 2016*	Q1-Q2 2017	Q1-Q2 2016*	Q1-Q2 2017	Q1-Q2 2016*	Q1-Q2 2017	Q1-Q2 2016*
POLAND	102,377	190,159	11,285	1,091	-	-	113,662	191,250
RUSSIA AND CIS	9,764	16,143	-	-	-	-	9,764	16,143
EUROPEAN UNION	4,371	11,303	-	-	42,540	40,545	46,911	51,848
OTHER EUROPE	1,059	5	-	3,643	-	-	1,059	3,648
OTHER (AMERICA, ASIA)	122,601	4,282	-	-	-	-	122,601	4,282
TOTAL	240,172	221,892	11,285	4,734	42,540	40,545	293,997	267,171

POLAND	102,377	190,159	11,285	1,091	-	-	113,662	191,250
EXPORTS	137,795	31,733	-	3,643	42,540	40,545	180,335	75,921
TOTAL	240,172	221,892	11,285	4,734	42,540	40,545	293,997	267,171

* restated

Major external customers that account for 10% or more of total revenue generated by the Company, i.e. PLN 29,400 thousand or more.

Between January and June 2017, the above criterion for recognising a customer as a major account was satisfied by two customers, both in the UNDERGROUND segment. The Company derived revenue of PLN 122,246 thousand and PLN 33,998 thousand from sales to each of them respectively. There are no equity links between either of the customers and KOPEX S.A.

All of the Company's non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets and rights under insurance contracts) are located in the country of the parent's registered office.

SEPARATE STATEMENT OF PROFIT OR LOSS

Net revenue from sale of products, merchandise and materials for H1 2017 was PLN 293,997 thousand, which represents an improvement year on year. Revenue increased by PLN 26,826 thousand, or 10.0% in the reporting period.

Gross profit for H1 2017 was PLN 47,359 thousand, up PLN 63,127 thousand year on year.

Distribution costs were PLN 7,951 thousand in H1 2017, up PLN 864 thousand, or 12.2%, on H1 2016.

Administrative expenses were PLN 25,246 thousand in H1 2017, down PLN 1,037 thousand, or 3.9%, on H1 2016.

The Company posted an operating profit of PLN 44,318 thousand for H1 2017.

The net result on other income and expenses in H1 2017 was positive at PLN 23,500 thousand.

The Company generated a net gain of PLN 5,701 thousand on disposal of property, plant and equipment, sale of financial assets, and realised foreign exchange differences.

In H1 2017, the Company reported a net loss on finance income and costs of PLN (-)2,564 thousand.

The Company's net profit for H1 2017 was PLN 41,690 thousand.

KOPEX GROUP

HEADCOUNT

Headcount at the KOPEX Group:

	NUMBER OF EMPLOYEES	
	Jun 30 2017	Dec 31 2016
WHITE-COLLAR	926	1,157
BLUE-COLLAR	1,757	2,255
TOTAL	2,683	3,412

REVENUE AND NET PROFIT/ (LOSS) BY OPERATING SEGMENT

On June 27th 2017, FAMUR S.A. obtained control of the KOPEX Group, as a result of which new business segments were established at the Group, as compared with December 31st 2016. The new segment structure was aligned with the segment structure of FAMUR S.A., the parent.

BUSINESS SEGMENTS

UNDERGROUND SEGMENT

involving the following equipment:

- Longwall systems. A typical longwall system consists of a shearer, a scraper conveyor and a powered roof support, and is designed to meet the customer's specific needs to ensure the most efficient and safe production from a given seam.
- Roadheading systems. Roadheaders are self-propelled machines used primarily to drill galleries and tunnels. Loaders, dinting loaders, drills and drilling rigs.
- Transport and handling systems. These are modern underground railway units designed to transport personnel and equipment, as well as various belt conveyors for further transport of the output. The systems may also be used for transport of other bulk materials.

SURFACE SEGMENT

including:

- Underground operations involving assembly of machines and equipment, as well as delivery and construction of complete mine shaft hoists.
- Loading and hoisting equipment.
- Design, construction and engineering services for the mining industry at large.

POWER ENGINEERING SEGMENT including:

- Design and manufacture of power supply and switchgear equipment.
- Design and manufacture of electronic components.
- Development and deployment of IT solutions.
- Implementation of industrial automation systems.
- Development of engineering designs of systems and equipment.
- Integration of power and automation systems.

SERVICES FOR MINING INDUSTRY

including:

- Mining construction services, including:
 - sinking new shafts and sub-shafts,
 - deepening existing shafts and sub-shafts,
 - shaft equipping, shaft lining, mounting shaft inset equipment, pipelines and cables,
 - comprehensive upgrades of mine shaft hoists,
 - construction of coal bunkers and reservoirs,
 - repairs of shaft casings and inlets, shaft equipment and bunkers,
 - drilling of galleries in rock and in rock and coal.
- Design services for mining construction, including conceptual and design documentation (technical, technological, detailed design and as-built).
- Drilling services, including surface and underground drilling.
- Coal trading.

Because the Group operates in many geographical regions, the management considered it necessary to additionally present revenue by geography to properly reflect the complexity of the Group's geographical presence. The tables below present the consolidated operating segments by business line and geography.

CONSOLIDATED OPERATING SEGMENTS BY BUSINESS LINE

	UNDERGROUND		SURFACE		POWER ENGINEERING		SERVICES FOR MINING		TOTAL	
	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016
CONTINUING OPERATIONS										
REVENUE FROM SALE OF PRODUCTS, MERCHANDISE AND MATERIALS	241,980	234,657	11,285	4,734	53,068	40,795	139,510	146,904	445,843	427,090
COST OF SALES	188,222	241,278	11,467	5,652	39,153	32,938	127,498	130,274	366,340	410,142
SEGMENT'S GROSS PROFIT	53,758	-6,621	-182	-918	13,915	7,857	12,012	16,630	79,503	16,948
DISTRIBUTION COSTS	8,255	5,372	-32	741	3,248	3,885	1,408	1,557	12,879	11,555
ADMINISTRATIVE EXPENSES	26,276	20,447	593	818	4,500	4,652	6,395	8,215	37,764	34,132
SEGMENT'S PROFIT/(LOSS) ON SALES	19,227	-32,440	-743	-2,477	6,167	-680	4,209	6,858	28,860	-28,739

CONSOLIDATED REVENUE BY GEOGRAPHY

	UNDERGROUND		SURFACE		POWER ENGINEERING		SERVICES FOR MINING		TOTAL	
	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016
POLAND	102,640	191,649	11,285	1,091	29,983	17,488	92,672	102,370	236,580	312,598
RUSSIA AND CIS	22,107	31,329	-	-	164	1,128	-	-	22,271	32,457
EUROPEAN UNION	4,371	11,303	-	-	53	416	46,838	44,534	51,262	56,253
OTHER EUROPE	1,059	5	-	3,643	-	-	-	-	1,059	3,648
OTHER (AMERICA, ASIA, AFRICA)	111,803	371	-	-	22,868	21,763	-	-	134,671	22,134
TOTAL	241,980	234,657	11,285	4,734	53,068	40,795	139,510	146,904	445,843	427,090

POLAND	102,640	191,649	11,285	1,091	29,983	17,488	92,672	102,370	236,580	312,598
EXPORTS	139,340	43,008	-	3,643	23,085	23,307	46,838	44,534	209,263	114,492
TOTAL	241,980	234,657	11,285	4,734	53,068	40,795	139,510	146,904	445,843	427,090

Major external customers that account for 10% or more of total revenue generated by the Group, i.e. PLN 44,584 thousand or more.

Between January and June 2017, the above criterion for recognising a customer as a major account was satisfied by two customers. Revenue from sales to one of them totalled PLN 108,460 thousand, reported in the UNDERGROUND segment. KOPEX S.A. has no formal links with the customer. The other customer accounted for revenue of PLN 62,626 thousand,

reported in the following segments: UNDERGROUND; POWER ENGINEERING; SERVICES FOR MINING. KOPEX S.A. has no formal links with the customer.

89.7% of the Group's non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets and rights under insurance contracts) are located in the country of the parent's registered office.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Consolidated net revenue from sale of products, merchandise and materials for H1 2017 was PLN 445,843 thousand, which is an improvement year on year. Revenue increased by PLN 18,753 thousand (or 4.4%) in the reporting period. The increase in revenue for H1 2017 was mainly attributable to a gradual improvement in the mining industry. At the same time, cost of sales fell significantly (by 10.7%), which was a result of the restructuring processes implemented at the Group. The revenue increase with the reduced cost translated into a gross profit of PLN 79,503 thousand, up PLN 62,555 thousand year on year.

Distribution costs for H1 2017 were PLN 12,879 thousand, up PLN 1,324 thousand (or 11.5%) on H1 2016.

Administrative expenses reached PLN 37,764 thousand in the reporting period, up PLN 3,632 thousand (or 10.6%) on H1 2016.

The Group reported an operating profit of PLN 57,609 thousand for H1 2017.

The net result on other income and expenses in H1 2017 was positive at PLN 17,188 thousand.

The Group generated PLN 10,344 thousand in income on disposal of property, plant and equipment, sale of financial assets, and realised foreign exchange differences.

The Group recognised net finance income of PLN 810 thousand.

Net profit attributable to owners of the parent for H1 2017 was PLN 41,264 thousand.

DISCUSSION OF THE GROUP'S AND THE COMPANY'S FINANCIAL CONDITION

As part of the restructuring process commenced in 2016, the KOPEX Group had to materially scale down its non-core business relative to previous years.

The Group's current priority is to act in compliance with the provisions and obligations set out in the Restructuring Agreement. Successful performance of the Restructuring Agreement is expected to enable the Group to continue as a going concern.

Thanks to the measures undertaken by the KOPEX Group, such as process optimisation and divestment of non-core assets, as well as the TDJ Group's financial support and gradual collection of receivables, KOPEX was able to secure funds for early repayment of Tranche C debt of nearly PLN 143m. Despite the repayment, the Group's debt remains high, and its reduction is a continued priority for the Management Board.

As at the end of H1 2017, the Group's consolidated total assets were PLN 1,005,197 thousand, having decreased by 20.5%, or PLN 259,332 thousand, year on year. The decrease was due to a PLN 97,633 thousand drop in non-current assets and a PLN 125,812 thousand decline in current assets. The decrease in the carrying amounts of assets is a result of the organisational restructuring process, optimisation of the Group's assets and its concentration on the core business.

Under equity and liabilities, equity increased by PLN 43,097 thousand, non-current liabilities fell by PLN 104,479 thousand, and current liabilities dropped by PLN 176,530 thousand (following the early repayment of Tranche C debt in accordance with the Restructuring Agreement). For detailed information on the amounts and structure of individual items of the statement of financial position as at the end of H1 2017 and the end of 2016, see pp. 8-9 of the consolidated half-year report of the KOPEX Group for January 1st–June 30th 2017.

As at the end of H1 2017, KOPEX S.A.'s total assets were PLN 993,249 thousand, having decreased by PLN 263,788 thousand, or 21.0%, from the end of 2016. The decrease was due to the PLN 83,251 thousand drop in non-current assets and a PLN 174,916 thousand decline in current assets.

Under equity and liabilities, equity increased by PLN 44,778 thousand, non-current liabilities fell by PLN 102,938 thousand, and current liabilities went down by PLN 205,628 thousand. For detailed information on the amounts and structure of individual items of the statement of financial position as at the end of H1 2017 and the end of 2016, see pp. 31-32 of the consolidated half-year report of the KOPEX Group for January 1st–June 30th 2017.

7. BRIEF DESCRIPTION OF SIGNIFICANT ACHIEVEMENTS OR FAILURES IN THE REPORTING PERIOD, INCLUDING IDENTIFICATION OF KEY EVENTS

In the reporting period, the parent and its subsidiaries operated in line with their respective articles of association. Below, the parent presents the significant achievements and failures that occurred in the period from January 1st 2017 to the date of issue of this report:

- Further to Current Reports No. 53/2016 of July 27th 2016, No. 80/2016 of September 7th 2016 and No. 103/2016 of December 1st 2016: February 14th 2017 was the effective date of an annex to the contract for the supply and assembly of the steel structure of a building for the turbine house, boiler house, bunkering room, LUVU and SCR, assembly of coal bunkers, as well as hoisting and laying of steam blowers for the 910 MW power generation unit built for Tauron Wytwarzanie S.A., Jaworzno III Power Plant - Power Plant II Branch in Jaworzno. The parties to the contract are the consortium of Stal-Systems S.A. and KOPEX S.A., acting jointly as the contractor, and E003B7 Sp. z o.o. (a subsidiary of RAFAKO S.A.), acting as the employer. According to the annex, Stal-Systems S.A. replaced KOPEX S.A. as the consortium leader. Stal-Systems S.A. also took over the entire scope of work remaining to be performed by KOPEX S.A. under the consortium agreement as of the effective date of the annex. Under separate agreements, KOPEX S.A.'s existing subcontractors will become Stal-Systems S.A.'s subcontractors. The annex also introduced appropriate changes in the original agreement concerning, among other things, further performance of the contract and the manner of settling existing and future payables and receivables under the contract. The work completed by the Company under the contract as at January 31st 2017 was valued at approximately PLN 64m (VAT exclusive).
- Further to Current Reports No. 95/2016 and No. 7/2017 concerning a bid submitted by the consortium of KOPEX-Przedsiębiorstwo Budowy Szybów S.A. (the Company's subsidiary) and FAMUR PEMUG Sp. z o.o. in a tender for construction work to be performed for TAURON Wydobycie S.A. by the general contractor for Stage 1 of the project to construct the GRZEGORZ mine shaft and the accompanying surface infrastructure: TAURON Wydobycie S.A. again selected the consortium's bid as the best bid. The price of the best bid was PLN 227,867,534.59 (VAT exclusive), with PLN 172,867,534.59 (VAT exclusive) of that amount attributable to KOPEX-Przedsiębiorstwo Budowy Szybów S.A. as the consortium leader.
- Further to Current Report No. 104/2016 of December 2nd 2016 concerning conclusion of the Restructuring Agreement: PLN 142,564,796.80 was transferred to PKO BP S.A., acting as the paying agent and security agent, to be applied for early repayment of the Company's total Tranche C debt. The amount included repayment of on-balance-sheet debt plus interest (PLN 133,689,714.53), and an amount of PLN 8,875,082.27 transferred by the Company as security for bank guarantees expiring after March 31st 2017. The early repayment was partly financed with proceeds of a loan received from TDJ S.A.'s subsidiary on March 31st 2017. The loan agreement provides for full repayment of the loan (PLN 75,000,000.00) by December 31st 2018. Following the repayment of Tranche C debt, the security created over KOPEX S.A.'s and Elgór+Hansen S.A.'s assets was released to the extent attributable to that tranche.
- On May 5th 2017, the KOPEX Management Board passed a resolution defining the model for the integration of the KOPEX and FAMUR Groups, and entered into a conditional agreement with FAMUR S.A. to set out the terms of cooperation and integration of the two companies ('Agreement').
The integration process is expected to include the following steps:
 1. Preparation for the integration by splitting off the following parts of the KOPEX business:
 - a. trading and services business, comprising the KOPEX Group's current trading operations and services, to include KOPEX PBSz, ŚTW Dalbis and trading in coal; and
 - b. machinery business, including in particular the operating assets and companies involved in the manufacture, maintenance and distribution of mining machinery ('Machinery Business').
 2. Integration of the Machinery Business pursuant to the Agreement, in particular by:
 - a. integrating sales processes,
 - b. restructuring production processes,
 - c. concentrating in FAMUR all sales, sales support, cooperation and logistics departments as well as other corporate functions currently performed by KOPEX.
 3. Drafting and signing, by June 30th 2017, a plan to demerge KOPEX by spinning off the Machinery Business, which will be acquired by FAMUR in exchange for new FAMUR shares. In exchange for KOPEX shares representing the machinery business, the minority shareholders will – following the demerger of KOPEX – receive new shares issued by FAMUR, based on the exchange ratio of 0.76 FAMUR share for 1 cancelled KOPEX share. Given the net value of the Machinery Business assets estimated as at March 31st 2017, it is expected that the demerger will result in cancellation of approximately 81% of KOPEX shares currently held by KOPEX shareholders. The final net value of KOPEX assets,

and thus the net value of the Machinery Business assets, will be determined at the time of signing the demerger plan, based on values determined as at May 1st 2017. The exchange ratio was established on the basis of the average market prices of KOPEX and FAMUR shares in the three months preceding the date of adoption of the data for the demerger plan, i.e. May 1st 2017, which were: PLN 3.94 per KOPEX share and PLN 5.16 per FAMUR share. The exchange ratio was calculated using the method defined in Art. 79.7. of the Public Offering Act, i.e. it was based on the arithmetic mean of daily volume-weighted average prices of KOPEX and FAMUR shares. The demerger of KOPEX is expected to be officially completed in Q1 2018.

In parallel to the process of integrating the two Groups, KOPEX will continue its current restructuring measures, including further workforce restructuring. According to current estimates, the KOPEX Group plans to reduce its workforce by around 15% relative to the headcount as at March 31st 2017. Approximately PLN 31m will be charged against the KOPEX Group's profit on account of the aggregate cost of the workforce restructuring in 2017, comprising severance pay and benefits.

Acting in accordance with the Articles of Association, on May 5th 2017 the KOPEX Management Board submitted a request to the Supervisory Board for approval of the FAMUR-KOPEX integration plan. On May 5th 2017, the Management Board was notified of a conditional offer made by FAMUR to purchase 65.83% of KOPEX shares from TDJ S.A.'s subsidiaries.

On May 9th 2017, KOPEX was notified of: approval of the integration plan by the KOPEX Supervisory Board, approval by the FAMUR Supervisory Board of the conditional offer to acquire KOPEX shares, and conclusion of the Agreement.

- Further to Current Reports No. 95/2016, No. 7/2017, and No. 14/2017 concerning a bid submitted by the consortium of KOPEX-Przedsiębiorstwo Budowy Szybów S.A. (the Company's subsidiary) and FAMUR PEMUG Sp. z o.o. in a tender for construction work to be performed for TAURON Wydobywanie S.A. by the general contractor for Stage 1 of the project to construct the GRZEGORZ mine shaft and the accompanying surface infrastructure: on April 28th 2017, the Company received an invitation to sign a contract between the consortium and TAURON Wydobywanie S.A. The execution of the contract is scheduled for May 15th 2017. The contract price is PLN 227,867,534.59 (VAT exclusive), with PLN 172,867,534.59 (VAT exclusive) of that amount attributable to KOPEX-Przedsiębiorstwo Budowy Szybów S.A. as the consortium leader.
- Further to Current Reports No. 95/2016, No. 7/2017, No. 14/2017 and No. 17/2017 concerning the bid submitted by a consortium of KOPEX-Przedsiębiorstwo Budowy Szybów S.A. and FAMUR PEMUG Sp. z o.o. ('Consortium') for construction works and construction of the Grzegorz mine shaft: on May 15th 2017 the Consortium and Tauron Wydobywanie S.A. ('Employer') signed a contract for construction work and construction of the Grzegorz mine shaft. The contract price is PLN 227,867,534.59 (VAT exclusive), with PLN 172,867,534.59 (VAT exclusive) of that amount attributable to KOPEX-Przedsiębiorstwo Budowy Szybów S.A. as the consortium leader. The contract completion deadline should be no longer than 60 months from the date the construction site is made available to the contractor under a formal report.
- Due to a suspected breach by the Company, KOPEX Machinery S.A. of Zabrze and Fabryka Maszyn i Urządzeń TAGOR S.A. of Tarnowskie Góry (the Company's subsidiaries merged with the Company on December 8th 2016 under Art. 492.1.1 of the Commercial Companies Code) of the restrictions on electricity supply and consumption imposed on August 10th–31st 2015, the President of the Energy Regulatory Office ('URE President'), acting pursuant to Art. 56.1.3a of the Energy Law of April 10th 1997 (Dz. U. of 2012, No. 0, item 1059, as amended, 'Energy Law') initiated two *ex-officio* administrative proceedings to impose fines on the Company. The initiation of the proceedings was disclosed by the Company in Current Reports No. 21/2017 of May 18th 2017 and No. 22/2017 of May 23rd 2017. The Company Management Board submitted relevant explanations to the URE President within the prescribed deadline indicating a lack of grounds of the charges. According to the law firm representing the Company in both proceedings, there are no grounds, whether in law or in fact, for imposing a fine on the Company. Accordingly, the Company did not recognise a provision for that purpose.
- On June 29th 2017, the Management Board of KOPEX S.A., acting as a claimant, reported to AIG Europe Limited of London, operating through AIG Europe Limited ('AIG'), a claim under a D&O insurance contract for the amount of PLN 2m. The basis for the claim is improper performance of management responsibilities at the Company by the insured within the meaning of the general terms and conditions of the contract, resulting in damage to the Company's assets. The amount of PLN 2,000,000 is the amount of damage determined at the moment of reporting the claim, but – given the ongoing analysis – the Company does not exclude extending the scope of the claim.
- On June 29th 2017, the Company Management Board passed a resolution to split off an organised part of business from KOPEX S.A., including in particular the operating assets and shares in companies engaged in the manufacture,

maintenance and distribution of mining machinery, as well as selected production or investment processes ('Machinery Business'), and transfer it in whole to FAMUR S.A. (the Company's parent). At the same time, the Management Boards of KOPEX S.A. and FAMUR S.A. agreed on a demerger plan. As a consequence of the planned demerger, KOPEX S.A. ('Demerged Company') will focus its activities in the trading and services business. All assets and liabilities related to the Machinery Business will be transferred to FAMUR S.A. ('Acquiring Company'). The demerger of KOPEX S.A. will involve a reduction of the Company's share capital and will affect the level of consolidated revenue generated by the KOPEX Group. The Machinery Business is currently operating within the organisational structure of the Demerged Company in the form of companies under commercial law and self-accounting branches (operating under the following names: KOPEX S.A. Kombajny Zabrzańskie, Przenośniki RYFAMA Oddział w Zabrzcu, KOPEX S.A. Hydraulika Oddział w Zabrzcu, KOPEX S.A. Obudowy TAGOR Oddział w Zabrzcu), and includes also real properties and other shares in Polish and foreign companies which are not a part of the Service and Trading Business.

Events after the reporting date

- On July 28th 2017, the Management Board of KOPEX S.A. published a written opinion issued by a qualified auditor of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. on the audit of the Demerger Plan of KOPEX Spółka Akcyjna. The audit of the Demerger Plan included in particular procedures designed to verify whether:
 - The Demerger Plan has been prepared in accordance with the provisions of Art. 534.1 of the Commercial Companies Code;
 - The Demerger Plan contains all required appendices, in accordance with the provisions of Art. 534.2 of the Commercial Companies Code;
 - The share exchange ratio referred to in Art. 534.1.2 of the Commercial Companies Code has been established properly and the methods used to determine the proposed share exchange ratio (based on the arithmetic mean of the average daily market prices weighted by the volumes of trade in the Demerged Company stock and the Acquirer stock in the three months preceding the date as at which data for the Demerger Plan was adopted, i.e. May 1st 2017, are reasonable.

Based on the procedures he performed, the auditor believes that in all material respects:

- The Demerger Plan has been prepared in a fair and correct manner, in accordance with the adopted criteria;
 - The share exchange ratio referred to in Art. 534.1.2 of the Commercial Companies Code has been determined properly;
 - The methods used to determine the share exchange ratio proposed in the Demerger Plan are reasonable;
 - No particular difficulties occurred in the valuation of shares in the Demerged Company.
- On August 1st 2017, the Management Board of KOPEX S.A. published the Directors' Report on the operations of KOPEX S.A. of Katowice, providing grounds and rationale for the demerger in accordance with Art. 529.1.4 of the Commercial Companies Code, outlining the legal basis for the demerger, the share exchange ratio and the criteria for the division of the shares, the economic rationale, particular difficulties in the valuation of the shares, a summary and recommendations.

In addition, on August 1st 2017, the Management Board of KOPEX S.A. published a notice of the Extraordinary General Meeting to be held on September 29th 2017, with the agenda including a resolution on the demerger of KOPEX S.A. by transferring a part of its assets to FAMUR S.A., as well as a first notice of the intention to demerge KOPEX S.A. On August 17th 2017, the Management Board of KOPEX S.A. published a second notice of the intention to demerge.

On August 30th 2017, the Management Board of KOPEX S.A., at the request of majority shareholder FAMUR S.A., cancelled the Extraordinary General Meeting convened for September 29th 2017. FAMUR S.A. requested the Extraordinary General Meeting to be cancelled and re-convened with the same agenda immediately after approval by the Polish Financial Supervision Authority of the information memorandum prepared by FAMUR S.A. in connection with the demerger of KOPEX S.A., stating that the memorandum should take into account the most recent financial data, subject to a qualified auditor's review and reflecting the situation after FAMUR S.A.'s acquisition of control of the Company, i.e. as at June 30th 2017. Therefore, the approval of the memorandum will only be possible after the issue of the H1 2017 interim report by KOPEX S.A.

All significant information for 2017 is available on KOPEX S.A.'s website at: <http://www.KOPEX.com.pl/idm,3336,biezace.html>

8. FACTORS AND EVENTS, ESPECIALLY OF A NON-RECURRING NATURE, HAVING MATERIAL BEARING ON THE FINANCIAL STATEMENTS

The key source of material risks and threats to the KOPEX Group's business is the Company's and its subsidiaries' continuing financial distress, resulting in their inability to obtain multi-purpose credit and guarantee facilities, which is a key obstacle to securing major contracts, in particular in foreign markets.

External factors affecting the Group's business include: shortage of qualified workforce for typical industrial occupations, the European Union's climate policy, and large and unpredictable exchange rate fluctuations.

Internal factors of key importance to the Group's future operations included: signing of the Restructuring Agreement with the financial creditors and TDJ EQUITY IV S.A. on December 1st 2016, undertaking a range of restructuring measures, and start of cooperation with the strategic investor, TDJ S.A., which enjoys an established position in the industrial sector. By continuing the decisive measures, mainly in the area of cost and operational restructuring, the Group should be able to optimise its operating expenses and improve its operational efficiency.

In H1 2017, the KOPEX Group was implementing the provisions of the Restructuring Agreement and continued its restructuring activities. In the performance of the Restructuring Agreement, the Group made full early repayment of its Tranche C debt, in the total amount of nearly PLN 143m.

Moreover, given the KOPEX Group's financial condition related to the restructuring, the Group's substantial debt and consequences of the debt restructuring agreements signed with banks, the adopted model of integrating the KOPEX and FAMUR Groups was followed by a decision to demerge the Company by spinning off an organised part of its business comprising, in particular, the operating assets and shares in companies involved in the manufacture, maintenance and distribution of mining machinery, as well as selected production or investment processes ('Machinery Business'), and transferring it in whole to FAMUR S.A. (the parent).

The main objective of the demerger is to closely integrate within a single entity the production business related to underground mining, so far conducted separately at FAMUR and KOPEX. The spin-off of the Machinery Business will enable its full integration with the FAMUR Group's assets, while optimising the production and support processes. Following the demerger, KOPEX will only retain the assets related to its trading operations and services, which will enable the creation of a clear-cut structure to facilitate identification of entities involved in trading and services and in the manufacturing business.

On August 22nd 2017, the Management Board of KOPEX S.A. resolved to reverse an impairment loss on the receivable payable to the Group by AO Ugolnaya Kompaniya Severny Kuzbas ('Berezovsky mine') in connection with the provision by the Berezovsky mine of an unconditional and irrevocable bank guarantee issued by the Sberbank of Russia to the Company's subsidiary KOPEX Sibir OOO. The bank guarantee was issued as security for the payments due from the Berezovsky mine to KOPEX Sibir OOO under court settlement and an annex to the contract of April 1st 2017. The reversal of the impairment loss on the receivable was recognised in the results for June 2017 and affected the consolidated results of the KOPEX Group for H1 2017 by a net amount of EUR 5,526 thousand, i.e. PLN 23,635 thousand (at the EUR/PLN mid rate of August 21st 2017 quoted for the date of publication of the relevant current report). On September 12th 2017, AO Ugolnaya Kompaniya Severny Kuzbas paid the receivable in full.

9. SEASONALITY OR CYCLICALITY OF THE COMPANY'S OPERATIONS IN THE REPORTING PERIOD

The Company's operations are not subject to seasonal or cyclical changes.

10. ISSUE, REDEMPTION AND REPAYMENT OF EQUITY AND NON-EQUITY SECURITIES

In H1 2017, neither the Company nor any the Group companies issued, redeemed or repaid non-equity and equity securities.

11. DIVIDEND PAID OR DECLARED, INCLUDING AGGREGATE AND PER SHARE DIVIDEND, SEPARATELY FOR ORDINARY AND PREFERENCE SHARES

In H1 2017, neither the Company nor any of the Group companies paid any dividend.

12. EVENTS THAT OCCURRED AFTER THE DATE AS AT WHICH THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS WERE PREPARED AND WHICH HAVE NOT BEEN PRESENTED IN THE FINANCIAL STATEMENTS BUT MAY HAVE A MATERIAL EFFECT ON THE COMPANY'S FUTURE FINANCIAL PERFORMANCW

There have been no events that occurred after the date as at which the condensed half-year financial statements were prepared and which have not been presented in the financial statements but may have a material effect on the Company's future financial performance.

13. MANAGEMENT BOARD'S POSITION ON THE FEASIBILITY OF MEETING ANY PREVIOUSLY PUBLISHED FORECASTS FOR THE GIVEN YEAR IN THE LIGHT OF RESULTS PRESENTED IN THE QUARTERLY REPORT IN CONJUNCTION TO PROSPECTED RESULTS

The Company has not published any forecasts for 2017.

14. LITIGATION, ARBITRATION OR ADMINISTRATIVE PROCEEDINGS

The following court proceedings were pending as at the date of issue of this report:

ITEM	SUBJECT MATTER OF LITIGATION	AMOUNT UNDER LITIGATION PLN '000	DATE INSTIGATED	PLAINTIFF	OPPONENT	COURT
1.	Payment of compensation for losses on settlement of currency forwards	PLN 33,705 THOUSAND	Dec 30 2009	Fazos S.A. (currently: FAMUR S.A.)	KOPEX S.A.	Regional Court and Court of Appeals in Katowice
2.	Filing of claims in bankruptcy proceedings	PLN 82,852 THOUSAND - Category 2 PLN 8,284 THOUSAND - Category 3	Dec 2 2016	KOPEX S.A.	Famago Sp. z o.o. w upadłości (in bankruptcy)	District Court for Wrocław Fabryczna in Wrocław
3.	Filing of claims in bankruptcy proceedings	PLN 11,000 THOUSAND - Category 2 PLN 1,340 THOUSAND - Category 3	Dec 2 2016	Elgór+Hansen S.A.	Famago Sp. z o.o. w upadłości (in bankruptcy)	District Court for Wrocław Fabryczna in Wrocław

KOPEX S.A. of Katowice (formerly KOPEX S.A. and TAGOR S.A.) is a party to a legal dispute with FAMUR S.A. (formerly Fabryka Zmechanizowanych Obudów Ścianowych Fazos S.A. of Tarnowskie Góry and then Zakład Maszyn Górniczych GLINIK Sp. z o.o.) for payment of PLN 51,875,600.00. In the course of the proceedings, the amount claimed was reduced to PLN 33,705,361.31 (without waiving the claim). On June 29th 2016, the Regional Court in Katowice dismissed the claim in its entirety. The case was appealed against to the Court of Appeals in Katowice. According to the law firm previously representing KOPEX S.A., the probability of the claimant prevailing in court was lower than that of the claimant losing the case, as there were no contractual grounds for the claims and no proximate cause. In view of the foregoing and in accordance with IAS 37, KOPEX S.A. concluded that it did not have any present obligation arising from past events and thus did not recognise any provision.

KOPEX S.A. (on August 2nd 2017) and FAMUR S.A. (on August 1st 2017) submitted requests to suspend the proceedings upon a joint motion of the parties, together with a request for cancellation of the hearing set for September 7th 2017 given that FAMUR S.A. now holds a controlling interest (65.83%) in KOPEX S.A. and has become its parent, which – in the opinion of the parties – implies the need for amicable settlement of the dispute.

On August 11th 2017, KOPEX S.A. received a decision of the Court of Appeals to suspend the proceedings, along with a notice of cancellation of the hearing scheduled for September 7th 2017.

On July 21st 2016, AO Ugolnaya Kompaniya Severny Kuzbas of Russia filed a counterclaim against OOO KOPEX Sibir, seeking to reduce the price for a shearer loader to EUR 13,814,000 on the grounds that the delivered machine allegedly failed to meet the contract specifications, claiming *lucrum cessans* compensation of RUB 157,730 thousand (EUR 2,190 thousand), and petitioning the court to summon KOPEX Machinery S.A. (currently KOPEX S.A.) as a third party to the proceedings. OOO KOPEX Sibir (and KOPEX S.A.) did not recognise the counterclaim and demanded payment of the entire claim amount. On April 1st 2017, KOPEX Sibir and AO Ugolnaya Kompaniya Severny Kuzbas settled in court and amended the contract. Pursuant to the settlement and the amended contract, Severny Kuzbas paid EUR 2.5m to KOPEX Sibir on account of the outstanding contract price, and waived all of the claims asserted against KOPEX Sibir and KOPEX S.A. The balance of the price is to be paid in instalments and is secured with a lien over the delivered equipment, subject to possible other liens in the future. On its part, KOPEX Sibir agreed to lower the price by 8% and increase the discount if additional liens are created or the liabilities are paid as scheduled. As a result of the annex and settlement, the court case was finalised

by a decision of the Kemerovsky District Court of Arbitration on April 5th 2017. On August 21st 2017, the Berezovsky mine provided to OOO KOPEX-Sibir a bank guarantee issued by Sberbank of Russia securing payments resulting from the court settlement and annex to the contract of April 1st 2017, as reported by the Company in the Current Report No. 52/2017 of August 22nd 2017. On September 12th 2017, AO Ugolnaya Kompaniya Severny Kuzbas paid the entire amount of the claim.

Except as described above, as at the date of issue of these financial statements neither the Company nor any entity of its Group was a party to any other pending proceedings before a court, arbitration tribunal or public administration body whose value would represent 10% or more of the Company's equity.

15. TRANSACTIONS CONCLUDED BY THE COMPANY OR THE COMPANY'S SUBSIDIARIES WITH RELATED PARTIES OTHER THAN ON ARM'S LENGTH BASIS

Based on available information, during the reporting period neither KOPEX S.A. nor any of its subsidiaries entered into any related-party transactions other than on arm's length basis.

16. LOAN SURETIES OR GUARANTEES ISSUED BY THE COMPANY OR ITS SUBSIDIARIES WHERE THE AGGREGATE VALUE OF SUCH OUTSTANDING SURETIES OR GUARANTEES ISSUED TO A SINGLE ENTITY OR ITS SUBSIDIARY REPRESENTS 10% OR MORE OF THE COMPANY'S EQUITY

In the reporting period, neither the Company nor any of its subsidiaries issued any loan sureties or guarantees with a value exceeding 10% of the Company's equity.

17. FACTORS WHICH IN THE COMPANY'S OPINION WILL AFFECT ITS PERFORMANCE IN THE NEXT QUARTER AND BEYOND

The Company is continuing the operational, asset and financial restructuring of the KOPEX Group. The main objective of the process is to perform the Restructuring Agreement, which is of key importance to the Group's future operations. The restructuring process includes in particular divestment of the Group's non-core assets, sale or liquidation of certain subsidiaries and associates with respect to which business risks or strategic decisions do not justify their continued operation within the Group, and workforce optimisation. All those initiatives are aimed at optimising the Group's operating expenses, ensuring focus on core business, consolidating business areas, and generating positive cash flows.

A key process to be completed in the coming quarters will be the successful integration of KOPEX S.A. and FAMUR S.A., initiated in May 2017 which, in accordance with the adopted integration model, will consist in spinning off an organised part of KOPEX S.A.'s business comprising, in particular, the operating assets and shares in companies involved in the manufacture, maintenance and distribution of mining machinery, as well as selected production or investment processes, and transferring it in whole to FAMUR S.A. As a consequence of the demerger, KOPEX S.A.'s activities will focus on its trading and service business, which will include the following companies: KOPEX-Przedsiębiorstwo Budowy Szybów S.A. ('PBSz') and Śląskie Towarzystwo Wiertnicze Dalbis sp. z o.o. ('Dalbis'), as well as coal trading. Implementation of the above plan will affect the KOPEX Group's consolidated data, which will only reflect its trading and service business.

The Company believes that the following factors may also affect its performance in and beyond the next reporting period:

- Stabilisation of the Company's liquidity following execution of the Restructuring Agreement with the banks and the Investor. What is more, following the repayment of Tranche C debt, the Company received certificates from its financial creditors confirming release of the tranche security, which will facilitate the restructuring process.
- Performance of the Restructuring Agreement.
- Integration of the KOPEX and FAMUR Groups.
- Scaling down operations on markets with insufficient business potential (i.e. the Australian and Serbian markets), and manufacturing for the construction market, as well as phasing out the manufacture of roadheaders.
- Improved financial performance of the mining sector (H1 2017 profit of more than PLN 1.4bn) resulting in stepped-up investments by coal mining companies, including planned implementation of state-of-the-art technologies and innovative solutions.
- Coal production and sales in H2 2017 forecast to grow by more than 10% on H1 2017.
- One of the key drivers will be the continued restructuring of the Polish mining industry and the mining companies' gradual rebuilding of production capacities on the back of increased capex. The final structure and financial capabilities of Polska Grupa Górnicza and the other Polish producers of coal will determine the size of the KOPEX Group's offering for the Polish mining sector. The Group is looking for alternative markets abroad and is diversifying its product portfolio.
- Much-needed further expansion on foreign markets and leveraging the forecast growth in the mining industry's capex.

- Factors stemming from the EU's decarbonisation policy and pressure to reduce coal's share in the energy mix of EU countries, which may lead to an increase in the share of renewable energy sources in national energy mixes, and the trend to eliminate coal.
- Adoption of the government's "Programme for the Polish Hard Coal Mining Sector until 2030", which is currently at the stage of public consultation and discussions between the ministries, and which aims to stabilise the sector's profitability and liquidity by adapting production to market needs, continued integration of the mining and energy sectors, investment to access new deposits and improving production efficiency, development of staff competences, supporting and developing clean coal technologies, innovation and safety improvement, diversification of the industrial customer base, and completion of restructuring measures, e.g. merging of KW S.A. with Spółka Restrukturyzacji Kopalń S.A.
- Risks related to the economic situation in Argentina, the third largest economy in Latin America. As the KOPEX Group is involved in a number of mining projects in Argentina, it is monitoring this market on an ongoing basis. In the first half of 2017, the Company dispatched further equipment deliveries to Argentina under a contract for the supply of longwall and roadheader systems to that country.
- Developments in the general economic situation and GDP growth in Poland and abroad, including the risk of geopolitical destabilisation and its adverse impact on the economy.
- Exchange rate risk related to the Group companies' foreign sales denominated in foreign currencies.

18. MANAGEMENT BOARD'S REPRESENTATION

The Management Board represents that the Directors' Report on the operations of KOPEX S.A. and the KOPEX Group in H1 2017 gives a true view of the Company's and its Group's development and achievements, and contains a description of key threats and risks.

SIGNATURES

Vice President of the

Bartosz Bielak

President of the Management

Beata Zawiszowska

Katowice, September 29th 2017