Consolidated quarterly report of the FAMUR Group for Q3 2018

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Table of contents

Katowice, November 6th 2018

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE FAMUR GROUP

Amounts in PLN '000

Interim condensed statement of financial position of the FAMUR Group

ASSETS	Sep 30 2018	Dec 31 2017
Non-current assets	**1,150,935**	**1,098,747**
Intangible assets	268,813	272,669
Property, plant and equipment	626,978	654,256
Long-term receivables	66,729	50,234
Long-term investments	83,957	82,218
Other non-current assets (prepayments and accrued income)	2,290	2,927
Deferred tax assets	102,168	36,443
Current assets	**1,721,201**	**2,039,318**
Inventories	351,029	307,701
Trade receivables	897,676	862,222
Other short-term receivables	73,043	106,644
Current assets held for sale	10	11
Current financial assets	33,496	51,684
Cash and cash equivalents	331,248	681,762
Other current assets (prepayments and accrued income)	7,821	6,425
Non-current assets classified as held for sale	26,878	22,869
Total assets	**2,872,136**	**3,138,065**

EQUITY AND LIABILITIES		
Equity	**1,530,831**	**1,549,983**
Share capital	5,748	5,594
Treasury shares (negative value)	-3	- 3
Statutory reserve funds	785,801	715,170
Revaluation reserve	1,201	2,130
Other capital reserves	114,617	113,663
Translation reserve	-8,413	-82
Retained earnings	672,001	599,195
Equity attributable to owners of the parent	1,570,952	1,435,667
Non-controlling interests	-40,121	114,316
Liabilities and provisions for liabilities	**1,323,813**	**1,576,330**
Provisions for liabilities	148,096	164,520
Long-term bank borrowings and other debt instruments	402,809	399,479
Non-current lease liabilities	17,001	13,938
Other non-current liabilities	114,687	110,842
Trade payables	322,500	367,722
Tax payable	79,550	98,096
Short-term bank borrowings and other debt instruments	75,305	221,023
Current lease liabilities	11,641	16,415
Other current liabilities	90,830	153,982
Other liabilities (accruals and deferred income)	61,395	30,313
Liabilities directly related to non-current assets classified as held for sale	**17,492**	11,752
Total equity and liabilities	**2,872,136**	**3,138,065**

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Interim condensed consolidated statement of profit or loss of the FAMUR Group

	3 months ended		*9 months ended*	
CONTINUING OPERATIONS	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Net revenue	**650,840**	**430,397**	**1,723,228**	**966,391**
Costs of products, goods and materials sold	488,000	335,094	1,342,610	744,197
Gross profit	**162,840**	**95,304**	**380,618**	**222,194**
Other income	9,363	17,811	43,358	34,412
Distribution costs	19,911	27,511	40,581	41,705
Administrative expenses	33,825	37,914	114,341	77,684
Other expenses	23,503	33,262	53,699	58,367
Operating profit	**94,964**	**14,428**	**215,355**	**78,851**
Finance income	11,756	8,336	33,668	26,124
Finance costs	26,345	10,127	51,992	29,776
Profit before extraordinary items	**80,385**	**12,637**	**197,031**	**75,199**
Share in net profit/(loss) of equity-accounted subordinated entities	20	-	371	-
Profit before tax	**80,405**	**12,637**	**197,402**	**75,199**
Income tax	16,183	2,567	33,637	13,790
Net profit from continuing operations	64,222	10,071	163,765	61,409
Discontinued operations	944	1,401	-720	1,401
Net profit attributable to:				
- owners of the parent	64,733	10,795	154,370	62,133
- non-controlling interests	433	677	8,675	677
Net profit	**65,167**	**11,471**	**163,045**	**62,809**
Number of shares	574,763,212	559,440,500	574,763,212	559,440,500
Earnings per share (PLN)	0.11	0.02	0.27	0.11

Interim condensed consolidated statement of comprehensive income of the FAMUR Group

	3 months ended		*9 months ended*	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Net profit/(loss)	65,167	10,795	163,045	62,133
Exchange differences	-3,145	-1,664	-8,374	-1,664
Valuation of assets	-	-	445	-
Cash flow hedges	1,853	-439	-1,137	-599
Actuarial gains/(losses)	27	-918	-2,223	-1,108
Income tax on components of other comprehensive income	-496	261	638	324
Total other comprehensive income	-1,761	-2,759	-10,651	-3,046
Total comprehensive income	**63,405**	**8,036**	**152,395**	**59,087**
- attributable to owners of the parent	62,972	7,359	143,705	58,895
- attributable to non-controlling interests	433	677	8,690	191

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Interim condensed consolidated statement of cash flows of the FAMUR Group

		9 months ended
	Sep 30 2018	Sep 30 2017
OPERATING ACTIVITIES		
Profit/(loss) before tax	**197,402**	**75,199**
Total adjustments	**-294**	**31,621**
Depreciation and amortisation	144,821	117,335
Foreign exchange (gains)/losses	64	-849
Interest and share of profit (dividend)	14,636	10,314
Gain/(loss) on investing activities	13,296	-463
Change in provisions	11,244	-20,696
Change in inventories	-35,974	-30,516
Change in receivables	-12,243	47,950
Change in current liabilities, net of bank borrowings and other debt instruments	-147,132	-69,209
Income taxes paid	-12,205	-13,225
Change in accruals and prepaid expenses	24,356	-8,824
Other adjustments	-1,156	-196
Net cash from operating activities	**197,108**	**106,820**
INVESTING ACTIVITIES		
Cash provided by investing activities	**57,980**	**22,482**
Disposal of intangible assets and property, plant and equipment	17,989	6,047
Disposal of investment property and intangible assets	-	-
Cash provided by financial assets	39,992	1,434
Other cash provided by investing activities	-	15,000
Cash used in investing activities	**146,850**	**187,187**
Purchase of intangible assets and property, plant and equipment	117,198	104,565
Purchase of investment property and intangible assets	194	-
Cash used on financial assets	29,130	82,622
Other cash used in investing activities	328	-
Net cash from investing activities	**-88,870**	**-164,705**
FINANCING ACTIVITIES		
Cash provided by financing activities	**4,523**	**415,500**
Net proceeds from issue of shares and other equity instruments and from contributions to equity	-	401,338
Bank borrowings and other debt instruments	4,058	12,818
Issue of debt securities	-	-
Other cash provided by financing activities	465	1,344
Cash used in financing activities	**462,791**	**42,189**
Buy-back of shares	22	-
Dividends and other distributions paid to owners	253,122	108
Repayment of bank borrowings and other debt instruments	173,273	23,266
Other financial liabilities	66	-
Payment of finance lease liabilities	22,835	6,234
Interest	13,114	11,803
Other cash used in financing activities	358	778
Net cash from financing activities	**-458,267**	**373,311**
Total net cash flows	**-350,029**	**315,426**
Effect of exchange rate fluctuations on cash held	-484	-
Cash at beginning of period	681,762	434,115
Cash at end of period	331,248	749,716

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Interim condensed consolidated statement of changes in equity of the FAMUR Group

months 9th 2018	Share capital	Treasury shares	Capital reserves	Statutory reserve funds	Retained earnings, including revaluation capital reserve	Equity attributable to non-controlling interests	Total Equity
As at Jan 1 2018	5,594	-3	113,663	715,170	601,242	114,316	1,549,981
Exchange differences	-	-	-	-	-8,374		-8,374
Profit of associates and property valuation	-	-	-	-	445		445
Cash flow hedges	-	-	-	-	-1,137		-1,137
Actuarial gains/(losses)	-	-	-	-	-2,183	-40	-2,223
Income tax on components of other comprehensive income	-	-	-	-	584	54	638
Net profit/(loss)	-	-	-	-	154,370	8,675	163,045
Total comprehensive income	**-**	**-**	**-**	**-**	**143,705**	**8,690**	**152,395**
Coverage of 2017 loss from statutory reserve funds	-	-	-	-13,159	13,159	-	-
Transfer of 2017 profit to statutory reserve funds	-	-	954	2,593	-3,547	-	-
Issue of shares	153	-	-	-	-	-	153
Accounting for business combination	-	-	-	81,197	163,127	-163,127	81,197
Dividend	-	-	-	-	-252,896	-	-252,896
As at Sep 30 2018	**5,748**	**-3**	**114,617**	**785,801**	**664,790**	**-40,121**	**1,530,831**

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months 9th 2017	Share capital	Treasury shares	Capital reserves	Statutory reserve funds	Retained earnings, including revaluation capital reserve	Equity attributable to non-controlling interests	Total Equity
As at Jan 1 2017	4,865	- 3	113,663	220,585	654,050	48	993,160
Exchange differences	-	-	- 85	-	- 1,578	-	- 1,664
Cash flow hedges	-	-	-	-	- 599	-	- 599
Actuarial gains/(losses)	-	-	-	-	- 1,108	316	- 1,108
Income tax on components of other comprehensive income	-	-	-	-	324	- 60	324
Net profit/(loss)	-	-	-	-	62,133	677	62,133
Total comprehensive income	**-**	**-**	**-**	**-**	**59,172**	**932**	**59,172**
Transfer of profit to statutory reserve funds	-	-	-	100,341	- 100,341	-	-
Issue of shares	730	-	-	392,697	-	-	393,427
Purchase of non-controlling interests	-	-	-	-	- 25	- 48	- 25
First-time consolidation of Fugo S.A.	-	-	-	-	138	-	138
First-time consolidation of the PRIMETECH Group (formerly KOPEX S.A.)	-	-	-	-	-	105,564	105,564
As at Sep 30 2017	**5,594**	**- 3**	**113,578**	**713,624**	**612,993**	**106,497**	**1,552,283**

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months 12th 2017	Share capital	Treasury shares	Capital reserves	Statutory reserve funds	Retained earnings, including revaluation capital reserve	Equity attributable to non-controlling interests	Total Equity
As at Jan 1 2017	**4,865**	**-3**	**113,663**	**220,585**	**654,050**	**48**	**993,208**
Exchange differences	-	-	-	-	-82	-43	-125
Cash flow hedges	-	-	-	-	1,102	-	1,102
Actuarial gains/(losses)	-	-	-	-	-537	626	-89
Income tax on components of other comprehensive income	-	-	-	-	-134	-132	-266
other	-	-	-	-	90	-	90
Net profit/(loss)					48,529	8,301	56,830
Total comprehensive income	**-**	**-**	**-**	**-**	**48,968**	**8,752**	**57,720**
Transfer of profit to statutory reserve funds	-	-	-	101,888	-101,888	-	-
Issue of shares	729	-	-	392,697	-	-	393,426
Purchase of non-controlling interests	-	-	-	-	-25	-48	-73
Acquisition of the PRIMETECH Group (formerly KOPEX S.A.) and Fugo	-	-	-	-	138	105,564	105,702
As at Dec 31 2017	**5,594**	**-3**	**113,663**	**715,170**	**601,243**	**114,316**	**1,549,983**

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 2018 to September 30th 2018, 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;
- The condensed separate financial statements of FAMUR S.A. (the Company) for the period from January 1st 2018 to September 30th 2018, 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;
- The comparative financial data:

  - as at December 31st 2017, presented in the interim condensed consolidated statement of financial position;

  - for the nine months to September 30th 2017, presented in the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, and the interim condensed consolidated statement of cash flows;

  Furthermore, the interim condensed consolidated statement of profit or loss and the interim condensed consolidated statement of comprehensive income include data for the three months ended September 30th 2018 and the comparative data for the three months ended September 30th 2017.
- Information required under the Minister of Finance's Regulation of March 29th 2018 on current and periodic reports to be published by issuers of securities.

These interim condensed consolidated financial statements do not include all the information and disclosures required in full-year financial statements and should therefore be read in conjunction with the Company's consolidated financial statements prepared in accordance with IAS/IFRS for the financial year ended December 31st 2017.

These interim condensed consolidated financial statements have not been reviewed by a qualified auditor.

These interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. With the exception of the subsidiary Ex-Coal (formerly Kopex-Ex-Coal), as at the date of authorisation of these financial statements for issue, no circumstances were identified which would indicate any threat to the Group companies continuing as going concerns.

Unless indicated otherwise, all amount are stated in thousands of złotys (PLN '000).

As permitted under Par. 62.1 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 covered in the IFRS – in accordance with the Accounting Act and the Minister of Finance's Regulation on current and periodic reports to be published by issuers of securities, dated March 29th 2018 (Dz.U.2018.757 of April 20th 2018).

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

In the consolidated financial statements for Q3 2018 and the condensed separate financial statements of FAMUR S.A. no change was made to the presentation of comparative data for Q3 2017.

4. Discontinued operations

Following the acquisition of control of PRIMETECH S.A. (formerly KOPEX S.A.), as of the second half of 2017 the results of the PRIMETECH Group have been included in the consolidated financial statements of the FAMUR Group. In connection with the restructuring programme implemented at the PRIMETECH Group (formerly the KOPEX Group), one of the key objectives of which was to adapt the PRIMETECH Group's structure to the market situation and sell redundant assets, including non-strategic assets or assets that fail to bring the expected return on investment, the consolidated financial statements of the FAMUR Group include separate information on discontinued operations. Below are presented the revenues, expenses and cash flows associated with the discontinued operations, which include operations in Serbia and Indonesia as well as production for the construction market.

Discontinued operations	*9 months* Jan 1– Sep 30 2018	*9 months* Jan 1– Sep 30 2017
Revenue	**22,664**	**9,077**
Cost of sales	19,001	7,817
Gross profit/(loss)	**3,663**	**1,260**
Distribution costs	1,043	106
Administrative expenses	3,992	1,295
Profit/(loss) on sales	**-1,372**	**-141**
Other income	881	183
Other expenses	409	-503
Operating profit/(loss)	**-900**	**545**
Finance income	252	862
Finance costs	68	10
Profit/(loss) before tax	**-716**	**1,397**
Income tax	3	-4
Net profit, attributable to:	**-716**	**1,401**
owners of the parent	-238	1,401
Cash flows from operating activities	145	191
Cash flows from investing activities	119	80
Cash flows from financing activities	-65	-145
Total cash flows from discontinued operations	**199**	**126**

5. About the FAMUR Group

The FAMUR Group is a manufacturer of machinery and equipment for the mining and power industries, able to supply complete mining systems for mines, turn-key coal feeding systems for power plants, and specialist loading and handling equipment for ports. 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 surface mining systems.

FAMUR S.A. of Katowice ("FAMUR", "the Company"), manufacturer of longwall shearer loaders and roadheaders, scraper and belt conveyors, floor-mounted 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. As at September 30th 2018, 574.7m FAMUR shares were traded on the Warsaw Stock Exchange (abbreviated name: FAMUR; ticker code: FMF). In 2017, the Company took control of the KOPEX Group by acquiring a controlling interest in KOPEX S.A. of Katowice, which is currently registered under the name of PRIMETECH S.A. and is also a listed company, with 15.6m shares traded on the Warsaw Stock Exchange as at September 30th 2018 (abbreviated name: PRIMETECH; ticker code: PTH). For the purposes of this report, in order to maintain the historical continuity of events, the Company will also use the name KOPEX S.A.

Underground

The FAMUR Group is a leading global manufacturer of longwall machinery and systems for underground mining. An important part of the Group's business is production of equipment for mining coal from 1- to 6-metre thick seams. Longwall systems manufactured by the Group comprise shearer loaders, powered roof supports and scraper conveyors. The Group offers shearer loaders with installed capacities from 250 to 1,300 kW, while the range of operation of powered roof supports is from 0.8 to 6.0 m. The Group's offering also includes hydraulic actuators and controls, in particular hydraulic supports, pilot controls, and power hydraulics. The diameters of supports and actuators offered by the Group range from 50 to 440 mm.

Roof supports and shearer loaders

The Underground segment also manufactures equipment for transport and handling of bulk materials used, for example, 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 monorails, diesel-powered floor-mounted railways, diesel-powered locomotives, mechanical winches, and complete equipment for material transport and man-riding units.

Underground transport systems and bulk materials handling systems

The Underground segment's business also includes the manufacture of roadheading systems. The key element of a roadheading system are roadheaders, which are used primarily to excavate galleries and drill tunnels. Roadheaders offered by the Group can excavate galleries with sections of up to 37 m^2, in rocks with a compressive strength of up to 110 MPa. At the end of 2015 and beginning of 2016, the FAMUR Group expanded its product portfolio to include drilling rigs, drills, dinting loaders and loaders used in hard coal mines.

Roadheaders manufactured by the FAMUR Group

Surface segment

Another important category of products offered by the FAMUR Group, integrated with its business conducted on the market of handling and transport systems, hoisting equipment and equipment for surface mining, is the machinery and equipment delivered by FAMUR FAMAK S.A., whose operations lie at the core of the Surface segment's business. FAMUR FAMAK S.A. is a leading supplier of:

- handling and continuous transport equipment, such as stacker-reclaimers, loaders, stackers, wheeled excavators, scraper loaders, wagon tippers, wheeled scrapers, belt conveyors,

- hoisting equipment, such as bridge cranes, gantry cranes, container cranes, port cranes and shipyard cranes,

- basic machines used in open-pit mining, such as bucket-wheel excavators, crawler stackers, caterpillar transporters, and mobile conveyors.

As part of the Surface segment, FAMUR FAMAK S.A. also delivers back-to-back coal feeding and slag removal systems, relying on its 70 years of experience in this area. Our competence in the supply of bulk material transport and handling systems is confirmed by the projects we have completed for the Kozienice, Opole, Łagisza and Jaworzno power plants.

The company's products are intended in particular for:

– mechanisation of handling processes on open storage sites for bulk and granular materials at power plants, CHP plants, coke plants, mines, cement plants and ports;
– in-plant transport, assembly, disassembly and repair works;
– transport and assembly of heavy sections and blocks for ship building;
– mechanisation of handling processes in ports;
– container handling;
– unloading of bulk materials from open rail cars.

With access to the resources 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., the Company has extensive capabilities in engineering design. In 2017, the production capacities of the Surface segment increased significantly following the acquisition of Fugo Sp. z o.o. and an organised part of Famago's business. The increased capacities will allow the Company to provide a full range of quality services based on its own engineering design resources, manufacturing assets and service facilities.

In the Surface segment, the FAMUR Group also offers a wide range of surface infrastructure design and construction solutions for mines and mine shaft hoists. The scope of the Group's services includes design and building services, construction of reinforced concrete and steel structures, delivery and assembly of machinery and equipment, as well as start-up and maintenance services. The Group also builds haulage lines, including solutions based on belt conveyors of proprietary design.

Machinery and equipment for surface mining and loading and handling equipment

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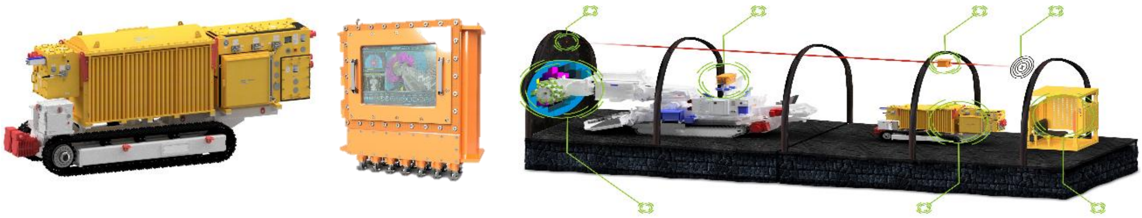
Electrical Equipment

Following the acquisition of control over the PRIMETECH Group (formerly KOPEX Group) and the integration of both Groups, since the second half of 2017 the FAMUR Group has had two new business lines: Electrical Equipment and Mining Services.

The **Electrical Equipment** segment's activities comprise design and manufacture of power supply and switchgear equipment for mining machinery, electronic components, development and deployment of IT solutions, implementation of industrial automation systems, development of technical systems and devices, and integration of power and automation systems.



Explosion-proof devices and solutions proposed by the FAMUR Group

The segment ensures full support of investments in this area, and provides services, in particular a 24/7 service of mining equipment, repairs and equipment modernisation.

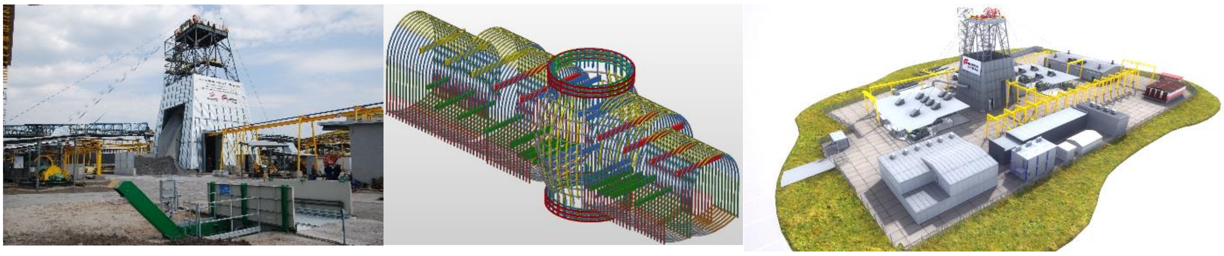
The Electrical Equipment segment develops and successively implements innovative solutions as part of the 'e-mine' project. 'E-mine' is a collection of systems, solutions and tools supporting the operation of machinery. The system integrates machinery and equipment in the areas of mining operations, ensuring transfer of information as well as control and partial automation of certain processes. 'E-mine' surpasses the customer's expectations as it facilitates convenient and safe operation of machinery and provides customers with full information on the machines they use. One of the solutions offered in response to the trend to enhance process autonomy is the roadheader positioning and remote control system, which enables operators to work safely far from the immediate dangers of the machine's working environment.

The FAMUR Group's main entity from the segment is Elgór+Hansen S.A.

Mining Services

The segment's activity is based on more than 70 years of experience of Przedsiębiorstwo Budowy Szybów S.A. (PBSz S.A.). The segment also includes the operations of ŚTW Dalbis Sp. z o.o. and the service and trade operations of PRIMETECH S.A. (formerly KOPEX S.A.), including its commodity trading activities.

The operations of PBSz SA, which belongs to a small group of highly specialized companies providing underground construction services in Poland and abroad, are the principal type of business activity in this segment. The company performs a wide range of design services related to coal, ore, salt and other minerals mining, in particular vertical (mainly shafts and pits) and horizontal excavations and tunnels. It is technically, organisationally and logistically able to complete even the most difficult tasks, from the design stage to mine construction on a turnkey basis.



Designs and infrastructure by the FAMUR Group (PBSz SA)

The segment provides mining construction services, including:

- shaft and sub-shaft sinking;
- deepening of existing shafts and sub-shafts;
- installation of shaft reinforcement, ancillary shaft equipment, pipelines and cables;
- comprehensive modernisation of shaft hoists;
- construction of storage facilities for excavated material and reservoirs;
- repairs of shaft supports and entries, shafts outfitting, storage facilities for excavated material;
- stone and stone/coal excavating;
- design services for mining construction, including conceptual and project design documentation (technical, technological, detailed design, as-built);

as well as raw materials trading.

In connection with the FAMUR Group's focus on continuing its core business activities, steps have been taken with a view to making a potential divestment in the Mining Services segment, by selling PBSz S.A. to an external investor. The sale of PBSz S.A. was envisaged already at the time of execution of the PRIMETECH Group (formerly KOPEX Group) restructuring agreement at the end of 2016, as one of the options enabling the repayment of a significant portion of the debt covered by the agreement and assigned to PBSz. In mid-2018, the term sheet for the sale of 95.01% of PBSz shares was signed, together with Jastrzębska Spółka Węglowa S.A. ("JSW"). For more information, see "Changes in the FAMUR Group in Q3 2018 and after the reporting date."

6. Composition of the FAMUR Group

The process of building the Group started in 2003 with the acquisition of NFUG NOWOMAG S.A. by FAMUR. After several years of strong growth, when more than a dozen new companies joined the Group strengthening its product portfolio, the Group evolved from a supplier of stand-alone machinery to a supplier of comprehensive solutions for the mining, power and bulk handling sectors. As at September 30th 2018, the Group was composed of the parent and 39 subsidiaries. FAMUR S.A. of Katowice is the Group's parent. The chart on page 17 presents the entities indirectly or directly controlled by the Company as at September 30th 2018 (subject to the notes below the chart).

Simplified organisational structure of the FAMUR Group

In 2017, the Company made a key acquisition marking the successful completion of the consolidation process on the Polish market of mining systems manufacturers. By acquiring the PRIMETECH Group (formerly KOPEX Group), the Group has expanded both its product offering and geographical footprint. The transaction was also a milestone accelerating the FAMUR Group's foreign expansion.

Changes in the FAMUR Group in Q3 2018 and after the reporting date:

- **Changes related to the acquisition of PRIMETECH S.A. (formerly KOPEX S.A.) and its demerger**

  In connection with the acquisition by FAMUR S.A. of a majority interest in KOPEX S.A. from TDJ S.A. subsidiaries in 2017, intensive work was underway in subsequent periods to integrate the FAMUR and KOPEX Groups. A model for optimal use of both Groups' production resources and administrative functions has been developed, central functions have been integrated, and the operational structures of the production units of the new Group, including the Kopex Group, have been optimised and adapted to the current market conditions.

In the previous reporting period, on May 7th 2018, the District Court for Katowice-Wschód in Katowice, 8th Commercial Division of the National Court Register, issued a decision to register the amendments to the Company's Articles of Association approved by the Extraordinary General Meeting of April 13th 2018, a share capital increase of up to PLN 5,747,632.12, and **the demerger of KOPEX S.A.** Therefore, as of May 7th 2018, i.e. the date of registration of the Company's share capital increase, a part of KOPEX S.A. assets was transferred to FAMUR S.A.

The Company's Demerger Shares were admitted to trading on the regulated market pursuant to a resolution of the Management Board of the Warsaw Stock Exchange ("WSE") on July 16th 2018, and then introduced to trading and assimilated with the other FAMUR S.A. shares on July 23rd 2018. This ended the formal process of integration of the FAMUR and KOPEX Groups.

In August 2018, an Extraordinary General Meeting of KOPEX S.A. passed a resolution to change the company's name to PRIMETECH S.A. The change was registered by way of a decision issued on September 30th 2018 by the District Court for Katowice-Wschód in Katowice, 8th Commercial Division of the National Court Register.

Following the demerger of KOPEX S.A., the number of KOPEX S.A. shares listed on the WSE is 15.6m. According to WSE's announcement of October 10th 2018, following the change of the company's name from KOPEX S.A. to PRIMETECH S.A., as of October 12th 2018 the company shares are listed under the abbreviated name of PRIMETECH and ticker code PTH.

For a detailed description of the FAMUR S.A. shareholder structure and its changes following the issue of Series F shares, see the "Securities" section of the Directors' Report.

- **KOPEX-EX-COAL name change**

  On November 5th 2018, the District Court for Kraków - Śródmieście of Kraków, 12th Commercial Division of the National Court Register, registered the change of the company's name from KOPEX-EX-COAL Sp. z o. o. to EX-COAL Sp. z o.o.

- **Expected changes related to PBSz S.A.**

  In July 2018, representatives of the Company's subsidiaries, i.e. PRIMETECH S.A. (formerly KOPEX S.A.) and PBSz 1 Sp. z o.o. (the Sellers) and representatives of Jastrzębska Spółka Węglowa S.A. ("JSW") (the Buyer) signed the term sheet for the sale of 95.01% of shares ("Term Sheet") in Przedsiębiorstwo Budowy Szybów S.A. ("PBSz"). The Company announced the execution of the Term Sheet in Current Report No. 43/2018 of July 17th 2018.

  The Term Sheet does not oblige the parties to carry out the transaction, but only outlines the general framework and declarations of the parties, serving as guidelines for drafting an agreement which will define the terms of the transaction in a binding and detailed manner and which will be the basis for the transaction (the "Agreement"). The Term Sheet provides that the Agreement will take effect subject to fulfilment of a number of conditions, including those beyond the parties' control (such as the Office for Competition and Consumer Protection's clearance, agreement on the terms of security release with financial creditors under the Restructuring Agreement of December 1st 2016, agreement with trade unions, agreement with PBSz's largest two trading partners on confirming the progress of contract completion, and consent of JSW bondholders). The Agreement will specify the rights and obligations of the parties, as well as the mechanism for setting the final price. In accordance with locked-box mechanism, which will take into account any related adjustments, the Term Sheet set the price at PLN 205,300 thousand as at January 1st 2018.

  In the Term Sheet, the parties expressed their will to negotiate and conclude the Agreement within three months from signing the Term Sheet. The conclusion of the Agreement will depend on the parties' reaching an agreement on individual detailed conditions of the transaction during the negotiations. In Current Report No. 58/2018 of October 12th 2018, the Company announced the execution of Annex 1 to the Term Sheet. Under the annex, the Parties extended until December 4th 2018 the period for negotiating an agreement for the sale of PBSz shares, which will define the Parties' rights and obligations as well as conditions for the transfer of PBSz shares to the Buyer on the terms set forth in the Term Sheet. The original time limit for completing the negotiations, i.e. three months from the date of signing the Term Sheet, was extended due to the ongoing negotiations and the complexity of the entire transaction. The other provisions of the Term Sheet remain unchanged. As at the date of these financial statements, neither the negotiations nor the preparation of the draft agreement had been completed.

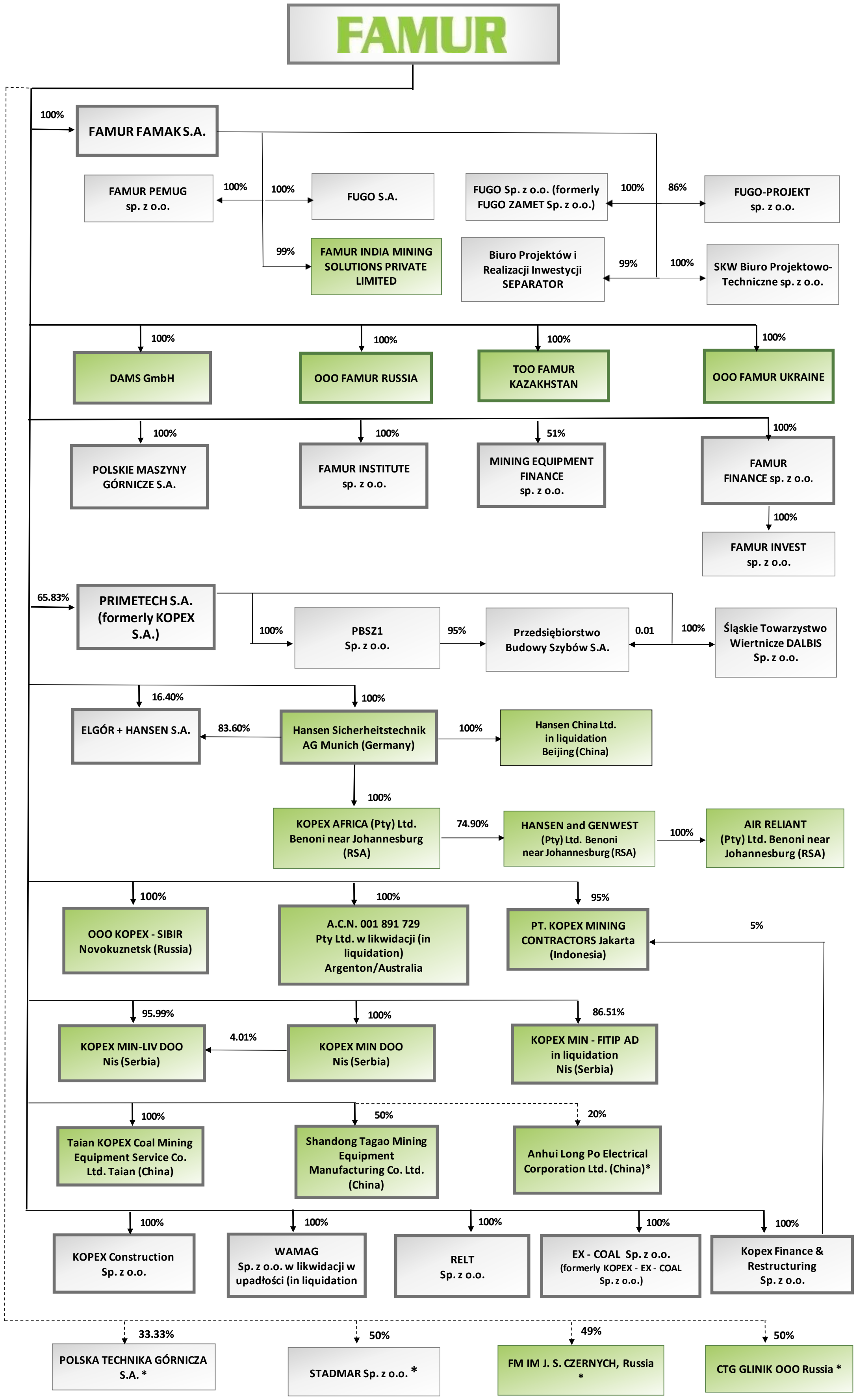
The potential sale of PBSz S.A. is related to the intention to focus on the core business of FAMUR and its Group, consisting in design and production of comprehensive solutions for the mining and cargo handling industries. The business area comprising mining construction services is auxiliary to the core activity of the Group, but from the beginning of the plans and activities aimed at integration with the FAMUR Group, PBSz S.A. was considered a potential divestment that could be made if a suitable investor interested in acquiring the company was found and the terms of the transaction were satisfactory to FAMUR and to the other stakeholders in PBSz S.A. and the PRIMETECH Group (formerly the KOPEX Group). The proceeds from the sale are to be used to repay the remaining portion of "tranche B" of the restructuring agreement, effectively assigned to PBSz.

Companies consolidated as at September 30th 2018:

	Company	Registered office	wnership interest, *incl. held indirectly*	Acquisition of control/ incorporation
1	FAMUR S.A.	Katowice		
2	FAMUR FAMAK S.A.	Kluczbork	100%	2014
3	FAMUR PEMUG Sp. z o.o.	Katowice	100%	2007
4	POLSKIE MASZYNY GÓRNICZE S.A.	Katowice	100%	2005
5	FUGO sp. z o.o. (formerly FUGO ZAMET sp. z o.o.)	Konin	100%	2017
6	FUGO S.A.	Kluczbork	100%	2014
7	FAMUR FINANCE SP. Z O.O.	Katowice	100%	2013
8	FAMUR INVEST SP. Z O.O.	Katowice	100%	2015
9	PRIMETECH S.A. (formerly KOPEX S.A.)	Katowice	65.82%	2017
10	KOPEX CONSTRUCTION sp. z o.o.	Katowice	100%	2017
11	PRZEDSIĘBIORSTWO BUDOWY SZYBÓW S.A.	Tarnowskie Góry	62.53%	2017
12	RELT Sp. z o.o.	Bytom	100%	2017
13	HANSEN SICHERHEITSTECHNIK AG (Germany)	Germany	100%	2017
14	ELGÓR+HANSEN S.A.	Chorzów	100%	2017
15	KOPEX AFRICA (Pty) Ltd	South Africa	100%	2017
16	HANSEN and GENWEST (Pty) Ltd (South Africa)	South Africa	74.90%	2017
17	HANSEN CHINA Ltd (China)	China	100%	2017
18	KOPEX MIN (Serbia)	Serbia	100%	2017
19	KOPEX MIN-LIV (Serbia)	Serbia	100%	2017
20	PT KOPEX MINING CONTRACTORS (Indonesia)	Indonesia	100%	2017
21	OOO KOPEX SIBIR (Russia)	Russia	100%	2017
22	ŚLĄSKIE TOWARZYSTWO WIERTNICZE DALBIS sp. z o.o.	Tarnowskie Góry	65.82%	2017
23	EX-COAL sp. z o.o. (formerly KOPEX-EX-COAL sp. z o.o.)	Przeciszów	100%	2017
24	TAIAN KOPEX COAL MINING EQUIPMENT SERVICE Co. Ltd (China)	China	100%	2017
25	AIR RELIANT (Pty) Ltd (South Africa)	South Africa	74.90%	2017
26	KOPEX FINANCE & RESTRUCTURING sp. z o. o.	Katowice	100%	2017
27	PBSZ1 sp. z o. o.	Katowice	62.53%	2017
28	Mining EQUIPMENT FINANCE sp. z o.o. (*)	Katowice	51.00%	2017

Source: FAMUR GROUP.

*) The entity is not a subsidiary, but an associate consolidated using the equity method



Note: Companies based abroad are marked in green.
*) The entities are not subsidiaries and there are no grounds for consolidation.
Source: FAMUR Group, Kopex Group

The Management Board resolved not to consolidate the companies listed below as their financial data is immaterial for the assessment of the FAMUR Group's performance and results. The non-consolidated entities are listed below.

Non-consolidated companies as at September 30th 2018:

1. FAMUR INSTITUTE sp. z o.o.
2. OOO FAMUR, Russia
3. FAMUR INDIA MINING SOLUTIONS PRIVATE LIMITED
4. TOO FAMUR KAZACHSTAN
5. OOO FAMUR UKRAINA
6. DAMS GmbH, Germany
7. FUGO-PROJEKT sp. z o.o.
8. BIURO PROJEKTÓW I REALIZACJI INWESTYCJI SEPARATOR sp. z o.o.
9. SKW Biuro Projektowo-Techniczne Sp. z o.o.
10. WAMAG Sp. z o.o. w upadłości (in bankruptcy)
11. A.C.N. 001 891 729 Pty Ltd. w likwidacji (in liquidation) Argenton/Australia (until September 8th 2016: Waratah Engineering)
12. KOPEX MIN - FITIP AD w likwidacji (in liquidation), Niš/Serbia
13. Shandong Tagao Mining Equipment Manufacturing Co. Ltd (China)

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

Presented below are significant events at the FAMUR Group that were announced by the parent in its current reports.

Significant events in the third quarter of 2018 and after the reporting date

- **Execution of contracts with JSW S.A. for the lease of 14 gallery drilling systems:** On July 16th 2018, the Company's Management Board announced that it had been notified of the execution by the other party, Jastrzębska Spółka Węglowa S.A. as the Ordering Party, of the last agreement for the rental of a total of 14 new roadheaders along with necessary equipment (gallery drilling systems). The Company announced the selection of its bid on June 28th 2018. In accordance with the agreements, the Company will deliver new machines equipped with, among other things, a flameproof multi-contact switch, double voltage transformer station, a pump set, a data transmission system, and a visualization and monitoring system. The Company provides a guarantee and ensures maintenance and insurance of the equipment throughout the lease period. The VAT-inclusive value of the agreements is PLN 132,786,864.00 (PLN 107,956,800.00, VAT exclusive.) The machinery should be delivered to the buyer in stages, over a period spanning from the fourth (4th) to the forty-fourth (44th) week from the agreement date. The agreement performance period will be 1,080 calendar days for each roadheader (see Current Reports No. 41/2018 and 37/2018).
- **Admission of Series F shares to trading:** On July 16th 2018, the Company announced that on July 16th 2018 the Management Board of the Warsaw Stock Exchange passed Resolution No. 767/2018 whereby on the same day 15,322,712 (fifteen million, three hundred and twenty-two thousand, seven hundred and twelve) Series F ordinary bearer shares with a par value of PLN 0.01 (one grosz) per share, assigned code PLFAMUR00046 by the Central Securities Depository of Poland, were admitted to trading on the regulated market. Pursuant to the Resolution, the Series F shares were introduced to trading on July 23rd 2018 subject to the assimilation of these shares, on the same day, by the Central Securities Depository of Poland with the Company shares already traded on the stock exchange, assigned code PLFAMUR00012 (see Current Report No. 42/2018).
- **Dividend payment:** On July 17th 2018, the Company paid dividends totalling PLN 252.9m (PLN 0.44 per share), comprising the net profit for 2017 (PLN 41.1m) and the net profits for previous

years (PLN 211.7m). For more information on the dividend payment, see further in this report under “Dividend”. (Current Report No. 39/2018)

- **Definition of the term sheet for the sale of shares in Przedsiębiorstwo Budowy Szybów S.A. to JSW S.A.:** On July 17th 2018 the Company announced that on the same day it had been notified of the signing by representatives of JSW S.A., as the Buyer, and the Company’s subsidiaries PRIMETECH S.A. (“PRIMETECH”) and PBSz 1 Sp. z o.o. as the Sellers, of the term sheet for the sale of 95.01% of shares (the “Term Sheet”) in Przedsiębiorstwo Budowy Szybów S.A. (“PBSz”). The Term Sheet stipulates in particular that: a) the parties will seek to conclude an agreement for the sale of PBSz shares, which will define the rights and obligations of the Parties and the conditions for the transfer of PBSz shares to the Buyer on the terms set forth in the Term Sheet, within three months from the Term Sheet date; b) the transaction will be executed using the locked-box mechanism as at January 1st 2018; c) the purpose of the transaction is to acquire 4,430,476 shares in PBSz for a total price of PLN 205,300,000, which may need to be adjusted because of the applied settlement mechanism and the Buyer’s security (details to be determined by the Parties in the share purchase agreement); d) the transaction is subject to a number of conditions, such as obtaining merger clearance from the Polish Office of Competition and Consumer Protection (UOKiK), release of encumbrances on PBSz assets and on the shares to be sold in the transaction, created under the restructuring agreement of December 1st 2016, whose parties include The Seller, PBSz and financial creditors, including Bank Pekao S.A. and Powszechna Kasa Oszczędności Bank Polski S.A., conclusion of satisfactory agreements with the trade unions of PBSz and the two largest trading partners of PBSz (Tauron Wydobycie S.A. and KGHM Polska Miedź S.A.) in order to confirm the status of the contracts, and obtaining the consent of JSW bondholders and corporate approvals.

  On October 12th 2018, the Company announced the execution of Annex 1 to the Term Sheet. Under the annex, the Parties extended until December 4th 2018 the period for negotiating an agreement for the sale of PBSz shares, which will define the Parties’ rights and obligations as well as conditions for the transfer of PBSz shares to the Buyer on the terms set forth in the Term Sheet. The original time limit for completing the negotiations, i.e. three months from the date of signing the Term Sheet, was extended due to the ongoing negotiations and the complexity of the entire transaction. The other provisions of the Term Sheet remained unchanged (see Current Reports No. 43/2018 and 58/2018).

- **CSDP’s resolution to assimilate Series F shares:** On July 18th 2018, the Company announced that it had been notified of an announcement issued on the same day by Krajowy Depozyt Papierów Wartościowych S.A. (Central Securities Depository of Poland, “CSDP”) which decided, pursuant to Resolution No. 449/2018 of the CSDP Management Board, to assimilate 15,322,712 (fifteen million, three hundred and twenty-two thousand, seven hundred and twelve) Series F ordinary bearer shares with a par value of PLN 0.01 (one grosz) per share, assigned ISIN code PLFAMUR00046, with the other Company shares, assigned ISIN code PLFAMUR00012. The date of assimilation was set for July 23rd 2018. Following the assimilation, the number of shares assigned ISIN code PLFAMUR00012 was 545,469,712 (five hundred and forty-five million, four hundred and sixty-nine thousand, seven hundred and twelve). Also on July 23rd 2018, the Series F shares were introduced by Giełda Papierów Wartościowych S.A. to trading on a regulated market (see Current Reports No. 44/2018 and 42/2018).

- **Selection of FAMUR’s bid for lease of roadheaders to Branches of Polska Grupa Górnicza S.A. – deliveries to be completed by the end of 2019:** On July 31st 2018, the Company announced that it had been notified that on July 30th 2018 the best bids, including the Company’s bid, were selected following the resolution of the tender procedure “Lease of roadheaders to Branches of Polska Grupa Górnicza S.A. – deliveries to be completed by the end of 2019”, organised by Polska Grupa Górnicza S.A. (“PGG”). The Company’s bid was chosen for tasks No. 2, 3, 4, 5, 6, 8 and 10, i.e. seven out of the eleven tasks for which bids could be placed. Each roadheader will be leased for no more than 1,095 calendar days. On August 28th 2018, the Company was notified that the other party, PGG, had signed the lease contract. The maximum aggregate price for the performance of the contract may reach PLN 124,589,100.00 (exclusive of VAT). The guaranteed lease period for each roadheader is 1,000 calendar days. The contract will be valid for the requirements notified during the period from the date of its conclusion to

December 31st 2019, with an option to extend that period if the contract price is not fully utilised, but only until the end of June 2020. The other terms and conditions of the contract do not differ from standard market terms applied in contracts of such type (see Current Reports No. 45/2018 and 46/2018).

- **Approval of FAMUR Strategy for 2019–2023 and the dividend policy defined in the Strategy:** On September 26th 2018, the Company disclosed inside information on the Management Board's approval of the FAMUR Strategy for 2019–2023 and the dividend policy defined in the Strategy. According to the disclosure, the Strategy presents the assumptions, objectives and new growth directions for the Company's Group, based on the business potential and values the Company relies on in its operations. By pursuing the Strategy, the FAMUR Group intends to become the preferred global supplier of comprehensive and innovative solutions for the mining and cargo handling industries. The Company's mission is to build a team of people who share a passion for supporting customers in achieving their goals by delivering effective solutions, with due regard for the highest environmental standards. In accordance with the approved document, the FAMUR Group will pursue growth by implementing measures aimed at achieving the following four strategic objectives: to maintain the leading position on the Polish market; to generate over 50% of revenue from foreign markets; to increase the share of revenue from recurring sources to more than 25% of total revenue; and to diversify the Group's business by entering the hard rock mining segment. The process of strategy delivery will be supported by transformation efforts in the following key three areas: operational excellence – optimisation of structures and processes and achievement of the highest operational efficiency; smart technology – application of smart solutions ensuring efficiency, safety and reliability; and expansion of the business scale – through organic growth, strategic partnerships or M&A transactions. The Management Board estimates that the delivery of the objectives will enable the Group to generate revenue of PLN 2.5bn–2.7bn in 2023 (excluding the revenue of Przedsiębiorstwo Budowy Szybów S.A.), with profitability close to the current level. Until 2023, consolidated net debt (net debt to EBITDA) is expected to stay below 2.0x.

  As part of the Strategy, the Company has adopted a dividend policy which assumes recommending a payout ratio from 50% to 100%. The Management Board expects to recommend the payment of 75% of net profit as dividend on average over the period of five years. A departure from the dividend policy is allowed where a material acquisition is pursued or in the case of a material change in market conditions or the Company's standing, to ensure that FAMUR's debt is maintained at a safe level (see Current Report No. 51/2018).
- **Receipt of the findings of the customs and tax inspection of CIT settlements:** On September 26th 2018, the Company announced that it had received the findings of the customs and tax inspection conducted by the Head of the Kraków Province Customs and Tax Office in Kraków with regard to the corporate income tax on income earned in 2013, 2014 and 2015 (see Current Report No. 11/2018 of February 19th 2018). In the course of the inspection of the Company's activities related to the transfer of trademarks to Famur Brand Sp. z o.o. and execution of an agreement on the use of the sold trademark, the Head of the Kraków Province Customs and Tax Office decided that the expenditure on licence fees for the use of the trademark does not constitute tax-deductible expenses within the meaning of Art. 15.1 of the Corporate Income Tax Act of February 15th 1992. As a consequence of the tax authority's position, if a tax decision is issued, the Company will be obliged to pay corporate income tax of PLN 17,744,670.00 plus interest of approximately PLN 4,442,337 as at the date of this report. The Company noted that because of the inspection and the risk of the tax authority questioning the classification of the licence fees as tax-deductible expenses, the Company, acting out of prudence, had recognised a provision for the potential obligation to pay public charges in the total amount of PLN 21,189 thousand (see Current Report No. 11/2018 of February 19th 2018.) The provision is remeasured to include potential interest. As a result, the inspection findings have no impact on the Company's current financial performance. The Company upholds its position expressed in Current Report No. 11/2018 that the transfer of the trademark to Famur Brand Sp. z o.o. and the Company's incurring of the costs of license fees were consistent with the laws effective in the period to which the inspection refers and were supported both by business and economic rationale. The Company has stated that it does not agree with the tax authority's conclusions presented

in the inspection findings and that it will take any measures and use any means of appeal available under the tax law to defend its position, bearing in mind that the findings are not substantiated – they are merely a description of the facts (see Current Report No. 53/2018).

- **FAMUR S.A. bid for the delivery of new scraper conveyors and crushers selected by PGG:** On October 18th 2018, the Company announced that it had been notified of the final selection by Polska Grupa Górnicza S.A. ("PGG") of the Company's bid for the award of a contract under the Public Procurement Law in a open tender for the "Delivery of new scraper conveyors and beam stage loaders, crushers, flitting devices and electrical equipment to Polska Grupa Górnicza S.A., KWK Ruda Branch", as part of Task 1 "Delivery of new scraper conveyors and crushers for KWK Ruda". In the tender procedure, the value of the Company's bid was determined at PLN 59,900,000 (VAT exclusive). The Company also announced that the other bidders may appeal against the decision to select Famur's bid within the time limit prescribed by law. Execution of the contract, if any, will be announced by the Company in a separate current report (Current Report No. 59/2018).

Factors and events of non-recurring nature having a material bearing on financial performance

No significant non-recurring events occurred in the third quarter of 2018 that would have a material bearing on financial performance.

Sales

In the first nine months of 2018, FAMUR S.A. and its subsidiaries earned over PLN 1,723m in consolidated revenue, up 78%, or PLN 757m, year on year. The year-on-year change in revenue followed from the revenue volumes generated as a result of the integration with the PRIMETECH Group (formerly the KOPEX Group), acquired on June 27th 2017, as well as from favourable conditions on the Polish and international markets.

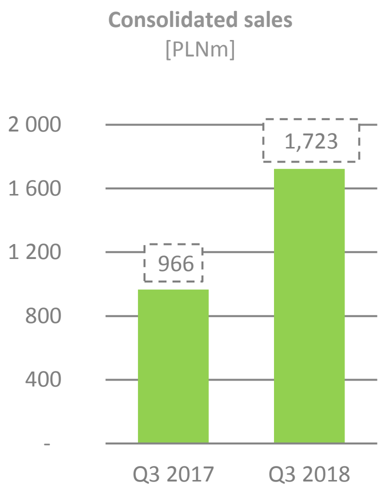
Besides shearer loader and roadheader lease agreements, other revenue contributors included manufacturing of longwall systems for customers in Poland, including PG Silesia, JSW S.A. and Polska Grupa Górnicza S.A., deliveries of belt conveyors to customers in Poland, including JSW S.A., as well as exports to the Kazakhstan, Russian, Turkish, Indian and other markets. In recent months, we have strengthened our position in the Russian market, particularly as a supplier for the SUEK Group and for Evraz. With further deliveries of roadheaders in 2018, we have also reinforced our presence in Mexico, with nine FAMUR roadheaders already in operation there. The deliveries of bolting and drilling equipment to customers in India have created opportunities for continued collaboration and new contracts.

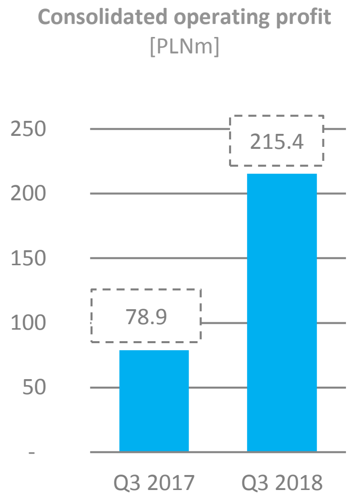
The Surface segment's revenue was derived mainly from export sales of handling and hoisting equipment and surface mining equipment to customers in Austria, the Netherlands and Bulgaria. Particularly noteworthy is the strengthening of the Group's position in the Dutch market: after completing the delivery of a handling and transhipment system to EMO Rotterdam, Famur Famak S.A. is now performing a grab ship unloader contract for Tata Steel IJmuiden. Through FIMS, the Group continues operations in the Indian market, in the area of cargo handling machinery designed for the local market. Domestic sales were driven by revenue from contracts in the power sector that were in a final phase of completion and a new contract for a coal dressing plant at the KWK Budryk coal mine.

The parent's revenue for Q1-Q3 2018 reached PLN 1,119m, up by 69% (or PLN 457m) year on year.

Sales profitability

In the first nine months of 2018, the FAMUR Group posted a consolidated gross profit of PLN 380.6m, earning a gross margin of 22.1%, compared with the gross margin of 23% reported in the first nine months of 2017, when the consolidated gross profit came in at PLN 222.2m.





The Group's profit on sales amounted to PLN 225.7m, compared with PLN 102.8m in Q1-Q3 2017. The third quarter of 2018 was characterized by high profitability of operations, especially in the Underground segment, which translated into higher sales margins of the Group as a whole: after the first nine months of 2018, the sales margin reached 13.1%, compared with 10.9% for the first half of 2018 and 10.6% for the first nine months of 2017.

Net other income/expenses

The Group posted an operating profit of PLN 215.3m, compared with PLN 79m in Q1-Q3 2017, as the operating profit margin reached 12.5%, an improvement from 8.2% generated in Q3 2017.

Net other expenses of PLN 10.3m reduced the operating profit for the first nine months of 2018. Main items of other income included the reversal of impairment losses/write-downs on receivables, inventories and non-current assets (PLN 8.6m in total), income from scrapping (PLN 10.2m) and reversal of provisions for process risks and warranty repairs (in total PLN 7.7m). The largest items of other expenses were costs of warranty repairs (PLN -19.5m) and costs of complaints (PLN -11.9m).

For the first nine months of 2018, FAMUR S.A. posted an operating profit of PLN 163.1m, compared with PLN 66.4m in the corresponding period of 2017.

Net finance income/costs and net profit

In Q3 2018, the Group reported net finance costs of PLN 18.3m. The largest contributors to finance income included interest (PLN 13.6m) and foreign exchange gains (PLN 11.4m, including realised FX gains of PLN 2.4m). The most significant items of finance costs were interest (PLN -19m) and foreign exchange losses (PLN -22.7m, including realised FX losses of PLN -14.4m). The PLN 4m increase in the value of interest disclosed in finance costs relative to the first nine months of 2017 was attributable to the consolidation and servicing of the debt of PRIMETECH Group (formerly the KOPEX Group).

The FAMUR Group's net profit for the first nine months of 2018 amounted to PLN 163m and was 1.6 times higher than in the corresponding period of 2017. The Group generated a profit margin of 9.5%, compared with 6.5% in the same period a year earlier.

On a standalone basis, FAMUR S.A. earned a net profit of PLN 117.9m for Q1-Q3 2018, compared with PLN 51.8m generated in Q1-Q3 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.

FAMUR

	Sep 30 2018	Dec 31 2017
FAMUR Group		
Bank borrowings and other debt instruments	**478,114**	**620,502**
- long-term	402,809	399,479
- short-term	75,305	221,023
Lease liabilities, including:	**28,641**	**30,353**
- long-term	17,001	13,938
- short-term	11,641	16,415
Notes	**109,131**	**110,448**
Cash and cash equivalents	**331,248**	**681,762**
Gross debt	615,886	761,304
Net debt	**284,638**	**79,542**

Source: the Company; amounts in PLN '000.

As at the end of September 2018, the FAMUR Group had equity of PLN 1,531m, providing a good base for financing the Group's future growth expenditure. The Group's gross borrowings, including leases and notes, stood at PLN 616m (40% of equity) as at September 30th 2018. Cash at the end of the reporting period amounted to PLN 331m. The Group's net debt was PLN 285m at the end of March. The increase in the balance of financial debt relative to December 31st 2017 was mainly attributable to the payment of dividend of PLN 253m in July 2018.

The parent's standalone debt under borrowings, leases and notes stood at PLN 513.9m at the end of September 2018, while its cash and cash equivalents amounted to nearly PLN 347.2m.

Cash flows

For the first three quarters of 2018, the FAMUR Group posted negative net cash flows of PLN -350m, compared with positive net cash flows of PLN 315m in the same period of 2017. In Q1-Q3 2018, the Group's consolidated net cash from operating activities was PLN 197m, compared with PLN 107m in Q1-Q3 a year earlier. Cash flows from investing activities were negative at PLN -89m, compared with PLN -165 a year earlier. The higher expenditures in the previous year were mainly attributable to the acquisition of the PRIMETECH Group (formerly the KOPEX Group) (expenditure on financial assets: PLN -83m). The Group's cash flows from financing activities were negative at PLN -458m, compared with positive net cash flows of PLN 373m reported for the first nine months of 2017. In the reporting period, the most important item of financing cash flows was payment of dividend (PLN -253m), followed by repayment of borrowings (PLN -173m), while in the previous year the high positive net cash from financing activities was primarily due to the proceeds from the issue of shares (PLN 401m).

8. Factors with potential bearing on results

- Following the acquisition of a majority interest in PRIMETECH S.A. (formerly KOPEX S.A.) by FAMUR S.A. in June 2017, in the recent quarters the Company conducted intensive work on integrating the FAMUR and PRIMETECH Groups. As expected by the Management Boards of both companies, the formal integration and establishment of the target structure of the new group was completed in July 2018, marking the end of the multi-year efforts to consolidate Polish manufacturers of mining machinery and equipment under a single strong brand able to successfully compete in international markets. The merger of Poland's two largest manufacturers of mining machinery and equipment has created a real opportunity for building a strong Polish player capable of successfully competing with global market leaders. In the past, similar consolidation processes in the electromechanical industry were carried out in other countries, e.g. Germany and the US. FAMUR's and PRIMETECH's know-how, experience and market positions offer a platform for promoting Polish technological solutions on international markets and exporting a full suite of proven products and services. The integrated companies have become one of the largest industrial enterprises in Poland. Their combined potential makes them Europe's key producer of deep mining equipment and one of few global manufacturers of complete longwall systems. Once carried out, the consolidation process will on the one hand enable the Group to build an offering which – in terms of prices, quality, technological solutions and efficiency – will support Polish coal mines in their efforts to improve efficiency and profitability of coal production, and on the other hand will provide stability and support for international expansion of the Group and implementation of its growth programmes. One of the key objectives of the integrated Groups is consistent work on improving innovation and autonomy levels in mining solutions based on the concept of Smart Mine and Industry 4.0.

- In past years, the FAMUR Group also pursued consolidation efforts in the Surface segment. In 2016, FAMUR FAMAK purchased the design offices Separator Sp. z o.o. and SKW Biuro Projektowo-Techniczne, thus concentrating in its hands key credentials in the area of handling equipment design. Given the significantly rising production volume of the Surface segment and the need for cooperation with external partners, which negatively affects margins and know-how protection, in 2017 the FAMUR Group acquired Fugo Zamet Sp. z o.o. with a manufacturing plant in Konin and an organised part of Famago's business, whose key asset is a manufacturing plant in Zgorzelec. Both acquisitions doubled the production capacities of the Surface segment. In this way, the FAMUR FAMAK Group concentrated all key capabilities in the design, manufacturing, assembly and maintenance, meeting the high criteria of its customers in terms of quality and technology, and becoming a national leader in the industry. The Surface segment has been taking consistent steps aimed at increasing its sales exposure to foreign markets, especially in the highly prospective cargo handling and transport sector. The results of these efforts translate into a growing number of new projects implemented in numerous regions, including Western Europe, the Balkans and India.
- 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.
- The FAMUR Group's revenue is largely dependent on investment expenditures made by mines – in the case of the Underground segment, and by power industry and transport and handling sector operators – in the case of the Surface area. Such capex may involve upgrades and repairs of the mines' existing machinery, as well as purchases of new machines in preparation for access to new longwall panels (the same applies to the power industry and transport and handling sector). Lease of shearer loaders and roadheaders, supply of spare parts and provision of maintenance services are additional revenue sources. Because the Group derives a substantial part of its revenue from the domestic market, capital expenditure of the Polish mining industry is a significant revenue driver.
- The mining market is subject to periodic changes. Following a challenging period for the coal mining industry, particularly in 2014–2016, the situation improved significantly over the last two years. Intensive measures to restore profitability at major mining companies and rising coal prices since 2016 have prevented further erosion of the companies' performance, but their investment activity is still limited. In the near future, the capital expenditure of the Polish mining sector is expected to rise on the back of modernisation processes at the main mining companies which, according to their plans and available information, expect a significant increase in capital expenditure by 2020.
- In the long term though, a rise in the sector's expenditure will also depend on an improvement in production efficiency and company earnings, as well as the roll-out of a restructuring programme by Poland's largest coal producer. Today, the real challenge for the mining sector is to raise financing for the announced investment plans, which are in turn necessary to maintain the continuity of coal production.

  The FAMUR Group aims to be a partner for Polish mining companies as a supplier of comprehensive, domestically made technological solutions, offering efficiency and reliability at competitive prices. Given our experience in delivering cutting-edge, tailor-made solutions, we are a supplier ready to meet all technical, technological and quality requirements of our customers.
- One of the goals of the FAMUR Group is to expand its product portfolio and effectively diversify sales revenue, for instance by ensuring a significant contribution to revenue from contracts performed in the Surface segment, as well as to consolidate all activities relating to Electrical Equipment into a single operating segment. Therefore, the financial performance of the Group

as a whole is affected by operations carried out in a number of business areas that may be at different stages of the economic cycle.

- The economic situation of the Polish mining industry and the industry operators' decisions as to whether or not pursue investment projects may have a bearing on the results generated by the FAMUR Group. 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. The Company intends to reinforce its foreign expansion and does not rule out further acquisitions or strategic alliances given that the current market is a favourable environment for such transactions.
- Based on regular monitoring of the current situation on and forecasts for the domestic and global raw materials and energy markets, the Company developed the FAMUR Strategy for 2019–2023 and the dividend policy defined in the Strategy (for more information, see the "Discussion of significant events and the FAMUR Group's financial position" section of this report). The adopted Strategy defines the assumptions, objectives and growth directions for the Company's Group, including the assumptions of the Go Global programme (described above) and product diversification, based on the Group's existing business potential. By pursuing the Strategy, the FAMUR Group intends to become the preferred global supplier of comprehensive and innovative solutions for the mining and material handling industries. Consistent and effective pursuit of the Strategy's objectives should enable the FAMUR Group to stabilise its operating performance while further expanding its business scale in accordance with the adopted geographical and sector expansion programme (mainly hard rock mining).
- 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.
- High dynamics of economic growth in Poland, especially in the manufacturing industry, and the construction and assembly industry, may contribute to continued wage pressures as well as growth in service costs and prices of raw materials, mainly steel. This may result in fluctuations in margins reported by the FAMUR Group. The margin management policy takes into account those risks, and consequently the Group's companies take steps to maintain satisfactory margins, for instance by adopting appropriate bases for calculating prices of the their products, signing long-term contracts for the supply of raw materials, and building a wide network of cooperating partners.
- As it offers its products and services on numerous foreign markets, the FAMUR Group is exposed to geopolitical risks. They can materialise in numerous regions of the world, in various forms. These risks can translate into trade wars and customs protectionism, negative investment sentiments of the private and public sectors, instability in global financial markets, fluctuations in commodity prices or exchange rates. Potential materialisation of geopolitical risks in particular foreign markets may cause the FAMUR Group's economic performance to deteriorate. FAMUR and its subsidiaries will take these risk factors into account when signing new contracts and no contracts with foreign companies in financial distress will be concluded. The Company will seek to take out insurance for its significant export contracts with Korporacja Ubezpieczeń Kredytów Eksportowych (KUKE) or rely on the support of similar institutions.

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 Electrical Equipment and Mining Services segments have been presented since the second half of 2017, following the takeover of control of and integration with the PRIMETECH Group (formerly the KOPEX Group) The table below presents the results generated by the Company's business segments and the segments' contributions to total revenue for the 9 months of 2018.

Continuing operations

	Underground	Surface	Electrical Equipment*	Mining Industry Services*	Total
Jan-Sep 2018					
Revenue	1,172,841	263,470	70,113	216,803	**1,723,228**
Cost of sales	857,952	251,501	40,711	192,445	**1,342,610**
Gross profit	314,888	11,969	29,402	24,359	**380,618**
Gross margin	*26.8%*	*4.5%*	*41.9%*	*11.2%*	*22.1%*
Profit on sales	195,745	866	16,960	12,125	**225,696**
Sales margin	*16.7%*	*0.3%*	*24.2%*	*5.6%*	***13.1%***
Segment's share in revenue	*68.1%*	*15.3%*	*4.1%*	*12.6%*	*100.0%*

	Underground	Surface	Electrical Equipment*	Mining Industry Services*	Total
Jan-Sep 2017					
Revenue	701,999	195,899	16,184	52,309	966,391
Cost of sales	511,603	173,606	12,034	46,953	744,197
Gross profit	190,395	22,293	4,150	5,356	222,194
Gross margin	*27.1%*	*11.4%*	*25.6%*	*10.2%*	23.0%
Profit on sales	91,944	7,894	1,290	1,678	102,806
Sales margin	*13.1%*	*4.0%*	*8.0%*	*3.2%*	*10.6%*
Segment's share in revenue	*72.6%*	*20.3%*	*1.7%*	*5.4%*	*100.0%*

Source: the Company; figures in PLN ‘000 ***(*)*** *Electrical Equipment and Mining Services data has been consolidated since the second half of 2017.*

After the first nine months of 2018, the FAMUR Group reported a significant increase in the Underground segment’s revenue, by 67%, or PLN 471m, year on year. The increase followed from higher volumes of orders in the underground mining segment and inclusion of the underground part of the operations of PRIMETECH Group (formerly the KOPEX Group) in the Underground segment. The segment’s revenue was primarily driven by foreign and domestic contracts; sale of powered roof support systems; delivery of longwall systems; lease of shearer loaders and roadheaders with maintenance services; and manufacture and sale of scraper and belt conveyors, mainly for customers in Poland, as well as aftermarket services. In the Underground segment, the third quarter of this year was characterised by a favourable mix of higher margin contracts, which contributed to the profitability of the entire Group.

Surface segment’s revenue rose 35% compared with the same period of the previous year. In the pursuit of its strategic goals of revenue diversification, the FAMUR Group intends to maintain its strong position in the sector of electromechanical equipment for the strip mining and power sectors. The persistently rather low margin recorded by the Surface segment was attributable to the execution of the final phase of long-term contracts signed in previous years (including in 2014 and 2015), whose initial cost base did not take into account the unpredictable growth in costs at the end of 2017 and beginning of 2018, which affected the amount of recognised profit.

Geographical structure of revenue

In the first nine months of 2018, the FAMUR Group’s export sales represented approximately 35% of total revenue. The year-on-year drop in the share of export sales in total revenue follows from a rebound on the domestic market and large contracts signed with Polish mining companies. In nominal terms, exports sales reached PLN 610m, up by 51.5% year on year. The significant contribution of exports to total revenue came as a result of the strengthening of the FAMUR Group’s potential and improved economic conditions on global commodity markets. The FAMUR Group’s brand awareness on international markets is gradually increasing. The brand is associated with high quality products ‘made in Europe’, technological advancement of the products, stable aftermarket service, and competitive prices.

The table below presents the shares of individual foreign markets in the Group's total revenue.

Revenue	Q1–Q3 2018	Q1–Q3 2017	Change	Share
Poland	1,113,035	563,497	98%	64.6%
Russia and CIS	343,574	231,278	49%	19.9%
European Union	193,341	126,112	53%	11.2%
Other Europe	18,101	6,265	189%	1.1%
Other*	55,176	39,237	41%	3.2%
Total	**1,723,228**	**966,391**	**78%**	**100.0%**
Poland	1,113,035	563,497	98%	64.6%
Total exports	610,193	402,894	52%	35.4%

*Source: the Company; amounts in PLN '000. (*other: America, Asia, Africa, Australia)*

The sales dynamics on individual foreign markets may differ quarter by quarter, depending on the country in which a contract is performed. The high unit value of contracts performed by the FAMUR Group may significantly change the shares of individual geographical markets in total export sales (by dozen or so or even several dozen percentage points), depending on project size and manner of execution.

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.

Significant changes in balances, provisions, deferred income tax assets at the Group and the Company, as well as impairment losses on receivables at the Company, were recorded mostly in the first half of 2018 and were mainly connected with the demerger of PRIMETECH (formerly KOPEX) and its merger with the FAMUR Group in May this year. The first half of 2018 also saw a material change in inventory write-downs at the FAMUR Group relative to December 31st 2017, which followed mostly from the utilisation of write-downs when scrapping the inventory, as well as from the use of inventory in the production process. The table below presents the changes in the value of provisions and impairment losses and write-downs on assets at the Company and at the FAMUR Group.

	Sep 30 2018	Change	Dec 31 2017
FAMUR Group			
Long-term provisions for retirement and similar benefits	33,599	1,557	32,042
Short-term provisions for retirement and similar benefits	20,346	5,551	14,795
Other long-term provisions	6,511	832	5,679
Other short-term provisions	72,617	8,201	64,416
Deferred tax liabilities	15,024	-32,564	47,588
Deferred tax assets	102,168	65,725	36,443
Impairment losses on receivables	176,605	5,416	171,189
Inventory write-downs	40,430	-41,044	81,474
Impairment losses on property, plant and equipment and intangible assets	13,365	-1,471	14,836

	Sep 30 2018	Change	Dec 31 2017
Company			
Long-term provisions for retirement and similar benefits	28,180	7,055	21,125
Short-term provisions for retirement and similar benefits	10,139	1,633	8,506
Other long-term provisions	4,209	2,584	1,625
Other short-term provisions	65,306	35,855	29,451
Deferred tax liabilities	-	-14,761	14,761
Deferred tax assets	82,178	61,847	20,331
Impairment losses on receivables	151,546	70,988	80,558
Inventory write-downs	27,841	9,280	18,561
Impairment losses on property, plant and equipment and intangible assets	3,210	-230	3,440

Source: the Company; amounts in PLN '000.

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 given the significant value of individual contracts whose performance may last more than one quarter the Group's quarterly revenues and profits 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 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. The above-mentioned authorisation to buy back the Company's own shares expired before the reporting date.

Issue of new Series D and Series E shares in 2017

In the first half of 2017, the Company issued new Series D and Series E shares To raise funds that would allow it to acquire a controlling interest (65.82%) in Kopex S.A. and pursue other growth efforts at the FAMUR Group, including the support of the GO GLOBAL strategy (through the development of foreign service companies), refinancing of TDJ's loan extended to KOPEX in connection with its repayment of Tranche C debt, acquisition of FUGO sp. z o.o. and of an organised part of business of FAMAGO sp. z o.o., as well as investments in automation and upgrade in the Surface segment.

The issue of new shares was effected simultaneously with the disposal by TDJ Equity I sp. z o.o. of 97m shares in FAMUR S.A., representing 20% of the Company's share capital, by way of an Accelerated Bookbuild Process (ABB), as announced by the Company in Current Reports No. 30/2017 and 32/2017.

Following the share issue, as at the end of 2017 and as at March 31st 2018 the Company's share capital was PLN 5,595,405.00 and consisted of 559,540,500 ordinary Series A, B, C, D and E shares.

FAMUR Extraordinary General Meeting's decision to increase share capital and issue new Series F shares (Demerger Shares)

In connection with the demerger of KOPEX S.A. (the "Demerged Company") through transfer of a part of its assets to FAMUR S.A. (the "Acquirer") (see Section 7 of this report), the Extraordinary General Meeting of FAMUR S.A. convened for April 13th 2018 passed Resolution No. 3 to increase the Acquirer's share capital by PLN 153,227.12, from PLN 5,594,405.00 to PLN 5,747,632.12, by way of issue of 15,322,712 Series F ordinary bearer shares with a par value of PLN 0.01 per share (the "Demerger Shares"). In accordance with the resolution, the Demerger Shares will be paid for by contributing to the Acquirer the Demerged Company's certain assets in the form of an organised part of its business, comprising in particular the operating assets and shares in companies involved in the manufacture, maintenance and distribution of mining machinery and in production or investment processes, including without limitation: the manufacturing plants (currently located in Zabrze and Rybnik: KOPEX S.A. Kombajny Zabrzańskie, Przenośniki Ryfama, Zabrze Branch, KOPEX S.A. Hydraulika, Zabrze Branch, and KOPEX S.A. Obudowy TAGOR, Zabrze Branch), and an organised real property investment business comprising a complex of investment properties with related assets and liabilities, as well as all shares in certain Polish and foreign companies described in detail in the Demerger Plan (published by the Company along with the text of the EGM's resolutions in Current Reports No. 24/2018 and 24K/2018), with the net value of those assets totalling PLN 253,376,460.50; the issue price per Demerger Share is the quotient of the above net asset value and the number of the new shares. The Demerger Shares will confer the right to share in distributions from the Acquirer's profit as of the financial year in which the Demerger Date takes place. The Demerger Shares will be allotted to shareholders of the Demerged Company as set out in the Demerger Plan. The Acquirer, as a shareholder of the Demerged Company, will not receive its own shares as a result of the Demerger, and the share premium will be allocated to the share premium account.

Registration of share capital increase and amendments to the Company's Articles of Association

On May 8th 2018, the Company was notified of the registration, on May 7th 2018, by the District Court for Katowice-Wschód of Katowice, 8th Commercial Division of the National Court Register, of the increase in the Company's share capital made by way of the issue of Series F shares and of the related amendments to the Company's Articles of Association. Following the registration, the Company's share capital is PLN 5,747,632.12 and consists of 574,763,212 Series A, B, C, D, E and F shares with a par value of PLN 0.01 per share, namely:

a) 432,460,830 Series A ordinary bearer shares,

b) 49,039,170 Series B ordinary bearer shares,

c) 4,970,000 Series C ordinary bearer shares;

d) 43,677,000 Series D ordinary bearer shares;

e) 29,293,500 Series E ordinary registered shares, to be converted into bearer shares at the shareholder's request;

f) 15,322,712 Series F ordinary bearer shares (as at the date of this report, these shares were not registered with the Central Securities Depository of Poland or admitted to trading on a regulated market).

Moreover, following the registration the relevant provisions of the Company's Articles of Association concerning the amount of the share capital were amended.

Registration of FAMUR S.A. Series F shares in the CSDP, setting of the Reference Day and withdrawal of KOPEX S.A. shares

On May 16th 2018, the Central Securities Depository of Poland ("CSDP") decided to register 15,322,712 Series F ordinary bearer shares with a par value of PLN 0.01 per share (ISIN code: PLFAMUR00046), issued in connection with the demerger of KOPEX S.A. through transfer of a part of KOPEX S.A.'s assets to FAMUR S.A. pursuant to Art. 529.1.4 of the Commercial Companies Code.

At the same time, the CSDP set the Reference Day for May 18th 2018, and the registration date for May 29th 2018. The registration followed the allotment of FAMUR S.A. shares, effected through the exchange of shares in KOPEX S.A. for shares in the Company at the following share exchange ratio: 0.7636 share in the Company for 1 cancelled share in KOPEX S.A.

As a result, the Management Board of CSDP decided to withdraw 58,722,705 ordinary bearer shares in KOPEX S.A. from the securities depository on May 29th 2018. Following the withdrawal, the number of KOPEX S.A. shares in issue was 15,609,833.

On May 16th 2018, the Management Board of the Warsaw Stock Exchange (the "WSE"), passed a resolution to suspend trading in KOPEX S.A. shares (ISIN code: PLKOPEX00018) on the Main Market of the WSE from May 17th 2018 through May 29th 2018 (including that day).

Admission of Series F shares to trading and their assimilation

On July 16th 2018, the Management Board of the WSE passed a resolution whereby on the same day 15,322,712 Series F ordinary bearer shares with a par value of PLN 0.01 per share, assigned code PLFAMUR00046 by the CSDP, were admitted to trading on the regulated market. Pursuant to the resolution, the Series F shares were to be introduced to trading on July 23rd 2018 provided that on the same day the CSDP assimilates these shares with other Company shares already traded on the stock exchange, assigned code PLFAMUR00012.

On July 18th 2018, the CSDP passed a decision to assimilate the Series F shares with the other FAMUR S.A. shares as described above. The date of assimilation of the securities was set for July 23rd 2018 and, on the same date, the Series F shares were introduced by the WSE to trading on a regulated market. Since the assimilation, the number of shares traded under the ISIN code PLFAMUR00012 has been 545,469,712. The total number of FAMUR S.A. shares is 574,763,212, comprising the aforementioned Series A, B, C, D and F bearer shares and also 29,293,500 Series E ordinary registered shares, which may be converted into bearer shares at a shareholder's request.

For the shareholder structure, see the "List of shareholders entitled to attend General Meeting" below in this report.

Notes

In December 2015, the Company entered into a notes issue agreement. Under the Notes Programme, the Company may issue Notes up to the aggregate nominal value of PLN 500m. The term of the Notes Programme, that is the period during which the Company's Management Board may pass a resolution to issue individual series of Notes under the Programme, will expire not later than on December 31st 2018, subject to the cap on the aggregate nominal value of the Notes under the Programme.

During the term of the Programme, FAMUR S.A. issued secured Series A bearer Notes in book-entry form, with an aggregate nominal value of PLN 108m and an issue price of PLN 1 thousand per Note. The Series A Notes were issued under Polish law. In each interest period, the Series A Notes bear interest at a floating rate based on 6M WIBOR plus a margin, with interest paid every six months. The security for Noteholders are two blank promissory notes and a statement on voluntary submission to enforcement under Art. 777.1.5 of the Polish Code of Civil Procedure. The maximum enforcement amount was set at 125% of the total nominal value of the Notes in issue.

The Series A Notes were converted into securities in book-entry form and registered at the Central Securities Depository of Poland on January 12th 2016, and were 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 the Series A Notes issued by FAMUR S.A. to trading in the WSE ATS and BondSpot ATS. March 31st 2016 was set as the first day of trading in the Series A Notes issued by FAMUR S.A.

The term of the Notes Programme, that is the period during which the Company's Management Board may pass a resolution to issue individual series of Notes under the Programme, will expire not later than on December 31st 2018, subject to the cap on the aggregate nominal value of the Notes under the Programme.

13. Dividend

In Q3 2018, by virtue of Resolution No. 6 of the Company's Annual General Meeting of June 29th 2018 (the "AGM") as well as pursuant to Art. 395.2.2, Art. 348.1, Art. 396.5 of the Commercial Companies Code and Articles 19.1−19.3 of the Articles of Association of FAMUR S.A., on July 17th 2018 dividend was paid.

The AGM decided that the Company's net profit earned in the financial year ended December 31st 2017, of PLN 41,125,287.05, and the Company's net profit earned in previous years, totalling PLN 211,770,526.23, would be distributed as dividend in an aggregate amount of PLN 252,895,813.28, i.e. PLN 0.44 per share (all the Company shares are ordinary shares, there are no preference shares). The payment of dividend from retained earnings, in a total amount of PLN 211,770,526.23, was made by reducing the part of the Company's capital reserve created from retained earnings by PLN 211,770,526.23. The right to dividend was vested in shareholders who held Series A, B, C, D bearer shares assigned ISIN code PLFAMUR00012, Series E registered shares and Series F bearer shares assigned ISIN code PLFAMUR00046, whose shares were held on July 9th 2018 (the dividend record day), excluding treasury shares. The dividend was paid through the Central Securities Depository of Poland, except for the dividend from Series E registered shares.

Moreover, on September 26th 2018 the Company announced that on September 21st 2018 it adopted a dividend policy which assumed recommending a payout ratio from 50% to 100%. The Management Board expects to recommend the payment of 75% of net profit as dividend on average over the period of five years. A departure from the dividend policy is allowed where a material acquisition is pursued or in the case of a material change in market conditions or the Company's standing, to ensure that FAMUR's debt is maintained at a safe level (see Current Report No. 51/2018).

14. Events relating to previous years

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

15. Profit forecast

The Board decided not to release forecasts for 2018.

FAMUR

16. List of shareholders entitled to attend General Meeting

As at September 30th 2018 and the date of this report, the Company's share capital amounted to PLN 5,747,632.12 and was divided into 574,632,212 Series A, B, C, D, E and F 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. There are no other securities conferring any special control rights. Also, the Management Board is not aware of any agreements that could lead to future changes in the shareholder structure.

The table below shows the shareholding structure as at September 30th 2018, based on data from the Company's most recent General Meeting and notifications received prior to the reporting date. The lists show shareholders with major holdings of FAMUR S.A. shares as at the relevant reporting date. The materiality level is 5% of the share capital. Mr Tomasz Domogała is a related party of TDJ S.A. and TDJ Equity I sp. z o.o.

Shareholding structure as at September 30th 2018

Shareholder	Number of shares	Number of voting rights at GM	% of total voting rights at GM	% of share capital
TDJ Equity I sp. z o.o.	318,902,396	318,902,396	55.48%	55.48%
Nationale-Nederlanden OFE	39,957,114	39,957,114	6.95%	6.95%
AVIVA OFE	52,400,000	52,400,000	9.12%	9.12%
Tomasz Domogała	8,106,855	8,106,855	1.41%	1.41%
Treasury shares*	4,616	4,616	0.00%	0.00%
Other shareholders (excluding treasury shares)	155,392,231	155,392,231	27.04%	27.04%
Total	**574,763,212**	**574,763,212**	**100.00%**	**100.00%**

Source: the Company; to the best of the Company's knowledge based on data from the most recent General Meeting
**) Indirectly through subsidiaries; treasury shares have no voting rights.*

On October 10th 2018, an Extraordinary General Meeting of the Company was held. The following chart and table show the shareholding structure based on that most recent Extraordinary General Meeting of the Company and received notifications (a list of shareholders holding 5% or more of total voting rights).

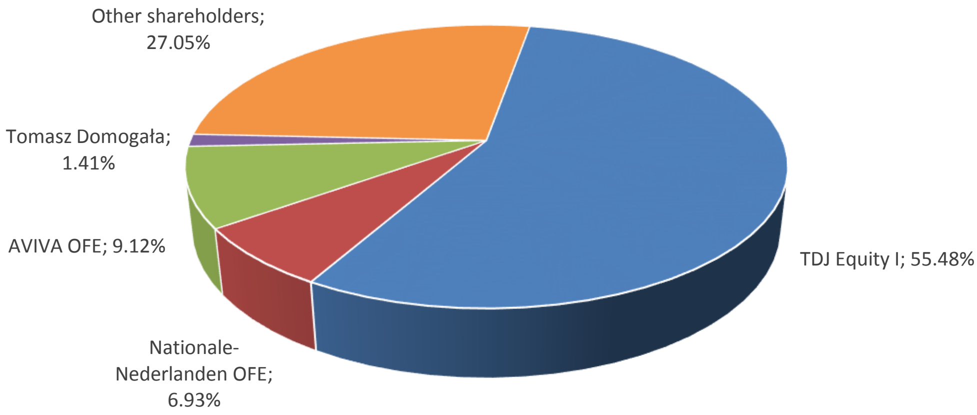
Shareholder structure as at the date of this report

Shareholder	Number of shares	Number of voting rights at GM	% of total voting rights at GM	% of share capital
TDJ Equity I sp. z o.o.	318,902,396	318,902,396	55.48%	55.48%
Nationale-Nederlanden OFE	39,849,000	39,849,000	6.93%	6.93%
AVIVA OFE	52,400,000	52,400,000	9.12%	9.12%
Tomasz Domogała	8,106,855	8,106,855	1.41%	1.41%
Treasury shares*	4,616	4,616	0.00%	0.00%
Other shareholders (excluding treasury shares)	155,500,345	155,500,345	27.05%	27.05%
Total	**574,763,212**	**574,763,212**	**100.00%**	**100.00%**

Source: the Company; to the best of the Company's knowledge based on data from the most recent General Meeting
**) Indirectly through subsidiaries; treasury shares have no voting rights.*

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

Shareholding structure of FAMUR S.A.



Source: The Company.

17. Shares held by management and supervisory personnel

The shares in FAMUR S.A. held by members of its Management and Supervisory Boards represent in aggregate 1.76% of total voting rights at the Company's General Meeting.

	Number of shares held	% of total voting rights at GM
Management person		
Dawid Gruszczyk	875,000	0.1522%
Tomasz Jakubowski	804,175	0.1399%
Beata Zawiszowska	321,000	0.0558%
Zdzisław Szypuła	1,497	0.0003%
Supervisory person		
Tomasz Domogała*	8,106,855	1.4105%

*Source: FAMUR GROUP; As at Sep 30 2018; * Mr 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.*

18. Material proceedings before administrative court

FAMUR S.A. (formerly Fabryka Zmechanizowanych Obudów Ścianowych Fazos S.A. of Tarnowskie Góry, and then Zakład Maszyn Górniczych GLINIK Sp. z o.o.) is party to a legal dispute with PRIMETECH S.A. of Katowice (formerly KOPEX S.A. and TAGOR S.A.) for payment of PLN 51,875,600.00, as announced by the FAMUR Group in recent periodic reports. In the course of the proceedings, the amount claimed was reduced to PLN 33,705,361.31 (without waiving the claim).

FAMUR S.A. (on July 28th 2017) and PRIMETECH S.A. (on August 2nd 2017) filed requests to suspend the proceedings upon a joint motion of the parties, together with a request for cancelation of the hearing set for September 7th 2017 given that FAMUR S.A. now holds a controlling interest (65.82%) in PRIMETECH S.A. and has become its parent, which – in the opinion of the parties – implies the need for amicable settlement of the dispute. On August 7th 2017, at the joint request of the Parties, a decision to suspend the proceedings was issued. In August 2018, the Court of Appeal issued a decision to resume the suspended proceedings. The Company expects the proceedings to be closed in Q4 2018.

19. Related-party transactions

The related-party transactions concluded in Q3 2018 were executed on an arm's length basis and, in the opinion of the Management Board, were typical and routine transactions.

20. Sureties and guarantees issued and changes in contingent liabilities

FAMUR Group's contingent liabilities

		Sep 30 2018	Dec 31 2017
Consolidated data			
1.	Contingent liabilities	**255,414**	**241,315**
	- guarantees issued, including:	186,750	179,766
	- bid bonds	10,683	6,004
	- performance bonds	133,846	135,478
	- other	42,221	38,284
	- surety bonds and promissory notes issued to financial institutions	5,985	5,485
	- purchase of debt	61,563	48,563
	- other	1,116	7,501

Source: the Company; amounts in PLN '000.

21. Other information

Workforce

As at the reporting date of September 30th 2018, the workforce at the FAMUR Group comprised 5,247 employees.

Changes in Management Board composition

The following change in the composition of the Company's Management Board took place in Q3 2018.

On September 26th 2018, the Management Board of the Company was notified that on September 25th 2018 Mr Zdzisław Szypuła tendered his resignation as Vice President of the Company's Management Board, with effect from December 31st 2018. The resignation was submitted in connection with implementation, as of January 1st 2019, of a new organisational structure of the Company, consistent with FAMUR Strategy for 2019–2023, and the planned appointment of Mr Szypuła as Vice President of the Management Board of FAMUR FAMAK S.A. of Kluczbork, a subsidiary of the Company. Concurrently, pursuant to the Supervisory Board's resolutions of September 25th 2018, Mr Tomasz Jakubowski was appointed to the Company's Management Board as Vice President, Chief Operating Officer, responsible for the Underground segment, and Mr Waldemar Łaski was appointed to the Management Board as Vice President, responsible for the Surface segment. The appointments took effect on September 26th 2018. In addition, the functions of individual Management Board members were changed. As of September 26th 2018, Ms Beata Zawiszowska was appointed as Vice President, Chief Financial Officer, and Mr Bartosz Bielak as Vice President, Chief Strategy and Development Officer (formerly, Ms Zawiszowska and Mr Bielak served as Vice Presidents of the Management Board). As of January 1st 2019, Mr Adam Toborek
was appointed Vice President responsible for the Underground segment's export sales and Mr Dawid Gruszczyk as Vice President responsible for the Underground segment's domestic sales (formerly, Mr Toborek and Mr Gruszczyk served as Vice Presidents of the Management Board).

Composition of the Management Board of FAMUR S.A. as at September 30th 2018:

1. Mirosław Bendzera – President of the Management Board
2. Beata Zawiszowska – Vice President, Chief Financial Officer
3. Adam Toborek – Vice President of the Management Board
4. Zdzisław Szypuła – Vice President of the Management Board
5. Dawid Gruszczyk – Vice President of the Management Board
6. Bartosz Bielak – Vice President of the Management Board, Chief Strategy and Development Officer
7. Tomasz Jakubowski – Vice President of the Management Board, Chief Operating Officer, Underground segment
8. Waldemar Łaski – Vice President of the Management Board, Surface segment

Changes in the composition of the Supervisory Board

In Q3 2018, the composition of the Company's Supervisory Board changed as described below.

On September 13th 2018, the Company was notified of a resignation tendered by Robert Rogowski from the position of Supervisory Board member, with effect from September 30th 2018. The resignation resulted from the plans to begin cooperation with TDJ S.A. in the future. Such cooperation would lead to Mr Rogowski no longer being an independent Member of the Supervisory Board.

Composition of the Supervisory Board of FAMUR S.A. as at September 30th 2018:

1. Tomasz Domogała – Chairman of the Supervisory Board
2. Czesław Kisiel – Deputy Chairman of the Supervisory Board
3. Jacek Leonkiewicz – Member of the Supervisory Board
4. Magdalena Zajączkowska-Ejsymont – Member of the Supervisory Board
5. Robert Rogowski − Member of the Supervisory Board
6. Dorota Wyjadłowska − Member of the Supervisory Board
7. Michał Nowak − Member of the Supervisory Board

After the reporting date, by virtue of the Company's Extraordinary General Meeting Resolution of October 10th 2018, Mr Tomasz Kruk was appointed as Member of the Supervisory Board.

Valuation of forwards at FAMUR Group as at September 30th 2018

The Group takes steps to minimise foreign exchange risk by using natural hedging and by pursuing a defined hedging policy, entering into FX forwards to hedge its currency risk exposures, requiring advance payments in the case of some of its transactions, and applying hedge accounting, which was implemented at the parent as of the beginning of 2017. The following table presents the FAMUR Group's derivative instruments measured as at the reporting date, i.e. September 30th 2018.

Derivatives (groups of instruments)	**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** (corresponding to their fair value) as at Sep 31 2018	**Hedged** risk
Forward – sale of EUR	Q4 2018	102,828	103,162	Foreign exchange risk
Forward - purchase of USD	Q4 2019	1,582	1,676	Foreign exchange risk
Forward – sale of EUR	Q1 2019	41,047	40,745	Foreign exchange risk
Forward - purchase of USD	Q1 2019	551	584	Foreign exchange risk
Forward – purchase of EUR	Q1 2019	9,305	9,114	Foreign exchange risk
Forward – sale of EUR	Q2 2019	15,486	15,465	Foreign exchange risk
Forward - sale of USD	Q2 2019	574	577	Foreign exchange risk
Forward – purchase of EUR	Q2 2019	1,163	1,139	Foreign exchange risk
Forward – sale of EUR	Q3 2019	3,561	3,577	Foreign exchange risk
Forward – sale of EUR	Q4 2019	8,250	8,333	Foreign exchange risk
Forward – sale of EUR	Q1 2020	4,360	4,400	Foreign exchange risk
IRS	Q1 2020	108,000	108,187	Interest rate risk
Forward – purchase of EUR	Q2 2020	1,264	1,225	Foreign exchange risk
Total		**297,972**	**298,184**	

Source: the Company; amounts in PLN '000.

Interim condensed separate financial statements of FAMUR S.A. for Q3 2018

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS OF FAMUR S.A.

Accounting policies applied in the preparation of the report for Q3 2018

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 Accounting Act. Unless stated otherwise, all amounts in PLN '000.

FAMUR

Interim condensed statement of financial position of FAMUR S.A.

	Sep 30 2018	Dec 31 2017
ASSETS		
Non-current assets	**1,098,013**	**886,866**
Intangible assets	200,407	166,006
Property, plant and equipment	397,207	279,942
Long-term receivables	36,208	13,483
Long-term investments	380,256	405,180
Other non-current assets (prepayments and accrued income)	1,756	1,924
Deferred tax assets	82,178	20,331
Current assets	**1,123,015**	**1,168,492**
Inventories	260,999	168,492
Trade receivables	598,924	519,104
Other short-term receivables	35,555	48,394
Current financial assets	42,126	45,690
Cash and cash equivalents	166,679	382,745
Other current assets (prepayments and accrued income)	3,610	2,507
Non-current assets classified as held for sale	15,116	1,560
Total assets	**2,221,028**	**2,055,358**
EQUITY AND LIABILITIES		
Equity	**1,274,253**	**1,134,116**
Share capital	5,748	5,594
Statutory reserve funds	930,773	653,254
Revaluation reserve	1,301	2,221
Other capital reserves	162,213	373,984
Retained earnings	174,219	99,063
Liabilities and provisions for liabilities	**946,775**	**921,243**
Provisions for liabilities	107,833	75,469
Long-term bank borrowings and other debt instruments	193,047	-
Non-current lease liabilities	263	505
Other non-current liabilities	108,906	109,968
Trade payables	212,364	251,049
Tax payable	62,675	10,482
Short-term bank borrowings and other debt instruments	210,938	290,577
Current finance lease liabilities	525	586
Other current liabilities	21,176	160,572
Other liabilities (accruals and deferred income)	29,048	22,035
Total equity and liabilities	**2,221,028**	**2,055,358**

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Interim condensed statement of profit or loss of FAMUR S.A.

CONTINUING OPERATIONS	Sep 30 2018	*3 months ended* Sep 30 2017	Sep 30 2018	*9 months ended* Sep 30 2017
Net revenue	**441,942**	**238,623**	**1,119,097**	**662,024**
Costs of products, goods and materials sold	305,359	196,905	834,682	510,428
Gross profit	**136,584**	**37,629**	**284,416**	**151,596**
Other income	6,012	3,638	22,801	14,467
Distribution costs	14,852	1,064	31,960	11,309
Administrative expenses	24,569	17,252	70,691	48,536
Other expenses	21,456	17,903	41,489	39,860
Operating profit	**81,719**	**9,137**	**163,077**	**66,359**
Finance income	5,047	4,976	19,505	20,636
Finance costs	18,509	7,100	35,888	26,334
Profit before tax	**68,257**	**7,014**	**146,694**	**60,660**
Income tax	12,541	134	28,770	8,854
Net profit from continuing operations	1	6,880	117,924	51,806
Discontinued operations	-	-	-	-
Net profit	**55,716**	**6,880**	**117,924**	**51,806**
number of shares	574,763,212	559,440,500	574,763,212	559,440,500
Earnings per share (PLN)	0.10	0.01	0.21	0.09

Interim condensed statement of comprehensive income of FAMUR S.A.

	Sep 30 2018	*3 months ended* Sep 30 2017	Sep 30 2018	*9 months ended* Sep 30 2017
Net profit/(loss)	**55,716**	**6,880**	**117,924**	**51,806**
Valuation of assets	-	-	-8	-
Cash flow hedges	1,853	-386	-1,126	-481
Actuarial gains/(losses)	-	-1,660	-2,029	-1,858
Income tax on components of other comprehensive income	-353	389	600	444
Total other comprehensive income	**1,500**	**-1,658**	**-2,563**	**-1,894**
Total comprehensive income	**57,216**	**5,222**	**115,369**	**49,912**

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Interim condensed statement of cash flows of FAMUR S.A.

	9 months ended	
	Sep 30 2018	Sep 30 2017
OPERATING ACTIVITIES		
Profit/(loss) before tax	**146,694**	**60,660**
Total adjustments	**-15,237**	**46,311**
Depreciation and amortisation	98,920	86,886
Foreign exchange (gains)/losses	37	1,796
Interest and share of profit (dividend)	7,823	5,331
Gain/(loss) on investing activities	2,655	1,412
Change in provisions	18,064	-4,867
Change in inventories	-5,835	-30,828
Change in receivables	77,838	23,190
Change in current liabilities, net of bank borrowings and other debt instruments	-217,696	-29,656
Income taxes paid	-3,119	-5,219
Change in accruals and prepaid expenses	6,074	-1,733
Other adjustments	-	-
Net cash from operating activities	**131,457**	**106,971**
INVESTING ACTIVITIES		
Cash provided by investing activities	**124,030**	14,573
Disposal of intangible assets and property, plant and equipment	6,235	3,608
Cash provided by financial assets	-5,029	10,965
Other cash provided by investing activities	112,767	-
Cash used in investing activities	**121,374**	315,336
Purchase of intangible assets and property, plant and equipment	84,677	71,146
Purchase of investment property and intangible assets	-	-
Cash used on financial assets	36,697	244,190
Net cash from investing activities	**2,656**	**-300,763**
FINANCING ACTIVITIES		
Cash provided by financing activities	**89,853**	456,936
Net proceeds from issue of shares and other equity instruments and from contributions to equity	**-**	401,338
Bank borrowings and other debt instruments	89,853	54,406
- including from related entities		54,406
Proceeds from issue of debt securities	-	-
Other cash provided by financing activities	-	-
Cash used in financing activities	**440,032**	1,193
Dividends and other distributions paid to owners	252,895	-
Repayment of bank borrowings and other debt instruments	170,000	47,682
- including to related entities	-	47,682
Other financial liabilities	-	-
Payment of finance lease liabilities	8,978	405
Interest	8,159	9,267
Other cash used in financing activities	-	700
Net cash from financing activities	**-350179**	**398,882**
Total net cash flows	**-216,066**	**205,090**
Cash at beginning of period	382,745	246,071
Cash at end of period	**166,679**	**451,161**

FAMUR

Interim condensed statement of changes in equity of FAMUR S.A.

months 9th 2018	Share capital	Capital reserves	Statutory reserve funds	Revaluation reserve	Retained earnings	Total Equity
As at Jan 1 2018	**5,594**	**373,984**	**653,254**	**2,221**	**99,063**	**1,134,116**
other				-8		-8
Cash flow hedges	-	-	-	-1,126	-	-1,126
Actuarial gains/(losses)	-	-	-	-	-2,029	-2,029
Income tax on components of other comprehensive income	-	-	-	214	385	600
Net profit/(loss)	-	-	-	-	117,924	117,924
Total comprehensive income	**-**	**-**	**-**	**-920**	**116,281**	**115,361**
Transfer of profit to statutory reserve funds	-	-	-	-	-	-
issue of shares (unregistered share capital)	153	-	-	-	-	153
Merger with Kopex	-	-	277,519	-	-	277,519
Dividend	-	-211,771	-	-	-41,125	-252,896
As at Sep 30 2018	**5,748**	**162,213**	**930,773**	**1,301**	**174,219**	**1,274,253**

months 9th 2017	Share capital	Capital reserves	Statutory reserve funds	Revaluation reserve	Retained earnings	Total Equity
As at Jan 1 2017	**4,865**	**373,984**	**201,117**	**1,573**	**118,527**	**700,065**
Cash flow hedges	-	-	-	-481	-	-481
Actuarial gains/(losses)	-	-	-	-	- 1,858	- 1,858
Income tax on components of other comprehensive income	-	-	-	91	353	444
Net profit/(loss)	-	-	-	-	51,806	51,806
Total comprehensive income	**-**	**-**	**-**	**-390**	**50,301**	**49,912**
Transfer of profit to statutory reserve funds	-	-	59,440	-	59,440	-
issue of shares (unregistered share capital)	729	-	392,697	-	-	393,426
As at Sep 30 2017	**5,594**	**373,984**	**653,254**	**1,184**	**109,388**	**1,143**

months 12th 2017	Share capital	Capital reserves	Statutory reserve funds	Revaluation reserve	Retained earnings	Total Equity
As at Jan 1 2017	**4,865**	**373,984**	**201,117**			**700,065**
Cash flow hedges	-	-	-	-		1,214
Actuarial gains/(losses)				-		-1,891
Income tax on components of other comprehensive income	-	-	-	-		128
other	-	-	-	**-**		46
Net profit	-	-	-	-		41,125
Total comprehensive income	**-**	**-**	**-**	-		40,624
Transfer of profit to statutory reserve funds	-	-	59,440	-	-	-
Issue of shares	730	-	392,697	-	-	393,428
As at Dec 31 2017	**5,594**	**373,984**	**653,254**			**1,134,116**