

Consolidated quarterly report of the FAMUR Group for Q1 2017

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Katowice, May 9th 2017

Consolidated statement of financial position of the FAMUR Group

ASSETS	Mar 31 2017	Dec 31 2016
Non-current assets	644,059	669,724
Intangible assets	226,730	228,013
Property, plant and equipment	342,879	353,015
Long-term receivables	10,114	22,653
Long-term investments	26,492	26,487
Other non-current assets (prepayments and accrued income)	3,105	3,300
Deferred tax assets	34,739	36,256
Current assets	1,127,782	1,105,061
Inventories	149,905	137,700
Trade receivables	411,086	496,591
Other short-term receivables	19,910	23,772
Current financial assets	7,396	7,743
Cash and cash equivalents	525,770	434,114
Other current assets (prepayments and accrued income)	6,480	3,412
Non-current assets classified as held for sale	2,239	1,729
Total assets	1,766,846	1,774,786
LIABILITIES		
Equity	1,030,389	993,208
Share capital	4,865	4,865
Treasury shares (negative value)	-3	-3
Statutory reserve funds	220,585	220,585
Revaluation capital reserve	562	-
Other capital reserves	113,663	113,663
Retained earnings	690,670	654,050
Equity attributable to owners of the Parent	1,030,342	993,160
Non-controlling interests	47	48
Liabilities and provisions for liabilities	736,457	781,578
Provisions for liabilities	89,314	90,288
Non-current bank borrowings and other debt instruments	-	-
Non-current lease liabilities	3,186	3,068
Other non-current liabilities	111,844	112,022
Trade payables	131,548	184,947
Tax payable	14,342	47,749
Current bank borrowings and other debt instruments	259,852	184,898
Current lease liabilities	1,742	2,297
Other current liabilities	103,729	134,310
Other liabilities (accruals and deferred income)	20,902	21,999
Total equity and liabilities	1,766,846	1,774,786

Consolidated statement of profit or loss of the FAMUR Group

	<i>3 months ended</i>	
CONTINUING OPERATIONS	Mar 31 2017	Mar 31 2016
Net revenue	226,261	213,681
Cost of sales	162,039	157,743
Gross profit	64,222	55,938
Other income	8,109	11,360
Distribution costs	1,821	722
Administrative expenses	17,225	16,792
Other expenses	11,913	17,160
Operating profit	41,373	32,624
Finance income	10,537	4,089
Finance costs	10,355	6,194
Profit before tax	41,555	30,519
Income tax	4,771	2,860
Net profit from continuing operations	36,784	27,659
Discontinued operations	-	-
Net profit attributable to:		
- owners of the parent	36,781	27,549
- non-controlling interests	2	110
Net profit	36,784	27,659
Number of shares	486,470,000	481,500,000
Earnings per share (PLN)	0.0756	0.0574

Consolidated statement of comprehensive income of the FAMUR Group

	<i>3 months ended</i>	
	Mar 31 2017	Mar 31 2016
Net profit/(loss) from continuing operations	36,784	27,659
Net profit/(loss) from discontinued operations	-	-
Other comprehensive income	408	128
Total comprehensive income	37,192	27,782
- attributable to owners of the parent	37,189	27,672
- attributable to non-controlling interests	2	110

	Mar 31 2017	3 months ended Mar 31 2016
OPERATING ACTIVITIES		
Profit/(loss) before tax	41,555	30,519
including profit on discontinued operations		-
Total adjustments	-536	23,260
Depreciation and amortisation	30,118	32,723
Foreign exchange (gains)/losses	-343	-42
Interest and share of profit (dividend)	2,682	143
Gain/(loss) on investing activities	-356	6,969
Change in provisions	-1,714	-13,819
Change in inventories	-12,198	3,450
Change in receivables	101,992	-38,656
Change in current liabilities, net of bank borrowings and other debt instruments	-114,841	36,834
Income taxes paid	-1,906	-187
Change in accruals and prepaid expenses	-3,979	-4,198
Other adjustments	0	43
Net cash from operating activities	41,012	53,779
including discontinued operations	-	-
INVESTING ACTIVITIES		
Cash provided by investing activities	1,590	22,890
Disposal of intangible assets and property, plant and equipment	1,194	424
Disposals of investment property and intangible assets	-	-
Cash provided by financial assets	396	22,085
Other cash provided by investing activities	-	381
Cash used in investing activities	21,504	43,082
Purchase of intangible assets and property, plant and equipment	21,139	20,441
Purchase of investment property and intangible assets	-	-
Cash used on financial assets	365	22,641
Other cash used in investing activities	-	-
Net cash from investing activities	-19,914	-20,192
including discontinued operations	-	-
FINANCING ACTIVITIES		
Cash provided by financing activities	76,512	354,088
Net proceeds from issue of shares and other equity instruments and from contributions to equity	-	5
Bank borrowings and other debt instruments	75,320	247,716
Issue of debt securities	-	105,380
Other cash provided by financing activities	1,193	986
Cash used in financing activities	5,955	11,397
Buy-back of shares	-	937
Dividends and other distributions paid to owners	-	-
Repayment of bank borrowings and other debt instruments	-	7,153
Other financial liabilities	-	-
Payment of finance lease liabilities	620	97
Interest	4,634	2,106
Other cash used in financing activities	700	1,103
Net cash from financing activities	70,558	342,690
including discontinued operations	-	-
Total net cash flows	91,656	376,278
Cash at beginning of period	434,114	18,702
Cash at end of period	525,770	394,979

Statement of changes in equity of the FAMUR Group

	Share capital	Treasury shares (negative value)	Statutory reserve funds	Other capital reserves	Retained earnings, including revaluation capital reserve	Total	Equity attributable to non-controlling interests	Total equity
<i>Jan-Mar 2017</i>								
Balance at Jan 1 2017	4,865	-3	220,585	113,663	654,050	993,160	48	993,208
Cash flow hedges	-	-	-	-	562	562	-	562
Actuarial gains/(losses)	-	-	-	-	-154	-154	-	-154
Net profit/(loss)	-	-	-	-	36,781	36,781	2	36,784
Total comprehensive income	-	-	-	-	37,189	37,189	2	37,192
Minority interest buyout	-	-	-	-	-7	-7	-3	-10
Balance at Mar 31 2017	4,865	-3	220,585	113,663	691,232	1,030,342	47	1,030,389
<i>Jan-Mar 2016</i>								
Balance at Jan 1 2016	4,815	-3	230,028	95,540	559,812	890,190	36	890,190
Actuarial gains/(losses)	-	-	-	-	128	128	-	128
Net profit/(loss)	-	-	-	-	27,549	27,549	110	27,659
Total comprehensive income	-	-	-	-	27,677	27,677	110	27,786
Non-controlling interests – FAMUR FAMAK	-	-	-	-	-	-	36	36
Loss on intercompany settlements	-	-	-	-1,410	-	-1,410	-	-1,410
Acquisition of Elgór + Zamet sp z o.o.	-	-	-	-	-	-	10,560	10,560
Separation of operating segment	-	-	-19,533	19,533	-	-	-	0
Balance at Mar 31 2016	4,815	-3	210,493	113,663	587,488	916,457	10,741	927,198

<i>Jan-Dec 2016</i>	Share capital	Treasury shares (negative value)	Statutory reserve funds	Other capital reserves	Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
Balance at Jan 1 2016	4,815	-3	230,026	95,540	559,812	890,190	36	890,226
Actuarial gains/(losses)	-	-	-	-	1	1	-	1
Net profit/(loss)	-	-	-	-	93,819	93,819	12	93,831
Total comprehensive income	-	-	-	-	93,820	93,820	12	93,832
Coverage of 2015 loss from statutory reserve funds	-	-	-418	-	418	-	-	-
Loss on intercompany settlements	-	-	-	-1,410	-	-1,410	-	-1,410
Acquisition of Elgór + Zamet sp z o.o.	50	-	10,510	-	-	-10,560	-	10,560
Separation of operating segment	-	-	-19,533	19,533	-	-	-	0
Balance at Dec 31 2016	4,885	-3	220,220,585	113,663	654,050	993,160	48	993,208

1. Statement of compliance and basis of preparation of consolidated financial statements

Basis of preparation of consolidated financial statements

The consolidated quarterly report of the FAMUR Group comprises:

- The consolidated financial statements of the FAMUR Group for the period from January 1st 2017 to March 31st 2017, containing the statement of financial position, the statement of profit or loss together with the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows;
- Condensed separate financial statements of FAMUR S.A. (the Company) for the period from January 1st 2017 to March 31st 2017, containing the statement of financial position, the statement of profit or loss together with the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows;
- Comparative data as at December 31st 2016, for Q1 2016;
- Information specified in the Minister of Finance's Regulation on current and periodic reports to be published by issuers of securities, dated February 19th 2009;
- All figures in PLN '000 unless indicated otherwise.

Pursuant to Par. 83.1 of the Regulation, the Parent (FAMUR S.A.) does not issue a separate quarterly report.

Statement of compliance

This consolidated quarterly report has been prepared by applying uniform accounting principles to similar transactions and other events under similar circumstances.

These consolidated financial statements have been prepared in accordance with the historical cost principle, with the exception of revaluation of derivative financial instruments, which are measured by the Group at fair value.

2. Key accounting principles

The financial statements of the FAMUR Group are prepared in accordance with the International Financial Reporting Standards. In particular, this report has been prepared in accordance with IAS 34 *Interim Financial Reporting*, and – to the extent not provided for in the IFRS – in accordance with the Accountancy Act and with the Minister of Finance's Regulation on current and periodic reports to be published by issuers of securities, dated February 19th 2009 (Dz.U. of 2009, No. 33, item 259).

3. Material changes in estimates and presentation of items disclosed in the financial statements

No change was made to the presentation of comparative data for Q1 2016 in the consolidated financial statements for Q1 2017.

The comparative financial data for Q1 2016 presented in the Q1 2017 report, as disclosed in the condensed separate financial statements of FAMUR S.A., is presented as restated data following the merger of FAMUR S.A. with Famur Brand Sp. z o.o. and Elgór + Zamet Sp. z o.o.

4. The FAMUR Group

The FAMUR Group is a manufacturer of machinery and equipment for the mining and power industries, able to supply comprehensive mining systems for mines, turn-key coal feeding systems for power plants, or specialist loading and handling equipment for a port. The Group specialises in delivery of comprehensive mechanised longwall systems for coal mines; design and delivery of IT systems for back-to-back management of coal mining processes (from the face to the surface); delivery of reloading and handling systems for the power sector and ports; and delivery of open pit mining systems.

FAMUR

FAMUR S.A. of Katowice („FAMUR”, „Company”), a manufacturer of longwall shearer loaders and roadheaders, armoured face and belt conveyors, floor railways, powered roof supports and other machinery for the mining industry, is the parent of the FAMUR Group. In August 2006, FAMUR SPÓŁKA AKCYJNA (then FABRYKA MASZYN FAMUR SPÓŁKA AKCYJNA) became a listed company, with 486.5m shares admitted to trading on the Warsaw Stock Exchange (abbreviated name: FAMUR; ticker code: FMF).

Underground segment

The FAMUR Group is a leading global producer of machinery and systems for underground mining using longwall mining techniques. Manufacturing of equipment for coal mining from 1 to 6 metre thick coal seams is an important part of the Group’s business. The components of longwall systems include shearer loaders, powered roof supports and armoured face conveyors. The shearer loaders’ installed capacity ranges from 250 to 1,300 kW, and the powered roof supports’ range of operation is from 0.8 to 6.0 metre. The FAMUR Group’s offer includes power and control hydraulics, including in particular hydraulic supports, pilot controls, and electrohydraulics. The diameters of hydraulic supports and actuators range from 50 to 440 mm.



The FAMUR Group’s roof supports and shearer loaders

The Underground segment also manufactures equipment for transport and handling of various bulk materials used in underground mines. The product mix for the hard coal mining industry includes underground belt conveyors, surface belt conveyors, as well as various underground means of transport for logistics purposes, such as cable-driven floor-mounted railways, diesel-powered suspended mono-rails, diesel-powered floor-mounted railways, diesel-powered locomotives, mechanical winches, and complete equipment for material transport and man-riding units.

The Underground segment’s business also includes the manufacture of roadheading system components. The key element of a roadheading system are roadheaders, which are used primarily to drill galleries and tunnels. The Group’s roadheaders can excavate galleries with sections of up to 37 m², in rocks with a compressive strength up to 110 MPa. At the end of 2015 and beginning of 2016, the FAMUR Group expanded its product portfolio to include Elgór+Zamet sp. z o.o.’s drilling rigs, drills, dinting loaders and loaders used in hard coal mines.



Surface segment

The FAMUR Group’s Surface segment offers a wide range of underground services involving assembly of machinery and equipment, as well as construction and delivery of complete mine shaft hoists. The

Group offers design services, building services, reinforced concrete and steel structure construction, delivery and assembly of machinery and equipment, and start-up and maintenance services. The Group also builds haulage roads, including solutions based on belt and scraper conveyors of proprietary design.

The FAMUR Group's newest product group, integrated with its existing strip mining business, is loading and hoisting equipment manufactured by FAMUR FAMAK S.A., a leading manufacturer of handling systems in Poland supplying most of the coal feeding systems, with 70 years of experience in the industry. The company has extensive engineering design competencies which were further expanded following the acquisition of the engineering design offices of FUGO-Projekt sp. z o.o., BPiRI Separator sp. z o.o., SKW Biuro Projektowo-Techniczne sp. z o.o., and Fugo S.A. in 2015. Moreover, as the company seeks to develop its expertise further, it also acquired Fugo Zamet Sp. z o.o. in April 2017.

5. Composition of the FAMUR Group

As at March 31st 2017, the Group was composed of the Parent and 15 subsidiaries. FAMUR S.A. of Katowice is the Group's Parent.

Entities consolidated as at March 31st 2016

1. **FAMUR SPÓŁKA AKCYJNA** of Katowice, ul. Armii Krajowej 51 – a manufacturer of longwall shearer loaders and roadheaders, armoured face and belt conveyors, floor railways, and other machinery for the mining industry
2. **POLSKIE MASZYNY GÓRNICZE SPÓŁKA AKCYJNA** of Katowice, ul. Armii Krajowej 51 – a trading company and provider of services consisting in installation, repair and maintenance of machinery for mining and construction
3. **FAMUR FINANCE Sp. z o.o. (formerly FAMUR FINANCE PMG S.A. S.K.A.)** of Katowice, ul. Armii Krajowej 51 – the FAMUR Group's financial services company
4. **FAMUR FAMAK SPÓŁKA AKCYJNA** of Kluczbork, ul. Fabryczna 5 – a manufacturer of loading and transshipment machinery and equipment, including complete coal feeding systems, cranes and gantry cranes (formerly FAMAK S.A.)
5. **FAMUR PEMUG sp. z o.o.** of Katowice, ul. Tadeusza Boya Żeleńskiego 105 (formerly FAMUR Machinery sp. z o.o.) – its business comprises shaft hoisting and coal processing plant design, construction/erection and engineering
6. **FAMUR INVEST sp. z o.o.** of Katowice, ul. Armii Krajowej 51 – a business consultancy company, offering also other services

The Management Board decided not to consolidate the subsidiaries specified below, as their financial data are immaterial for the assessment of the FAMUR Group's performance and results.

Entities not consolidated as at March 31st 2017

1. **FAMUR INSTITUTE sp. z o.o.** of Katowice
2. **OOO FAMUR** of Russia
3. **FAMUR INDIA MINING SOLUTIONS PRIVATE LIMITED** of India
4. **TOO FAMUR KAZACHSTAN** of Kazakhstan
5. **OOO FAMUR UKRAINA** of Ukraine
6. **DAMS GmbH** of Germany
7. **FUGO-PROJEKT sp. z o.o.** of Wrocław
8. **BIURO PROJEKTÓW I REALIZACJI INWESTYCJI SEPARATOR sp. z o.o.** of Katowice
9. **SKW Biuro Projektowo-Techniczne sp. z o.o.** of Zgorzelec
10. **FUGO S.A.** of Kluczbork

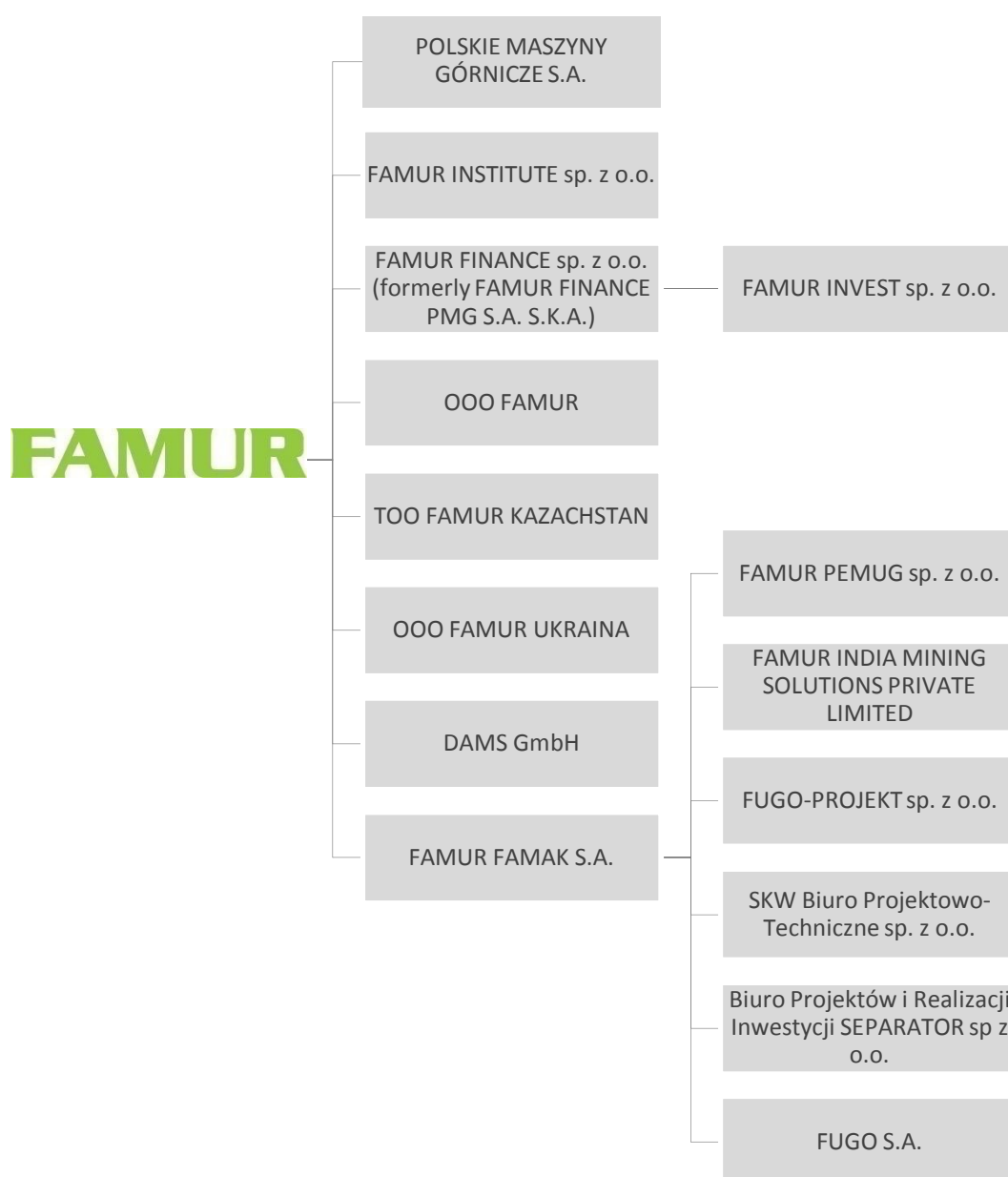
6. Effects of changes in the Group's structure

The following changes and events took place in the FAMUR Group in Q1 2017 and between the reporting date and the issue date of this report:

- On May 5th 2017, FAMUR S.A. made a conditional offer to purchase 65.83% KOPEX shares from the subsidiaries of TDJ S.A. The price proposed by FAMUR for 48,932,015 shares in KOPEX S.A., representing 65.83% of the company's share capital and 48,932,015 voting rights at its general meeting (65.83 % of total voting rights) was PLN 204,046,502.55. Upon acquisition of the shares, the Company will become the parent of KOPEX S.A. The Company's Management Board expects that the acquisition of the controlling interest in KOPEX S.A. should be completed by June 30th 2017.
- On April 3rd 2017, FAMUR FAMAK S.A. finalised the acquisition of 100% of shares in Fugo Zamet sp. z o.o. for PLN 14,000,000. The decision to acquire Fugo Zamet sp. z o.o. was made in view of the good prospects of the Surface segment, in which the company operates, and due to the need to look for additional production capacities. The acquisition of Fugo will be a significant addition to FAMAK's production capacities.

FAMUR Group structure

The diagram below presents the entities controlled by the Company, directly or indirectly, as at March 31st 2017.



7. Discussion of significant events and the FAMUR Group's financial position

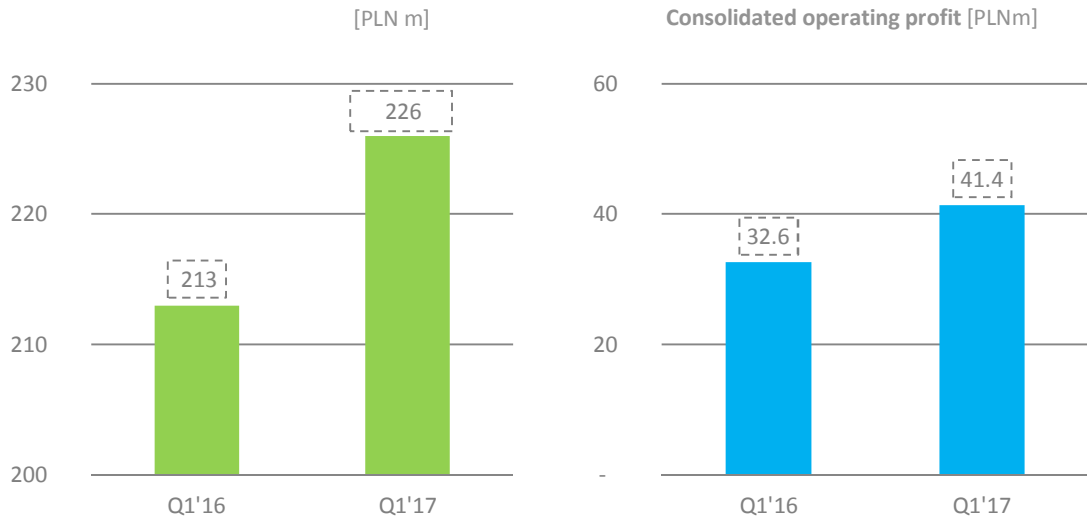
Sales

In the first quarter of 2017, FAMUR S.A. and its subsidiaries earned consolidated revenue of over PLN 226m, up by 5.9% (PLN 12.6m) compared with the corresponding period of 2016. Besides shearer loader and roadheader lease agreements, other components contributing to the overall value of the FAMUR Group's revenue in Q1 2017 included manufacturing of longwall systems for the Russian market, fulfilment of orders to design and deliver coal feeding and slag removal systems manufactured by FAMUR FAMAk S.A., and delivery of loading and trasshipment machinery and equipment for the EMO terminal in the port of Rotterdam.

Revenue generated in Q1 2017 by the parent alone amounted to almost PLN 177m, down by 2.9% (PLN 5.3m) on Q1 2016.

Operating profit

In Q1 2017, the FAMUR Group earned consolidated operating profit of more than PLN 41m (18% of the Group's revenue for the period), compared with an operating margin of 15% recorded in Q1 2016 when the consolidated operating profit was PLN 32.6m. The higher operating margin was achieved thanks to such measures as the cost structure optimization and streamlining of technological process within the FAMUR Group, as well as the strong order pipeline at the Group's production plants, including orders from both foreign and Polish customers.



Source: the Company; all figures in PLNm.

Net other income/expenses

The balance of other income and expenses reduced the operating profit for Q1 2017 by PLN (-)3.8m. The largest item other expenses was the cost of warranty repairs, which amounted to PLN 6.7 million.

In Q1 2017, FAMUR S.A. recorded operating profit of PLN 36m, compared with operating profit of PLN 24m in Q1 2016 (restated data).

Net profit

The FAMUR Group earned a net profit of PLN 36.8m in Q1 2017. The balance of finance income and costs came in positive at PLN 0.2m for Q1 2017, with the settlement of forward contracts being one of the key drivers of the result.

FAMUR S.A.'s net profit for Q1 2017 was PLN 28.8m, compared with PLN 19.7m reported for Q1 2016 (restated data). The Company also recorded net finance costs of PLN (-)4m for the first three months of 2017.

Debt and cash

The FAMUR Group's balance of bank borrowings and other debt instruments, lease liabilities and short-term investments is presented below.

	Mar 31 2017	Dec 31 2016
FAMUR Group		
Bank borrowings and other debt instruments	259,852	184,898
- long-term	-	-
- short-term	259,852	184,898
Lease liabilities, including:	4,927	5,365
- long-term	3,186	3,068
- short-term	1,742	2,297
Notes	109,110	110,438
Cash	525,770	434,114

Source: the Company; all figures in PLN '000.

At the end of March 2017, the FAMUR Group's equity amounted to PLN 1,030m, providing sufficient basis for raising additional financing as needed. The Group's borrowings, including under leases and notes, stood at PLN 373.9m (36% of equity) as at March 31st 2017. As at the end of March 2017, the Group's cash and cash equivalents exceeded PLN 525m. Its net cash at the end of March was PLN 152m.

The Parent's standalone debt under bank borrowings and other debt instruments, leases and notes stood at PLN 458m at the end of March 2017, while its cash and cash equivalents amounted to PLN 362m.

Cash flows

The Group's consolidated net cash from operating activities for Q1 2017 amounted to PLN 41.0m, compared with PLN 53.8m in the comparative period of 2016. The Group's cash flows from investing activities were negative at PLN -19.9m, while its net cash from financing activities reached PLN 70.6m, compared with PLN 342.7m in Q1 2016. The higher net cash from financing activities reported for Q1 2016 was attributable to the launch of a note issue programme. Between January and March 2017, the FAMUR Group generated total net cash flows of PLN 91.6m, compared with PLN 376m in the first quarter of 2016.

The Parent generated net cash from operating activities of PLN 127m for Q1 2017. FAMUR S.A.'s net cash from investing activities was negative at PLN (-)57m, while its net cash from financing activities amounted to PLN 45m.

8. Factors with potential bearing on results

- In connection with the acquisition of a majority interest in KOPEX S.A. by the Company's indirect parent (TDJ S.A.) in December 2016, the Company's Management Board began the work on integrating the FAMUR and Kopex Groups. Following the development of the target model for integration of the two entities, on May 5th 2017 FAMUR made a conditional offer to purchase 65.83% of KOPEX shares from the subsidiaries of TDJ S.A. for PLN 204,046,502.55 and then launched the integration process to consolidate the FAMUR and KOPEX Groups.

The integration is planned to comprise the following steps:

1. Preparation to the integration by establishing within KOPEX:
 - a. the trade and services business, comprising the KOPEX Group's current trade operations and services, to include Kopex PBSz, ŚTW Dalbis and coal trade; and
 - b. the machinery business, including in particular the operating assets and companies involved in the manufacture, maintenance and distribution of mining machinery (the "Machinery Business").
2. Commencement of integration of the Machinery Business pursuant to the Agreement, in particular through:
 - a. integration of sales processes,
 - b. reorganisation of production processes,
 - c. concentration of sales, sales support, cooperation and logistics departments as well as other central functions currently performed by KOPEX in FAMUR.

3. Preparation and signature, by June 30th 2017, of a plan to demerge KOPEX by establishing the Machinery Business, which will be acquired by FAMUR in exchange for new shares issued by FAMUR. In exchange for KOPEX shares representing the Machinery Business, minority shareholders will, following the demerger of KOPEX, receive new shares issued by FAMUR in accordance with the exchange ratio of 0.76 FAMUR share for 1 cancelled KOPEX share. Given the net asset value of the Machinery Business estimated as at March 31st 2017, it is expected that the demerger will result in the cancellation of approximately 81% of KOPEX shares held by KOPEX shareholders and that the FAMUR shares to be issued in connection with the demerger will represent up to 3% of FAMUR's current share capital. The final net asset value of KOPEX, and thus the net asset value of the Machinery Business, will be determined at the time of signature of the demerger plan, according to the value as at May 1st 2017. The exchange ratio is based on the average market prices of KOPEX and FAMUR shares for the three months preceding the date of adoption of data for the demerger plan, i.e. May 1st 2017, which are PLN 3.94 and PLN 5.16 per share, respectively. To determine the exchange ratio, a method analogous to that defined in Art. 79.7. of the Public Offering Act was applied, i.e. the ratio was based on the arithmetic mean of daily volume-weighted average prices of KOPEX and FAMUR shares. The demerger of KOPEX is expected to be officially completed in Q1 2018.

The consolidation of Poland's two largest manufacturers of equipment for the mining industry will create an opportunity to build a strong Polish organisation able to compete with global leaders of the mining equipment market. In the past, similar consolidation processes in the electromechanical industry were carried out in other countries, e.g. Germany. FAMUR's and KOPEX's know-how, experience and market positions offer a platform for promoting Polish technological innovations on international markets and exporting a full suite of proven products and services. The Company believes that the integration of FAMUR and KOPEX Groups is the best way to successfully overcome the current challenges faced by the industry. The consolidation would enable the Group to better adapt its offering to the current needs of the Polish mining industry, while the optimisation of production processes would additionally improve the cost base, which could in turn provide meaningful support for the coal sector. If carried out, the consolidation process would on the one hand enable the building of an offering which – in terms of prices, quality, technological solutions and efficiency – would support coal mines in their efforts to improve profitability of coal production. On the other hand it would provide stability and support for international expansion of the Group and the implementation of its growth programmes.

- In order to further support the rapid growth of the Surface segment, a decision to invest in expanding the Segment's production capacities dedicated to its production profile was made. The Famak Group finalised the acquisition of 100% of shares in Fugo Zamet sp. z o.o. for PLN 14,000,000. The decision to acquire Fugo Zamet sp. z o.o. was made in view of the good prospects of the Surface segment, in which the company operates, and due to the need to look for additional production capacities. The acquisition of Fugo will be a significant addition to FAMAK's production capacities. At the same time, Famur S.A. decided to increase the share capital of Famak S.A. by PLN 40m in order to finance the above investments and strengthen the segment's balance sheet so that it is able obtain the guarantee and credit facilities required to execute new contracts.
- For several years, the Group companies have been carefully monitoring the market of coal producers and the market of machinery and equipment for the mining industry. As a result of its analysis, the Company decided to implement a permanent operational costs optimisation programme for its business. The results achieved by the FAMUR Group are the effect of its deliberate and tight policies in the areas of finance and business organisation. The continuous monitoring of factors which might undermine its financial stability helps the FAMUR Group anticipate and respond to the risks, e.g. by recognising provisions or impairment losses.
- Despite the continuing difficult economic situation of Polish mines – the FAMUR Group's key customers on the Polish market – the Group has been successfully broadening its product port-

folio and diversifying its revenue sources. A significant portion of total revenue was generated from contracts executed in the Surface segment. The Company intends to continue to diversify its revenue sources and does not rule out further acquisitions given that the current market conditions create a favourable environment for such transactions.

- The economic situation of the Polish mining industry and the continuing low prices of coal may have a bearing on the results generated by the FAMUR Group. Declining capital expenditure by the mines and waiting for management decisions that will solve or mitigate the financial problems of the Polish mining sector may have an impact on the ability of mining machinery and equipment suppliers to maintain their current business scale. These considerations underlie the Group's decision to increase its presence in foreign markets and expand its portfolio of products and services, especially those dedicated to the strategic energy industry. At the same time, FAMUR has been consistently pursuing its GO GLOBAL international expansion programme.
- Exchange rates fluctuations and the related ongoing valuation of forward transactions may affect the performance recorded in individual quarters. However, the principal objective of using this form of hedging is to protect the operating margins under the Group's contracts. For valuation of forward contracts, see Section 22 of this report.

9. Industrial and geographical segments

The FAMUR Group's main products are – in the Underground segment: plant and equipment comprising the longwall systems, roadheaders, belt conveyors and supporting equipment, and in the Surface segment: loading and hoisting equipment, together with comprehensive construction of mine shaft hoists. The table below presents the segments' results and their shares in total revenue after the first three months of 2017.

Continuing operations

	Underground	Surface	Total
Jan–Mar 2017			
Revenue	163,940	62,321	226,261
Cost of sales	107,862	54,177	162,039
Gross profit	56,078	8,144	64,222
Profit on sales	40,479	4,697	45,176
Gross margin	24.7%	7.5%	20.0%
Segment's share in revenue	72.5%	27.5%	100.0%

	Underground	Surface	Total
Jan–Mar 2016			
Revenue	178,896	34,785	213,681
Cost of sales	131,952	25,790	157,743
Gross profit	46,943	8,995	55,938
Profit on sales	32,681	5,744	38,424
Gross margin	18.3%	16.5%	18.0%
Segment's share in revenue	83.7%	16.3%	100.0%

Source: the Company; all figures in PLN '000.

In the first three months of 2017, there was a significant increase in the share of the Surface segment in total revenue, to 28%, from 16% in Q1 2016. In order to mitigate the challenges posed by the difficult situation of the Polish manufacturers of underground mining plant and equipment, the FAMUR Group intends to consistently build its position as a supplier of electromechanical equipment for the strip mining industry and the power sector.

The revenue of the Underground segment was primarily driven by foreign contracts; sale of new and upgrades of existing roof supports; delivery of longwall systems; lease of shearer loaders with maintenance services; manufacture of switchgears for lignite mines; and sale of shearer loaders and armoured face conveyors, including for export.

In the Surface segment, contracts executed by FAMUR FAMAK S.A. were a significant contributor to the segment's revenue and included contracts for the design and delivery of coal feeding systems for Polish power plants, a contract for the delivery of machinery and equipment for the EMO handling

terminal in the Netherlands, as well as alteration of the production hall of KGHM's Pyrometallurgy Department.

Geographical structure of revenue

In Q1 2017, the FAMUR Group's export sales represented almost 23% of total revenue, amounting to PLN 52m, down 38% year on year. The table below presents the shares of individual foreign markets in the Group's total revenue.

Revenue	Q1 2017	Q1 2016	Change	Share
Poland	173,888	129,632	34.14%	76.85%
Russia and CIS	24,641	54,064	-54.42%	10.89%
European Union	26,095	28,045	-6.96%	11.53%
Other Europe	189	992	-80.91%	0.08%
Other*	1,448	947	52.88%	0.64%
Total	226,261	213,681	5.89%	100.00%
Poland	173,888	129,632	34.14%	76.9%
Total exports	52,373	84,049	-37.69%	23.1%

Source: the Company; all figures in PLN '000; *North and South America, Asia, Africa, Australia, Turkey

The level of sales in individual foreign markets depends on the quarter in which a given contract (often of considerable value) is performed and may change significantly from quarter to quarter. The high unit value of contracts performed by the FAMUR Group may significantly (by dozen or so or even several dozen percentage points) change the shares of individual geographical markets in total revenue.

The FAMUR Group has been consistently pursuing its Go Global strategy, as evidenced by the contracts concluded in the first quarter of 2017, including the contract for the delivery of a longwall system to the Chertinskaya-Koksovaya mine (PLN 75m), delivery of 177 powered roof support systems to the Kirov Mine owned by AO SUEK (PLN 103m), and the framework agreement between FAMUR FAMAK and Hans Künz GmbH (PLN 50m/year). Moreover, in the Underground segment, after the end of the first quarter, the FAMUR Group was notified that AO SUEK selected its bid for the delivery of 40 powered roof support sections with a value of EUR 4.8m and that the Group's KGS 245N longwall shearer was selected for delivery to DTEK's Shahtoupravlenie Obuhovskaya mine in the Rostov region of Russia (winning bid amount: EUR 0.9m). In the Surface segment, FAMUR FAMAK executed a contract with JP Elektrprivreda of Serbia for the delivery of three self-propelled driving units with a value of EUR 3.2m.

As a number of material export contracts had been signed by the date of issue of the Q1 2017 report, especially on the Russian market, exports revenue is expected to increase in the coming quarters.

10. Impairment losses and provisions

The FAMUR Group's consistently tight financial policy, including the ongoing monitoring of factors which might undermine its financial stability, helps the FAMUR Group anticipate and respond to risks, e.g. by recognising provisions and impairment losses. Since the beginning of 2017, the Company and the FAMUR Group have revalued their provisions, impairment losses and write-downs, as presented in the table below.

	Mar 31 2017	change	Dec 31 2016
Company			<i>restated</i>
Long-term provisions for retirement and similar benefits	18,474	-166	18,640
Short-term provisions for retirement and similar benefits	15,458	2,656	12,802
Other long-term provisions	2,322	-3,482	5,804
Other short-term provisions	13,926	2,805	11,121
Impairment losses on receivables	71,752	-536	72,288
Inventory write-downs	18,100	3,098	15,002
Impairment losses on property, plant and equipment and intangible assets	5,360	-589	5,949
Deferred tax assets	16,774	-1,320	18,094
Deferred tax liabilities	1,035	39	996

	Mar 31 2017	change	Dec 31 2016
FAMUR Group			
Long-term provisions for retirement and similar benefits	18,989	-233	19,222
Short-term provisions for retirement and similar benefits	18,490	2,976	15,514
Other long-term provisions	3,881	-4,483	8,364
Other short-term provisions	19,980	951	19,029
Impairment losses on receivables	86,075	292	85,783
Inventory write-downs	20,975	3,058	17,917
Impairment losses on property, plant and equipment and intangible assets	5,742	-589	6,331
Deferred tax assets	34,739	-1,517	36,256
Deferred tax liabilities	27,973	-186	28,159

Source: the Company; all figures in PLN '000.

* Data restated in connection with mergers within the FAMUR Group

11. Seasonality of operations

Neither FAMUR S.A.'s nor the Group's operations are subject to any seasonal or cyclical changes. It should be noted, however, that due to the significant value of individual contracts whose performance may last more than one quarter the Group's quarterly revenues may fluctuate.

12. Securities

Shares

On June 18th 2015, the Annual General Meeting of FAMUR S.A. passed Resolution No. 27, under which the effective period of the authorisation for the Management Board to buy back the Company's own shares was extended until June 26th 2018 or until the funds earmarked for the buy-back are exhausted, whichever of these two is earlier. The authorisation was granted under Resolution No. 24 passed by the Annual General Meeting held on June 26th 2013. The Annual General Meeting of FAMUR S.A. resolved that the other provisions of Resolution No. 24 of the Annual General Meeting held on June 26th 2013 should remain unchanged.

Shareholder's request to increase FAMUR S.A.'s share capital

On May 8th 2017, the main shareholder of FAMUR S.A. submitted a request to convene an Extraordinary General Meeting of FAMUR S.A., accompanied by draft resolutions to increase FAMUR S.A.'s share capital through the issue of:

- up to 43,677,000 Series D ordinary bearer shares, with a par value of PLN 0.01 per share,
- up to 29,293,500 Series E registered shares, with a par value of PLN 0.01 per share, with the proviso that upon the shareholder's request they will be converted into bearer shares,

through a private placement, with the pre-emptive rights of the existing shareholders waived in full, conversion of Series D and Series E shares into book-entry form and their introduction to trading on

the regulated market operated by the Warsaw Stock Exchange, as well as amendment of the Articles of Association.

According to the request, its purpose is to ensure a streamlined issue of the Company's shares with a view to raising capital, while ensuring the liquidity of the shares related to the issue. The Shareholder proposed to sell a part of its existing shareholding (by way of invitations addressed to selected investors) with a simultaneous subscription for new shares by TDJ Equity I sp. z o.o. The shareholder plans to sell up to 15% of the shares, but not more than the number of shares to be issued in connection with the planned capital increase. TDJ Equity I sp. z o.o. has declared that it intends to subscribe for the number of shares in the increased share capital of FAMUR S.A. equal to the number of shares to be sold by TDJ Equity sp. z o.o. on the stock exchange, at a price corresponding to the price at which the shares would be sold.

In the opinion of the Company's Management Board, a share capital increase by way of a private placement of a certain number of new shares, with TDJ's simultaneous declaration of intention to sell the same number of existing shares is designed to enable minority investors to invest in Company shares.

Notes

On December 21st 2015, the Management Board of FAMUR S.A., acting on the basis of the Supervisory Board's consent for issue of notes in a private placement and on the basis of the Management Board's resolution of December 18th 2015 on the establishment and implementation of a PLN 500,000,000 Notes Programme, allotted 108,000 Series A Notes with a nominal value of PLN 1,000.00 per note to entities which placed subscription orders for the Notes, that is which submitted, in a valid and effective manner, Forms of Acceptance of the Invitation to Acquire Series A Notes. The aggregate value of the issue is PLN 108,000,000.00.

Series A notes were converted into securities in book-entry form and registered in the securities depository at the Central Securities Depository of Poland on January 12th 2016, and assigned ISIN code PLFAMUR00038. The issue date is thus January 12th 2016, and the redemption date is January 13th 2020.

On March 18th 2016, the Management Boards of the WSE and BondSpot passed resolutions to introduce Series A notes issued by FAMUR S.A. to trading in the WSE ATS and BondSpot ATS. March 31st 2016 was set as the day of the first listing of Series A notes issued by FAMUR S.A.

As planned by the Management Board, Series A notes comprise the first tranche of notes to be issued under the Note Programme, expected to expire on December 31st 2017. The FAMUR Management Board will approve issuance of further tranches of notes depending on the Company's financing needs related to the intensification of its market activities and growth of the organisation.

In each interest period, Series A notes bear interest at a floating rate based on 6M WIBOR plus margin. Series A notes pay interest every six months.

13. Dividend

In Q1 2017, there were no events or decisions relating to approval or payment of dividend at the FAMUR Group.

14. Events subsequent to the reporting date

The following material events occurred at the FAMUR Group after Q1 2017.

Submission of an offer to acquire shares in KOPEX S.A. and adoption of an integration model for FAMUR Group and KOPEX Group consisting in spinning off a mining machinery and equipment manufacturer from KOPEX.

On May 5th 2017, FAMUR S.A. made a conditional offer to purchase 65.83% of KOPEX shares from the subsidiaries of TDJ S.A. The price proposed by FAMUR for 48,932,015 shares in KOPEX S.A., representing 65.83% of the company's share capital and 48,932,015 voting rights at its general meeting (65.83 % of total voting rights) was PLN 204,046,502.55. Upon acquisition of the shares, the Company will become the parent of KOPEX S.A. The Company's Management Board expects that the acquisition of

controlling interest in KOPEX S.A. should be completed by June 30th 2017. The offer is conditional on the consent of the FAMUR Supervisory Board.

The Company's Management Board believes that an issue of new FAMUR shares represents the best means of financing the acquisition of the controlling interest in KOPEX. On May 5th 2017, the Company's Management Board requested the main shareholder, TDJ Equity I sp. z o.o., for support in obtaining additional funds, including for the purposes of financing the acquisition of KOPEX.

Also on May 5th 2017, the FAMUR Management Board passed a resolution outlining an integration model for the FAMUR Group and the KOPEX Group and entered into a conditional agreement with KOPEX, defining the terms of cooperation and integration of the companies (the "Agreement").

The integration is planned to comprise the following steps:

1. Preparation to the integration by establishing within KOPEX:
 - a. the trade and services business, comprising the KOPEX Group's current trade operations and services, to include Kopex PBSz, ŚTW Dalbis and coal trade; and
 - b. the machinery business, including in particular the operating assets and companies involved in the manufacture, maintenance and distribution of mining machinery (the "Machinery Business").
2. Commencement of integration of the Machinery Business pursuant to the Agreement, in particular through:
 - a. integration of sales processes,
 - b. reorganisation of production processes,
 - c. concentration of sales, sales support, cooperation and logistics departments as well as other central functions currently performed by KOPEX in FAMUR.
3. Preparation and signature, by June 30th 2017, of a plan to demerge KOPEX by establishing the Machinery Business, which will be acquired by FAMUR in exchange for new shares issued by FAMUR. In exchange for KOPEX shares representing the Machinery Business, minority shareholders will, following the demerger of KOPEX, receive new shares issued by FAMUR in accordance with the exchange ratio of 0.76 FAMUR share for 1 cancelled KOPEX share. Given the net asset value of the Machinery Business estimated as at March 31st 2017, it is expected that the demerger will result in the cancellation of approximately 81% of KOPEX shares held by KOPEX shareholders and that the FAMUR shares to be issued in connection with the demerger will represent up to 3% of FAMUR's current share capital. The final net asset value of KOPEX, and thus the net asset value of the Machinery Business, will be determined at the time of signature of the demerger plan, according to the value as at May 1st 2017. The exchange ratio is based on the average market prices of KOPEX and FAMUR shares for the three months preceding the date of adoption of data for the demerger plan, i.e. May 1st 2017, which are PLN 3.94 and PLN 5.16 per share, respectively. To determine the exchange ratio, a method analogous to that defined in Art. 79.7. of the Public Offering Act was applied, i.e. the ratio was based on the arithmetic mean of daily volume-weighted average prices of KOPEX and FAMUR shares. The demerger of KOPEX is expected to be officially completed in Q1 2018.

Acting in accordance with the Articles of Association, on May 5th 2017 the FAMUR Management Board submitted a request to the Supervisory Board for approval of the integration plan for FAMUR and KOPEX. On May 9th 2017, the Company was informed that the Supervisory Board approved both the offer to acquire the controlling interest in KOPEX and the integration plan.

Notice of Extraordinary General Meeting of FAMUR S.A.

In the afternoon of May 8th 2017, the Company received a request from the shareholder TDJ Equity I sp. z o.o. (the "Shareholder") to convene an Extraordinary General Meeting, with the agenda including the adoption of a resolution to increase the Company's share capital. According to the request, its purpose is to ensure a streamlined issue of the Company's shares with a view to raising capital, while ensuring the liquidity of the shares related to the issue. The Shareholder proposed to sell a part of its existing shareholding (by way of invitations addressed to selected investors) with a simultaneous sub-

scription for new shares by TDJ Equity I sp. z o.o. The shareholder plans to sell up to 15% of the shares, but not more than the number of shares to be issued in connection with the planned capital increase. TDJ Equity I sp. z o.o. has declared that it intends to acquire the number of shares in the increased share capital of FAMUR S.A. exactly equal to the number of shares to be sold by TDJ Equity sp. z o.o. on the stock exchange, at the price corresponding to the price at which the shares would be sold.

In connection with the above request, the Management Board of FAMUR Spółka Akcyjna of Katowice convened an Extraordinary General Meeting for 10:00am on June 5th 2017 at FAMUR Spółka Akcyjna's registered office at ul. Armii Krajowej 51, Katowice.

- **Contract for delivery of roof support system sections to JSW**

On May 5th 2017, the Company's Management Board announced that the Company signed a contract with JZR sp. z o.o. for the delivery of 137 brand-new powered roof support system sections with accessories to JSW SA KWK Knurów Szczygłowice. The value of the selected bid is PLN 45,089,137.00 (VAT exclusive). In accordance with the terms of the contract, the sections are to be delivered to JSW by September 20th 2017.

Invitation to conclude a contract for construction works and construction of 'Grzegorz' Shaft

On April 28th 2017, the Company was informed that the consortium of Kopex PBSz and FAMUR PEMUG had been invited to sign a contract with Tauron Wydobywanie S.A. for the execution of construction works and construction of the 'Grzegorz' Shaft. The contract is to be signed on May 15th 2017. The contract price is PLN 227,867,534.59 (VAT exclusive), with the share of FAMUR PEMUG sp. z o.o., as the consortium member, amounting to PLN 55,000,000.00.

- **Contract with Turkish partner**

On April 24th 2017, the Management Board of FAMUR S.A. announced that it had executed a contract with a Turkish trading partner, İMBAT MADENCİLİK ENERJİ TURİZM SAN TİC. A.Ş of Turkey ("İmbat") for the delivery of three longwall systems, for a total amount of EUR 12,193,000.00 (PLN 52,070,206.50, VAT exclusive, translated at the 4.2705 EUR/PLN exchange rate of April 21st 2017). The contract provides that the payment for the systems will be made in two tranches: a) EUR 2,438,600.00 within 30 days of the contract date, and b) EUR 9,754,400 in 12 monthly instalments payable from the date of delivery of the systems, divided according to the value of deliveries made. Delivery dates: 5 months for the first, 6 months for the second, and 8 months for the third system.

- **Contract for expansion and upgrade of Coal Processing Plant at JSW SA KWK Budryk**

On April 19th 2017, FAMUR PEMUG sp. z o.o. entered into a contract with JSW S.A. for the expansion and upgrade of the Coal Processing Plant at the KWK Budryk coal mine. The contract price is PLN 132,348,780.49 (VAT exclusive). The scope of the contract includes development of the detailed design, construction and reconstruction of buildings and structures, delivery of mechanical equipment (including filter presses, centrifuges, jigs, screens, conveyors and pumps) and electrical equipment with accompanying equipment and installations, on-site assembly, commissioning, start-up and survey, preparation of as-built documentation and licensing documentation for the whole of the Coal Dressing Plant and provision of warranty maintenance services.

- **Contract with Hans Künz GmbH**

On April 13th 2017, Famur Famak entered into a cooperation contract with Hans Künz GmbH, effective for the next few years. Pursuant to the contract, Famak will increase the annual production capacity reserved for Hans Künz GmbH by 67% relative to 2016. The contract will be performed through the fulfilment of individual orders, within the reserved annual production capacity. The contract defines framework pricing terms, depending on the type of products ordered. Under the contract, orders may be fulfilled by Famur Famak's EU plants, subject to prior audit of the plants by Hans Künz GmbH. The parties agreed to negotiate new cooperation terms and conditions upon expiry of the contract, that is after December 31st 2020.

The Famur Famak Management Board estimates that the contract and the increasingly close partnership between the companies will lead to annual sales made to Hans Künz GmbH exceeding PLN 50m by 2020, provided that Hans Künz GmbH places orders similar to those placed to date. In 2016, sales to this customer amounted to PLN 30m.

- **Acquisition of all shares in Fugo Zamet sp. z o.o.**

On April 3rd 2017, FAMUR FAMAK S.A. (Famak) acquired 100% of shares in Fugo Zamet sp. z o.o. for PLN 14,000,000.00. The decision to acquire Fugo was prompted by the good prospects for the market on which FAMAK operates, and the resulting need to secure additional capacities and expertise that would match FAMAK's business profile, including the manufacture of loading and handling equipment, as well as plant and equipment for the surface mining segment. The acquisition of Fugo will be a significant addition to FAMAK's production capacities.

While being engaged in the acquisition of Fugo, the FAMAK Group has also taken steps to purchase an organised part of business of Famago sp. z.o.o. w upadłości (in bankruptcy, hereinafter referred to as "Famago") from the bankruptcy administrator. Famago's business includes the manufacture of the full range of plant and equipment for modern surface mining as well as the loading and material handling industry. Famago also supplies components required for the operation of its products.

If its investment strategy proves successful, FAMAK will consolidate the expertise in the manufacture of loading and handling equipment, as well as plant and equipment for surface mining, together with appropriate manufacturing facilities and qualified personnel. If both transactions discussed above are executed, FAMAK's annual production capacities will increase by approximately 9 thousand tonnes.

15. Events relating to previous years

No events relating to previous years occurred in the reporting period.

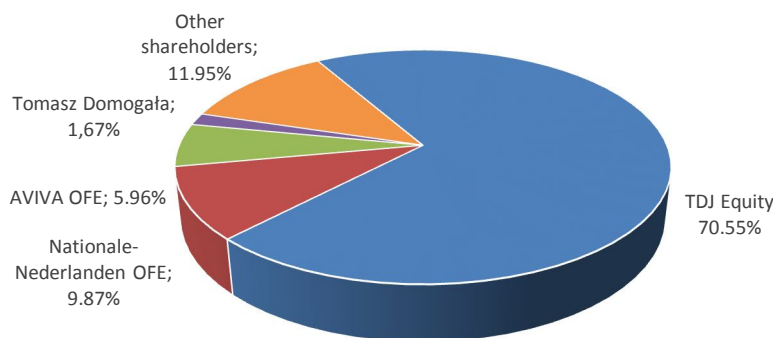
16. Forecast

The Board decided not to release forecasts for 2017.

17. List of shareholders entitled to attend General Meeting

As at March 31st 2017, the Company's share capital amounted to PLN 4,864,700.00 and was divided into 486,470,000 series A, B and C shares with a par value of PLN 0.01 per share. All outstanding shares are ordinary shares without any preference in terms of profit distribution or voting rights at the General Meeting. The following chart and table show the shareholding structure according to the most recent General Meeting of the Company held on June 24th 2016 and to received notices (list of shareholders representing at least 5% of votes).

Shareholding structure of FAMUR S.A.



Source: Company

Shareholder	Number of shares	Number of voting rights at GM	% total voting rights at GM	% of share capital
TDJ Equity I sp. z o.o.	343,225,896	343,225,896	70.55%	70.55%
Nationale-Nederlanden OFE	48,000,000	48,000,000	9.87%	9.87%
AVIVA OFE	29,000,000	29,000,000	5.96%	5.96%
Tomasz Domogała*	8,106,855	8,106,855	1.67%	1.67%
Treasury shares*	1,000	1,000	0%	0%
Other shareholders	58,136,249	58,136,249	11.95%	11.95%
Total	486,470,000	486,470,000	100.00%	100.00%

Source: the Company; * indirectly through a subsidiary

The list of shareholders representing at least 5% of votes has not changed since the last interim report presenting the shareholding structure.

The ownership interest held by TDJ Equity I sp. z o.o., the main shareholder, has not changed since the issue of the report for Q4 2016. The parent of TDJ Equity I sp. z o.o. is TDJ S.A. Tomasz Domogała, Chairman of the Supervisory Board, directly controls TDJ S.A., and thus indirectly controls a majority interest in FAMUR S.A.

18. Shares held by management and supervisory personnel

The shares in FAMUR S.A. held by Members of the Management and Supervisory Boards jointly represent 2.0570% of total voting rights at the Company's General Meeting.

	Number of shares held	% total voting rights at GM
Management person		
Dawid Gruszczyk	1,575,000	0.3238%
Beata Zawiszowska	321,000	0.0660%
Zbigniew Fryzowicz	2,568	0.0005%
Zdzisław Szypuła	1,497	0.0003%
Supervisory person		
Tomasz Domogała*	8,106,855	1.6665%

Source: FAMUR GROUP; valid as at November 14th 2016; *Tomasz Domogała, Chairman of the Supervisory Board, directly controls TDJ S.A., and thus indirectly controls a majority interest in FAMUR S.A. held by TDJ Equity I sp. z o.o.

19. Important proceedings before public authorities

With reference to the FAMUR Group's recent periodic reports and Current Reports Nos. 44/2009, 1/2010, 21/2012 and 12/2014, the court proceedings instigated by the Company (as the legal successor of Fabryka Zmechanizowanych Obudów Ścianowych FAZOS S.A., merged with Zakład Maszyn Górniczych GLINIK sp. z o.o., later merged with the Company) against KOPEX S.A. and Fabryka Urządzeń Górniczych Tagor S.A. for compensation for the damage suffered by FAZOS S.A. in connection with a failure to perform a contract for a Chinese customer, have been suspended by decision of the Regional Court in Katowice. In the proceedings, the Company seeks compensation for losses incurred due to the need to insure against foreign exchange risk. The amount in controversy is PLN 51,900,400.00.

The proceedings have been suspended until a final decision is made in the case against KOPEX S.A. and Tagor S.A. for payment of PLN 22,206,707.76 in damages for profits lost due to non-performance of the contract for the Chinese customer. The contract was to be performed under the cooperation agreement of January 11th 2008, providing for delivery of equipment worth approximately 50% of the value of the contract concluded by KOPEX S.A. with the Chinese customer. All appellate remedies were exhausted in the proceedings, i.e. the Supreme Court refused to consider the cassation complaint lodged by the Company. The proceedings were closed. Therefore, the proceedings concerning payment of compensation of PLN 51,900,400.00 were resumed by way of a court decision of March 25th 2015. On May 14th 2015, a hearing was held, during which the court admitted an expert witness opinion as evidence.

On December 28th 2015, the court appointed an expert to prepare a written opinion regarding the amount of losses suffered by FAZOS S.A. as a result of F/X forwards, regarding the execution of such forwards to hedge the margin under the contract signed by KOPEX with its Chinese partner on June 14th 2008, as well as to examine other relevant aspects of the said forwards. The expert has been obliged to submit the opinion within two months of receipt of the case files. Before a ruling was issued, the Company reduced its claim to PLN 33,705,361.31.

On June 29th 2016, the Regional Court in Katowice issued a ruling in which it decided to:

- 1) dismiss the claim of PLN 33,705,361.31 (amount of claim limited by the Company),
- 2) discontinue the proceedings with respect to the claim of PLN 18,170,238.69,
- 3) award PLN 7,217 from the plaintiff to KOPEX S.A. as reimbursement of the costs of legal representation,
- 4) award PLN 7,217 from the plaintiff to TAGOR S.A. as reimbursement of the costs of legal representation,
- 5) award PLN 7,377.60 from the plaintiff to KOPEX S.A. as reimbursement of the costs,
- 6) order the plaintiff to pay PLN 21,961.78 to the State Treasury as reimbursement of the costs not covered in the course of the proceedings.

The ruling is not final and has been appealed by the Company.

20. Related-party transactions

The related-party transactions concluded by the Group in Q1 2017 were conducted at market prices and, in the opinion of the Management Board, were typical and routine transactions.

21. Sureties and guarantees issued and changes in contingent liabilities

FAMUR Group's contingent assets and liabilities

	Mar 31 2017	Dec 31 2016
Consolidated data		
1. Contingent receivables	-	125,000
2. Contingent liabilities	151,333	252,876
- guarantees issued, including:	88,726	69,312
- <i>bid bonds</i>	6,131	3,444
- <i>performance bonds</i>	81,095	64,830
- <i>other</i>	1,500	1,038
- surety bond and promissory notes issued to financial institutions	0	125,000
- purchase of debt	62,607	58,564

Source: the Company; all figures in PLN '000.

22. Other information

Workforce

As at the reporting date, i.e. March 31st 2017, the FAMUR Group employed 2,517 people. Information on average employment and average remuneration in the FAMUR Group in the financial year 2017 will be presented in the full-year financial statements.

Changes in composition of Management Board

The composition of the Company's Management Board did not change in Q1 2017.

Composition of the Management Board of FAMUR S.A. as at March 31st 2017:

1. Mirosław Bendzera – President of the Management Board
2. Beata Zawiszowska – Vice President of the Management Board
3. Zbigniew Fryzowicz – Vice President of the Management Board
4. Zdzisław Szypuła – Vice President of the Management Board
5. Dawid Gruszczyk – Vice President of the Management Board

Valuation of forwards at FAMUR Group as at March 31st 2017

The Group takes steps to minimise foreign exchange risk by entering into F/X forwards and requiring advance payments in certain cases. The following table presents the FAMUR Group's derivative instruments measured as at the reporting date, i.e. March 31st 2017.

Derivatives (groups of derivatives)	Planned date of materialisation of hedged cash flow or group of cash flows	Value of future cash flows at forward rate	Market value of hedging transactions as at March 31st 2017	Hedged risk
FAMUR FAMA S.A.				
Forward - sale of EUR	Q2 2017	13,508	13,126	Foreign exchange risk
Forward - purchase of EUR	Q2 2017	921	956	Foreign exchange risk
Forward - sale of EUR	Q3 2017	8,563	8,400	Foreign exchange risk
Forward - sale of EUR	Q4 2017	8,623	8,424	Foreign exchange risk
Forward - sale of EUR	Q1 2018	15,446	15,094	Foreign exchange risk
Forward - sale of EUR	Q2 2018	1,324	1,293	Foreign exchange risk
Forward - sale of EUR	Q3 2018	6,947	6,730	Foreign exchange risk
FAMUR S.A.				
Forward - sale of EUR	Q2 2017	32,611	32,194	Foreign exchange risk
Forward - sale of EUR	Q3 2017	1,273	1,229	Foreign exchange risk
Forward - sale of EUR	Q4 2017	93,986	91,648	Foreign exchange risk
Forward - sale of EUR	Q1 2018	1,049	1,013	Foreign exchange risk
IRS	Q1 2020	108,000	107,811	Interest rate risk
Total		292,251	287,918	

Source: the Company; all figures in PLN '000.

Condensed separate financial statements of FAMUR S.A. for Q1 2017

CONDENSED SEPARATE FINANCIAL STATEMENTS OF FAMUR S.A.

Accounting policies applied in the preparation of the report for Q1 2017

This report has been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), which have been applied by the Company since January 1st 2005. In particular, this report has been prepared in accordance with the requirements of IAS 34 *Interim Financial Reporting* and – to the extent not provided for in the IFRS – with the requirements of the Accountancy Act. Unless stated otherwise, all amounts are presented in PLN '000.

The comparative financial data for Q1 2016 presented in the Q1 2017 report, as disclosed in the condensed separate financial statements of FAMUR S.A., is presented as restated data following the merger of FAMUR S.A. with Famur Brand Sp. z o.o. and Elgór + Zamet Sp. z o.o.

FAMUR S.A.'s statement of financial position

	Mar 31 2017	<i>restated</i> Dec 31 2016
ASSETS		
Non-current assets	681,511	665,788
Intangible assets	165,323	166,485
Property, plant and equipment	292,735	302,115
Long-term receivables	4,661	16,957
Long-term investments	199,197	159,182
Other non-current assets (prepayments and accrued income)	2,821	2,956
Deferred tax assets	16,774	18,094
Current assets	765,424	812,310
Inventories	136,763	123,347
Trade receivables	238,626	406,323
Other short-term receivables	10,579	18,552
Current financial assets	10,461	13,530
Cash and cash equivalents	361,729	246,071
Other current assets (prepayments and accrued income)	5,025	2,758
Non-current assets classified as held for sale	2,239	1,729
Total assets	1,446,935	1,478,098
LIABILITIES		
Equity	729,249	700,065
Share capital	4,865	4,865
Statutory reserve funds	201,117	201,117
Revaluation capital reserve	2,135	1,573
Other capital reserves	373,984	373,984
Retained earnings	147,149	118,527
Liabilities and provisions for liabilities	717,686	778,032
Provisions for liabilities	51,215	49,364
Non-current bank borrowings and other debt instruments	0	0
Non-current lease liabilities	556	405
Other non-current liabilities	111,069	111,184
Trade payables	104,478	147,162
Tax payable	10,330	45,050
Current bank borrowings and other debt instruments	347,990	298,254
Current finance lease liabilities	407	428
Other current liabilities	70,737	104,185
Other liabilities (accruals and deferred income)	20,902	21,999
Total equity and liabilities	1,446,935	1,478,098

FAMUR S.A.'s statement of profit or loss

		<i>3 months ended</i>	
		<i>restated</i>	
CONTINUING OPERATIONS	Mar 31 2017	Mar 31 2016	
Net revenue	176,700	182,023	
Cost of sales	119,329	135,041	
Gross profit	57,370	46,982	
Other income	6,508	8,382	
Distribution costs	921	624	
Administrative expenses	14,269	13,745	
Other expenses	11,772	17,018	
Operating profit	36,036	23,977	
Finance income	7,346	3,175	
Finance costs	11,429	6,762	
Profit before tax	31,953	20,389	
Income tax	3,171	670	
Net profit from continuing operations	28,782	20,389	
Discontinued operations	-	-	
Net profit	28,782	20,389	
Number of shares	486,470,000	481,500,000	
Earnings per share (PLN)	0.0592	0.0410	

FAMUR S.A.'s statement of comprehensive income

		<i>3 months ended</i>	
		<i>restated data</i>	
	Mar 31 2017	Mar 31 2016	
Net profit/(loss)	28,782	20,389	
Actuarial gains/(losses)	-	-	
Income tax	-	-	
Total other comprehensive income	28,782	20,389	
Total comprehensive income	28,782	20,389	

FAMUR S.A.'s statement of comprehensive income

3 months ended
restated

	Mar 31 2017	Mar 31 2016
OPERATING ACTIVITIES		
Profit/(loss) before tax	31,953	20,389
Including profit on discontinued operations		
Total adjustments	95,129	22,281
Depreciation and amortisation	28,887	31,725
Foreign exchange (gains)/losses	-48	-42
Interest and share of profit (dividend)	3,310	1,244
Gain/(loss) on investing activities	-353	6,875
Change in provisions	1,813	3,192
Change in inventories	-13,416	10,581
Change in receivables	187,974	-55,629
Change in current liabilities, net of bank borrowings and other debt instruments	-108,531	27,778
Income taxes paid	-1,279	-11
Change in accruals and prepaid expenses	-3,229	-3,680
Other adjustments	0	248
Net cash from operating activities	127,081	42,670
INVESTING ACTIVITIES		
Cash provided by investing activities	3,954	904
Disposal of intangible assets and property, plant and equipment	1,192	381
Cash provided by financial assets	2,762	469
Other cash provided by investing activities	0	54
Cash used in investing activities	60,574	19,595
Purchase of intangible assets and property, plant and equipment	20,558	19,555
Purchase of investment property and intangible assets	0	0
Cash used on financial assets	40,015	41
Net cash from investing activities	-56,620	-18,691
FINANCING ACTIVITIES		
Cash provided by financing activities	72,999	361,145
Bank borrowings and other debt instruments	71,806	254,778
- including from related entities	12,500	8,315
Proceeds from issue of debt securities	0	105,380
Other cash provided by financing activities	1,193	986
Cash used in financing activities	27,802	181,831
Dividends and other distributions paid to owners	0	0
Repayment of bank borrowings and other debt instruments	22,500	178,231
- including to related entities	22,500	177,980
Other financial liabilities	0	0
Payment of finance lease liabilities	137	6
Interest	4,465	2,491
Other cash used in financing activities	700	1,103
Net cash from financing activities	45,197	179,313
Total net cash flows	115,658	203,293
Cash at beginning of period	246,071	9,693
Cash at end of period	361,729	212,985

Statement of changes in FAMUR S.A. equity

<i>Jan-Mar 2017</i>	Share capital	Reserve capital	Statutory reserve funds	Retained earnings, including revaluation capital reserve	Total	Equity attributable to minority interests	Total equity
Balance at Jan 1 2017	4,865	373,984	201,117	120,101	700,065	-	700,065
Actuarial gains/(losses)	-	-	-	562	562	-	562
Net profit/(loss)	-	-	-	28,782	28,782	-	28,782
Income tax on comprehensive income	-	-	-	-161	-161	-	-161
Total comprehensive income	-	-	-	29,184	29,184	-	29,184
Balance at Mar 31 2017	4,865	373,984	201,117	149,284	729,249	-	729,249

<i>Jan-Mar 2016 restated</i>	Share capital	Reserve capital	Statutory reserve funds	Retained earnings, including revaluation capital reserve	Total	Equity attributable to minority interests	Total equity
Balance at Jan 1 2016	4,815	373,984	214,891	55,881	649,571	0	649,571
Actuarial gains/(losses)	-	-	-	139	139	-	139
Net profit/(loss)	-	-	-	19,719	19,719	-	19,719
Income tax on comprehensive income	-	-	-	-26	-26	-	-26
Total comprehensive income	-	-	-	19,831	19,831	-	19,831
Acquisition of Elgór + Zamet sp z o.o.	-	-	-	10,560	10,560	-	10,560
Accounting for demerger	-	-	-19,533	-	-19,533	-	-19,533
Balance at Mar 31 2016	4,815	373,984	195,358	86,272	660,429	-	660,429

<i>Jan-Dec 2016</i>	Share capital	Reserve capital	Statutory reserve funds	Retained earnings, including revaluation capital reserve	Total	Equity attributable to minority interests	Total equity
Balance at Jan 1 2016	4,815	373,984	214,891	55,882	649,571	-	649,571
Actuarial gains/(losses)	-	-	-	27	27	-	27
Net profit/(loss)	-	-	-	59,440	59,440	-	59,440
Total comprehensive income	-	-	-	59,468	59,468	-	59,468
Merger with Elgór+Zamet/ / Issue of series C shares	50	-	10,510	-	10,560	-	10,560
Transfer of loss to statutory reserve funds	-	-	-4,752	4,752	-	-	-
Accounting for demerger	-	-	-19,533	-	-19,533	-	-19,533
Balance at Dec 31 2016	4,865	373,984	201,117	1,573	700,065	-	700,065