



**STATEMENT OF THE MANAGEMENT BOARD ON  
THE ISSUER AND KOPEX SA CAPITAL GROUP  
ACTIVITIES IN FIRST HALF OF 2010**

KATOWICE, AUGUST 2010

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## 1. GENERAL INFORMATION ABOUT THE ISSUER

### Seat of Company

**KOPEX SA (Joint Stock Company)**

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**e-mail:** [kopex@kopex.com.pl](mailto:kopex@kopex.com.pl); **website:** [www.kopex.com.pl](http://www.kopex.com.pl)

**REGON (Statistical Number):** P-271981166; **NIP (Tax Identification Number):** PL-634-012-68-49

**Registering body:** Sąd Rejonowy (Regional Court) Katowice-Wschód, Wydział VIII Gospodarczy Krajowego Rejestru Sądowego (VIII Ecomic Division of the National Court Register)

**Registration Number:** 0000026782

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 in the Register of State-owned Enterprises on 1 January 1962 started the activity as a general contractor for complete mining facilities / projects and equipment abroad. In May 1971 enterprise obtained an authorization for conducting business in the foreign trade on export and import of mining and drilling machinery and equipment, on the exclusivity 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 virtue of Ordinance 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 transformation act was signed and 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 par 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 a new legislation on business registration in 2001, KOPEX SA was entered in the National Court Register under the new number: 0000026782. On 23 October 2003 the company's new name was entered in the register: KOPEX Spółka Akcyjna (currently used) and the abbreviation KOPEX SA was approved.

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

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 – Zabrzeńskie Zakłady Mechaniczne S.A. / Zabrze Mechanical Works Joint Stock Company (ZZM S.A.) based in Zabrze. The ZZM-KOPEX Group was set up, the biggest industrial group in the mining machinery and equipment sector in Poland. The integrated group potential enabled capability of complex offering goods and services, placing the ZZM-KOPEX Group in the strict lead of the biggest global mining companies.

Another significant stage was in the second half of 2007. KOPEX S.A. issued 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 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 leader of KOPEX Capital Group which includes over 50 companies in Poland and abroad.

At the end of 2009 issue of 6.700.000 KOPEX S.A. Series C bearer shares was successfully executed. Offer on acquisition of shares was directed to the selected investors within the meaning of 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 register and it currently amounts to PLN 74.332.538.

## 2. SUBJECT AND SCOPE OF ACTIVITY OF THE CAPITAL GROUP

KOPEX SA Capital Group operates in the mining industry and is consist of a parent – public company KOPEX SA and organizationally and financially related subsidiaries and indirect subsidiaries. Currently the Group is consist 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 Group offers complex solutions for underground and open pit mining. It is a respected and acknowledged manufacturer and supplier of high class machinery and equipment as well as modern mining technologies. The Group takes the advantage of specialized capabilities of its members, whose activites are complementary each other during project execution.

### ➤ **Parent company – KOPEX SA based in Katowice**

Subject of the Company's activity, according to the Polish Classification of Activities, specifies in detail § 6 of the Company's Statutes of Association. According to The Polish Classification of Activities (PKD) 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 conducting international trade with other countries, transforming with time into general contractor and supplier of machinery, equipment and services for mining industry.

The offer of KOPEX SA includes:

- ☉ Execution of complex investments projects, in particular of mining objects. The offer is distinguishes by the possibility of implementing the whole process of investments in mining:
  - ⇒ feasibility study of the project,
  - ⇒ supervising works regarding geological surveys of the mining area and assessment of reserves,
  - ⇒ elaborating of deposit mining technology,
  - ⇒ designing mining plants,
  - ⇒ manufacture, supply and assembly of machinery, equipment and technological systems,
  - ⇒ construction, development, modernization, mining execution and liquidation of mines,
  - ⇒ staff training and engineering support during project execution,
- ☉ Specialized mining services involving the sinking mining shafts, underground constructions including construction and renovation of tunnels, designing services and know-how,
- ☉ Supply of machinery and technological systems for open pit mines,
- ☉ Trading in power energy,
- ☉ Export of power raw materials, in particular energy coal and coking coal.

### ➤ **Subsidiary – Zabrzeńskie Zakłady Mechaniczne SA based in Zabrze**

Leading manufacturer of mining longwall shearers together with its subsidiaries forms the largest group among the Polish suppliers of advanced technologies for the mining industry – an exporter of modern mining technology.

Zabrzeńskie Zakłady Mechaniczne SA is a specialised in manufacture of mining machinery and equipment, rendering services and hire mining machinery. 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

ZZM SA also offers 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, hire of shearers and shearers subassemblies, together with around the clock service.

➤ **Subsidiary – KOPEX-Przedsiębiorstwo Budowy Szybów SA based in Bytom**

KOPEX - Przedsiębiorstwo Budowy Szybów SA 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 building facilities underground.

KOPEX-Przedsiębiorstwo Budowy Szybów S.A. has an experience in the execution of:

- shafts, foreshafts and reservoirs, together with related facilities (shaft stations, insets, 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;
- installment of steel structures, piping, installation and equipment in the underground facilities;
- modernization, repair and liquidation of mining facilities.

General construction

- general construction work – industrial plants and public utility structures,
- engineering works,
- plumbing works – industrial, electric, sanitary systems,
- insulation works,
- anticorrosion works – by using various methods – among others alpinist methods,
- steel construction – erection as well as assembling and related maintenance of steel structures,
- housebreaking and demolition work – by using, among others, blasting methods.

Drilling

- drilling from the surface and the underground;
- drilling, including normal and middle-diameter, for different purpose (research, technical, etc.);
- drilling of large-diameter to a diameter of 6000m ;
- stabilization of the rock mass by freezing, piling, injections, etc.;
- protection of excavation by 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 – Zakłady Urządzeń Technicznych WAMAG SA based in Wałbrzych**

WAMAG SA is a supplier of machinery and equipment for coal preparation (including: crushers, screens, pulsator jigs, separators and dewatering equipment), roadheaders and transporting systems (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- Rybnicka Fabryka Maszyn RYFAMA SA based in Rybnik**

RYFAMA SA is a company with long tradition in the design and manufacture of mining machinery and equipment for mines. The company is globally known for the production of complete means of horizontal transport of all types, in particular for scraper conveyors. The offer include the production of crushers and other elements of mining devices: reduction gearboxes, overlapping return-ends, anchoring and advancing device rope suspensions and other.

➤ **Subsidiary – KOPEX EQUITY Sp. z o.o. based in Katowice**

The Company's subject 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 – AUTOKOPEX Sp. z o.o. based in Katowice**

Sale of motor vehicles, maintenance and repair of motor vehicles, roadside assistance, parts sales and accessories for motor vehicles, car rental and other land transport.

➤ **Subsidiary – KOPEX EKO Sp. z o.o. based in Katowice**

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

➤ **Subsidiary – KOPEX CONSTRUCTION Sp. z o.o. based in Katowice**

The Company's subject of activity is manufacture of concrete products for construction and provision of advisory and consulting services, including the organization of tenders, technical and engineering consulting, services in preparation of documents and specifications, engineering supervision.

➤ **Subsidiary – EL-GÓR SA based in Chorzów**

The Company's subject of activity is manufacture of control equipment, distributive equipment and electrical equipment as well as as sale of machinery and equipment and rent of machinery and equipment. The Company renders services related to installation, repair and maintenance of control equipment and distributive equipment.

➤ **Subsidiary – HANSEN Sicherheitstechnik AG based in Munich/Germany**

The Company's subject of activity is design, manufacture and repair of electric power distribution and distributive systems in explosion-proof casing, development of technical documentation of electronic systems used in mining, in particular in the explosive atmospheres, manufacture of electronics for mining.

➤ **Subsidiary - KOPEX GmbH z siedzibą based in Moers/Germany**

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

➤ **Subsidiary – PT KOPEX MINING CONTRACTORS based in Jakarta/Indonesia**

The Company's subject of activity is execution of mining services in Indonesia,, as well as hire of mining machinery and equipment.

➤ **Subsidiaries - KOPEX MIN – MONT A.D., KOPEX MIN – FITIP A.D. w likwidacji, KOPEX MIN – OPREMA A.D. based in Nis/Serbia**

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

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

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

➤ **Subsidiary – SHANDONG TAGAO MINING EQUIPMENT MANUFACTURING CO.LTD based in Taian/China**

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

**Other selected members of the Kopex SA Capital Group:**

- **FMIU TAGOR SA** based in Tarnowskie Góry ⇒ manufacturer of powered roof supports, gate-end supports, supplier of individual support components
- **KOPEX-Famago Sp. z o.o.** based in Zgorzelec ⇒ operates in the engineering industry serving the following sectors: mining, energy, machine, handling and mineral resources. The Company, continuing the activities of the acquired company FAMAGO, has a nearly 30-years experience in the manufacture of excavators and 50-years in the manufacture of spreaders, conveyor belts 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.  
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 SA** based in Tychy ⇒ manufacturer of industrial automation electronic appliances, control and measurement as well as signaling and communication appliances for industry, particularly for mining. Commercial offer of ZEG SA includes manufacture of mining electronics and automation appliances as follows:
  - appliances and systems for underground mine automation and haulage,
  - mining transmission communication appliances and systems,
  - appliances and systems for mine atmosphere parameters analysis,
  - methane monitoring systems,
  - control, measurements and blasting appliances,
  - power network protection appliances for underground mines,
  - power electronics converters,
  - opencast mining appliances.
  
- **Zabrzańskie Zakłady Mechaniczne – Maszyny Górnicze Sp. z o.o.** based in Zabrze (before the change under the company : INFRABUD Sp. z o. o.) ⇒ rental and leasing of other machinery, equipment and material goods, manufacturer of metal structures and parts, manufacturer of general purpose machinery, general construction services associated with construction of buildings, buying, selling and renting real estate for its own account, building, urban and technological design, manufacturer of plastic products for construction
  
- **ELGÓR + Hansen Sp. z o.o.** based in Chorzów ⇒ the Company offers full service investment, including manufacture, repair and upgrading of flameproof electrical equipment for mining, service of reconstruction and modernization of explosive proof appliances, development of technical and exploitation documentation
  
- **DOZUT – TAGOR Sp. z o. o.** based 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.
  
- **BPOZ BREMASZ Sp. z o.o.** based 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.** based in Zabrze ⇒ other service activities in research and technical analysis
  
- **KOPEX AUSTRALIA Pty Ltd.** based in Newcastle/Australia ⇒ overhaul, repair and modernization of mining machinery and equipment.
  
- **WARATAH ENGINEERING Pty Ltd.** based in Argenton/Australia ⇒ manufacture of mining machinery and equipment.

### 3. CAPITAL GROUP. INFORMATION ON CHANGES IN ORGANIZATIONAL LINKS OR EQUITY LINKS OF THE ISSUER AND ENTITIES OF ITS CAPITAL GROUP

#### 3.1. DESCRIPTION OF THE ORGANIZATION OF THE ISSUER'S CAPITAL GROUP

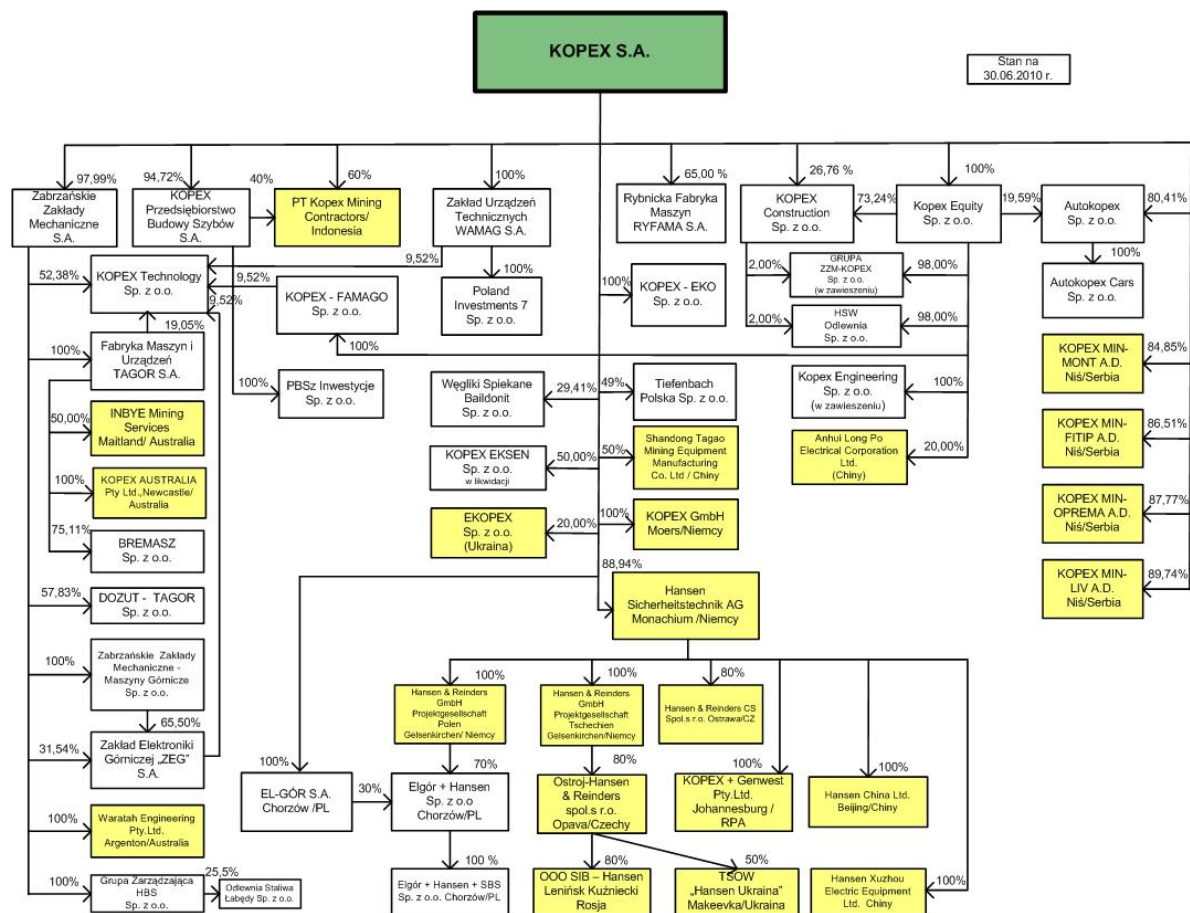
KOPEX SA Capital Group operates in the worldwide mining industry and is consisted of a parent company – a public company KOPEX S.A. and the organizational and capital related subsidiaries and indirect subsidiaries. Group is composed of over 50 Polish and foreign companies. Kopex Group has its foreign companies among others in Germany, Czech Republic, Republic of South Africa, China, Indonesia and Australia.

KOPEX as the leader of the Group acts as management of the holding, sets strategy for the development of the Capital Group, indicates lines of the Group activities in the sphere of production and services.

Since July 2009, the **KOPEX Group** uses a new logo for visual identification of the Group:



Structure of KOPEX SA Capital Group





 Note: yellow color indicates companies established abroad

### 3.2. MARKET POSITION OF THE CAPITAL GROUP

The KOPEX Group is a general contractor in investment enterprises in hard and brown coal and nonferrous metal mining, ensuring comprehensive investment service. Group's possibilities cover the design, production, supply and assembly of machines and complete technological systems as well as maintenance and trainings.

#### What distinguishes the KOPEX Group:

- Full range of products and technology for coal mining (underground mining, open-pit mining):
  - mining machinery and equipment, electronics for mining machinery, electrical and electronic systems for mines,
  - ability to offer the whole longwall system in each market,
  - innovative and technologically advanced products and 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...),
  - largest coal mines in Poland as well as energy producers (BOT, Jastrzębska Spółka Węglowa, Katowicki Holding Węglowy, Kompania Węglowa, PGE).

### 3.3. INDICATION OF THE IMPACT OF CHANGES IN THE STRUCTURE OF THE ECONOMIC UNIT, INCLUDING MERGER OF THE ECONOMIC UNITS, TAKEOVER OR SALE OF UNITS OF THE ISSUER'S CAPITAL GROUP, LONG-TERM INVESTMENTS, COMPANT SPLIT, RESTRUCTURING AND ABANDONMENT OF A BUSINESS

(information includes the period from 1 January 2010 to 31 December 2010 together with amendments during the preparation of consolidated annual report)

#### 1) Acquisition of shares by KOPEX SA or members of KOPEX SA Capital Group

##### a) amendment of KOPEX SA shareholding in a Serbian companies:

1. On 11.02.2010 Central Securities Depository and Clearing House of Serbia has conveyed 30.743 shares of company **KOPEX MIN – LIV A.D.** (resulting from financing by KOPEX SA compulsory investments, in accordance with purchase agreement). At present KOPEX SA holds altogether 91.091 shares of the KOPEX-MIN LIV A.D. which make 89,74% of the increased share capital and entitle to 91.091 votes at the general meeting, making also 89,74% of the total number of votes. Subject of activity of the KOPEX MIN – LIV A.D. is manufacture and supply of steel castings and iron castings. The Issuer informed about the matter in question in the current report RB 19/2010 dated 15.02.2010.

2. On 12.07.2010 the general meeting of the company KOPEX MIN-OPREMA A.D. with a registered seat in Nis/Serbia adopted a resolutions on increasing the base capital of KOPEX MIN – OPREMA A.D. by EUR 1.000.000 and on issue of 166.666 C series shares without public offer (directed to the KOPEX SA) in order to increasing the company's base capital by way of conversion of outstanding debt arising from a loan granted by KOPEX SA. Upon registration of the increased capital it will increase on the previous of EUR 3.839.817,31 to the amount EUR 4.839.817,31.

At present KOPEX SA holds altogether 442.164 shares of the KOPEX MIN-OPREMA A.D. which make 87,77% of the increased share capital and entitle to 442.164 votes at the general meeting, making also 87,77% of the total number of votes. Upon registration of the increased capital, KOPEX will hold altogether 608.830 shares of KOPEX MIN-OPREMA making 90,81% of the share capital and entitling to 608.830 votes at the general meeting making also 90,81%. Currently, procedures relating to the registration of the capital increase are in progress.

##### b) acquisition of shares of Rybnicka Fabryka Maszyn RYFAMA SA / The Machine Factory RYFAMA with a registered seat in Rybnik by KOPEX SA:

On 19 February 2010 there were concluded 3 agreements on share acquisition of a non-public company under the firm RYFAMA SA based in Rybnik, member of the GWARANT Capital Group in Katowice:

a) an agreement on sale of shares concluded between KOPEX SA (Investor) and Zakłady Urządzeń Galwanicznych i Lakierniczych ZUGIL SA based in Wieluń (ZUGIL SA). On the grounds of this agreement the Issuer acquired 4200.00 Series-A common bearer shares of nominal value amounting to PLN 1,59 per share, making 26,92% of the share capital of RYFAMA SA based in Rybnik.

b) a conditional agreement on sale of shares concluded between the KOPEX SA (Investor) and Andoria-Mot Sp. z o.o. based in Andrychów, Kuźnia Jawor SA based in Jaworzno, Fabryka Urządzeń Mechanicznych Chofum SA based in Chocianów (Companies) and Gwarant SA Capital Group based in Katowice (GWARANT CG). On the grounds of this agreement the Issuer will acquire altogether 594.000 Series-A common bearer shares of nominal value amounting to PLN 1.59 per share, making 38,08% of the share capital of RYFAMA SA based in Rybnik. The acquisition in question will be effected, on a condition precedent that the price is paid and acceptance for share acquisition is granted by the Chairman of Competition and Consumer Protection Office. On 14 June 2010, according to the information from Dom Inwestycyjny BRE Bank SA, conveyance of 594.00 shares property right was effected - as a result of fulfillment of both conditions precedent - obtaining a Decision of Chairman of Competition and Consumer Protection Office No. DKK-43/10 dated 25.05.2010 on consent for concentration through the acquisition of RYFAMA SA by KOPEX SA and paying the price. Thus, the dominance relationship between KOPEX SA and RYFAMA SA was established. KOPEX SA became the parent company and RYFAMA SA the subsidiary.

Currently, KOPEX SA holds altogether 1.014.000 Series-A common bearer shares of nominal value amounting to PLN 1,59 per share, making 65% of the share capital of RYFAMA SA and entitling to the same number of votes at the general meeting of the company RYFAMA SA.

c) a promissory agreement on sale of shares between Mr. Krzysztof Jędrzejewski (Investor) with participation of KOPEX SA and GWARANT Capital Group based in Katowice (GWARANT CG), Zakłady Urządzeń Galwanicznych i Lakierniczych ZUGIL SA based in Wieluń (ZUGIL SA) and Kuźnia Jawor SA based in Jaworzno hereinafter referred to as „Companies“. On the grounds of this agreement, the „Companies“ obliged themselves to sell the Investor or KOPEX SA altogether 388.087 Series-A common bearer shares of nominal value 1.59 per share, making 24,87% of the share capital of RYFAMA SA based in Rybnik. Besides, GWARANT Capital Group based in Katowice has obliged itself to sell the shares of RYFAMA SA acquired and to be acquired in the future. The promissory agreement will be concluded on a condition precedent that acceptance for share acquisition is granted by the Chairman of Competition and Consumer Protection Office within a period not earlier than 1 January 2011 and not later than 31 March 2011.

RYFAMA SA is globally recognized for manufacture of complete transport solutions, especially for scraper conveyors. The Company manufactures also crushers installed on a conveyors and other components used in mining machinery: reducers, over-lapping return-ends, anchoring and advancing devices, rope suspensions. Acquisition of the company RYFAMA is one of the elements of the acquisition process, executed within the framework of strategy for enhancing the KOPEX Group competitive position in manufacture of complete longwall system. KOPEX SA informed about the agreements in question in current reports: RB 24/2010 dated 20.02.2010 and rb 52/2010 dated 14.06.2010

**c) establishment and acquisition of shares of KOPEX-Sibir Sp. z o.o. based in Novokuznetsk/Russia by Zabrzeńskie Zakłady Mechaniczne SA based in Zabrze;**

On 10 August 2010 the limited liability company under the name: KOPEX-Sibir Sp. z o.o. was registered in the Russian Federation. The Company was established under the Civil Code of the Russian Federation and Federal Law No. 14-FZ dated 8.02.1998 on „Limited liability Companies“. The initial capital of the company amounts to 10 050,25 rubles and is divided between its two shareholders, namely Zabrzeńskie Zakłady Mechaniczne SA (the Issuer's subsidiary) holding 99.5% of the share capital and a natural person, a citizen of the Russian Federation, holding 0.5% of the share capital. The core business of the Company is the sale of mining equipment and spare parts as well as a servicing of mining equipment.

**2) Mergers of selected companies from the KOPEX Capital Group to reduce costs and improve their management**

**a) merger of the Issuer's subsidiary – company KOPEX Construction Sp. z o.o. based in Katowice with the Issuer's indirect subsidiary – company KOPEX-Comfort Sp. z o.o. based in Myslowice;**

On 18.03.2010 the District Court Katowice-Wschód in Katowice issued a decision on entering the register of a merger through takeover by the company KOPEX Construction Sp. z o.o. based in Katowice (acquiring

company) another company from Kopex Group with a similar subject of activity (manufacture of prefabricated elements) the company KOPEX-Comfort Sp. z o.o. (acquired company). The merger was effected by transferring all the assets of the acquired company to KOPEX Construction Sp. z o.o. together with increasing the share capital of the acquiring company. 18 March 2010 is the date of merger. The share capital of KOPEX Construction Sp. z o.o. based in Katowice was increased from PLN 3.227.000 to PLN 7.473.200 and is divided into 10.676 shares with a nominal value of PLN 700,0 each. The new shares in the increased capital of the KOPEX Construction Sp. z o.o. (result of the merger) were acquired by the shareholder – the subsidiary of the Issuer- the company KOPEX Equity Sp. z o.o. based in Katowice. The company holds altogether 7.819 shares making 73,24% of the increased share capital (so far had 38,03% of the share capital) and entitling to the same number of votes at the assembly of partners. Share of the other shareholder – KOPEX SA – decreased from 61,97% to 26,76% of the share capital (holding of 2.857 shares remains unchanged).

**b) call of ZZM SA (the Issuer's subsidiary) to subscribe for the sale of shares of Zakład Elektroniki Górniczej ZEG SA based in Tychy by the other shareholders, in accordance with Article 91 paragraph 6 of the Law on Offer dated 29.07.2005 and the inclusion of the company ZEG SA to the company ELGÓR+HANSEN Sp. z o.o. based in Chorzów;**

On 14 July 2010 the Management Board of Zakład Elektroniki Górniczej ZEG SA based in Tychy (subsidiary of ZZM SA and ZZM Maszyny Górnicze Sp. z o.o.) informed (current report No 16/2010 dated 14.07.2010) on the resolution of the Management Board of Zabrzeńskie Zakłady Mechaniczne SA based in Zabrze, dated 13.07.2010:

„1. The Management Board of Zabrzeńskie Zakłady Mechaniczne SA, which are shareholder of Zakład Elektroniki Górniczej ZEG SA, in connection with the intent to put on the agenda of the general meeting of shareholders of Zakład Elektroniki Górniczej ZEG SA motion on adopting a resolution on restitution to the shares of Zakład Elektroniki Górniczej ZEG the form of a document (abolition of dematerialization), decides to call for a subscribe for the sale of shares of Zakład Elektroniki Górniczej ZEG SA by the other shareholders, in accordance with Article 91 paragraph 6 of the Law on Offer dated 29.07.2005.

2. The Management Board decides to outsource the publication and realization of the above mentioned call to the entity conducting the brokerage activity on Polish territory.“

Zabrzeńskie Zakłady Mechaniczne SA holds 31,54% of the ZEG SA shares, and indirectly – through Zabrzeńskie Zakłady Mechaniczne –Maszyny Górnicze Sp. z o.o. – 65,5%. Altogether, directly and indirectly . ZZM SA holds 1.101.404 shares of ZEG SA, making 97,04% of the company's capital.

Realization of the call was outsourced to DM ING Securities in Katowice. Zabrzeńskie Zakłady Mechaniczne SA (ZZM) called for the sale of 33.636 shares of ZEG SA, i.e. 2,96% of the company's capital, PLN 35 per share. According to the call published on 19.07.2010, subscription for shares begins on 5 August and ends on 3 September 2010. As a result of the call, the Acquirer intends to acquire 33.636 shares of ZEG and after the call intends to hold directly 391.590 of the company's shares, making 34,5% of the share capital and votes at the General Meeting of ZEG shareholders, i.e. directly and indirectly intends to hold 100% of ZEG shares.

Restructuring plan of the KOPEX Group assumes that after the purchase of 2,96% ZEG shares (remaining in the free float), the company will be withdrawn from the Warsaw Stock Exchange and incorporated into the company with a similar business profile - Elgór+Hansen Sp. z o.o. in Chorzów (member of KOPEX SA Capital Group, subsidiary of German company – Hansen Sicherheitstechnik AG based in Munich).

**3) Sale of shares by KOPEX SA, suspension of operations or liquidation of selected companies under the restructuring process of the KOPEX SA Capital Group:**

**a) decision of the shareholders upon the dissolution and liquidation of the company KOPEX EKSEN Sp. z o.o. with a registered seat in Katowice;**

On 15 January 2010 the Extraordinary Meeting of Shareholders of KOPEX EKSEN Sp. z o.o. with a registered seat in Katowice, with the participation of both partners, has adopted a unanimous resolution on dissolution the company and appointed a liquidator of this company. On 15.02.2010 the resolution of the shareholders on the dissolution and liquidation of the company has entered into register upon the decision of court of registration. Shareholders of the Company are: the company EKSEN PROJE INSAAT TURIZM VE TICARET ANONM SIRKETI with a registered seat in Ankara/Turkey holding 50% of the share capital and KOPEX SA with a registered seat in Katowice holding 50 % of the share capita. The Company has not started its activity and has no employees. The Issuer informed about the matter in question in the current report RB8/2010 dated 15.01.2010.

**b) sale of the share package held of the FASING SA with a registered seat in Katowice:**

On 11 June 2010 KOPEX SA sold 140.000 common shares of the FASING SA publicly traded company based in Katowice, within the frame of the out-of-the-session package transaction. Execution of the transaction in question was based on the Agreement signed on 11 June 2010 between KOPEX SA based in Katowice (the Seller) and the company KARBON 2 Sp. z o.o. based in Katowice, Modelarska 11 (the Buyer), and on the order for a package transaction, placed at the BOŚ Brokerage House SA by KOPEX SA. Currently, KOPEX SA holds no shares of the FASING SA based in Katowice. The Issuer informed about the above mentioned transaction in the current report RB53/2010 dated 15 June 2010. The Issuer also informed the Financial Supervision Commission as well as the company FASING SA.

**c) sale of the 60% shares held of the KOPEX POLSKIE BIOGAZOWNIE SA with a registered seat in Zabrze:**

On 21 May 2010 the Issuer „Seller“ and two physical entities (designated by names in the Contract) „Buyers“ have signed an Agreement on sale of shares. Subject of the Agreement was sale of all 1.200.000 Series A inscribed shares held by the Issuer of the non-listed company KOPEX POLSKIE BIOGAZOWNIE SA (the Issuer's subsidiary) at a total value of PLN 1.200.000 (say: one million and two hundred thousand zlotys). The shares sold makes 60% of the share capital and entitle to 60% of the votes at the General Meeting. Subject of the activity of the company is construction and operation in bio-gas plants and financing. The Agreement was signed subject to suspending conditions that were fulfilled fully on 29 June 2010, ie. the share acquisition price was paid and the value of the loan granted this company by KOPEX SA, together with interest, was returned on the agreed date. The Issuer informed about the matters in question in current reports RB48/2010 dated 21.05.2010 and RB59/2010 dated 30.06.2010.

**d) liquidation of the Serbian subsidiary KOPEX MIN-FITIP A.D. with a registered seat in Nis/Serbia:**

The negative impact of global crisis on the operating conditions on the Serbian market, resulting in retention of industrial investments and a decrease in orders, particularly in the production of steel structures and assembly operation, has forced the KOPEX SA to revise the original concept of merger the companies KOPEX MIN-MONT A.D., KOPEX MIN-OPREMA A.D. and KOPEX MIN-LIV A.D. with the company KOPEX MIN-FITIP A.D. as the acquiring company (all the companies with a registered seat in Nis/Serbia). On 12 July 2010 the Extraordinary Meeting of Shareholders of KOPEX MIN-FITIP A.D. has adopted a resolution on dissolution the company and appointed a liquidator of this company. Motion on company's liquidation was lodged into to the Serbian Register of Enterprises. Company's subject of activity is the manufacture of steel structures and part as well as assembly operations. KOPEX SA holds 761.428 shares, making 86,51% of the share capital and entitling to the same number of votes at the general meeting. Currently, in accordance with the local law, procedures related to the process of liquidation of the company KOPEX MIN-FITIP A.D. in liquidation are ongoing. Activities of other Serbian subsidiaries – KOPEX MIN-MONT A.D., KOPEX MIN-OPREMA A.D. and KOPEX MIN-LIV A.D. – will be continued.

**4) Other - sale of the share package held of the KOPEX SA by the State Treasury:**

On 14 January 2010 the Company obtained response from the Ministry of State Treasury (ref. MSP/D MSP/244/10, dated 14.01.2010) to the letter of the Company dated 5 January 2010 regarding shareholding of KOPEX SA by the State Treasury. The Issuer was informed by this letter that (quotation): The State Treasury represented by the Ministry of State Treasury is not a shareholder of KOPEX SA as for 14 January 2010.“ By the information published on the website of the Ministry of State Treasury, the Issuer became aware of the sale of 2.168.300 common bearer shares of KOPEX SA on 22 and 23 December 2009. Thus, the privatization process of the KOPEX SA has been completed. Prior to the sale in question, the State Treasury held 2.168.300 common bearer shares entitling to the same number of votes and making 2,92% of the share capital and of the total number of votes (prior to the change in the Company's share capital on 1 December 2009 the share amounted to 3,21%). The Issuer informed about the sale in question the current report RB9/2010 dated 15.01.2010.

*In addition to the above-described (Item 3.3) events and changes in the KOPEX Capital Group there was no other significant changes during the reporting period.*

Main investments of the Issuer's Capital Group in financial and tangible assets for the I half of 2010:

PLN THOU.

INVESTMENTS	Value
1. Acquisition and takeovers	71.227
2. Machinery and equipment	56.385
3. Buildings and real estates	4.231
4. New products and projects	1.678
5. Intangible assets	2.073
6. Other	7.389
<b>Total</b>	<b>142.983</b>

During the first half of 2010 the Group incurred costs of depreciation of resources in the amount of PLN 40.771 thou. The investments were financed from own funds and external financing (bank credits).

#### 4. SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING OF THE ISSUER AT THE DATE OF SEMI-ANNUAL REPORT

According to the information held by the Issuer at the date of semi-annual report, the shareholders holding 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 SA	number of votes at the GM	% votes at the GM
<b>Krzysztof Jędrzejewski</b>	44 906 459 <sup>1)</sup>	60,41 %	44 629 959 <sup>1c)</sup>	60,27 %
<b>BZ WBK AIB Asset Management SA</b>	4 452 100 <sup>2) 3)</sup>	5,99 %	4 452 100	5,99 %
<b>Aviva OFE Aviva BZ WBK</b>	3 789 840 <sup>4)</sup>	5,10 %	3 789 840	5,10 %

##### Notes:

<sup>1)</sup> Total number of shares (directly and indirectly) according to the notice, dated 8.12.2009, received by the Issuer - the Issuer informed about it in the current report RB 190/2009, dated 9 December 2009 (before registration of the share capital increase, dated 1.12.2009, the percentage of the Company's share capital amounted to 66,60%), 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 (before registration of the share capital increase, dated 1.12.2009, the percentage of the Company's share capital amounted to 65,13%),

b) indirectly, through PBP „Puławy“ Development Sp. z o.o. with a registered seat in Poznań, 270.000 shares of KOPEX S.A. with a registered seat 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 (before registration of the share capital increase, dated 1.12.2009, the percentage of the Company's share capital amounted to 0,40%),

c) indirectly, through KOPEX SA with a registered seat in Katowice, 276.500 shares representing 0,37% of the share capital (in accordance with Article 364§2 of the Commercial Companies Code, the company does not exercise the rights of its own shares, except the power to its disposal or to carry out activities which seek to preserve those rights, therefore they do not entitle to vote at the general meeting). Before registration of the share capital increase, dated 1.12.2009, the percentage of the Company's share capital amounted to 0,41%. These shares were acquired by KOPEX S.A. as a part of buying its own shares for the purpose of resale during the period of the date of the „Acquisition/buy back of own shares programme.“, i.e. from 15.12.2008 until 5.02.2009, including this date (in accordance with position of the Financial Supervision Commission determined in a letter dated 9 April 2009 (DNO/WNO/023/9/4/09/MR) that the acquisition of own shares by a public company depending on the majority shareholder is the indirect acquisition of shares of a public company). After that date, the Company has not acquired own shares,

d) indirectly, through mother – Anna Jędrzejewska (closely associated) 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 (before registration of the share capital increase, dated 1.12.2009, the percentage of the Company's share capital amounted to 0,46%),

<sup>2)</sup> total number of shares / votes conveyed by BZ WBK AIB Asset Management S.A. (in accordance with notices received by the Issuer) includes, i.a. 3.798.257 shares, which BZ WBK AIB Asset Management S.A. based in Poznań manages on the basis of the order on management of portfolios of investments funds, whose body is BZ WBK AIB TFI S.A. based in Poznań (Arka BZ WBK Akcji FIO, Arka BZ WBK Energii FIO, Arka BZ WBK Stabilnego Wzrostu FIO, Arka BZ WBK Zrównoważony FIO and Lukas FIO). The Issuer informed about the exceeded a 5% bound in the share capital by BZ WBK AIB Asset Management S.A. in the current report RB189/2009, dated 8 December 2009,

<sup>3)</sup> The Issuer informed in the current report RB65/2010 dated 30.07.2010 on receiving a notice dated 26.07.2010 from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA. BZ WBK AIB TFI SA acting pp: Arka BZ WBK Akcje FIO, Arka BZ WBK Stabilny Wzrost FIO, Arka BZ WBK Zrównoważony FIO and Lukas FIO informed that as a result of the sale of shares on 21 July 2010 the above mentioned funds became a shareholders of shares making less than 5% of the total number of votes at the general meeting of KOPEX SA. On 21 July 2010 the Funds held 3.617.472 shares, making 4.87% of the share capital of KOPEX SA. The shares entitling to 3.617.472 votes, making 4.87% of the total number of votes at the general meeting of KOPEX SA.

Moreover, BZ WBK AIB TFI S.A. informed the Issuer, that they outsourced the management of the Funds' investments portfolios to the company BZ WBK AIB Asset Management SA based in Poznań. Until the date of the semi-annual report the Issuer has not received other notices.

<sup>4)</sup> total number of shares held by Aviva OFE Aviva BZ WBK SA in accordance with last notice, dated 31.12.2008 received by the Issuer from Aviva OFE Aviva BZ WBK SA (till 31.05.2009 under the company Commercial Union PTE PBH CU WBK S.A.). Before registration of the share capital increase, dated 1.12.2009, the percentage of the Company's share capital amounted to 5,60%.

## 5. HOLDING OF THE ISSUER'S SHARES OR AUTHORITY TO THE SHARES HELD BY THE MANAGERS AND SUPERVISORS OF THE ISSUER AT THE DATE OF SEMI-ANNUAL REPORT

### 5.1. HOLDING OF THE ISSUER'S SHARES OR AUTHORITY TO THE SHARES HELD BY THE MANAGERS OF THE ISSUER AT THE DATE OF SEMI-ANNUAL REPORT

Name	Office	Total number of KOPEX SA shares held.	Changes in shareholding of KOPEX SA shares from the previous quarterly report
<b>Marian Kostempski</b>	Chairman of the Board	200.000 <sup>1)</sup>	no change <sup>1)</sup>
<b>Józef Wolski</b>	Vice Chairman of the Board	holds no <sup>1)</sup>	no change <sup>1)</sup>
<b>Joanna Parzych</b>	Vice Chairman of the Board	3.970 <sup>1)</sup>	no change <sup>1)</sup>
<b>Total managers</b>		<b>203.970</b>	no change <sup>1)</sup>

Note:

☞ <sup>1)</sup> holding of the Issuer's shares without changes during the period from the last quarterly report, ie QSR-1/2010 dated 17 May 2010.

### 5.2. HOLDING OF THE ISSUER'S SHARES OR AUTHORITY TO THE SHARES HELD BY THE SUPERVISORS OF THE ISSUER AT THE DATE OF SEMI-ANNUAL REPORT

Name	Office	Total number of KOPEX SA shares held	Changes in shareholding of KOPEX SA shares from the previous quarterly report
<b>Krzysztof Jędrzejewski</b>	Chairman	44 906 459 <sup>2)</sup>	no change <sup>1)</sup>
<b>Artur Kucharski</b>	Vice Chairman	holds no <sup>1)</sup>	no change <sup>1)</sup>
<b>Michał Rogatko</b>	Secretary	holds no <sup>1)</sup>	no change <sup>1)</sup>
<b>Adam Kalkusiński</b>	Member	holds no <sup>1)</sup>	no change <sup>1)</sup>
<b>Marzena Misiuna</b>	Member	holds no <sup>1)</sup>	no change <sup>1)</sup>
<b>Total supervisors</b>		<b>44 906 459 <sup>2)</sup></b>	no change <sup>1)</sup>

Notes:

☞ <sup>1)</sup> holding of the Issuer's shares without changes during the period from the last quarterly report, ie QSR-1/2010 dated 17 May 2010.

<sup>2)</sup> total number of shares (directly and indirectly, as well as together with mother – Mrs. Anna Jędrzejewska) according to the notice, dated 8.12.2009, received by the Issuer:

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.

**6. INFORMATIONS, WHICH IN THE ISSUER'S OPINION ARE RELEVANT TO THE ASSESSMENT OF THE ISSUER AND ITS SUBSIDIARIES INCLUDING THE HR POSITION, FINANCIAL STANDING, FINANCIAL POSITION, FINANCIAL RESULT AND THEIR CHANGES AS WELL AS INFORMATIONS WHICH ARE ESSENTIAL TO ASSESS THE FEASIBILITY OF IMPLEMENTATION OF COMMITMENTS BY THE ISSUER AND ITS**

**UNIT RESULTS**

**HR position**

Personnel policy of the KOPEX SA is closely related to personnel policy of the Capital Group. The Company's organizational structure was adjusted to current needs, arising from internal and external conditions.

Employment:

	PEOPLE		
	30.06.2010	31.03.2010	31.12.2009
WHITE-COLLAR WORKERS	170	171	174
BLUE-COLLAR WORKERS	20	22	21
<b>TOTAL</b>	<b>190</b>	<b>193</b>	<b>195</b>

**Financial position**

On the end of first half of 2010 balance value amounted to PLN 1.568.384 thou and rose by 2,4 % in comparison with the balance value in 2009. Basically, increase of assets in the fixed assets group by 2,8% contributed to balance value increase.

There was increase in liabilities, both in the equity group by PLN 14.472 thou and in the short-term liabilities by PLN 24.103 thou, i.e. by 11,8% as well as decrease in the long-term liabilities by PLN 1.966 thou, i.e. by 26,4%.

The most significant changes in the first half of 2010 occurred in the following components of the balance sheet:

 **ASSETS**

- there was diminution in the current assets group from PLN 259.848 thou to PLN 256.358 thou, i.e. by 1,3%; this decrease was affected by:
  - stock diminution from PLN 2.869 thou to PLN 2.134 thou, i.e. by 25,6%;
  - diminution in short-term other receivables from PLN 43.549 thou to PLN 20.295 thou, i.e. by 53,4%;
  - diminution in derivative financial instruments from PLN 8.299 thou to PLN 39 thou;
  - diminution in short-term accruals from PLN 1.306 thou to PLN 1.293 thou, i.e. by 1,0%.
  - enhancement in short-term receivables from supplies and services by PLN 4.273 thou to PLN 109.507 thou, i.e. by 4,1%;
  - enhancement in short-term loans granted by PLN 16.748 thou to PLN 90.516 thou, i.e. by 22,7%;
  - enhancement in money assets and their equivalents from PLN 24.823 thou to PLN 30.131 thou, i.e. by 21,4%;
  
- there was increase in the fixed assets group in the first half of 2010, in comparison with its value in 2009 by PLN 35.861 thou, i.e. by 2,8%; this increase was basically affected by:
  - enhancement in other long-term financial assets by PLN 66.350 thou, i.e. by 5,5%;
  - enhancement in long-term other receivables by PLN 17 thou, i.e. by 2,1%;
  - diminution in fixed assets, in intangible assets by PLN 118 thou, i.e. by 5,0%; in tangible assets by PLN 4.644 thou, i.e. by 25,9%; long-term loans granted by PLN 23.056 thou; deferred income tax assets by PLN 1.424 thou, i.e. by 10,4% and long-term financial assets available for sale by PLN 1.264 thou.

 **LIABILITIES**

There was an increase in equity by PLN 14.472 thou. This increase was mainly gained through enhancement of retained profit and diminution of negative value of capital from updating evaluation by PLN 3.911 thou, i.e. by 12,8%.

There was decrease in long-term liabilities in the first half of 2010 in comparison with the year 2009 by PLN 1.966 thou. This decrease was basically affected by:

- diminution in long-term other liabilities by PLN 202 thou, i.e. by 23,8%,
- diminution in deferred income tax reserve by PLN 1.764 thou, i.e. by 28,1%;

There was increase in short-term liabilities in the first half of 2010 in comparison with the year 2009 by PLN 24.103 thou. This increase was basically affected by:

- enhancement in credits and short-term loans by PLN 45.201 thou, i.e. by 71,5%;
- enhancement in other short-term reserves for liabilities by PLN 5.070 thou, i.e. by 50,0%;
- diminution in short-term liabilities from supplies and services by PLN 7.401 thou, i.e. by 10,6%;
- diminution in short-term other liabilities by PLN 16.538 thou, i.e. by 52,8%
- diminution in derivative financial instruments by PLN 2.323 thou, i.e. by 7,9%;
- enhancement in short-term pension reserve by PLN 94 thou, i.e. by 42,7%;

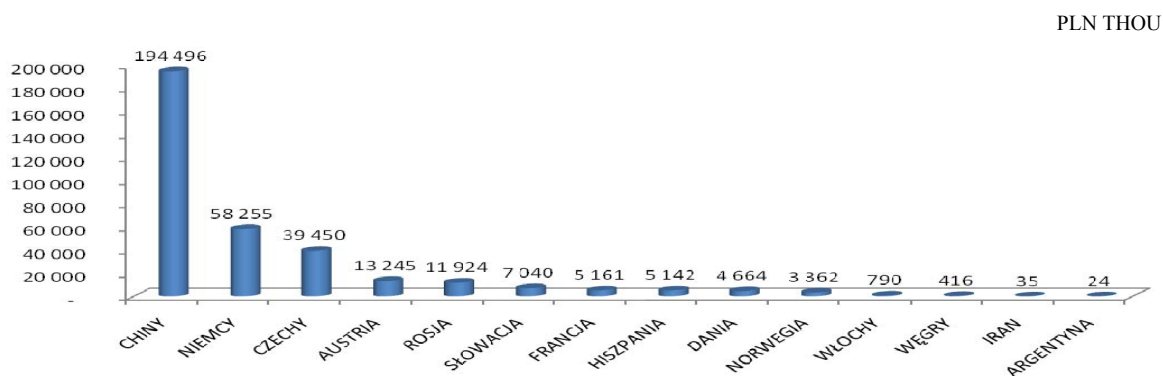
## UNIT PROFIT AND LOSS ACCOUNT

In the first half of 2010 the Issuer's income from sale amounted to PLN 653.498 thou and it was higher than the income from sale gained over the same period in 2009 by PLN 249.627 thou, i.e. by 61,8%. Income from sale increased by 71,8% from sale for export and by 52,0% from sale for domestic market.

The Issuer obtained income from export sale amounting to PLN 344.004 thou. The following transactions contributed to higher income from export sale:

- sale of mining machinery and equipment to China, Russia, Hungary, Argentina and Germany amounting to PLN 206.906 thou;
- sale of electric energy to Austria, Czech Republic, Germany and Slovakia amounting to PLN 113.834 thou;
- sale of raw materials (coal) to Austria, Denmark, Spain, Norway and Slovakia amounting to PLN 17.208 thou;
- rendering mining services in France and Italy amounting to PLN 5.951 thou;
- other services rendered on German market amounting to PLN 105 thou.

The figure below shows a geographical structure of KOPEX SA export in the period from January to June 2010:



From January until June 2010, the Issuer obtained income from sale on domestic market amounting to PLN 309.494 thou and including, inter alia:

- sale of electric energy amounting to PLN 220.710 thou,
- sale of coal amounting to PLN 80.723 thou,
- IT services amounting to PLN 1.565 thou,
- logistics services amounting to PLN 1.069 thou,
- optimization services for electric energy amounting to PLN 213 thou,
- other sale amounting to PLN 5.214 thou.

In the first half of 2010 gross profit from sale amounted to PLN 51.946 thou, and it was higher than total gross profit from sale gained over the same period in 2009 by PLN 26.902 thou, i.e. by 107,4%.



In the first half of 2010 selling expenses amounted to PLN 15.591 thou and are higher than selling expenses born in comparison with the same period of 2009 by PLN 9.322 thou. Enhancement of transaction costs related with export of powered roof support on China market mainly increase in selling expenses.

Management overheads costs amounted to PLN 10.204 thou in the first half of 2010 and they were by PLN 226 thou, i.e. by 2,2% lower in comparison with the same period of the previous year.

Other income and cost are as follows:

- other income (January-June 2010):

Diminution in write-downs updating the receivables	9.589	PLN THOU
Reimbursement of bank costs	262	PLN THOU
Release of liabilities reserves	195	PLN THOU
Diminution in write-downs updating the non-financial assets	136	PLN THOU
Certificates	98	PLN THOU
Damages, penalties, reimbursment of legal costs	74	PLN THOU
Sale of fixed assets	45	PLN THOU
Cancelled statute-barred liabilities	15	PLN THOU
Other	40	PLN THOU
<b>TOTAL</b>	<b>10.454</b>	<b>PLN THOU</b>

- other cost (January-June 2010):

Result from cash flow hedge	25.103	PLN THOU
Written-off and statute-barred receivables	8.958	PLN THOU
Legal costs, court representations, penalties, damages	183	PLN THOU
Value of assets sold	136	PLN THOU
Membership fees	49	PLN THOU
Revaluation of non-financial assets	37	PLN THOU
Grants	26	PLN THOU
Cost of accident repairs	12	PLN THOU
Other	10	PLN THOU
<b>TOTAL</b>	<b>34.514</b>	<b>PLN THOU</b>

In the first half of 2010 the Company gained profit from operational activity amounting to PLN 2.091 thou, and this result was by PLN 3.587 thou, i.e. by 63,2% lower than this one gained over the same period of the previous year.

Financial income and financial costs:

- financial income (January-June 2010):

dividends and share in profit	11.760	PLN THOU
interests	3.935	PLN THOU
income from investments sold	2.967	PLN THOU
revaluation of investments	3.981	PLN THOU
other, incl.:	100	PLN THOU
• release of reserve due to exchange rate differences	22	PLN THOU
• comission on warranties granted	2	PLN THOU
• other	76	PLN THOU
<b>TOTAL</b>	<b>22.743</b>	<b>PLN THOU</b>

- financial costs (January-June 2010):

interests	3.338	PLN THOU
value of investments sold	2.464	PLN THOU
revaluation of investments	9.124	PLN THOU
exchange rate differences	82	PLN THOU
other, incl.:	245	PLN THOU
• bank charges	157	PLN THOU
• write-downs updating the receivables	41	PLN THOU
• reserves	27	PLN THOU
• other	20	PLN THOU

Company's net profit in the first half of 2010 amounted to PLN **10.561 thou** and it was by PLN 8.452 thou higher in comparison with net profit in the same period of the previous year.

### **Feasibility of the liabilities**

The financial situation of the Company is illustrated by the following liquidity indices:

	<b>30.06.2010</b>	<b>31.03.2010</b>	<b>31.12.2009</b>
• current index	1,20	1,23	1,34
• quick index	1,19	1,22	1,33
• cash index	0,14	0,07	0,13

The current level of indices does not pose risk for the Company's liquidity.

## **CONSOLIDATED RESULTS**

### **HR position**

At the end of the first half of 2010 the Capital Group employs 6.202 persons, of which the number of blue-collar workers amounted to 4.166 persons, while the number of white-collar workers amounted to 2.036 persons.

### **Financial position**

#### **Income and results from the different operating segments**

In accordance with the rules in force from 1.01.2009 and set forth in IFRS 8 (adopting an approach consistent with the approach of the Company's Management), the activity of the Capital Group was divided into operating segments which reflecting the main directions of activity. The basic division is division into trade segments resulting from the management structure and internal reporting of the Group.

Trade segments include:

- segment of mining services,
- segment of the manufacture and sale of machinery and equipment for underground mining,
- segment of the manufacture and sale of machinery and equipment for surface mining,
- segment of the manufacture and sale of machinery and equipment for industry,
- segment of the manufacture and sale of electrical and electronic machinery and equipment,
- sale of energy segment,
- sale of coal segment,
- castings segment,
- other activity segment.

Other activity segment includes construction services, workshop services, heap services, agency services, carrier and transport services, leasing services, after-sales services, sale of cars, consulting services and repair services.

The Capital Group companies carries out various activities involving the sale of raw materials, sale of machinery and equipment for underground mining, surface mining and industry, construction services, mining services, including complete industrial plants, consulting services and broking in the domestic and foreign trade.

The above activity is not a mass activity, it is a specific activity depending on the individual needs of recipients.

During the selection of the operating segments, actions were primarily directed towards the reliability and comparability of information over time for various groups of goods and services of the Capital Group as well as its organizational structure was taken into account.

It should be noted that not all the extracted segments meet the quantitative threshold of 10% or more of total external and internal incomes. The entity had a view of their significance in deciding on their presentation.

The body responsible for making decisions in the entity, assesses the results of performance of the individual operating segments basing on the result of gross sale and operational activity result, which is reflected in their presentation. Consolidation adjustments, exclusions are included in incomes and result of the segments, which objectifies the result of the segment.

The Group operates in many geographical areas, that is why the management of the entity found it necessary to supplement the presented incomes from sale in different countries due to the fact of complexity of territorial activity of the Group. The following tables provide informations on the consolidated operating segments by trade and geography.

**INFORMATION ON THE CONSOLIDATED OPERATING SEGMENTS BY TRADE**

	Mining services		Manufacture and sale of machinery and equipment for underground mining		Manufacture and sale of machinery and equipment for surface mining		Manufacture and sale of machinery and equipment for industry		Manufacture and sale of electric an electrical machinery and equipment		Sale of energy		Sale of coal		Castings		Other activity		Consolidated value		
	I-II QR 2010	I-II QR 2009	I-II QR 2010	I-II QR 2009	I-II QR 2010	I-II QR 2009	I-II QR 2010	I-II QR 2009	I-II QR 2010	I-II QR 2009	I-II QR 2010	I-II QR 2009	I-II QR 2010	I-II QR 2009	I-II QR 2010	I-II QR 2009	I-II QR 2010	I-II QR 2009	I-II QR 2010	I-II QR 2009	
Segment income	117 320	97 409	360 382	383 193	37 028	28 278	7 036	15 052	94 070	121 688	333 094	363 501	97 930	21 664	6 565	7 375	65 470	71 828	1 118 895	1 109 988	
Segment result – gross result from sale	21 750	10 780	97 677	113 338	9 655	4 455	-939	1 637	35 381	41 055	5 483	17 997	853	1 958	638	697	6 926	9 456	177 424	201 373	
Segment operating result	14 746	142	10 219	62 260	3 880	-224	-3 213	-1 406	12 284	26 988	1 275	13 211	591	844	-957	-1 828	-3 241	3 115	35 584	103 102	
The financial result of the group																			-3 495	-26 612	
Profit (loss) on sale of all or part of shares in related parties																				436	
Amortisation of goodwill of subsidiaries																					
Excess of fair value of net assets of acquiree over cost of merger																					
Loss of control over the subsidiary																				830	
Profit (loss) from the settlement of multi-step takeovers																				-835	
Gross profit (loss)																				32 084	76 926
Income tax																				7 462	19 658
Share of net profits (losses) of subsidiaries under the equity method																				55	105
Consolidated net profit (loss)																				24 677	57 373
Profit (loss) attributable to non-controlling shares																				3 853	5 695
Profit (loss) attributable to shareholders of the parent company																				20 824	51 678

Information on the main external customers, from whose income exceeds 10% or more of total Group's income, i.e. PLN 111.899 thou or more.

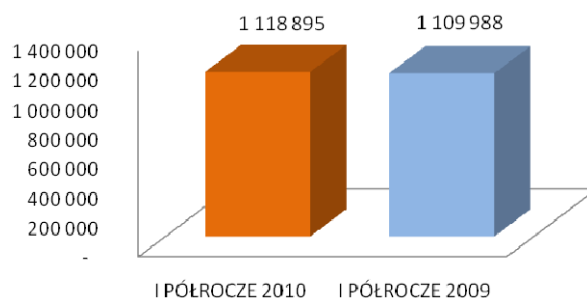
In the first half of 2010 the quantitative criteria defining the main customer has been achieved with a single counterparty. Income in the amount of PLN 181.848 thou was gained in the manufacture and sale of machinery and equipment for underground mining.

**INFORMATION ON THE CONSOLIDATED OPERATING SEGMENTS BY GEOGRAPHY**

	Mining services		Manufacture and sale of machinery and equipment for underground mining		Manufacture and sale of machinery and equipment for surface mining		Manufacture and sale of machinery and equipment for industry		Manufacture and sale of electric and electrical machinery and equipment		Sale of energy		Sale of coal		Castings		Other activity		Consolidated value		
	I-II OR 2010	I-II OR 2009	I-II OR 2010	I-II OR 2009	I-II OR 2010	I-II OR 2009	I-II OR 2010	I-II OR 2009	I-II OR 2010	I-II OR 2009	I-II OR 2010	I-II OR 2009	I-II OR 2010	I-II OR 2009	I-II OR 2010	I-II OR 2009	I-II OR 2010	I-II OR 2009	I-II OR 2010	I-II OR 2009	
SOUTH AFRICA									25 238	33 594									25 238	33 594	
AMERICA									324	5 815									324	5 815	
ARGENTINA			24	7 817															24	7 817	
AUSTRALIA			65 137	91 438													349	235	65 486	91 673	
AUSTRIA					17				92	1 261	12 316	15 903	929	2 625					13 354	19 789	
BANGLADESH		36																		36	
BELARUS			529	299					140	1 021									669	1 320	
BOSNIA							16							99	127				115	127	
BULGARIA							46	26										193	46	219	
CHINA			145 978	83 690															145 978	83 690	
MONTENEGRO														35						35	
CZECH REPUBLIC	64	34	4 924	13 542					20 315	16 095	39 450	49 232					655	362	65 408	79 265	
DENMARK													4 664				92	3 357	4 756	3 357	
FRANCE	5 161	3 651			582														5 743	3 651	
SPAIN			135										5 142	4 443					5 277	4 443	
NETHERLANDS																	1 074	6 456	1 074	6 456	
INDONESIA	22 716	4 166																2	22 716	4 168	
IRAN			35	25															35	25	
ICELAND							38												38		
KAZAKHSTAN									913										913	122	
KOSOVO																	5			5	
MACEDONIA							70	1 391						37	477				107	1 868	
MEXICO			594																594		
GERMANY	854	7 850	235	742	12 101	8 708		370	6 357	16 193	58 139	81 614					5 256	10 118	82 942	125 595	
NORWAY					425	7 049							3 362	2 538					3 787	9 587	
POLAND	87 735	80 766	125 755	183 730	23 903	12 187	2 583	4 602	29 996	32 192	219 260	200 704	80 723		3 578	4 719	57 834	50 503	631 367	569 403	
RUSSIA			16 461	431					9 598	8 540									123	26 059	9 094
ROMANIA			159	29						15									159	44	
SERBIA							3 914	7 797							2 816	2 035	210	357	6 940	10 189	
SLOVAKIA									344	3 185	3 929	16 048	3 110	4 904					7 383	24 137	
SLOVENIA										857										857	
SWEDEN						334	369	9											369	343	
UGANDA																12				12	
UKRAINE									485										485		
GREAT BRITAIN									268	3 777				7 154					268	10 931	
HUNGARY			416	1 450															416	1 450	
ITALY	790	906																	790	906	
TOTAL SALE	117 320	97 409	360 382	383 193	37 028	28 278	7 036	15 052	94 070	121 688	333 094	363 501	97 930	21 664	6 565	7 375	65 470	71 828	1 118 895	1 109 988	

## CONSOLIDATED NET INCOME FROM SALE OF PRODUCTS, GOODS AND MATERIALS

PLN THOU



In the first half of 2010 the Capital Group's consolidated net income from sale of products, goods and materials amounted to PLN 1.118.895 thou. The income from sale increased by PLN 8.907 thou, i.e. by 0,8% in comparison with the same period of the previous year.

The following transactions contributed to higher income from sale:

- sale of coal (enhancement by 352,0%) incl.: sale of coal in the domestic market in 2010 (carbon bonds) at amount of PLN 80.723 thou
- manufacture and sale of machinery and equipment for surface mining (enhancement by 30,9%);
- mining services (enhancement by 20,4%);

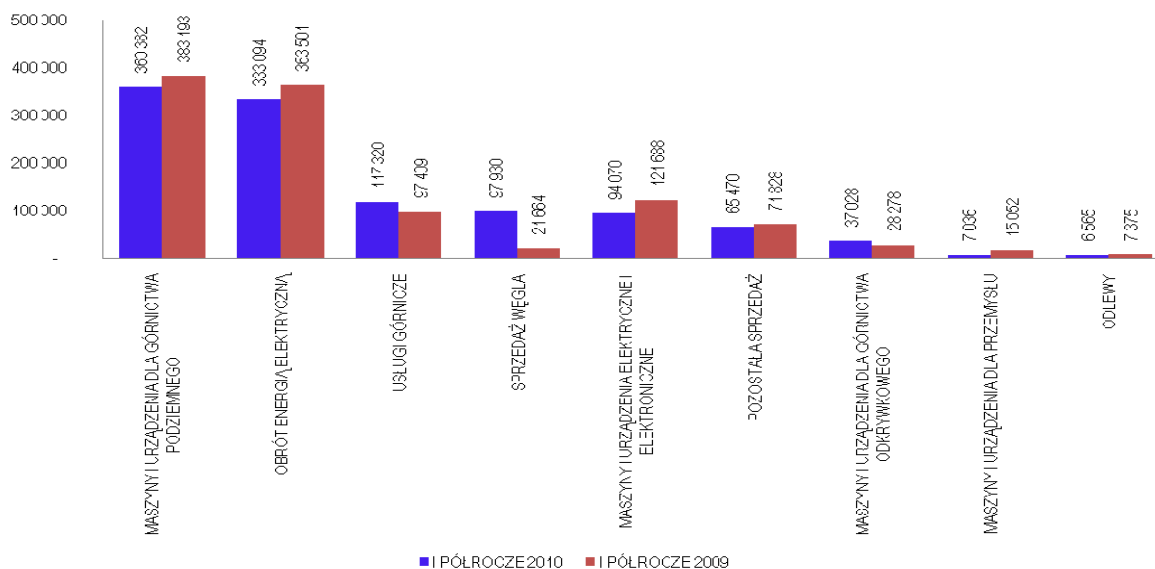
There was diminution of sale in the following segments:

- manufacture and sale of machinery and equipment for underground mining by 6,0%;
- manufacture and sale of electric and electrical machinery and equipment by 22,7%;
- manufacture and sale of machinery and equipment for industry by 53,3%;
- castings by 11,0%;
- sale of energy by 8,4%.
- other sale by 8,9%. Other sales includes mainly income from sales of Honda and Hyundai cars as well as income in individual Group's companies not related to the above mentioned trade segments.

Trade structure of the net income from sale of products, goods and materials shows the following figure:

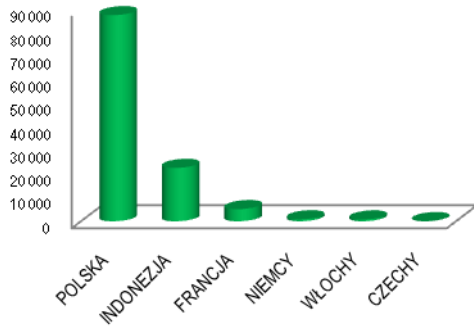
### TRADE STRUCTURE OF CONSOLIDATED NET INCOME FROM SALE FOR THE FIRST HALF OF 2010-2009

PLN THOU

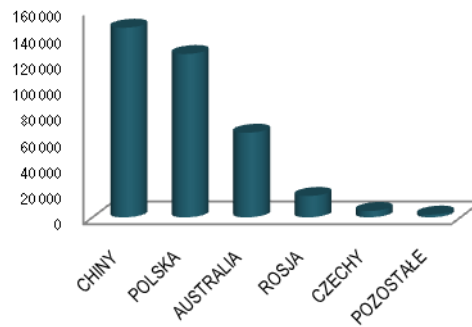


Geographical structure of income from each sale segments for the first half of 2010 is presented in the following figures:

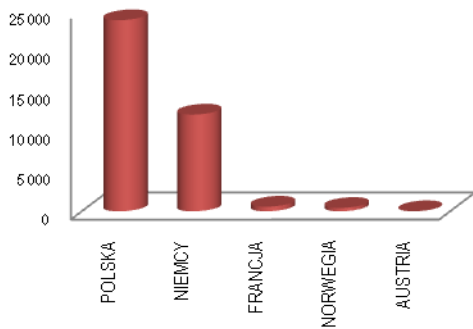
**Mining services**  
share in total sales 10,5%



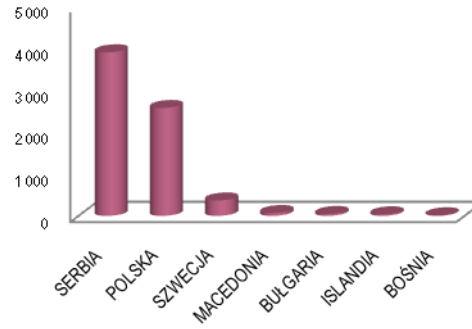
**Manufacture and sale of machinery and equipment for underground mining**  
share in total sales 32,2%



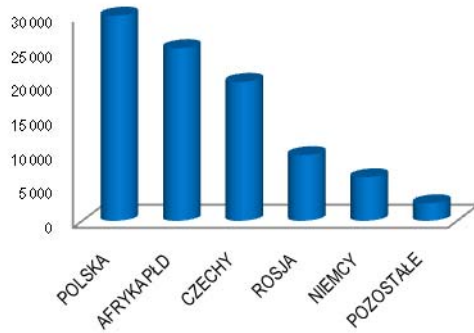
**Manufacture and sale of machinery and equipment for surface mining**  
share in total sale 3,3%



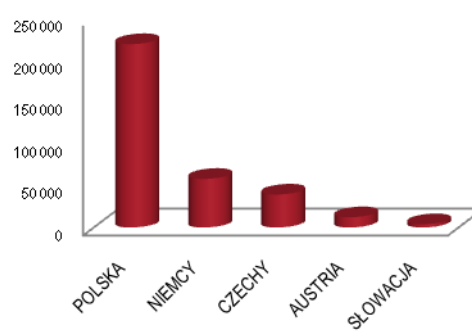
**Manufacture and sale of machinery and equipment for industry**  
share in total sale 0,6%



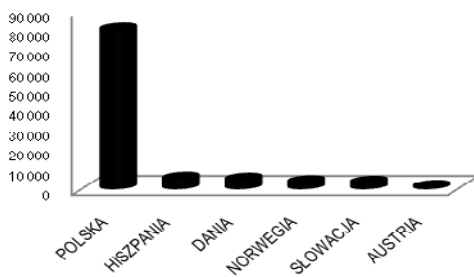
**Manufacture and sale of electric and electrical machinery and equipment**  
share in total sale 8,4%



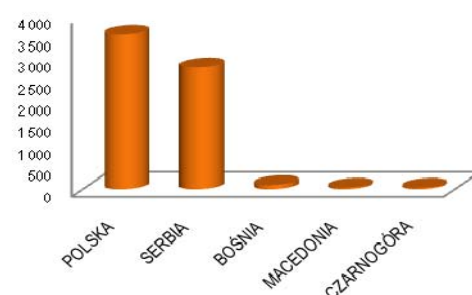
**Sale of energy**  
share in total sale 29,8%



**Sale of coal**  
share in total sale 8,8%



**Castings**  
share in total sale 0,6%



In the first half of 2010 consolidated gross profit from sale amounted to PLN 177.424 thou and it was lower than gross profit from sale gained over the same period in 2009 by PLN 23.949 thou, i.e. by 11,9%.

In the first half of 2010 selling expenses amounted to PLN 29.039 thou and are higher than selling expenses born in comparison with the same period of 2009 by PLN 11.271 thou, i.e. by 63,4%. Enhancement of transaction cost related with export of machinery and equipment for underground mining influenced mainly increase in selling expenses.

Management overheads costs amounted to PLN 93.490 thou in the first half of 2010 and they were by PLN 9.112 thou, i.e. by 10,8% higher in comparison with the same period of the previous year.

Other income and cost are as follows:

- other income (January-June 2010):

Release of valuation allowance of non-financial assets	11.864	PLN THOU
Sale of fixed assets	7.153	PLN THOU
Release of reserves	1.523	PLN THOU
Grants	156	PLN THOU
Other, incl.:	5.258	PLN THOU
⇒ liabilities cancelled	2.091	PLN THOU
⇒ damages and penalties	920	PLN THOU
⇒ liquidation of fixed assets	479	PLN THOU
⇒ reimbursement of bank costs	262	PLN THOU
⇒ sale of social services	127	PLN THOU
⇒ other	1.379	PLN THOU
<b>TOTAL</b>	<b>25.954</b>	<b>PLN THOU</b>

- other costs (January-June 2010):

Value of fixed assets sold	2.861	PLN THOU
Valuation allowance of non-financial assets created	2.613	PLN THOU
Reserves created	1.819	PLN THOU
Other, incl.:	37.972	PLN THOU
⇒ result on cash flow hedges in the effective part	25.103	PLN THOU
⇒ receivables written	9.019	PLN THOU
⇒ penalties, legal costs, damages	936	PLN THOU
⇒ maintenance charges of social facilities	308	PLN THOU
⇒ other	2.606	PLN THOU
<b>TOTAL</b>	<b>45.265</b>	<b>PLN THOU</b>

In the first half of 2010 the Group gained profit from operational activity amounting to PLN 35.584 thou and this result was by PLN 67.518 thou, i.e. by 65,5% lower than this one gained over the same period of the previous year. The lower profit from operational activity was caused by the decrease in gross profitability on sale of contracts executed:

- manufacture and sale of machinery and equipment for underground mining, (deterioration of the operating profit margin of the segment results from the decline in orders for powered roof support caused by the crisis in the mining market. The difficult market situation in the segment of machinery and equipment for underground mining affects the lack of a satisfactory occupancy of the Tagor SA capacity. As a consequence the Company's result from operational activity in the first half of 2010 is significantly worse in comparison with the same period of the previous year. Moreover, the deterioration in the segment's result from operational activity was affected by negative result on cash flow instruments, in the effective part amounting to PLN 25.103 thou and enhancement in selling expenses related to export of mining machinery and equipment)
- sale of electric energy, (deterioration of the operating profit margin is primarily due to increased cost of energy sale and reduction in the price differentials between the domestic and neighboring markets having an impact on reducing the profitability of export contracts)
- sale of coal and other activity.

Positive impact on operating profit was recorded in the mining services segment as a result of specialized and high-margin mining services rendered by Kopex-PBSz SA.

Financial income and financial costs are as follows:

- financial income (January-June 2010):

Dividends	-	PLN THOU
Interest	5.573	PLN THOU
Income from investments sold	1.767	PLN THOU
Revaluation of investments	5.678	PLN THOU
Other, incl.:	4.540	PLN THOU
⇒ release of interest reserves	3.224	PLN THOU
⇒ release of copies of revaluation of interests	417	PLN THOU
⇒ other	899	PLN THOU
<b>TOTAL</b>	<b>17.558</b>	<b>PLN THOU</b>

- financial costs (January-June 2010):

Interests	17.221	PLN THOU
Value of investments sold	1.264	PLN THOU
Revaluation of investments	-	PLN THOU
Exchange rate differences	1.131	PLN THOU
Other, incl.:	1.437	PLN THOU
⇒ costs directly related to merger	467	PLN THOU
<b>TOTAL</b>	<b>21.053</b>	<b>PLN THOU</b>

The financial situation of the Capital Group is illustrated by the following liquidity indices:

	30.06.2010	31.03.2010	31.12.2009
• current index	1,66	1,99	2,05
• quick index	1,01	1,31	1,35
• cash index	0,21	0,23	0,21

The current level of indices does not pose risk for Capital Group's liquidity.

The net financial result of the Group was established at the income and costs of the units comprising the Group, excluding income and costs of internal transactions between the consolidated entities, in respect of interests received from these entities and excluding the part of result attributable to non-controlling shares.

In the first half of 2010 consolidated gross profit amounted to PLN 32.084 thou and it was lower than consolidated gross profit gained over the same period of 2009 by 58,3%. In the first half of 2010 the Capital Group gained net profit attributable to shareholders of parent company in the amount of PLN **20.824 thou**.

Decrease in gross profit margin (mainly in manufacture and sale of machinery and equipment for underground mining, sale of electric energy, sale of coal and other activity) influenced mainly decrease in net profit attributable to shareholders of parent company.

Other factors adversely affecting the net profit were: negative result on cash flow instruments, increase in selling expenses associated with export of mining machinery and equipment and negative balance of exchange rate differences.

## FINANCIAL POSITION

At the end of the first half of 2010 consolidated balance value amounted to PLN 3.488.183 thou and rose by 4,6% in comparison with the balance value in 2009. Basically, increase of assets in the fixed assets group by 5,8% and also in the current asset group by 2,5% contributed to balance value increase. There was increase in liabilities, both in the equity group by PLN 57.753 thou and in short-term liabilities by PLN 175.355 thou, i.e. by 23,5% as well as decrease in long-term liabilities by PLN 80.880 thou, i.e. by 30,4%



Most important changes in the first half of 2010 were in the following elements of balance:

#### ASSETS:

- there was enhancement in the current assets group from PLN 1.377.329 thou to PLN 1.412.352 thou, i.e. by 2,5%; this increase was affected by:
  - stock enhancement from PLN 473.070 thou to PLN 547.144 thou, i.e. by 15,7%;
  - enhancement in short-term receivables from supplies and services from PLN 394.049 thou to PLN 501.479 thou, i.e. by 27,3%;
  - diminution in short-term other receivables from PLN 80.166 thou to PLN 49.445 thou, i.e. by 38,3%;
  - diminution in short-term loans granted from PLN 54.926 thou to PLN 49.986 thou, i.e. by 9,0%;
  - enhancement in current income tax receivables from PLN 1.880 thou to PLN 10.557 thou, i.e. by 461,5%;
  - diminution in derivative financial instruments from PLN 8.586 thou to PLN 111 thou, i.e. by 98,7%;
  - enhancement in cash and cash equivalents from PLN 143.665 thou to PLN 178.312 thou, i.e. by 24,1%;
  - diminution in short-term accruals from PLN 220.987 thou to PLN 75.318 thou, i.e. by 65,9%.
  
- there was increase in the fixed asset group in the first half of 2010 in comparison with its value in 2009 by PLN 113.576 thou, i.e. by 5,8%; this increase was basically affected by:
  - enhancement in intangible assets by PLN 1.525 thou, i.e. by 3,9%,
  - enhancement in company's value of the subordinated entities by PLN 47.483 thou, i.e. by 4,0%,
  - enhancement in tangible assets by PLN 63.382 thou, i.e. by 10,0%,
  - diminution in investments real estates by PLN 172 thou, i.e. by 3,2%,
  - diminution in investments calculated with the property rights method by PLN 394 thou, i.e. by 3,8%,
  - diminution in long-term financial assets available for sale by PLN 1.262 thou, i.e. by 44,8%,
  - enhancement in long-term receivables from supplies and services by PLN 5.985 thou,
  - diminution in long-term other receivables by PLN 8.569 thou, i.e. by 79,5%,
  - diminution in long-term loans granted by PLN 73 thou, i.e. by 24,9%,
  - enhancement in deferred income tax assets by PLN 4.079 thou, i.e. by 7,3%,
  - enhancement in long-term accruals by PLN 1.613 thou, i.e. by 68,0%.

#### LIABILITIES:

There was an increase in equity by PLN 57.753 thou.

There was diminution in value of long-term liabilities in the first half of 2010 by PLN 80.880 thou in comparison with the year 2009; this decrease was affected by:

- diminution in long-term credit and loans by PLN 108.822 thou, i.e. by 52,8%;
- diminution in deferred income tax long-term reserve by PLN 390 thou, i.e. by 1,3%;
- diminution in other long-term liabilities reserve by PLN 711 thou, i.e. by 16,0%;
- diminution in long-term accruals by PLN 479 thou, i.e. by 29,6%;
- enhancement in: long-term liabilities from supplies and services by PLN 3.056 thou, i.e. by 154,7%; other long-term liabilities by PLN 25.487 thou, i.e. by 366,8%, long-term pension reserve by PLN 979 thou, i.e. by 6,6%;

There was enhancement in value of short-term liabilities in the first half of 2010 by PLN 175.355 thou in comparison with the year 2009; this increase was affected by:

- enhancement in short-term credit and loans by PLN 169.147 thou, i.e. by 56,7%;
- enhancement in short-term liabilities from supplies and services by PLN 6.821 thou, i.e. by 3,1%;
- enhancement in other short-term liabilities by PLN 11.259 thou, i.e. by 10,5%;
- enhancement in short-term pension reserve by PLN 449 thou, i.e. by 7,3%;
- diminution in: current income tax liabilities by PLN 879 thou, i.e. by 8,3%; derivative financial instruments by PLN 3.696 thou, i.e. by 10,3%; other short-term liabilities reserve by PLN 2.126 thou, i.e. by 5,5%; short-term accruals by PLN 5.620 thou, i.e. by 18,4%.

## **7. BRIEF DESCRIPTION OF ACHIEVEMENTS AND FAILURES OF THE ISSUER DURING THE REPORTING PERIOD TOGETHER WITH A LIST OF KEY EVENTS RELATING TO THEM**

During the reporting period the Issuer and its subsidiaries has conducted statutory activity.

Kopex Group's companies during the reporting period signed several trade agreements, including:

- agreements signed with Kompania Weglowa SA for: leasing of longwall shearers, repairing services of longwall shearers subassemblies, repairing services of crushers parts and subassemblies, supplies of powered roof supports, canopies, vacuum pumps, screens together with spare parts of total value amounting to ca PLN 97.393 thou,

- agreements signed with Jastrzębska Spółka Węglowa SA by individual companies of Capital Group of total value amounted to ca PLN 48.747 thou. The agreements mainly included mining services, lease of longwall shearers and supplies of belt conveyors, canopies, crusher elements.
- agreements signed with Katowicki Holding Węglowy by individual companies of Capital Group altogether amounting to ca PLN 22.394 thou. The aforementioned agreements mainly included lease of longwall shearer and supplies of: screens, friction props, grate links and spare parts.
- Agreements on coal supplies signed with Energokrak Sp. z o.o of total value amounted to ca PLN 135.882 thou.

On 09.07.2010 the Issuer has concluded with Polish Agency for Enterprise Development a Contract on funding No. UDA-POIG.01.04.00-24-066/09-00; UDA-POIG.04.01.00-24-066/09-00 within the frame of Operational Programme Innovative Economy for the years 2007 to 2013, Measure 1.4. Support for goal-oriented projects – Measure 4.1 Support for implementation of R&D results. The Issuer has been allowed a funding amount of PLN 6 385 205,00, making 31,66% of the expense qualified to funding.

In 2010 China plans to exceed the barrier of an annual output at 3.1 billion tons. The government has set the task - increasing output by 10 million tons annually. Obtaining such a results is possible only on the basis of the latest generation of mining equipment, including longwall shearers with huge capacity and advanced control and monitoring systems. Kopex has already supplied the modern KSW – 1500EU longwall shearer to the Xinwen. The shearer will begin to operate in the Lunggu mine in August 2010

All significant information for 2010 are available on the KOPEX SA website: <http://www.kopex.com.pl/1623>

## 8. DESCRIPTION OF THE FACTORS AND EVENTS, IN PARTICULAR OF UNUSUAL CHARACTER, HAVING A SIGNIFICANT IMPACT ON FINANCIAL RESULTS

Significant risk factors are presented in the following SWOT analysis

CHANCES	RISKS
<ul style="list-style-type: none"> <li>• Growth of interest in a feasibility projects in so far as mining industry – what bear testimony to upcoming significant investments in the world;</li> <li>• Possession of license to sell electricity, liquid fuels;</li> <li>• Demand for mining services, also associated with the extraction of salt and other minerals;</li> <li>• Significant increase in quality of Polish industrial products and the attractiveness of the price;</li> <li>• Greater openness to the activity of Polish enterprises on world markets;</li> <li>• Increase in expenditures and requirements for environmental protection;</li> <li>• Increase in electricity prices;</li> <li>• Decrease in interest rates and thus the reduction of external financial cost.</li> </ul>	<ul style="list-style-type: none"> <li>• Rapidly progressive consolidation of the Company's major competitors;</li> <li>• Lack of specialists in typical industrial occupations;</li> <li>• Generational gap among skilled miners in Poland;</li> <li>• Strengthening the position of competitive Polish and foreign companies;</li> <li>• Weak government's support for Polish exporters;</li> <li>• Changes in legislation;</li> <li>• Changes in the tax system;</li> <li>• Possible of loss of skilled employees;</li> <li>• Increase of inflation factor;</li> <li>• Increase in labor costs / salaries;</li> <li>• Increase in electricity prices;</li> <li>• Increasing competition in global and national markets;</li> <li>• Delays in the milestone schedules of some agreements;</li> <li>• Expensive completion import;</li> <li>• High barriers of entry in certain markets;</li> <li>• Increase in costs associated with reconstruction of production facilities owned;</li> <li>• Limits of use of production capacity;</li> <li>• Economic and financial crisis;</li> <li>• Large, unpredictable fluctuations in exchange rates.</li> </ul>

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Established position and brand at home and abroad;</li> <li>• Entry into new areas of sale, which require advanced technology;</li> <li>• Industrial and geographical diversification of products and services;</li> <li>• Stability of cooperation with customers;</li> <li>• Beneficial ownership structure that provides a clear strategy for the development of the Capital Group;</li> <li>• Access to production facilities providing complex commercial offer;</li> <li>• Stable financial situation;</li> <li>• Extensive experience in conducting large investments projects worldwide;</li> </ul>	<ul style="list-style-type: none"> <li>• Large exposure to currency fluctuations;</li> <li>• Dispersion of the Company's assets;</li> <li>• Too low potential of the reserve personnel on implemented abroad projects;</li> <li>• Significant dependence of the value of revenue from economic trend in the coal mining industry.</li> </ul>

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Diversified portfolio of products and services offered;</li> <li>• Good orientation in the needs of foreign contractors as well as in the production capacities of Polish industry of mining engineering;</li> <li>• Experience in obtaining funding and building of trade finance for investments projects;</li> <li>• Experience in successful reducing exchange rate risk.</li> </ul>	

The Group companies are exposed to currency risk mainly due to core business, i.e. sales and purchases of goods and services in foreign currency (mostly EUR and USD).

The main financial instruments hedging currency risk are forward dealings and options. According to the adopted strategy, the Group applies the procedure for securing the actual financial flows. The Group does not close speculative dealings.

In 2005 the Group adopted „Strategy for hedging currency risk and interest rates“. In accordance with this strategy the Group is closing hedging dealings (in relation to the exchange rate assumed in the calculation of the bid) at the time of signature of the commercial contract, and in case of contracts on sale of coal / electric power at the time of forwarding order of the goods / electric power purchase.

The Group applies hedge accounting (detailed description in the accounting rules) and natural hedging.

At 30.06.2010 the Capital Group had open currency position amounting to:

— USD 37.894 thou

— EUR 16.299 thou

The fair value of the above forward contracts at 30.06.2010r. amounted to total value of PLN 39.489 thou (negative value), of which PLN 7.486 thou were hedging transactions held in equity until the time of the hedging transaction, and PLN 32.003 thou were valuation of unrealized transactions under the valuation template used by the banks in which the transactions were carried out.

The fair value of PLN 39.489 thou includes:

- PLN 32.802 thou - revaluation of equities (of which PLN 7.486 thou were realized transactions, and PLN 25.316 thou were unrealized transactions),
- PLN 6.687 thou in profit and loss statement (of which PLN 1.634 thou applies to transactions for which hedge accounting is conducted)

Negative valuation of the hedging transactions at 30.06.2010 was made by the banks on the basis of a spot rate - USD 3,3946 and EUR 4,1458.

## **9. EXPLANATIONS OF THE SEASONALITY OR CYCLICALITY OF THE ISSUER'S ACTIVITY IN THE PERIOD PRESENTED**

In the analyzed period generally there were no seasonal or cyclical events in the activities of the KOPEX SA capital group. However, the manufacture carried out by WAMAG SA for the confectionery industry bears the hallmarks of seasonality. WAMAG manufactured conveyors, steel structures and equipment related to sugar beet campaign.

Services for the energy industry also bears the hallmark of seasonality – most of modernization in this sector are carried out in the summer months.

In addition, the services of the company KOPEX - Construction Sp. z o. o. operating in the construction industry are undergo seasonal fluctuations.

## **10. INFORMATIONS CONCERNING THE ISSUE, REDEMPTION AND REPAYMENT OF THE ISSUER'S EQUITY SECURITIES AND NON-EQUITY SECURITIES**

- redemption and repayment of non-equity securities – not applicable
- securities issue – not applicable
- redemption or repayment of equity securities – not applicable

## **11. INFORMATIONS ON PAID (OR DECLARED) DIVIDEND, IN TOTAL AND PER SHARE, DIVIDED INTO COMMON SHARES AND PREFERENCE SHARES**

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

## **12. INDICATION OF THE EVENTS THAT OCCURRED AFTER THE DATE OF ABRIDGED QUARTERLY FINANCIAL STATEMENT AND COULD SIGNIFICANTLY AFFECT FUTURE FINANCIAL RESULT OF THE ISSUER**

On 12 July 2010 the General Meeting of Shareholders of the Serbian company Kopex Min-Fitip A.D. adopted a resolution on liquidation of the company. Therefore, the effects associated with the loss of control over the Kopex Min-Fitip A.D. will be included in the consolidated financial statement for the third quarter of 2010. The loss of control over the subsidiary (Kopex Min-Fitip A.D.) in the amount of ca PLN 3.360 thou will be included in the consolidated separate income and loss statement for the period from 1.01.2010 to 30.09.2010.

In addition, there were no events after the date of abridged half-yearly financial statement not included in this report, which could significantly affect future financial result of the issuer.

### 13. POSITION OF THE MANAGEMENT BOARD IN THE POSSIBILITY OF ACHIEVING PREVIOUSLY PUBLISHED RESULTS FORECASTS FOR THE YEAR, IN LIGHT OF THE RESULTS PRESENTED IN THE QUARTERLY REPORT

The Issuer did not publish results forecasts for the year 2010.

### 14. INDICATION OF THE PROCEEDINGS IN THE COURT, IN FRONT OF THE AUTHORITY RESPONSIBLE FOR ARBITRATION OR PUBLIC ADMINISTRATION AUTHORITY

- proceedings concerning liabilities or debts of the issuer or its subsidiary with the value of at least 10% of the issuer's equity, together with determination of: matter in dispute, value of the matter in dispute, date of institution of the proceedings, parties of the proceedings and position of the issuer,
- two or more proceedings concerning liabilities or debts, with the total value amounting to at least 10 equities of the issuer, together with determination of the total value of the proceedings separately in the liabilities group and in the debts group and with the issuer's position in relation to the major proceedings in both groups – with indication of matter in dispute, value of the matter in dispute, date of institution of the proceedings and parties of the proceedings.

On the day of the statement the Issuer nor any company of the Issuer's Capital Group is not conducting the proceedings in the court, in front of the authority responsible for arbitration or a public authority (proceeding with the value of at least 10% of the Issuer's equity)

### 15. LIST OF INFORMATION ON SIGNIFICANT TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH RELATED PARTIES ON OTHER CONDITIONS THAN MARKET CONDITIONS, TOGETHER WITH THEIR AMOUNTS AND THE INFORMATION SPECIFYING THE NATURE OF THESE TRANSACTIONS

According to our knowledge, during the reporting period KOPEX SA nor its subsidiaries nor its indirect subsidiaries did not conclude transactions with related parties on conditions other than market conditions.

### 16. INFORMATIONS ON CREDIT/LOAN BAILS AND GUARANTEES GRANTED BY THE ISSUER OR ITS SUBSIDIARY – A TOTAL OF ONE OF ENTITY OR ITS SUBSIDIARY IF THE AGGREGATE VALUE OF EXISTING BAILS OR GUARANTEES AMOUNTS TO AT LEAST 10% OF THE ISSUER'S OWNERSHIP CAPITAL

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Date of bail	Bail	Debtor	Creditor	Value of the bail	Term of the bail	Relation between the Issuer and the entity
25-07-2008	KOPEX SA	TAGOR SA	PKO BP SA	118 000	25-07-2011	parent entity for the indirect subsidiary
21-10-2008	KOPEX SA	TAGOR SA	PKO BP SA	25 000	09-08-2010	parent entity for the indirect subsidiary
03-07-2009	KOPEX SA	TAGOR SA	ING Bank Śląski	2 073	30-06-2012	parent entity for the indirect subsidiary
<b>TOTAL</b>				<b>145 073</b>		
28-09-2009	ZZM SA	KOPEX SA	PKO BP SA	261 000	01.07.2011	subsidiary for the parent entity
05-05-2010	ZZM SA	KOPEX SA	ING Bank Śląski	8 292	30-06-2012	subsidiary for the parent entity
26-05-2009	ZZM SA	KOPEX SA	DnB NorD Polska	40 000	30-09-2010	subsidiary for the parent entity
24-06-2008	ZZM SA	KOPEX SA	ING Bank Śląski	16 474	31.03.2011	subsidiary for the parent entity
04-01-2010	ZZM SA	KOPEX SA	Fortis Bank Polska	10 000	25.11.2010	subsidiary for the parent entity
27-02-2009	ZZM SA	KOPEX SA	Raliffeisen Bank	17 300	28.05.2011	subsidiary for the parent entity
<b>TOTAL</b>				<b>353 066</b>		
24-06-2008	ZZM SA	TAGOR SA	ING Bank Śląski	29 653	31-03-2011	subsidiary for the indirect subsidiary
05-05-2010	ZZM SA	TAGOR SA	ING Bank Śląski	2 073	30-06-2012	subsidiary for the indirect subsidiary
30-04-2010	ZZM SA	TAGOR SA	PKO BP SA	3 267	30-06-2010	subsidiary for the indirect subsidiary
22-07-2008	ZZM SA	TAGOR SA	PKO BP S.A.	100 000	25-07-2011	subsidiary for the indirect subsidiary
<b>TOTAL</b>				<b>134 993</b>		

## **17. INDICATIONS OF FACTORS, WHICH IN THE ISSUER'S EVALUATION, WILL HAVE IMPACT ON THEIR RESULTS GAINED BY THE ISSUER IN THE PERSPECTIVE OF AT LEAST THE NEXT QUARTER**

In connection with the forward transactions (for which hedge accounting is carried out) concluded by the Group and delays in the implementation of the planned contracts appears the unfavorable factor for the Group companies, so-called „current negative bank's valuation of the hedging transactions“.

In the event of extension of the forward transactions some banks may require a partial settlement of a negative valuation and payment of the specified in cash amount on the bank account.

On 30.03.2010 r. the Kopex SA has made an acquisition of registered bonds 13 series issued by Katowicki Holding Węglowy SA with a total nominal value of PLN 32.500.000. Transaction was a part of executing an Agreement on „coal“ bonds issue by Katowicki Holding Węglowy SA within the frame of a Bonds Issue Programme, on the grounds of an agreement signed with BRE Bank SA on 13 July 2009. Bond acquisition will be effected by a non-pecuniary performance of coal supplies in the III and IV quarter of 2010. Bond acquisition deadline is determined for 30 September 2010.

On 28.05.2010 r. the Kopex SA has made an acquisition of registered bonds 15 series issued by Katowicki Holding Węglowy SA with a total nominal value of PLN 45.000.000. Transaction was a part of executing an Agreement on „coal“ bonds issue by Katowicki Holding Węglowy SA within the frame of a Bonds Issue Programme, on the grounds of an agreement signed with BRE Bank SA on 13 July 2009. Bond acquisition will be effected by a non-pecuniary performance of coal supplies in the III and IV quarter of 2010. Bond acquisition deadline is determined for 29 November 2010.

Maintenance of relatively low interest rates by the Monetary Policy Council (reference rate) which are the basis for the cost of credits obtained is the preferred factor. At the same time, the banks financing the Company and the Group has reduced their current level of margin for existing credit lines and guarantee, what will enable a significant reduction of the Group's financial expenses.

Other factors, which in the opinion of the Issuer may have a significant impact on the results gained in at least the next quarter are:

- Internal economic policy of the Companies, including the rationalization of operational costs;
- Acquisition activities in order to obtain new contracts, including an active policy of acquiring contracts on foreign markets and as the result – the increase in the portfolio of orders,
- Qualified staff to implement projects related to complex construction of mining facilities,
- The competitiveness of Polish products, including price competitiveness;
- Formation of the global boom in commodity;
- The level of investment expenditures in the industries related to the Issuer's activity;
- Support for Polish export, including credit agreements concluded at government level;
- Diversification of the Company's activity, both in geographical and product aspect, abandonment of the tasks weakly related to the main activity of KOPEX SA or with a low level of profitability.

Due to the large share of export in total income, the results of the Issuer are affected by macroeconomic factors, including: exchange rate and general, political and economic situation. The factors that may have a negative impact on the Issuer's future financial results are: the level of prices and demand for raw materials on world and Polish coal, coke and steel markets.

The year 2010 is a difficult year across the world mining industry. Implementation of investments projects in the areas of building new coal mines, running new technologies and upgrading old is an imperative to many world economies. Many countries – whether producers and exporters of coal, or energy consumer and producers of steel, based on own coal resources – puts emphasis on the intensive development of this sphere of their economies and launched implementation of far-reaching plans. After all, the global financial crisis has taken its toll on these processes. Hence, in the first two quarters of 2010 and perhaps in the whole 2010, will be a noticeable decline in purchase of investments goods associated with mining. However, this is not the effect of drop in demand for mining machinery and equipment, it results more from the problems associated with obtaining and preparing credit lines and financing procedures for such a large investments. Awareness of these factors in 2009 caused a very severe price competition among the major world supplier of mining equipment and services in world markets. It is presumed that many contracts were concluded with minimal (almost zero) margins. The reason was to maintain strategic market position, or at least prepare such a strategic

position for future years that are expected to be a boom in mining. Future development and current situation of an industry can be better understood through the analysis of information and events at each of the world mining markets.

## **Australia**

Extraction and export of coal (mainly coking coal) represents over 65% of the country's economic activity. At the moment, a characteristic in the Australian mining business is involvement in obtaining mining concessions and construction of new mines by foreign entities registering there subsidiaries. There they begin extraction activity – alongside local and international companies, thus far operating on this market – from the construction of mines on the coal reserves on the basis of concessions granted to them. Striking example is the involvement of a potent Brazilian concern Vale, which for the first time in its history, exactly in Australia, has engaged in abyssal coal operation. Kopex had made for this concern a delivery of integrated longwall system through its subsidiary INBYE Mining Services Pty. Ltd., on the basis of powered supports produced by TAGOR SA based 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 own companies engaged in the operation of coal reserves. Of course, all existing coal producers are also increasing production by opening up new mining fields and the exchange of legacy 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 the funds involvement of Kopex in the previous years, through the acquisitions of companies operating there and through opening of new ones. Kopex had already invested there significant resources through acquisition of shares of INBYE Mining Services Pty. Ltd. in New South Wales, establishment of company Kopex Australia Pty. Ltd. in Queensland and by acquisition (October 2009) of a 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. Waratah Engineering – in fact, already been formally named Kopex Waratah – is a manufacturer and supplier of shuttle cars, which are used for receiving excavated material from the „continupus miner“ shearer and for transport of this excavated material on the surface or to 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. As a results, in the years 2010-2012 new tenders for the supply of longwall systems are planned.

## **China**

It is the largest and most dynamically developing market of the world mining. China – as previously announced – thoroughly modernising the structure of its mining industry. It is followed by processes of consolidation of small, technically old and dangerous to humans mines into large and modern consortia and mining companies. In 2010 China plans to exceed the barrier of an annual output at 3.1 billion tones. The government has assign the task to mining companies operating there - increasing output by 10 million tons annually. Obtaining such a results is possible only on the basis of the use of the latest generation of mining equipment, mainly longwall shearers with huge capacity and advanced control and monitoring systems. Chinese producers still do not have such devices, hence the Kopex Group pinned high hopes (in 2010) 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 those new equipment and production facilities are likely to be relatively quickly returned. Of course, this will enable the further intensive development of these equipment to meet the well-known global competitors. The Group expects also the development of sell of next powered supports, however – in the view of raised customs duty rates on these devices by the Chinese government – it will be done by increasing the activities of Chinese subsidiary Tagao in Shandong province. There will be also carried out promotion of other Group's products 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 from dangerous mines and catastrophes. There also state of the art mines, whose mining level reaches 1 million tons of excavated material per month with only one discharge wall. Any other country, including Australia, can not boast of such results. Thus, sales 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 – engaged in intensive efforts to place on the Chinese market another product – a modern longwall shearers. Kopex, together with the XINWEN Mining Union - current shareholder of the company TAGAO – expanding production and technological capabilities of that company from the manufacture of sub-assemblies for powered roof supports to the possibility of longwall shearers mounting for the Xinwen Union.

In the future, there is a plan to gradually implement the subcontracting 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 in the phase of project there was next 5 coal mines. At the end of the year 2015 the Union – through the construction of new

mines as well as acquisition outside the Shandong province – would be possessed as many as 42 coal mines, with a total production capacity of up to 96 million tons of coal per year.

Therefore, it is extremely important partner for Kopex Group on this enormous market. Kopex had already supplied the first modern KSW-1500EU longwall shearer, which on August 2010 will begin to operate on the Lunggu mine. Further development of the TAGAO's assembly and production halls is almost completed. The hall of the main assembly of the longwall shearers had already reached 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 progress in the intensification of mining. Large, already existing 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 conducive to critical and important 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 – motivates coal companies to make unconventional business proposals for potential suppliers of mining systems. Usually it boils down to BOO or BOT proposals – proposals of long-term investment in the supply of mining systems, installation them in Indian mines and alone (or joint) mining. Profit on sale would be divided between the local coal mine owner and the contractor. However, it 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. Potential period for return on invested capital and the uncertainty as to long-term of business assumptions effectively discouraged 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 central government, and partly by the government of Andhra Pradesh state, opened some classical tendering procedures and one of them ended with an agreement with Kopex Group's competitor, namely the American company BUCYRUS. It concerned delivery of longwall systems and services for Adrala mine. In addition to wall systems it is also possible to sell products of companies such as Waratah and WAMAG, as well as simple individual legs produced by TAGOR. 2010 will be a breakthrough year in the Indian market. While the international mining exhibition Kolkata 2010 in January 2010, the Indian government has presented a new strategy for the development of mining industry.

The aforesaid company plans to build as many as 37 modern mines until 2017. Tenders for the supply of their equipment will have an international character based on clear and transparent rules of trade and technology. It is, therefore, a chance to open up by India for the supplies from the world's leading manufacturers of mining machinery, including Kopex Group, known for supplies and mining services in the era of the CMEA.

Kopex is conducting intensive promotional activities and ensure the development of contacts with SCCL managers and engineers of high and middle level. 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. It will strengthen the position of the Kopex Group in the future international tenders for the supply of the longwall systems.

## **South Africa**

Renowned exporter of high quality steam coals. There are several international mining companies in this country. In recent years, there were opened up many smaller local mining companies usually operating on one open pit mine and/or abyssal mine. At the moment South Africa's abyssal mines are dominated by systems to conduct pillar-chamber operation. This fact is associated with the specific geological areas in which mining is carried out and with the restrictions on the longwall mining front conduction arising from mining and geological conditions. In recent years there has been a significant increase in the number of electricity consumers, both on the part of the growing industry and of 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 exemption of the periodic power shutdown supply in the considerable regions of the country. It concerned even the institution as preponderant 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 to restore to the action and modernization of old power plants. This also leads to a sharp increase in demand for coal within the country. Many new mines (open pit and abyssal) are opened up (preferably near a potential recipient). At the same time, intensive design works of new abyssal 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+Genwest by 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 has already begun the analysis connected to return to longwall operation as the only one that is able to provide the expected level of output.

In the near future the company Kopex + Genwest will change its name to Kopex Africa, expanding its area of activity with neighboring countries, i.e. Botswana and Mozambique. 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. company *Hauhinco*.

At the next international mining exhibition Electra Mining 2010, at the beginning of October, the Company will present its first *Shuttle Car*, which will go to one of the mines in South Africa.

The company Kopex + Genwest will manufacture these cars on the basis of the license granted by the member of Kopex Group – the Australian company Waratah Engineering Pty. Ltdi.

### **Indonesia**

Renowned exporter of high quality steam coal. Coal mining is based solely on open pit mines. Currently, the outlook 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 continued operation of such mines become deep mining. This gives benefits such as significant less disruption of water and opportunity to preserve forest areas almost intact. However, the operation inclination of the abyssal coal seams causes that the typical Australian mining technology (operation of flat seams) are not applicable in those conditions. What is needed is the ability of operation with an inclination of seams of 20 degrees, which – in Polish conditions – is not a problem. Experience in the operation of the inclined seams is a strong technological advantage of Kopex in the promotion and use of Polish experiences in the Indonesian conditions.

The Group runs more and more intense activity in this country through the service company established there – *Kopex Mining Contractors PT*. The company was established two years ago concluding a contract with a local company that owns a surface mine on the Kalimantan peninsula and operates there steam coal with high purity and calorificity.

Kopex Mining Contractors initially built an deep mine of experimental type in the deeper layers of coal belonging to that company. Plans for slitting of coal deposits were made by KOPEX SA Technical Department.

Currently, the pillar extraction system is well established (*continuous miners, shuttle cars itd.*)

### **Russia**

Traditional receiver 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 a halt in 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 receiver of the Group's products and services. In particular, high reputation have a longwall shears produced by *Zabrzeńskie Zakłady Mechaniczne*. An important fact in the Russian market has become an offensive of the Chinese manufacturers who can offer very attractive credit terms of supply of equipment. 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 hopes lies in the fact that the willingness of Russian coal companies to provide the highest level of equipment which ensures the achievement of significantly higher capacity, has a very high technical parameters and 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 2010 we expect 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 and has been recently acquired by Kopex. By incorporating *Ryfama* into the Kopex Group's structure there is also a high probability of selling a longwall system to at least on of the Siberian coal companies. Russia is an attractive market, but it is still a developing market.

Kopex Group (recently extended by *RYFAMA* - the well-known and highly valued in the Russian market company – and by the enterprises from *Hansen Group* which belongs to Kopex) 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 as well as in the countries which formed the formerly Soviet Union.

The attractive price offer were lodged in Belarus – on supply of two sets of powered roof support and three sets of scraper conveyors.

In Estonia the Group lodged an offer on supply of conveyors systems, three haulage systems and electric power distribution system.

### **Mexico**

Mining activity in this country is primarily related to the *AMSA* company, listed on the New York Stock Exchange. *AMSA*'s area of activity is the supply of electricity to Mexico and the United States, as well as coal mining in Mexico (surface mining and underground mining). The main focus of the Group are the two mining companies belonging to the *AMSA*, namely *MIMOZA* and *MICARE*. Many global companies, including Polish's companies, takes part in tenders



for the supply of mining machinery. So far, Ryfama has been successful, providing there two complete systems of scraper conveyors and even persuading the customers to change the way of operation of the beam stage loader from the American technology to the Polish technology. This gave the customers a significant increase in the level of extraction, which considerably strengthened the position of Ryfama in this market.

### **Turkey**

Almost all power engineering in Turkey is based on coal. Kopex has a long tradition in this market, both as a supplier of longwall systems and the contractor of mining services (shafts, headings, underground chambers).

The main operator 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 Copal Caving*). As one of three global suppliers, we passed the first stage of pre-qualification.

### **Domestic market**

It is a traditional market for members of Kopex Group, where – depending on the type of equipment – they have more or less stable position as a suppliers. The strongest market position – due to the undisputed quality and technological level of its products – has *Zabrzeńskie Zakłady Mechaniczne*. The basic and attractive form of cooperation for the customers is a lease of longwall shears. There are plans to lease about 40 new longwall shears of various types. The difficult market situation has *Tagor*, based in *Tarnowskie Góry* – producer of powered roof supports. In the domestic market *Tagor* competes with *Fazos* – belonging to the competitive *Famur Group*, as well as with self-dependent producer - *Glinik* from *Gorlice*. There are also a number of smaller business entities on the market, offering the supply of new and modernized supports, hence the level of profitability – in a fierce competitive struggle – is very low. Despite these difficulties, *Tagor* won the tenders for the supplies of powered roof supports, including supply to *Makoszowy-Sośnica Mine* amounting to PLN 36,9 millions.

*WAMAG* from *Wałbrzych* is planning to provide to the domestic market an equipment related to the equipage of enrichment and coal preparation works (screens, centrifuges, crushers, etc.). In addition, the subject of supplies will be bucket crockery, complete belt conveyor and roadheader of the latest generation (a successfully working in the *Murcki mine*). *FAMAGO* from *Zgorzelec* will provide this year a unit of belt conveyors to the open-pit mine *Turów* and spare parts and subassemblies for mining equipment to mines *Turów* and *Bełchatów*.

Quite a significant breakthrough is a considerable increase in demand for mining services from *KOPEX-PBSz* from *Bytom*. The Company – apart from continuation of tunnel workings for *KGHM* – is launching a major contract on shaft sinking for *Zofiówka mine* and *Peter shaft* sinking for *Mysłowice mine*. *KOPEX-PBSz* has also acquired the contracts on the modernization of the shafts *Budryk 1* i *Budryk 2*.

## **18. STATEMENT OF THE MANAGEMENT BOARD**

The Management Board declares that the Statement on the Issuer and the Capital Group activities in the first half of 2010 contains a true picture of the development and achievements of the Issuer and the Group Group, including a description of major risks.