Consolidated quarterly report of the FAMUR Group for Q3 2019

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District Court for Katowice-Wschód in Katowice, 8th Commercial Division of the National Court Register | KRS No. 0000048716 | Industry Identification No. 270641528 | Tax Identification No. 634-012-62-46 |
Share capital: PLN 5,747,632.12, paid in full.

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Table of contents

Katowice, November 26th 2019

FAMUR

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 2019	Dec 31 2018
Non-current assets	**1,064,064**	**1,157,961**
Intangible assets	271,690	272,202
Property, plant and equipment	610,094	600,959
Long-term receivables	23,065	61,766
Long-term investments	79,404	126,554
Other non-current assets (prepayments and accrued income)	1,277	2,113
Deferred tax assets	78,534	94,367
Current assets	**1,954,994**	**1,721,592**
Inventories	393,695	352,484
Trade receivables	1,090,301	961,265
Other short-term receivables	35,448	49,663
Current assets held for trading	9	5
Current financial assets	15,442	30,264
Cash and cash equivalents	315,913	297,931
Other current assets (prepayments and accrued income)	8,753	7,456
Non-current assets classified as held for sale	95,433	22,524
Total assets	**3,019,058**	**2,879,554**

EQUITY AND LIABILITIES		
Equity	**1,597,078**	**1,587,360**
Share capital	5,748	5,748
Treasury shares (negative value)	-3	-3
Statutory reserve funds	645,407	796,512
Revaluation reserve	686	2,199
Other capital reserves	114,322	114,502
Translation reserve	-6,397	-10,464
Retained earnings	886,706	716,088
Equity attributable to owners of the parent	1,646,469	1,624,582
Non-controlling interests	-49,391	-37,222
Liabilities and provisions for liabilities	**1,399,321**	**1,274,263**
Provisions for liabilities	104,214	147,391
Borrowings and other debt instruments	393,971	491,938
Non-current lease liabilities	59,849	20,829
Other non-current liabilities	3,274	7,175
Trade payables	338,630	271,056
Tax payable	68,678	88,842
Borrowings and other debt instruments	190,895	51,640
Current lease liabilities	7,130	11,958
Other current liabilities	200,637	148,466
Other liabilities (accruals and deferred income)	32,043	34,967
Liabilities directly related to non-current assets classified as held for sale	**22,660**	**17,931**
Total equity and liabilities	**3,019,058**	**2,879,554**

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

	3 months ended		9 months ended	
CONTINUING OPERATIONS	Sep 30 2019	Sep 30 2018	Sep 30 2019	Sep 30 2018
Net revenue	**631,012**	**650,840**	**1,625,280**	**1,714,696**
Costs of products, goods and materials sold	463,628	487,941	1,166,283	1,334,360
Gross profit	**167,384**	**162,899**	**458,997**	**380,336**
Other income	3,835	9,363	43,411	43,358
Distribution costs	9,525	20,010	21,988	40,607
Administrative expenses	39,183	33,812	111,471	114,148
Other expenses	49,681	23,503	100,642	53,699
Operating profit	**72,830**	94,937	**268,307**	215,240
Finance income	3,955	11,756	19,958	33,668
Finance costs	9,665	26,345	35,314	51,992
Gain on disposal or partial disposal of shares in subordinates	-230	*0*	140,728	*0*
Profit before extraordinary items	**66,891**	**80,348**	**393,679**	**196,916**
Share in net profit/(loss) of equity-accounted subordinated entities	115	20	293	371
Profit before tax	**67,007**	**80,368**	**393,971**	**197,287**
Income tax	16,538	16,183	57,702	33,637
Net profit from continuing operations	50,469	64,185	336,269	163,650
Discontinued operations	551	981	-1,134	-605
Net profit attributable to:				
- owners of the parent	50,243	64,733	334,174	154,370
- non-controlling interests	777	433	960	8,675
Net profit	**51,020**	**65,166**	**335,134**	**163,045**
Number of shares	574,763,212	574,763,212	574,763,212	574,763,212
Earnings per share (PLN)	0.09	0.11	0.58	0.28

Interim condensed consolidated statement of comprehensive income of the FAMUR Group

	3 months ended		9 months ended	
	Sep 30 2019	Sep 30 2018	Sep 30 2019	Sep 30 2018
Net profit/(loss)	51,020	65,166	335,134	163,045
Exchange differences	-1,016	-3,145	4,067	-8,374
Valuation of assets	-	-	-	445
Cash flow hedges	-3,969	1,853	-345	-1,137
Actuarial gains/(losses)	-	27	-580	-2,223
Income tax on components of total other comprehensive income	754	-496	176	638
Total other comprehensive income	-4,231	-1,761	3,318	-10,651
Total comprehensive income	**46,789**	**63,405**	**338,452**	**152,395**
- attributable to owners of the parent	46,012	62,972	337,515	143,705
- attributable to non-controlling interests	777	433	937	8,690

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Interim condensed consolidated statement of cash flows of the FAMUR Group

	9 months ended	
	Sep 30 2019	Sep 30 2018
OPERATING ACTIVITIES		
Profit/(loss) before tax	**393,971**	**197,287**
Total adjustments	**-92,548**	**-179**
Depreciation and amortisation	147,982	144,821
Foreign exchange (gains)/losses	3,485	64
Interest and share of profit (dividend)	24,204	14,636
Gain/(loss) on investing activities	-146,158	13,296
Change in provisions	-36,905	11,244
Change in inventories	-75	-35,974
Change in receivables	-99,198	-12,243
Change in current liabilities, net of bank borrowings and other debt instruments	74,582	-147,017
Income taxes paid	-47,577	-12,205
Change in accruals and prepaid expenses	-15,590	24,356
Other adjustments	2,702	-1,156
Net cash from operating activities	**301,422**	**197,108**
INVESTING ACTIVITIES		
Cash provided by investing activities	**209,811**	**57,981**
Disposal of intangible assets and property, plant and equipment	10,034	17,989
Disposal of investment property and intangible assets	-	-
Cash provided by financial assets	17,824	39,992
Other cash provided by investing activities	181,953	-
Cash used in investing activities	**206,591**	**146,850**
Purchase of intangible assets and property, plant and equipment	206,234	117,198
Purchase of investment property	109	194
Cash used on financial assets	80	29,130
Other cash used in investing activities	168	328
Net cash from investing activities	**3,221**	**-88,870**
FINANCING ACTIVITIES		
Cash provided by financing activities	**246,902**	**4,523**
Net proceeds from issue of shares and other equity instruments and from contributions to equity	-	-
Borrowings	46,739	4,058
Issue of debt securities	200,000	-
Other cash provided by financing activities	163	465
Cash used in financing activities	**533,187**	**462,790**
Buy-back of shares	-	22
Dividends and other distributions paid to owners	304,622	253,122
Repayment of borrowings	211,611	173,273
Other financial liabilities	-	66
Payment of finance lease liabilities	6,741	22,835
Interest	8,442	13,114
Other cash used in financing activities	1,771	358
Net cash from financing activities	**-286,285**	**-458,268**
Total net cash flows	**18,357**	**-350,029**
Effect of exchange rate fluctuations on cash held	*409*	*-484*
Cash flows from discontinued operations with underlying assets not classified as held for sale	*-784*	-
Cash at beginning of period	**297,931**	**681,762**
Cash at end of period	**315,913**	**331,249**

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

Jan–Sep 2019	Share capital	Treasury shares	Capital reserves	Statutory reserve funds	Foreign exchange differences	Retained earnings, including revaluation capital reserve	Equity attributable to non-controlling interests	Total equity
Balance as at Jan 1 2019	5,748	- 3	114,502	796,512	- 10,465	718,288	- 37,222	1,587,360
Exchange differences	-	-	-	-	4,067	-	-	4,067
Financial assets available for sale	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	- 345	-	- 345
Actuarial gains/(losses)	-	-	-	-	-	- 552	- 28	- 580
Income tax on components of total other comprehensive income	-	-	-	-	-	171	5	175
Net profit/(loss)	-	-	-	-	-	334,174	960	335,134
Total comprehensive income	**-**	**-**	**-**	**-**	**4,067**	**333,448**	**937**	**338,452**
Coverage of loss from statutory reserve funds	-	-	- 180	- 7,581	-	7,761	-	-
Transfer of profit to statutory reserve funds	-	-	-	7,662	-	- 7,662	-	-
loss of control	-	-	-	-	-	- 15,440	- 13,105	28,545
first-time consolidation	-	-	-	-	-	4,433	-	4,433
dividend	-	-	-	- 151,187	-	- 153,435	-	- 304,622
As at Sep 30 2019	**5,748**	**- 3**	**114,322**	**645,407**	**- 6,397**	**887,392**	**- 49,391**	**1,597,078**

Jan–Sep 2018	Share capital	Treasury shares	Capital reserves	Statutory reserve funds	Retained earnings, including revaluation capital reserve	Equity attributable to non-controlling interests	Total equity
Balance 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 total 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 loss from statutory reserve funds	-	-	-	-13,159	13,159	-	-
Transfer of 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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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 2019 to September 30th 2019, 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 2019 to September 30th 2019, 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 2018, presented in the interim condensed consolidated statement of financial position;

  - for the nine months to September 30th 2018, 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 present data for the three months ended September 30th 2019 and comparative data for the three months ended September 30th 2018.
- 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 2018.

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 will continue as a going concern for the foreseeable future. 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.

The consolidated financial statements have been prepared in accordance with the historical cost principle, with the exception of revaluation of financial instruments and investment property, 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 interim condensed consolidated financial statements for Q3 2019 and in the interim condensed separate financial statements of FAMUR S.A., a change was made to the presentation of comparative data relative to the previous year. It involved an adjustment resulting from the presentation of notes under 'Borrowings', as well as an adjustment to the FAMUR Group's consolidated statement of profit or loss on account of the Group's discontinued operations (coal trading).

In view of the entry into force, as of January 2019, of the new accounting standard IFRS 16 concerning the recognition of leases in financial statements, the effect of the change on key figures in the consolidated financial statements of the FAMUR Group for Q1-Q3 2019 (EBITDA and net profit) and as at September 30th 2019 (items of the statement of financial position) is as follows:

- Consolidated EBITDA up by PLN 449 thousand;
- Consolidated debt up by PLN 58,848 thousand;
- Consolidated total assets up by PLN 58,302 thousand;
- Consolidated net profit and equity down by PLN 546 thousand.

4. Discontinued operations

Following the acquisition of control of PRIMETECH S.A. (formerly KOPEX S.A.), as 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), with one of key objectives being to adapt the PRIMETECH Group's structure to the market reality and to dispose of 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. Comprising mainly the Group companies' Serbian and Indonesian operations and manufacturing for the construction market, as well as the coal trading business.

Discontinued operations

	9 months ended Jan 1– Sep 30 2019	*9 months ended* Jan 1– Sep 30 2018
Revenue	**30,582**	**31,196**
Cost of sales	25,112	27,251
Gross profit/(loss)	**5,470**	**3,945**
Distribution costs	1,554	1,017
Administrative expenses	5,060	4,185
Profit/(loss) on sales	**-1,144**	**-1,257**
Other income	823	881
Other expenses	724	409
Operating profit/(loss)	**-1,045**	**-785**
Finance income	200	252
Finance costs	92	68
Profit/(loss) before tax	**-937**	**-601**
Income tax	197	4
Net profit, attributable to:	**-1,134**	**-605**
owners of the parent	-1,134	-161
Cash flows from operating activities	439	145
Cash flows from investing activities	-829	119
Cash flows from financing activities	-214	-65
Total cash flows from discontinued operations	**-604**	**199**

5. About the FAMUR Group

FAMUR S.A. of Katowice ("FAMUR" or the "Company") is the parent of the FAMUR Group (the "Group" or the "FAMUR Group"). In August 2006, FAMUR (then FABRYKA MASZYN FAMUR Spółka Akcyjna) became a listed company, as its shares were floated on the Warsaw Stock Exchange (the "WSE"). As at September 30th 2019, the number of publicly traded FAMUR shares (abbreviated name: FAMUR; ticker code: FMF) was 574.8m.

The FAMUR Group's main products are – in the Underground segment: machinery and equipment comprising longwall systems, roadheaders, and belt conveyors with supporting equipment; and in the Surface segment: loading and hoisting equipment, together with end-to-end construction of mine shaft hoists. Following the acquisition of the Primetech Group (formerly Kopex Group) and integration of the two organisations, starting from the second half of 2017 the FAMUR Group identified two new business segments: Electrical Equipment and Mining Services. Each segment is briefly described below.

Underground segment

Manufacture of and provision of services related to the following products:

- Longwall systems
- Gallery (roadheading) systems
- Transport and handling systems

Surface segment

- Underground operations involving assembly of machines and equipment, as well as delivery and construction of complete mine shaft hoists
- Manufacture of loading and hoisting equipment and provision of related services
- Design, construction and engineering services for the general mining industry

Electrical Equipment

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

Mining Services

- 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)
- Drilling services, including surface and underground drilling

6. Composition of the FAMUR Group

The process of building the Group began in 2003 with the purchase 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 one-stop supplier of comprehensive solutions for the mining, power and cargo handling sectors. As at September 30th 2019, the Group was composed of the parent and 38 subsidiaries. FAMUR S.A. of Katowice is the Group's parent. The chart on page 14 presents the entities indirectly or directly controlled by the Company as at September 30th 2019 (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 KOPEX, the Group has expanded both its product offering and geographical footprint. The transaction was also a milestone accelerating the FAMUR Group's foreign expansion. In May 2019, under the programme to optimise the Group's organisational structure, the holding of PBSz S.A. shares was sold with proceeds used to repay debt allocated to that company's assets, which definitively ended the financial restructuring of the Primetech (formerly KOPEX) Group. The sale of PBSz S.A. was envisaged already at the time of execution of the PRIMETECH Group (formerly the KOPEX Group) restructuring agreement at the end of 2016, as one of the options enabling the repayment of a significant portion of debt covered by the agreement, and the sale of PBSz S.A. was completed in accordance with the agreement.

Changes in the FAMUR Group in the nine months ended September 30th 2019 and after the reporting date:

- **Liquidation of OOO FAMUR UKRAINA**

  On January 22nd 2019, OOO FAMUR Ukraina was deleted from the business register.
- **Change of name of FAMUR PEMUG**

  On January 23rd 2019, the District Court for Katowice-Wschód in Katowice, 8th Commercial Division of the National Court Register, registered the change of FAMUR Pemug Sp. z o.o's name to Pemug Sp. z o.o.
- **Sale of shares in FUGO PROJEKT Sp. z o.o.**

  An agreement for the sale of 1,720 shares in Fugo Projekt Sp. z o.o., dated March 5th 2019, came into effect on March 8th 2019. Under the agreement, FAMUR FAMAK S.A. sold all of its holding (i.e. 1,720 shares) to a buyer outside the Group, and the company ceased to be a member of the FAMUR Group as of March 8th 2019.
- **Change of name of FAMUR ESTATE Sp. z o.o.**

  On March 1st 2019, pursuant to a resolution adopted by the shareholders of FAMUR ESTATE sp. z o.o., the Company's name was changed to DE ESTATE sp. z o.o. The change was registered by the District Court for Katowice-Wschód in Katowice, 8th Commercial Division of the National Court Register, on May 24th 2019.
- **Establishment of Biuro Projektowe BIPROCEMWAP Sp. z o.o.**

  On April 26th 2019 Biuro Projektowe Biprocemwap Sp. z o.o. of Kraków was established, with 99.9% of its shares subscribed for by PEMUG Sp. z o.o., and 0.1% – by BPiRI Separator Sp. z o.o.

- **Changes involving PBSz S.A.**

  The sale of PBSz S.A. was envisaged already at the time of execution of the PRIMETECH Group (formerly the 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.

  On December 21st 2018, the representatives of Jastrzębska Spółka Węglowa S.A. (as the Buyer) and PBSz1 Sp. z o.o. and Primetech S.A. (subsidiaries of the Company, as the Sellers) entered into a conditional agreement whereby the Sellers agreed to sell 4,430,476 shares in Przedsiębiorstwo Budowy Szybów S.A. of Tarnowskie Góry ("PBSz"), representing 95.01% of PBSz's share capital. As a result of negotiations, the final transaction price was agreed at PLN 204m (Current Report No. 73/2018).

  On May 20th 2019, the Company announced the execution of the Final PBSz Share Sale Agreement (the "Agreement") − Current Report No. 25/2019. Under the Agreement, PRIMETECH S.A. (formerly KOPEX S.A.) and PBSz 1 Sp. z o.o. sold to JSW an equity interest in PBSz, comprising 4,430,476 shares with a total par value of PLN 13,025,599.44, representing 95.01% of the PBSz share capital and 4,430,476 voting rights (95.01% of total voting power) at the PBSz General Meeting. The total sale price of the shareholding was PLN 204,000,000.

  In Current Report No. 26/2019 of May 20th 2019, the Company announced that on May 20th 2019 it had been notified of a transfer of funds to PKO BP SA, acting as a paying agent and security agent, to prepay the entire Tranche B of PRIMETECH S.A.'s debt, totalling PLN 210,515,860.72 (principal and interest).

- **Merger of OOO FAMUR Sibir into OOO Famur**

  On August 6th 2019, a process to reorganise the Russian operations was completed, as a result of which OOO FAMUR Sibir was merged into OOO Famur. As a consequence, OOO Famur assumed all the rights and obligations of OOO FAMUR Sibir.

- **Change of registered office of Ex Coal sp. z o.o.**

  On May 9th 2019, the Management Board of Ex Coal sp. z o.o. relocated the company's registered office from ul. Podlesie 1, Przeciszów, to ul. Armii Krajowej 51, 40-698 Katowice. The resolution became effective as of its date.

- **FAMUR to announce a tender offer for Primetech shares** On June 14th 2019, in Current Report No. 36/2019, the Company announced that it had obtained consent from the Supervisory Board and entered into an agreement with Santander Bank Polska S.A. – Santander Biuro Maklerskie ("Santander BM") whereby steps were being taken to announce a tender offer for shares in the subsidiary Primetech S.A. through which the Company expected to acquire full ownership of Primetech S.A. (the "Tender Offer"). A summary of the Tender Offer was notified by the Company to PRIMETECH S.A. on September 20th 2019. Prior to the announcement of the Tender Offer, the Company held directly 10,274,359 ordinary bearer shares in PRIMETECH S.A., representing approximately 65.82% of its share capital and conferring 10,274,359 voting rights, or approximately 65.82% of total voting rights, at its General Meeting. After settlement of the Tender Offer and as at the date of the notification, FAMUR S.A. held directly 11,431,625 ordinary bearer shares in PRIMETECH S.A., representing approximately 73.23% of the company's share capital and conferring 11,431,625 voting rights, or approximately 73.23% of total voting rights, at its General Meeting.

- **BPiRI Separator Sp. z o.o. – intragroup sale of shares**

  On June 27th 2019, an agreement for the sale of all shares in Biuro Projektów i Realizacji Inwestycji SEPARATOR Sp. z o.o. was signed between FAMUR FAMAK S.A. (as the seller) and its subsidiary PEMUG Sp. z o.o. (as the buyer). The ownership was transferred on payment of the price, i.e. on July 17th 2019.

- **Resolution to merge PRIMETECH S.A. with PBSz 1 Sp. z o.o.**

  On November 4th 2019, the Extraordinary General Meeting of PRIMETECH S.A. ("PTH") passed a resolution to approve a plan of merger, as agreed and adopted on September 23rd 2019 by the merging companies, between PTH (as the Acquirer) and PBSz 1 Sp. z o.o. of Katowice (as the Acquiree), and resolved that the companies would be merged by transferring all the assets of PBSz 1 Sp. z o.o. to PRIMETECH S.A. on the terms defined in the Merger Plan. As at the date of issue of this report, registration of the merger was still pending before the registry court.

- **Resolution to merge FAMUR FAMAK S.A. with Fugo sp. z o.o.**

  On November 21st 2019, the Extraordinary General Meeting of FAMUR FAMAK S.A. passed a resolution to approve a plan of merger, as agreed and adopted on October 9th 2019 by the merging companies, between FAMUR FAMAK S.A. (as the Acquirer) and Fugo Sp. z o.o. of Konin (as the Acquiree), and resolved that the companies would be merged by transferring all the assets of Fugo Sp. z o.o. to FAMUR FAMAK S.A. on the terms defined in the Merger Plan. As at the date of issue of this report, registration of the merger was still pending before the registry court.

Companies consolidated as at September 30th 2019:

	Company	Registered office	wnership interest, *including: indirect interest*	Acquisition of control/ incorporation
1	FAMUR S.A.	Katowice		
2	FAMUR FAMAK S.A.	Kluczbork	100%	2014
3	PEMUG Sp. z o.o. (formerly 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	73.23%	2017
10	K-CONSTRUCTION sp. z o.o. (formerly: KOPEX CONSTRUCTION Sp. z o.o.)	Katowice	100%	2017
11	RELT Sp. z o.o.	Bytom	100%	2017
12	HANSEN SICHERHEITSTECHNIK AG (Germany)	Germany	100%	2017
13	ELGÓR+HANSEN S.A.	Chorzów	100%	2017
14	KOPEX AFRICA (Pty) Ltd	South Africa	100%	2017
15	HANSEN and GENWEST (Pty) Ltd (South Africa)	South Africa	74.90%	2017
16	KOPEX MIN (Serbia)	Serbia	100%	2017
17	KOPEX MIN-LIV (Serbia)	Serbia	100%	2017
18	PT KOPEX MINING CONTRACTORS (Indonesia)	Indonesia	100%	2017
19	OOO FAMUR SIBIR (Russia) (formerly OOO KOPEX SIBIR)*	Russia	100%	2017
20	ŚLĄSKIE TOWARZYSTWO WIERTNICZE DALBIS sp. z o.o.	Tarnowskie Góry	73.23%	2017
21	EX-COAL Sp. z o.o. (previously KOPEX-EX-COAL Sp. z o.o.)	Przeciszów	100%	2017
22	TAIAN KOPEX COAL MINING EQUIPMENT SERVICE Co. Ltd (China)	China	100%	2017
23	AIR RELIANT (Pty) Ltd (South Africa)	South Africa	74.90%	2017
24	FAMUR FINANCE & RESTRUCTURING Sp. z o.o. (formerly KOPEX FINANCE & RESTRUCTURING Sp. z o.o.)	Katowice	100%	2017
25	PBSZ1 sp. z o. o.	Katowice	73.23%	2017
26	Mining EQUIPMENT FINANCE Sp. z o.o. **	Katowice	51.00%	2017
27	OOO FAMUR Russia	Russia	100%	2000
28	TOO FAMUR Kazakhstan	Kazakhstan	100%	2013
29	DE ESTATE sp. z o.o.	Katowice	100%	2018
30	BIURO PROJEKTÓW I REALIZACJI INWESTYCJI SEPARATOR Sp. z o.o.	Katowice	100%	2018

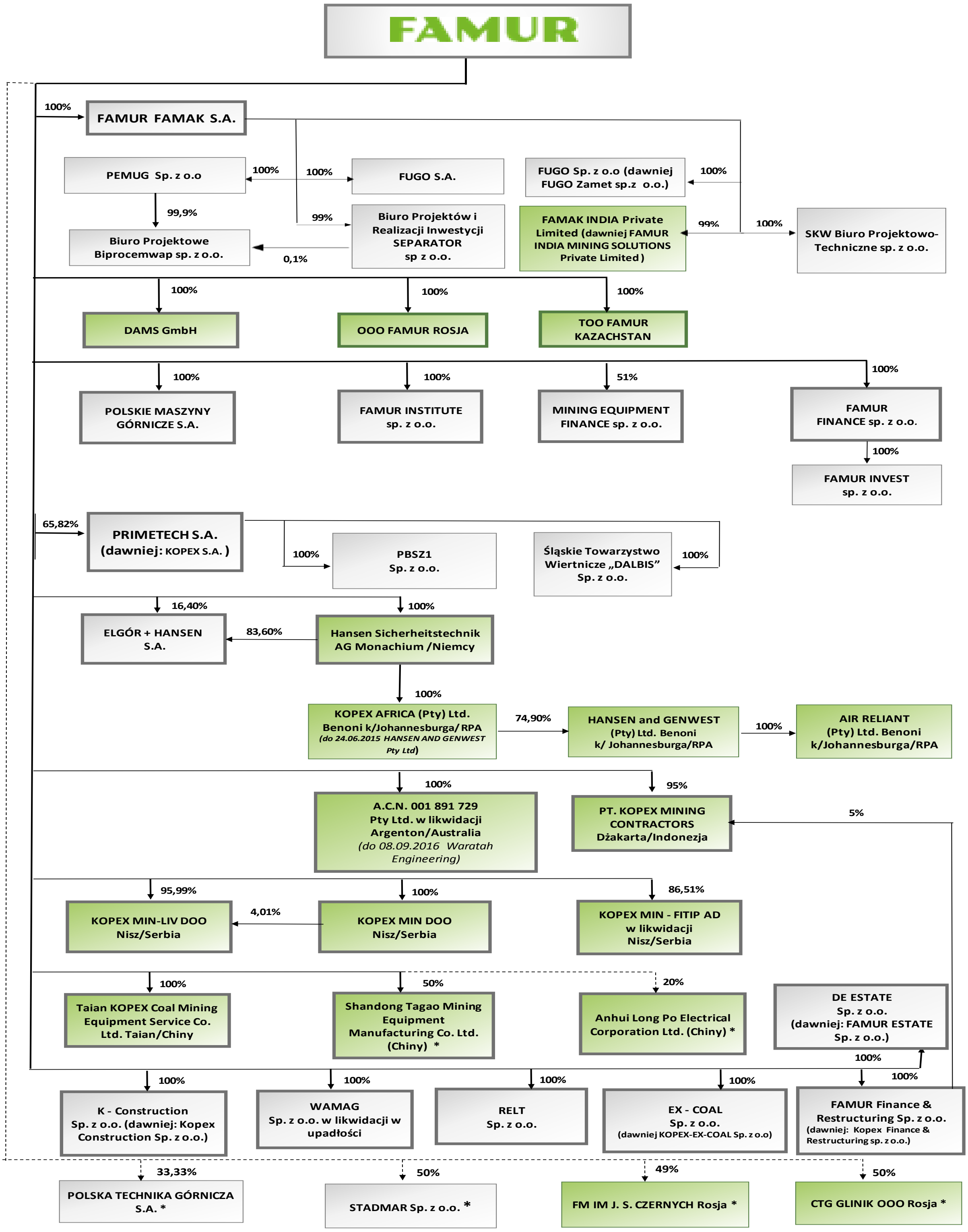
Source: FAMUR GROUP.

*** An associate accounted for with the equity method.*

**** A company merged into OOO FAMUR Russia in Q3 2019.*

Structure of the FAMUR Group

Organisational structure of the FAMUR Group as at September 30th 2019



Note: Companies based abroad are marked in green.
*) The entities are not subsidiaries.
Source: Famur Group, Primetech Group.

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 nine months ended September 30th 2019 and after the reporting date

- **Execution of a contract for delivery of new conveyors for PGG S.A., KWK ROW Branch:** On February 26th 2019, the Company was notified that a contract of February 15th 2019 for the delivery of new face conveyors and beam stage loaders in 2019 and 2020 had been signed by Polska Grupa Górnicza S.A., KWK ROW Branch, as the other party to the contract. The contract value was PLN 75,950,000.00 (VAT exclusive). The contract will be performed in stages, based on orders issued by PGG. According to its terms, the last order should be completed by the end of the second quarter of 2020. The terms and conditions of the contract do not differ from standard market terms applied in contracts of this type (Current Reports No. 9/2019, 11/2019)
- **Execution of contracts for delivery of new conveyors for PGG S.A., KWK Piast-Ziemowit Branch:** On March 11th 2019, the Company was notified that Polska Grupa Górnicza S.A., KWK Piast-Ziemowit Branch, had signed contracts of February 12th 2019 for the execution of Project 1 and Project 2, involving delivery of new scraper conveyors and crushers, and delivery of new beam stage loaders and belt tail pieces. The total value of the contracts was PLN 65,562,67.00 (VAT exclusive). The contracts will be performed in stages, based on orders issued by PGG. According to their terms, the last order should be completed in Q1 2021. The terms and conditions of the contracts do not differ from standard market terms applied in contracts of this type. (Current Report No. 8/2019 and Current Report No. 14/2019)
- **Selection of FAMUR's bid and execution of a contract for deliveries to LW Bogdanka:** On March 6th 2019, the Company was notified of the selection by Lubelski Węgiel BOGDANKA S.A. (LW Bogdanka S.A.) of the Company's bid in a contract award procedure conducted under the Public Procurement Law by way of an open tender under No. 725/IZP/PFR/2018 for the performance of Task 2, i.e. delivery of a brand-new complete powered roof support system for walls 305 m long, compatible with equipment covered by Task 1, consisting in the upgrade of JOY 4LS3 shearer loader and the delivery of brand-new scraper conveyor and a beam stage loader along with electrical equipment. In the course of the tender procedure, LW Bogdanka S.A. selected the bid submitted for Task 2 by the consortium of the Company (consortium leader) and Hydrotech S.A. of Rybnik (consortium member). On April 16th 2019, the Company announced that the parties had signed the contract. The value of the contract was PLN 95,042,500.00 (net of VAT). The contract will be performed in stages, according to the agreed schedule. It is planned to be completed by the end of January 2020. The other terms and conditions of the contract do not differ from standard market terms applied in contracts of this type (Current Report No. 13/2019 and Current Report No. 19/2019).
- **Contract for delivery of a longwall system to Kazakhstan:** On March 15th 2019, the Company's Management Board announced that a contract for the delivery of a longwall system to the Shahtinskaya mine, dated March 14th 2019, had been signed by ArcelorMittal Temirtau as the other party to the contract. The contract value was EUR 21,750,000.00, or PLN 93,605,475.00 as translated at the EUR/PLN mid exchange rate of March 15th 2019, i.e. EUR 1 = PLN 4.3037. The contract will be performed in stages, according to the agreed schedule. According to its terms, the completion date is expected in Q4 2019. The terms and conditions of the contract do not differ from standard market terms applied in contracts of this type (Current Report No. 10/2019 and Current Report No. 16/2019)
- **Execution of annexes to agreements with ICBC – Industrial and Commercial Bank of China (Europe) S.A. (Spółka Akcyjna), Branch in Poland:** On May 8th 2019, the Company's Management Board announced that it had signed annexes to the revolving working capital facility agreement of May 12th 2016 and to the master guarantee facility agreement of June 24th 2016 with Industrial and Commercial Bank of China (Europe) S.A. (Spółka Akcyjna), Branch in Poland. The Company announced the execution of the agreements in Current Report No. 36/2016 of June 24th 2016. Taken together, the limits under the annexes to the agreements totalled PLN 130,000,000 (PLN 80m under the revolving working capital facility agreement and PLN 50m under the master guarantee facility

agreement). The annexes extended the maturity dates of the facilities as follows: 1. Maturity date for the revolving working capital facility agreement: May 12th 2022. 2. Maturity date of the guarantee facility agreement: June 24th 2024. The other material terms and conditions of the agreements remained unchanged (Current Report No. 20/2019).

- **Execution of a notes programme agreement and issuance of notes:** On May 9th 2019, further to Current Report No. 53/2015 of December 18th 2015, Current Report No. 86/2017 of December 22nd 2017 and Current Report No. 72/2018 of December 21st 2018, in which the Company announced that it had established and launched, and then extended until December 31st 2019, a notes programme under which the Company may issue notes up to a total principal amount (nominal value) of PLN 500,000,000.00 (the "Notes Programme"), the Company's Management Board announced that the Company had signed a notes programme agreement (the "Programme Agreement") with Santander Bank Polska S.A., acting as an Arranger, Dealer and Technical Agent, and with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, acting as an Arranger, Dealer, Calculation Agent and Documentation Agent, under which the Company may carry out multiple note issues under the Notes Programme (Current Report No. 21/2019). For a more detailed discussion related to the agreement and issuance of notes in 2019, see Section 12 'Securities' of the quarterly report.
- **Execution of an agreement for the sale of shares in Przedsiębiorstwo Budowy Szybów S.A. to Jastrzębska Spółka Węglowa S.A.:** On December 21st 2018, representatives of the Company's subsidiaries PRIMETECH S.A. (formerly KOPEX S.A.) and PBSz 1 Sp. z o.o. as the Sellers, and Jastrzębska Spółka Węglowa S.A. ("JSW") as the Buyer entered into a conditional agreement whereby the Sellers agreed to sell 4,430,476 shares in Przedsiębiorstwo Budowy Szybów S.A. of Tarnowskie Góry ("PBSz"), representing 95.01% of PBSz's share capital. As a result of the negotiations, the final sale price was agreed at a total amount of PLN 204,000,000.00, of which PLN 199,000,000.00 was paid on the transaction closing date and PLN 5,000,000.00 was to be retained to guarantee the Sellers' warranties and was to be settled after the transaction closing date, however not later than three months after that date. The entire paid amount of the price was applied towards repayment of credit liabilities to release the security created over PBSz shares and assets. The conditional agreement includes the key boundary conditions provided for in the term sheet for the sale transaction, as reported by the Company in Current Report No. 43/2018. The transaction, if executed, will have no effect on the Company's separate profit or loss or its ability to pay dividends, as the sellers were PBSz1 Sp. z o.o. and Primetech S.A., the Company's subsidiaries. On May 10th 2019, the Company's Management Board announced that the last condition precedent of the conditional agreement for the sale of shares in PBSz had been fulfilled. As all conditions precedent had been fulfilled, the parties signed the final agreement on May 20th 2019. Under the agreement, the Sellers sold to the Buyer an equity interest in PBSz, comprising 4,430,476 shares with a total par value of PLN 13,025,599.44, representing 95.01% of the PBSz share capital and 4,430,476 voting rights at the PBSz General Meeting, or 95.01% of total voting power (the "Shareholding"). The total sale price of the Shareholding was PLN 204,000,000, of which PLN 199,000,000 was paid on the transaction closing date, while PLN 5,000,000 was retained as a guarantee for the warranties made by the Company and the Seller, and was to be settled within three months from the transaction closing date. The effect of the transaction on the Company's financial performance was described in the 2018 report (Current Reports No. 4/2018, No. 43/2018, No. 58/2018, No. 65/2018, No. 73/2018, No. 22/2019, and No. 25/2019).

  In connection with the above conditional agreement for sale of shares in PBSz S.A., executed on December 21st 2018 by Primetech S.A. (formerly KOPEX S.A.) and PBSZ 1 Sp. z o.o., on March 20th 2019 Primetech S.A. (formerly KOPEX S.A.) received a letter from JSW requesting additional security against potential losses it may incur if the sale of PBSZ S.A. is completed and the legal successors of Katowicki Holding Węglowy S.A. (KHW) actually raise claims against PBSZ S.A. JSW's request was based on the National Public Prosecutor's Office's announcements of the detention of KHW employees on allegations of mismanagement of KHW's affairs and causing damage to that company by contracting, in 2009, a consortium including PBSZ S.A. to carry out work which the Prosecutor's Office considered useless both technologically and economically. Considering that the legal successors of KHW may claim compensation from PBSZ should the charges of the National Public Prosecutor's Office be confirmed, which could reduce the value of PBSZ, JSW requested Primetech S.A. (formerly KOPEX S.A.) to provide additional security for JWS's potential claims on that account in the form of a guarantee granted by a third party of a recognised financial standing or a corporate guarantee granted by FAMUR. Being interested in the implementation of the conditional agreement to sell shares in PBSZ, the Company issued a PLN 14.5m corporate guarantee to resolve JSW's concerns about the risk of losses it may incur after the purchase of PBSZ S.A. shares.

On August 21st 2019, the Company's subsidiary PRIMETECH S.A. (formerly KOPEX S.A.) announced that it had received a letter from Jastrzębska Spółka Węglowa S.A. (JSW, the Buyer), dated August 20th 2019, concerning JSW's refusal to make the payment of PLN 5,000,000, representing the outstanding balance of the sale price for shares in PBSz S.A. retained by the Buyer for three months from the date of the Final Agreement for Sale of Shares in Przedsiębiorstwo Budowy Szybów S.A. (the Agreement). In the letter, the Buyer also stated that EBITDA reported by Przedsiębiorstwo Budowy Szybów S.A. for 2018 had been insufficient to give rise to the payment of the retained amount. In the letter sent to PRIMETECH S.A. (formerly KOPEX S.A.), JSW indicated it was ready to discuss the situation at a meeting convened for that purpose. The Management Board of PRIMETECH S.A. (formerly KOPEX S.A.) stressed that it disagreed with the Buyer's position and arguments. PRIMETECH S.A. (formerly KOPEX S.A.) also stated that it intended to enter into such further discussions with JSW, but should they fail to resolve the issue, it would consider taking appropriate legal steps (Current Report No. 20/2019).

- **Prepayment of debt under Tranche B of the Restructuring Agreement:** Immediately after the Company communicated its intention to enter into the Agreement for the sale of shares in PBSz S.A. to JSW S.A., on May 20th 2019 it announced that funds had been transferred to PKO BP SA, acting as a paying agent and security agent, to prepay the entire Tranche B of PRIMETECH S.A.'s debt, totalling PLN 210,515,860.72 (principal and interest) (Current Report No. 26/2019).
- **Execution of a contract for the delivery of a longwall system with the necessary equipment to JSW S.A. KWK Knurów-Szczygłowice Ruch Szczygłowice:** On May 14th 2019, the Company's Management Board announced that it had been notified of the execution by the other party, i.e. Jastrzębska Spółka Węglowa S.A. (JSW), of a contract dated May 13th 2019 for the delivery of a longwall system with the necessary equipment to JSW KWK Knurów-Szczygłowice Ruch Szczygłowice. The contract was signed following the final resolution of a tender procedure. Its value is PLN 123,720,281.70 (net of VAT). The contract will be performed in a step-by-step approach, according to the agreed schedule, and it should be completed within 20 weeks of its date (late Q3 / early Q4 2019). The terms and conditions of the contract do not differ from standard terms applied in contracts of this type (Current Report No. 23/2019).
- **Selection of FAMUR's bid and execution of lease contracts for five roadheader systems to be used by JSW S.A.:** On May 17th 2019, the Company's Management Board announced that on the report release date it had been notified of the selection of its bid and called to sign a contract following the final resolution of a tender procedure run by the Jastrzębska Spółka Węglowa S.A. Production Support Plant. On June 11th 2019, the Management Board was notified that the other party, i.e. Jastrzębska Spółka Węglowa S.A., had signed the contract for the lease of five new roadheaders capable of excavating rock with a compressive strength of at least 90 MPa, together with the necessary equipment, for use by JSW S.A.'s Borynia-Zofiówka-Jastrzębie hard coal mine. The value of the contract is PLN 38,556,000.00 VAT exclusive (PLN 47,423,880.00 VAT inclusive). The guaranteed lease period for each roadheader is 1,080 calendar days. The terms and conditions of the contract do not differ from standard terms applied in contracts of this type (Current Reports No. 24/2019 and No. 33/2019).
- **Notice of the Annual General Meeting.** On May 20th 2019, the Company published a notice of the Company's Annual General Meeting (AGM) to be held at ul. Armii Krajowej 51 in Katowice, Poland, at 11:00 on June 17th 2019. The AGM notice as well as draft resolutions and documents pertaining to its agenda were published by the Company in appendices to Current Report No. 28/2019 and Current Report No. 29/2019. They are also available on the Company's website at: https://famur.com/walne-zgromadzenie/.
- **Execution of a contract with OOO Polskie Maszyny of Moscow:** On May 21st 2019, the Company's Management Board announced that a contract for the delivery of equipment to be used in the

Russian Federation by the Osinnikovskaya mine owned by OOO RUK and for the supervision of its assembly had been signed between the Company and OOO Polskie Maszyny of Moscow as the Customer. The scope of deliveries agreed in the contract includes sections of a powered roof support system and a set of scraper conveyors, including an armoured face conveyor and a beam stage loader with auxiliary equipment. The total value of the contract is EUR 22,823,079.00, or PLN 98,264,766.63 as translated at the EUR/PLN mid exchange rate of May 21st 2019, i.e. EUR 1 = PLN 4.3055. Under the contract, the machinery and equipment should be delivered in line with the contract schedule, by mid November 2019 at the latest. The other terms and conditions of the contract do not differ from standard market terms applied in contracts of such type (Current Report No. 30/2019).

- **Management Board's recommendation and Annual General Meeting's resolution on payment of dividend:**On May 20th 2019, the Company's Management Board announced the adoption of a resolution recommending to the Company's General Meeting payment of dividend totalling PLN 206,914,756.32 from the profit generated in 2018 and from retained earnings, i.e. PLN 0.36 per share. The amount corresponds more or less to 100% of the consolidated net profit attributable to owners of the parent. The proposed dividend record date is July 10th 2019, and the dividend payment date is July 22nd 2019. The Management Board's recommendation regarding payment of dividend was submitted for assessment by the Company's Supervisory Board (Current Report No. 27/2019). The Supervisory Board gave a favourable opinion on the Management Board's proposal concerning the allocation of the Company's profit for 2018. This assessment is presented in the report of the FAMUR Supervisory Board for 2018. A resolution of the Company's General Meeting regarding payment of dividend was passed on June 17th 2019 and published in Current Report No. 41/2019. All documents concerning the Company's General Meeting are available on its website at https://famur.com/walne-zgromadzenie/.
- **Selection of the Company's bid and execution of lease contracts for 10 roadheaders along with equipment for JSW S.A. KWK Knurów-Szczygłowice hard coal mine:** On May 30th 2019, the Company was notified of the selection of its bid and of a call to sign a contract following the final resolution of a tender procedure held by the Jastrzębska Spółka Węglowa S.A. Production Support Plant (JSW), for the performance of three tasks – out of the four tendered out – i.e. the lease of 10 (out of 12) roadheaders, along with necessary electrical equipment to supply power to the mining face, for the JSW S.A. KWK Knurów-Szczygłowice hard coal mine. On June 27th 2019, the Company was notified that the other party, i.e. JSW, had signed the last contract for the performance of those tasks. The total value of the contracts was PLN 103,707,450.00 VAT inclusive, i.e. PLN 84,315,000.00 VAT exclusive, and the contract performance period is 1,095 calendar days for each roadheader. The terms and conditions of the contracts do not differ from standard terms applied in contracts of this type (Current Reports No. 31/2019 and No. 43/2019).
- **Allotment and registration of Series B notes**
  On June 19th 2019, in Current Report No. 42/2019, the Company's Management Board announced that it had passed Resolution No. 86/2019 of June 19th 2019 to allot 200,000 Series B notes with a nominal value of PLN 1,000.00 per note and a total nominal value of PLN 200,000,000.00 to the entities which had subscribed for the notes, i.e. had submitted an effective and valid Form of Acceptance of the Invitation to Acquire Series B Notes of FAMUR S.A. The allotment is subject to payment for the Series B notes based on relevant settlement instructions, in accordance with the Terms and Conditions of Series B Notes. The Series B notes were therefore duly paid for by all investors to whom they were conditionally allotted by the Company on June 19th 2019. On June 27th 2019, in Current Report No. 44/2019, the Company announced that the Series B notes had been registered with the Central Securities Depository of Poland. The notes registered with the depository were assigned ISIN code PLFAMUR00053. The issue date for the Series B notes is June 27th 2019, and the redemption date is June 27th 2024.
- **Selection of the Company's bid and execution of contracts for delivery of roof supports for Polska Grupa Górnicza S.A. KWK Ruda Branch in 2019–2020 -**On July 3rd 2019, the Company was notified that Polska Grupa Górnicza S.A. (PGG) had selected the Company's bid in the contract award procedure, conducted as an open tender under the Public Procurement Law, for the purpose of entering into a contract for 'Delivery of roof supports for Polska Grupa Górnicza S.A. KWK Ruda Branch in 2019−2020', with respect to Task 2 covered by the procedure. Task 2 covers: Delivery of 177 sets

of new powered roof support sections manufactured in accordance with documentation provided by the Employer, with complete hydraulic controls, as well as a system for pressure monitoring and visualisation in roof support legs, for PGG KWK RUDA Ruch Bielszowice Branch. In the tender procedure with respect to Task 2, PGG selected the bid submitted by the Company (as the consortium leader) and Hydrotech S.A. of Rybnik (as the consortium member) (Current Report No. 45/2019). On August 14th 2019, the Company announced that on July 23rd 2019 a contract for the performance of that task had been signed by the awarding party, i.e. PGG S.A. All deliveries must be made within 24 weeks from the date of issuing the relevant order by the employer (Current Report No. 48/2019).

- **Execution of an annex to the guarantee facility with Haitong Bank S.A. -** On July 31st 2019, the Company's Management Board announced that it had received an annex, executed on July 30th 2009 by the other party, i.e. Haitong Bank Spółka Akcyjna, Branch in Poland, to the agreement on a multi-purpose credit facility, including bank guarantees (Agreement, Facility). Under the annex, the date until which guarantees may be issued under the Facility was extended until July 31st 2021. The other key terms and conditions of the Agreement remained unchanged, including: Facility amount: up to PLN 100,000,000.00, and security: declaration on submission to enforcement in the form of a notarial deed pursuant to Art. 777.1.5 of the Polish Code of Civil Procedure (Current Report No. 46/2019).
- **Launch of divestment of non-core assets by way of auction process:** On August 5th 2019, the Company's Management Board announced the Supervisory Board's approval of its decision to initiate and conduct a bidding procedure to select the buyer of all shares in the Company's subsidiary De Estate sp. z o.o. (SPV), and thus to continue divestment, by way of an auction process (Auction Process), of the FAMUR Group's non-core properties. The Auction Process is to be held between August 6th 2019 and November 21st 2019. The divestment initiated by the FAMUR Group is consistent with its strategy of refocusing on activities directly related to the Group's principal business. The Company's Management Board plans to sell a significant part of non-core properties owned by the FAMUR Group, currently forming the assets of the SPV. The FAMUR Group's assets which are to be divested and which are not the SPV's assets as at the date of announcing the Auction Process will be sold in separate market transactions unrelated to the Auction Process. Current Report No. 47/2019 and the Company's website www.FAMUR.com contain information on the timetable related to the Auction Process as well as additional information, including details of the properties, the bidding procedure and rules on which it is possible to thoroughly review the SPV's and the properties' financial and legal position.
- **Execution of a contract with OOO Polskie Maszyny of Moscow:** On August 28th 2019, the Company announced that a contract for the delivery of equipment to be used in the Russian Federation by the Alardinskaya mine owned by OOO RUK and for the supervision of its assembly (the Contract) had been signed between the Company and OOO Polskie Maszyny of Moscow (the Customer). The scope of deliveries agreed in the Contract includes sections of a powered roof support system and a set of scraper conveyors, including an armoured face conveyor and a beam stage loader with auxiliary equipment. The total value of the Contract is EUR 20,504,364.00, or PLN 89,925,989.19 as translated at the EUR/PLN mid exchange rate of August 28th 2019, i.e. EUR 1 = PLN 4.3857. Pursuant to the Contract, the machinery and equipment will be delivered in accordance with the Contract schedule in March and April 2020 (Current Report No. 49/2019).
- **Execution of an annex with Santander Bank Polska S.A.:** On August 28th 2019, the Company announced that on August 28th 2019 it had received an annex signed by the other party, i.e. Santander Bank Polska S.A., to the multi-facility agreement (Agreement, Facility) announced by the Company in Current Report No. 68/2018. Pursuant to the annex, the Facility amount was increased to PLN 80,000,000.00. Moreover, the scope of the Agreement was extended by including an option to issue letters of credit under the Facility. The other material terms and conditions of the Agreement remained unchanged (Current Report No. 50/2019).
- **Receipt of a CIT tax decision by the Company:** Further to Current Reports No. 11/2018 of February 19th 2018 and No. 53/2018 of September 26th 2018, the Management Board of FAMUR S.A. of Katowice announced that on September 4th 2019 it had received a decision of the Head of the Kraków Province Customs and Tax Office in Kraków on corporate income tax on income earned in

2013, 2014 and 2015. 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 Tax Authority decided that the expenditure on licence fees for the use of the trademark did not constitute tax-deductible expenses within the meaning of Art. 15.1 of the Corporate Income Tax Act of February 15th 1992. In connection with completion of the customs and tax inspection and its outcome adverse to the Company, tax proceedings were initiated, which were concluded with the issuance of the Tax Decision on August 30th 2019. The Tax Decision issued by the Tax Authority gave rise to tax arrears for the inspected period 2013–2015 totalling PLN 11.6m, and accrual of interest, which as at the decision date amounted to PLN 3.2m. The decision will have no adverse effect on the Company's current financial results as a relevant provision had been created, as reported by the Company in Current Report No. 11/2018 of February 19th 2018 and Current Report No. 53/2018 of September 26th 2018, whose total amount fully covers the above amount of tax arrears and interest. The Tax Decision may be appealed against within 14 days of its delivery. 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 disagrees with the decision of the Tax Authority and will use any measures and means of appeal available under legal regulations to defend its position. Therefore, the Company announced that it would file an appeal within the prescribed term of 14 days (Current Report No. 51/2019). The Company also confirms that the amounts due to the Tax Authority have been paid and the appeal has been filed.

- **Admission of Series B notes to trading:** On September 20th 2019, further to Current Report No. 53/2015 of December 18th 2015, Current Report No. 86/2017 of December 22nd 2017 and Current Report No. 72/2018 of December 21st 2018, in which the Company announced that it had established and launched, and then extended until December 31st 2019, a notes programme under which the Company may issue notes up to a total principal amount (nominal value) of PLN 500,000,000.00 (the "Notes Programme"), and further to Current Report No. 21/2019 of May 9th 2019, in which the Company announced that it had signed a notes programme agreement with Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. and that it intended to issue notes under the Notes Programme in the second quarter of 2019, further to Current Report No. 34/2019 of June 12th 2019, in which the Company announced that it had decided to issue Series B notes with a total nominal value of up to PLN 200,000,000.00, further to Current Report No. 42/2019 of June 19th 2019, in which the Company announced that Series B Notes had been allotted, and further to Current Report No. 44/2019 of June 27th 2019 in which the Company announced that Series B Notes were registered by the Central Securities Depository of Poland under ISIN code No. PLFAMUR00053, the Company's Management Board announced that on the same day it was notified that: 1_ The Management Board of the Warsaw Stock Exchange had passed Resolution No. 941/2019 of September 19th 2019 to admit 200,000 (two hundred thousand) Series B bearer notes, with a nominal value of PLN 1,000 (one thousand złoty) per note, to the Catalyst alternative trading system; the resolution became effective as of its date; 2_ The Management Board of BondSpot Spółka Akcyjna had passed Resolution No. 211/19 of September 19th 2019 to admit 200,000 (two hundred thousand) Series B bearer notes, with a nominal value of PLN 1,000 (one thousand złoty) per note, to the Catalyst alternative trading system; the resolution became effective as of its date (Current Report No. 52/2019).
- **Designation of first listing day for Series B notes:** On October 3rd 2019, further to Current Report No. 52/2019 of September 20th 2019, the Company's Management Board announced that on the same day it was notified that: 1 / The Management Board of the Warsaw Stock Exchange (the "WSE"), by Resolution No. 1049/2019 of October 2nd 2019 on designating the first day of listing in the Catalyst alternative trading system of the Company's Series B bearer notes, designated October 4th 2019 as the date of first listing in the Catalyst alternative trading system of 200,000 (two hundred thousand) Series B bearer notes of the Company, with a par value of PLN 1,000 (one thousand złoty) per note, assigned code PLFAMUR00053 by the Central Securities Depository of Poland ("CSDP"). The notes will be listed in the continuous trading system under ticker symbol "FMF0624".

The resolution became effective as of its date. In accordance with the WSE announcement of October 2nd 2019, in connection with the resolution referred to above, the WSE announced that the date of last listing of the Company's Series B bearer notes (FMF0624) due for redemption on June 27th 2024 is planned for June 17th 2024. 2/ The Management Board of BondSpot Spółka Akcyjna ("BondSpot"), by Resolution No. 234/19 of October 1st 2019 on designating the first day of listing in the Catalyst alternative trading system of the Company's Series B bearer notes, decided to designate October 4th 2019 as the first day of listing in the Catalyst alternative trading system of 200,000 (two hundred thousand) Series B bearer notes of the Company, with a par value of PLN 1,000 (one thousand złoty) per note, assigned code PLFAMUR00053 by the CSDP, and to determine the following with respect to the notes: last listing date – June 17th 2024, trading unit – 1 note, obligatory unit – 100 notes, ticker symbol – FMF0624. The resolution became effective as of its date (Current Report No. 53/2019).

- **Selection of FAMUR's bid for deliveries to Lubelski Węgiel Bogdanka S.A.** On October 30th 2019, the Company's Management Board was notified of the selection by Lubelski Węgiel Bogdanka S.A. of Bogdanka of the Company's bid for Task 2 in a contract award procedure conducted under the Public Procurement Law by way of an open tender, concerning the delivery of four brand-new complete belt conveyors, along with conveyor belts with a width of 1,200 mm and a length of 2,500 m (three pieces) or 2,800 m (one piece). The Company's bid for Task 2 was selected in a procedure covering three tasks. The full project name was: 'Delivery of seven brand-new belt conveyors to be operated in potentially explosive methane and coal dust areas of underground hard coal mines, sub-divided into tasks (three tasks)'. The maximum price for the performance of Task 2 may be PLN 57,691,056.91 (exclusive of VAT). The Company also announced that the final value of the contract could change by the time the procedure was completed. The delivery deadlines, defined individually for each conveyor, were 4 to 11 months after the contract date. The other bidders were entitled to appeal against the decision to select the Company's bid within the time limit prescribed by law.
- **Execution of a contract for delivery of a longwall system to Indonesia:** On November 8th 2019, the Company's Management Board announced that on the same day the Company and Gerbang Daya Mandiri PT of Indonesia had signed a contract for the delivery of a longwall system. Deliveries under the contract include a shearer loader, powered roof support sections, a scraper conveyor, electrical apparatus, as well as transport and auxiliary equipment. The total value of the contract is EUR 10,465,750.00, or PLN 44,623,864.85 as translated at the EUR/PLN mid exchange rate of November 8th 2019, i.e. EUR 1 = PLN 4.2638. The contract will be performed in stages. Deliveries under the contract should be completed within 10.5 (ten and a half) months from the exchange contract's effective date. The other terms and conditions of the contract do not differ from standard market terms applied in contracts of this type (Current Report No. 56/2019).
- **Changes in the composition of the Management Board** On November 12th 2019, Mr Waldemar Łaski tendered his resignation as Vice President of the Management Board, Surface. The resignation took effect upon its submission to the Company. The Management Board further announced that the Company's Supervisory Board had resolved, at its meeting held on November 12th 2019, to appoint Ireneusz Kazimierski to the Management Board as Vice President of the Management Board, Surface, for a joint three-year term of office, with effect from the resolution date. For information on the educational background, professional experience and required representations, see Current Report No. 57/2019 of November 12th 2019.
- **Termination of an agreement with PKO BP S.A.:** On November 15th 2019, the Company received an annex from its subsidiary FAMUR FAMAK S.A. of Kluczbork, stating that on the same day FAMUR FAMAK and the other party, i.e. PKO BP S.A., had signed a bilateral agreement in the form of an annex (the "Annex") to early terminate a PLN 50,000,000.00 framework bank guarantee facility agreement (the "Agreement"), announced by the Company in Current Report No. 71/2018. The Company further announced that as at the date of the Annex, no guarantees had been issued under the Agreement and the balance outstanding under the Agreement was PLN 0. The Company announced the early termination of the Agreement in Current Report No. 58/2019 of November 15th 2019.
- **Preliminary estimates of consolidated financial data for the first nine months of 2019** On November 20th 2019, the Management Board of FAMUR S.A. of Katowice (the "Company" or "FAMUR")

published estimated consolidated financial highlights of the FAMUR Group for the first nine months of 2019.

Estimated consolidated financial highlights of the FAMUR Group for the first nine months of 2019:

- Revenue: approximately PLN 1,625m;
- Operating profit: approximately PLN 268m;
- EBITDA: approximately PLN 416m;
- Net profit: approximately PLN 335m.
- Estimated consolidated financial highlights of the FAMUR Group for the third quarter of 2019:
- Revenue: approximately PLN 631m;
- Operating profit: approximately PLN 73m;
- EBITDA: approximately PLN 124m;
- Net profit: approximately PLN 51m.

The Company announced that the estimates contained in this report could differ from the figures that would be disclosed in the Group's condensed consolidated financial statements for the first three quarters of 2019.

Consolidated net profit for Q3 2019 was reduced by PLN 41m following a revision of ongoing contract budgets and remeasurement of provisions and impairment losses recognised at the subsidiary FAMUR FAMAK S.A. ("FAMUR FAMAK" or the "Company's subsidiary"), and at FAMUR FAMAK's subsidiaries forming the FAMUR FAMAK Group (the "FAMUR FAMAK Group", the "Surface segment").

In pursuing the FAMUR Strategy for 2019–2023, which provides for increasing the FAMUR Group's operational efficiency, including through optimisation of the Group's organisational and functional structure, the Company took over responsibility for the financial area at FAMUR FAMAK and its subsidiaries, commencing the implementation at those companies of a Group-wide, uniform, conservative approach to projecting and identifying risks under contracts performed by the Surface segment. As a result, the Management Boards of the FAMUR FAMAK Group companies, revised, based on their best knowledge, the ongoing contract budgets and recognised additional costs and identified risks related to certain contracts, resulting from potential liquidated damages for delays in the performance of contract work as at September 30th 2019. In addition, following a review of current assets and planned optimisation measures designed to improve the efficiency of operating processes within the Surface segment, a need was identified to recognise provisions and impairment losses on certain working-capital items, mainly the significantly past due receivables and inventories, and on non-core properties identified as held for sale.

Therefore, acting in accordance with the prudence principle, the FAMUR FAMAK Group companies reduced the amount of unbilled revenue to reflect the revisions of ongoing contract budgets by a total of PLN 20m (leading to a decrease in consolidated revenue). In addition, operating expenses totalling PLN 24m were recognised on account of impairment losses on the significantly past due receivables, assets held for sale and inventories, as well as provisions, mainly for potential liquidated damages for delays in the performance of contract work and for losses under contracts. In aggregate, these amounts reduced both operating profit and EBITDA for Q3 2019 by PLN 44m, and consolidated net profit by PLN 41m, as a deferred tax asset may only be recognised up to the amount of the related deferred tax liability.

Furthermore, the FAMUR FAMAK Group identified additional risks, mainly relating to potential liquidated damages for delays in the completion of work under certain contracts and to uncollected receivables under certain contracts, totalling approximately PLN 18m, which are not recognised in the statement of profit or loss for the current period as they are at a stage where they still can be mitigated or completely eliminated, as at the date of this report, the Company did not receive any claims in respect of the identified risks relating to delays in the contract performance. The Management Boards of the FAMUR FAMAK Group companies monitor these risks on an ongoing basis and make every effort to significantly mitigate them in the current quarter.

In order to improve the efficiency of operating processes, the FAMUR FAMAK Group takes various measures, including:

- Streamlining of the organisational structure of the FAMUR FAMAK Group by merging FAMUR FAMAK S.A. with its subsidiary Fugo sp. z o.o., and by spinning off Pemug sp. z o.o. and its subsidiaries from the FAMUR FAMAK Group and establishing the PEMUG Group as a financially independent entity.
- Further active search for new markets and trading partners, while improving cost budgeting, valuation and contract control starting from bid preparation.
- Consistent implementation of the conservative approach to provisioning and contract risk identification.
- Improving cost efficiency and productivity by implementing a lean management culture based on relevant experience gained in the Underground segment.
- Identification and sale of non-core assets, collection of past due receivables.
- Optimisation of workforce in certain areas.

Given that the additional costs recognised under running contracts and the impairment losses and provisions at the FAMUR FAMAK Group have significantly reduced the amount of net assets of the subsidiary FAMUR FAMAK S.A. relative to the value of its shares disclosed in the Company's books, the Company will commence estimating the risk of this mismatch being permanent, based on updated business plans, in particular the projections of future earnings and cash flows, taking into account the current market and operating conditions of the FAMUR FAMAK Group as well as the efficiency improvement measures. The result of this test may necessitate the recognition of a non-cash impairment loss on FAMUR FAMAK S.A. shares in the Company's separate financial statements for Q4 2019 and the full year 2019, without affecting the FAMUR Group's consolidated results for Q4 2019 and the full year 2019. The Company will also assess if there is any impairment of the goodwill recognised in the consolidated financial statements, which may require a non-cash impairment loss on goodwill to be recognised in the FAMUR Group's consolidated financial statements for Q4 2019 and the full year 2019.

- **Contract won by FAMUR FAMAK S.A. in Bosnia and Herzegovina**

On November 21st 2019, the Company's Management Board announced that on the same day it had been notified by FAMUR FAMAK S.A. ("FAMUR FAMAK" or the "Subsidiary") that RMU BANOVIĆI of BANOVIĆI, Bosnia and Herzegovina, (the "Employer") had selected FAMUR FAMAK's bid as the winning bid in an open tender procedure for the delivery of a stacker for piling coal from the P.K. Turija open-pit coal mine. The maximum value of the contract is EUR 6,876,219.81, or PLN 29,531,988.84, as translated at the EUR/PLN mid exchange rate of November 21st 2019 (EUR 1 = PLN 4.2948). The Company also announced that the final value of the contract could change by the time the procedure was completed. The delivery deadline is 15 months from the effective date (i.e. execution date) of the contract. The Company also announced that the other bidders could appeal against the decision to select FAMUR FAMAK's bid within the time limit prescribed by applicable laws.

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

- **Sale of PBSz shares** In the first nine months of 2019, an event with material bearing on the consolidated financial statements of the FAMUR Group was the sale of shares in PBSz S.A. The FAMUR Group recognised a gain on the loss of control of **PLN 141m**, representing an accounting effect of the subsidiary's derecognition. The transaction had no effect on the Company's separate profit or loss or its ability to pay dividends, as the sellers were the Company's subsidiaries PBSz1 Sp. z o.o. and PRIMETECH S.A. A detailed description of the transaction is presented in the interim financial statements for H1 2019.
- **Provisions and impairment losses in the Surface segment:** Consolidated net profit for Q3 2019 was reduced by PLN 41m following a revision of ongoing contract budgets and remeasurement of provisions and impairment losses recognised at the subsidiary FAMUR FAMAK S.A. ("FAMUR FAMAK" or the "Company's subsidiary"), and at FAMUR FAMAK's subsidiaries forming the FAMUR FAMAK Group (the "FAMUR FAMAK Group", the "Surface segment").

  In pursuing the FAMUR Strategy for 2019–2023, which provides for increasing operational efficiency of the FAMUR Group, including through optimisation of the Group's organisational and functional structure, the Company took over responsibility for the financial area at FAMUR FAMAK S.A. and its

FAMUR

subsidiaries, commencing the implementation at those companies of a Group-wide, uniform, conservative approach to projecting and identifying risks under contracts performed by the Surface segment. As a result, the Management Boards of the FAMUR FAMAK Group companies, revised, based on their best knowledge, the ongoing contract budgets and recognised additional costs and identified risks related to certain contracts, resulting from potential liquidated damages for delays in the performance of contract work as at September 30th 2019. In addition, following a review of current assets and planned optimisation measures designed to improve the efficiency of operating processes within the Surface segment, a need was identified to recognise provisions and impairment losses on certain working-capital items, mainly the significantly past due receivables and inventories, and on non-core properties identified as held for sale.

Therefore, acting in accordance with the prudence principle, the FAMUR FAMAK Group companies reduced the amount of unbilled revenue to reflect the revisions of ongoing contract budgets by a total of PLN 20m (leading to a decrease in consolidated revenue). In addition, operating expenses totalling PLN 24m were recognised on account of impairment losses on the significantly past due receivables, assets held for sale and inventories, as well as provisions, mainly for potential liquidated damages for delays in the performance of contract work and for losses under contracts. In aggregate, these amounts reduced both operating profit and EBITDA for Q3 2019 by PLN 44m, and consolidated net profit by PLN 41m, as a deferred tax asset may only be recognised up to the amount of the related deferred tax liability.

Sales

In the first nine months of 2019, FAMUR S.A. and its subsidiaries posted PLN 1,625m in consolidated revenue, down 5.2%, or PLN 89m, year on year. The nature of the business activities carried out by the Company's Group and the nature of its contracts may give rise to quarterly variations in sales, depending on the manufacturing cycle under long-term contracts. The performance of contracts signed in late 2018 and early 2019 led to a considerable rise in revenue for the third quarter of 2019 (PLN 631m) relative to the average quarterly revenue in the first half of 2019 (PLN 497m).

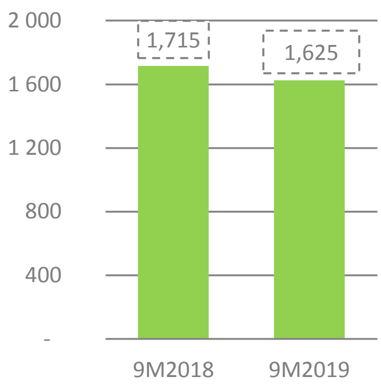
The Underground segment delivered strong revenue growth in the third quarter of 2019 (to PLN 508m, compared with the average quarterly revenue of PLN 334m recorded in the first half of 2019). A significant decline in revenue posted by the Mining Services segment was a result of the sale of shares in Przedsiębiorstwo Budowy Szybów S.A. in the first half of 2019. Surface revenue dropped by PLN 34m year on year in the third quarter of 2019 as risks of PLN 20m were identified by the segment in line with the prudence principle following a revision of the budgets under running contracts (lower unbilled revenue).

In the first nine months of 2019, the parent's revenue came to PLN 1,147m, up 3% year on year.

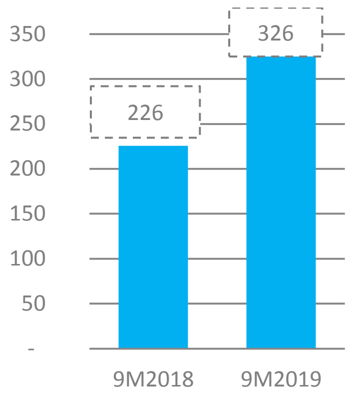
Gross profit margin

The still relatively supportive market conditions, efficiency gains from successful cost optimisation measures (reduced cost pressures in Underground, including in the costs of labour, services and steel) and a growing share of lease and aftermarket revenue in its revenue mix were factors that helped the FAMUR Group achieve a major improvement in gross profit and operating profit margins.
A strong gross profit (PLN 326m) translated into a gross profit margin of 20%, a rise almost by half on the figure posted for the first nine months of 2018 (13.2%).

Consolidated sales [PLNm]



Consolidated gross profit [PLNm]



Net other income/expenses

The Group generated operating profit of PLN 268m, compared with PLN 215m for the first nine months of 2018, which translated into a 4pp rise in operating profit margin, to 16.5%.

In the third quarter alone, operating profit fell 23% (PLN 22m) despite higher revenue and sustained profitability in the Underground segment, mainly as a result of a one-off event in the Surface segment, as unbilled revenue was reduced by PLN 20m to reflect the revised budgets of running contracts after certain risks were identified, leading to a decrease in consolidated revenue and gross profit. In addition, operating expenses totalling PLN 24m were recognised in the segment on account of impairment losses on the significantly past due receivables, assets held for sale and inventories, as well as provisions, mainly for potential liquidated damages for delays in the performance of contract work and for losses under contracts. A combination of these factors reduced operating profit for the third quarter of 2019 by PLN 44m.

FAMUR S.A. posted an operating profit of PLN 267.4m, compared with PLN 163.1m in the corresponding period of 2018.

Net finance income/costs and net profit

Net finance costs were PLN 15m for the first nine months of 2019, compared with net finance costs of PLN 18m the year before. The PLN 3m improvement was attributable to the following factors: recognition of an almost PLN 2m gain from disposal of investment property in 2019, an almost PLN 8m decrease in net other finance costs, mainly reflecting foreign exchange gains, and a nearly PLN 7m year-on-year increase in investment remeasurement expenses. Net interest expense (interest expense less interest income) remained largely unchanged in both periods, at PLN 5m.

The event with a material impact on the FAMUR Group's pre-tax and net profit in 2019 was the sale of PBSz S.A. shares (see 'Factors and events of non-recurring nature having a material bearing on financial performance' and the FAMUR Group's interim condensed consolidated financial statements for the first half of 2019). In connection with the sale of PBSz S.A. shares, the FAMUR Group recognised a gain on loss of control ('*Gain/(loss) on disposal or partial disposal of shares in subordinates*') of PLN 141m. However, it should be stressed that the gain on the loss of control had no effect on the Company's separate profit or loss or its ability to pay dividends, as the sellers were the Company's subsidiaries (PBSz1 Sp. z o.o. and PRIMETECH S.A.).

As a result of the transaction, the FAMUR Group's net profit for the first nine months of 2019 increased significantly, to PLN 335.1m. Consolidated net profit for the first nine months of 2019 adjusted for gain on the sale of PBSz S.A., a one-off event, would have amounted to PLN 194.4m (with net profit margin at 12%), up PLN 31m year on year.

Consolidated net profit was additionally reduced by PLN 41m following the revision of budgets, provisions and impairment losses recognised at FAMUR FAMAK. Excluding these charges net profit would have been PLN 376m, and if the one-off gain from the sale of PBSz shares was also disregarded, it would have amounted to PLN 235m (with net profit margin at 14%).

On a separate basis, FAMUR S.A. earned a net profit of PLN 197.7m for the first nine months of 2019, compared with PLN 117.9m for the same period last year.

Debt and cash

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

	Sep 30 2019	Dec 31 2018
FAMUR Group		
1. Borrowings and other debt instruments *	**584,866**	**543,578**
- long-term, including:	393,971	491,938
- Restructuring agreement – Tranche A (nominal value)*	185,000	185,000
- Restructuring agreement – Tranche B **	-	189,762
- Notes (nominal value)	200,000	108,000
- other	8,971	9,176
- short-term, including:	190,895	51,640
- Restructuring agreement – Tranche B **	-	20,238
- Notes (nominal value) ***	108,000	-
- other	82,895	31,402
2. Cash	**315,913**	**297,931**

Source: FAMUR GROUP; amounts in PLN '000.

**) Restructuring agreement – Tranche A – maturing at the end of March 2022.*

***) Restructuring agreement – Tranche B – following the sale of PBSz S.A. in May 2019, as at June 30th 2019 Tranche B was prepaid in full.*

****) Series A notes maturing in January 2020. In the most recent full-year financial statements, the Group presented Series A notes under 'Other liabilities'. The Group decided that presenting the notes under 'Borrowings and other debt instruments' would help better understand its financial position considering the interest-bearing nature of those liabilities. Therefore, in this report Series A notes are disclosed under 'Borrowings and other debt instruments' and the comparative data has been restated accordingly to ensure comparability.*

The Group's long-term and short-term borrowings and other debt instruments totalled PLN 584.9m, equivalent to 36.6% of equity. In 2019, the FAMUR Group issued Series B notes of PLN 200m.

In the reporting period, the Group also repaid the Tranche B debt under the Primetech S.A. (formerly KOPEX S.A.) restructuring agreement, including interest of PLN 210.5m.

As at September 30th 2019, the FAMUR Group's cash amounted to PLN 315.9m. Accordingly, the FAMUR Group recorded a net debt of PLN 269m.

The scheduled repayment date for Series A notes is January 13th 2020, and the company has secured funds for their repayment.

As at the end of September 2019, the FAMUR Group had equity of PLN 1,597m (representing 53% of consolidated assets), providing a solid base for financing the Group's future growth capex.

The parent's separate debt under borrowings and notes at the end of September 2019 stood at PLN 764.8m, while its cash and cash equivalents were close to PLN 250.3m.

Cash flows

In the first nine months of 2019, the FAMUR Group's net cash flows were positive at PLN 18.4m. Operating cash flows of PLN 301.4m were significantly higher than in the same period of the previous year (PLN 197.4m), due mainly to working capital changes (PLN -24.7m in the reporting period compared with PLN -195.3m in the same period of the previous year), as well as markedly higher EBITDA (up from PLN 360.2m in the nine months of 2018 to PLN 416.3m in the reporting period). Low positive cash flows from investing activities, of PLN 3.2m, were mainly attributable to other cash provided by investing activities, of PLN 182m (on accounting for the sale of PBSz S.A.), offset by the purchase of intangible assets and property, plant and equipment (PLN -206.2m). Total cash flows from financing activities were negative at PLN -286.3m, attributable mainly to proceeds from the issue of Series B notes (PLN 200m) offset by repayment of Tranche B under the PRIMETECH S.A. (formerly KOPEX S.A.) restructuring agreement, of PLN 210.5m, effectively assigned to PBSz S.A.'s assets and related to that company's sale, and by dividend payment of PLN 304.6m.

8. Factors with potential bearing on results

Key factors and risks that may affect the FAMUR Group's future financial performance include mainly:

- macroeconomic environment on the global and local level, including an economic slowdown, which could lead to a reduction in investments in subsequent quarters, along with increased price competition resulting in margin erosion; in addition, the anti-carbon policy may render it difficult to secure financing for thermal coal production projects;
- developments on the energy, mining, commodity and cargo handling markets, environmental challenges, the economic condition of entities operating on those markets and their capex budgets, as well as conditions prevailing on the labour market and legislative changes;
- internal factors, of the operational, commercial and financial nature, including diversification of revenue sources, exposure to industrial customers, contract life cycle, as well as progressive implementation of the FAMUR Strategy for 2019–2023 and the GO GLOBAL programme;
- financial factors, associated with the currency risk, interest rate risk and commodity risk.

For a detailed description of key factors with potential bearing on the Group's and the Company's operations and financial performance as well as associated risks, see the Directors' Report on the operations of FAMUR S.A. and the FAMUR Group in 2018 and the Directors' Report on the operations of FAMUR S.A. and the FAMUR Group in H1 2019 in the 'External and internal factors relevant to the Company's and the FAMUR Group's development' and 'Material risk factors and threats with bearing on the Company's business' sections. The references reports are available on the Company's website https://famur.com.

Apart from those discussed above, an additional factor that may affect the Group's and the Company's operations and financial performance is related to the risks identified at the FAMUR FAMAK Group, which includes the Company's subsidiary FAMUR FAMAK and the latter's subsidiaries.
These identified additional risks relate mainly to potential liquidated damages for delays in the completion of work under certain contracts and to uncollected receivables under certain contracts, totalling approximately PLN 18m, which are not recognised in the statement of profit or loss for the reporting period as they are at a stage where they still can be mitigated or completely eliminated, and as at the date of this report the Company did not receive any claims in respect of the identified risks relating to delays in the contract performance. The Management Boards of the FAMUR FAMAK Group companies monitor these risks on an ongoing basis and make every effort to significantly mitigate them in the current quarter.

In order to improve the efficiency of operating processes, the FAMUR FAMAK Group takes various measures, including:

- Streamlining of the organisational structure of the FAMUR FAMAK Group by merging FAMUR FAMAK S.A. with its subsidiary Fugo sp. z o.o., and by spinning off Pemug sp. z o.o. and its subsidiaries from the FAMUR FAMAK Group and establishing the PEMUG Group as a financially independent entity.
- Further active search for new markets and trading partners, while improving cost budgeting, valuation and contract control starting from bid preparation.
- Consistent implementation of the conservative approach to provisioning and contract risk identification.
- Improving cost efficiency and productivity by implementing a lean management culture based on relevant experience gained in the Underground segment.
- Identification and sale of non-core assets, collection of past due receivables.
- Optimisation of workforce in certain areas.

Given that in Q3 2019 the additional costs recognised under running contracts and the impairment losses and provisions at the FAMUR FAMAK Group significantly reduced the amount of net assets of the subsidiary FAMUR FAMAK S.A. relative to the value of its shares disclosed in the Company's books, the Company will commence estimating the risk of this mismatch being permanent, based on updated business plans, in particular the projections of future earnings and cash flows, taking into account the current market and operating conditions of the FAMUR FAMAK Group as well as the efficiency improvement measures. The result of this test may necessitate the recognition of a non-cash impairment loss on FAMUR FAMAK S.A. shares in the Company's separate financial statements for Q4 2019 and the full year 2019, without affecting the FAMUR Group's consolidated results for Q4 2019 and the full year 2019. The Company will also assess if there is any impairment of the goodwill recognised in the consolidated financial statements, which may require a non-cash impairment loss on goodwill to be recognised in the FAMUR Group's consolidated financial statements for Q4 2019 and the full year 2019.

9. Industrial and geographical segments

The FAMUR Group's main products are – in the Underground segment: machinery and equipment comprising 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 Mining Services segment is engaged in the sale of engineering and construction services. The Electrical Equipment segment carries out activities for customers in Poland and abroad (including through its companies in South Africa), mainly within the mining industry.

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 2019.

Continuing operations

	Underground	Surface	Electrical Equipment	Mining Services	Total
Jan–Sep 2019					
Revenue	1,176,625	209,748	111,144	127,763	**1,625,280**
Cost of sales	776,806	211,377	67,068	111,032	**1,166,283**
Gross profit	399,819	-1,629	44,076	16,731	**458,997**
Gross margin	*34.0%*	*-0.8%*	*39.7%*	*13.1%*	*28.2%*
Profit on sales	309,167	-21,284	28,904	8,751	**325,538**
Sales margin	26.3%	*-10.1*	*26.0%*	*6.8%*	*20.0%*
Segment's share in revenue	*72.4%*	*12.9*	*6.8%*	*7.8%*	*100.0%*

	Underground	Surface	Electrical Equipment	Mining Services	Total
Jan–Sep 2018					
Revenue	1,172,841	263,470	70,113	208,271	1,714,696
Cost of sales	857,952	251,501	40,711	184,195	1,342,610
Gross profit	314,888	11,969	29,402	24,077	380,336
Gross margin	*26.8%*	*4.5%*	*41.9%*	*11.6%*	*22.2%*
Profit on sales	195,745	866	16,960	12,010	225,581
Sales margin	*16.7%*	*0.3%*	*24.2%*	*5.8%*	*13.2%*
Segment's share in revenue	*68.4%*	*15.4%*	*4.1%*	*12.1%*	*100.0%*

Source: the Company; amounts in PLN '000.

In the nine months to September 30th 2019, FAMUR S.A. and its subsidiaries posted PLN 1,625m in consolidated revenue, down 5.2% year on year. However in Q3 2019 alone, revenue rose significantly, to PLN 631m, which was attributable to the structure of contract work schedules in the Underground segment.

The Underground 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, manufacture and sale of scraper and belt conveyors, mainly for customers in Poland (particularly JSW S.A. and Polska Grupa Górnicza S.A.), revenue from products sold to customers in Russia and Kazakhstan, and aftermarket operations. In 2019, first revenue was also recorded under contracts with customers in Canada and China. At the same time, the segment's profitability grew strongly on the back of operational efficiency improvements at FAMUR S.A., a favourable market environment and contract mix as well as aftermarket sales and sales of lease and other services.

The revenue and profitability of the Surface segment was driven by the risks identified and recognised in the third quarter of 2019, which reduced unbilled revenue by PLN 20m due to budget revisions under ongoing contracts. Cumulatively, after the first nine months of 2019, Surface revenue fell PLN 54m (20%) year on year. The segment's revenue was derived mainly from export sales of handling and hoisting equipment and surface mining equipment for the Austrian, Bulgarian and Dutch markets, where – having reinforced its position (completed contract for the delivery of a transport and handling system to EMO Rotterdam, a coal and iron ore transshipment terminal) – FAMUR Famak S.A. is delivering a grab-type ship-to-shore unloading system for Tata Steel IJmuiden. Domestic sales were driven mainly by revenue from the contract for a coal dressing plant at the KWK Budryk coal mine and from work on the Grzegorz Mineshaft project for Tauron Wydobycie S.A. In pursuit of its strategic goals of revenue diversification, the FAMUR Group intends to maintain its strong position in the supply of electromechanical equipment for the surface mining and power sectors and of transport and handling systems. The segment's significant gross loss (PLN -21m) after the first nine months of 2019 was attributable to the identification and recognition of risks described above in this report. Companies of the FAMUR FAMAK Group work intensively to mitigate risks relating to the segment's operations. In this segment, an intensive programme has been put in place to streamline the organisational structure (partial centralising of the support function) and improve operational efficiency, including lean management, workforce structure optimisation, implementation of a conservative approach to contract risks, provisioning policy, and active recovery of receivables, identification and sale of non-core assets.

The Mining Services segment generated revenue mostly from the performance of service contracts by Przedsiębiorstwo Budowy Szybów S.A. (PBSz S.A.) for domestic customers and drilling services provided by ŚTW Dalbis. The segment derived its revenue primarily from the Polish market, mostly from work performed for KGHM, Tauron Wydobycie, JSW, and PGG.

It should be noted that in May 2019 PBSz S.A. was sold to JSW S.A., which affected the segment's revenue and profit for the first nine months of 2019, and will be a major factor behind an expected decline in revenue and overall performance of the Mining Services segment in subsequent reporting periods. The segment's future revenue will also be affected by a decision of July 2019 to discontinue the coal trading business, as no new contracts could be executed given the limited availability of required volumes of coal meeting relevant quality standards on the Polish market.

The Electrical Equipment segment executed some orders for the FAMUR Group companies (mostly within the Underground segment), but its revenue was also derived from sales to external customers, including JSW and PGG, as well as other trading partners. Some of the segment's sales are generated by companies based in South Africa. Significant growth in revenue of the Electrical Equipment segment for the first nine months of 2019 (up PLN 41m or 59% year on year) was driven by a higher number of completed contracts, particularly at Elgór+Hansen S.A., including for supplies to the Chinese market. Strong sales were recorded especially in explosion-proof equipment.

Geographical structure of revenue

In the first nine months of 2019, the FAMUR Group's export sales represented approximately 34% of total revenue. In nominal terms, export sales totalled PLN 560m. A slight decline in domestic and export sales results from the production cycle of the contracts.

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

Revenue	Jan–Sep 2019	Jan–Sep 2018	Change	Share
Poland	1,064,848	1,113,035	-4.3%	65.5%
Russia and CIS	350,355	343,574	2.0%	21.6%
European Union	133,759	184,809	-27.6%	8.2%
Other Europe	5,757	18,101	-68.2%	0.4%
Other*	70,561	55,176	27.9%	4.3%
Total	**1,625,280**	**1,714,696**	**-5.2%**	**100.0%**
Poland	1,064,848	1,113,035	-4.3%	65.5%
Total exports	560,431	601,661	-6.9%	34.5%

*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.

The total value of the FAMUR Group’s long-term commercial agreements and selected bids (other than leases), as announced by the Company in current reports, was over PLN 1,150m in the period from Q4 2018, with over PLN 520m attributable to export contracts. Between the beginning of 2019 and the date of issue of this report, the respective values were over PLN 800m and over PLN 350m.

Russia and other CIS countries continue to be the key markets for FAMUR proprietary solutions. First deliveries were also made to the Canadian market, and a contract for an automated Mikrus system for the Chinese market is ongoing. A material contract for deliveries to the Indonesian market was also concluded in the past quarter. On the European market, activities in the Surface segment resulted in the selection of FAMUR FAMAK’s bid for the delivery of a stacker to Bosnia and Herzegovina.The effective consolidation in the Surface business allowed the FAMUR Group to build capabilities to successfully compete on both domestic and foreign markets also in this segment. Consistent steps have been taken to increase sales exposure to foreign markets, especially in the highly prospective cargo handling and transport sector. These efforts, combined with a growing number of credentials, lead to execution of projects in the Netherlands, Austria, Germany, the Balkans and other markets. Through Famak India Pvt Ltd, the Group continues operations in the Indian market, in the area of cargo handling machinery designed for the local market.

The contribution of exports to total revenue is attributable to the strong capabilities of the FAMUR Group and an upturn on global commodity markets. The FAMUR Group’s brand awareness on international markets is increasing gradually. It is associated with the high quality of products ‘made in Europe’, their technological advancement, stable aftermarket service, and competitive prices.

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.

In Q3 2019, no material changes were recorded in balances, provisions, or deferred tax assets of the Group or the Company (the decrease in other short-term provisions (PLN -26m) took place largely in H1 2019 (PLN -15m) on account of provisions for liquidated damages and other expenses). Impairment losses on receivables increased by PLN 5m (due mainly to impairment losses recognised in the Surface segment), and inventory write-downs went up by almost PLN 6m in the first nine months of 2019.

The table below presents the amounts of provisions and impairment losses and write-downs on assets at the Company and at the FAMUR Group.

	Sep 30 2019	Change	Dec 31 2018
FAMUR Group			
Long-term provisions for retirement and similar benefits	29,082	-3,659	32,741
Short-term provisions for retirement and similar benefits	15,995	-2,240	18,235
Other long-term provisions	12,581	5,124	7,457
Other short-term provisions	45,058	-26,157	71,215
Deferred tax liabilities	1,497	-16,246	17,743
Deferred tax assets	78,534	-15,833	94,367
Impairment losses on receivables	143,570	5,189	138,381
Inventory write-downs	45,627	5,613	40,014
Impairment losses on property, plant and equipment and intangible assets	22,468	7,972	14,496

	Sep 30 2019	Change	Dec 31 2018
Company			
Long-term provisions for retirement and similar benefits	26,226	-1,144	27,370
Short-term provisions for retirement and similar benefits	12,444	-26	12,470
Other long-term provisions	5,362	380	4,982
Other short-term provisions	34,800	-28,836	63,636
Deferred tax liabilities	-	-	-
Deferred tax assets	60,251	-16,086	76,337
Impairment losses on receivables	128,877	6,874	122,003
Inventory write-downs	33,496	5,249	28,247
Impairment losses on property, plant and equipment and intangible assets	3,159	-46	3,205

Source: the Company; amounts in PLN '000.

11. Seasonality of operations

Neither FAMUR S.A.'s nor the Group's operations were subject to any seasonal or cyclical changes in the reporting period. 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

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

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

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 resolutions 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.

Issue of Series A notes

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 declaration 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 with the Central Securities Depository of Poland on January 12th 2016. They were assigned ISIN code PLFAMUR00038. Their 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.

Issue of Series B notes

Execution of the programme agreement

In Current Report No. 21/2019 of May 9th 2019, the Company's Management Board announced the execution of a programme agreement and a notes issue it was considering. The programme agreement ("Programme Agreement") was signed between the Company and Santander Bank Polska S.A., acting as an Arranger, Dealer, and Technical Agent, and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, acting as an Arranger, Dealer, Calculation Agent and Documentation Agent; under the agreement, the Company may repeatedly issue notes under the notes programme.

Under the Programme Agreement, the Company is authorised to carry out note issues under the notes programme. The Company presented key assumptions underlying the programme in its Current Report No. 21/2019.

Decision to issue Series B notes

On June 12th 2019, in Current Report No. 34/2019, the Company's Management Board announced its decision to issue Series B notes and define the terms and conditions of Series B notes.

Pursuant to the Company Management Board's Resolution No. 80/2019 of June 12th 2019, the Company issued 200,000 (two hundred thousand) Series B notes with a nominal value of PLN 1,000.00 (one thousand złoty) per one Series B note and a total nominal value of PLN 200,000,000.00 (two hundred million złoty).

The Series B notes bear interest at a floating rate based on 6M WIBOR (Warsaw Interbank Offered Rate) plus a margin of 260 basis points per annum for each interest period. Interest on Series B notes will be payable every six months. The terms and conditions of payment of interest on Series B notes are described in detail in the terms and conditions of Series B notes ("Terms and Conditions of Series B Notes"). Interest on Series B notes will accrue as of and including the issue date.

The objective of the issue of Series B notes has not been specified.

Allotment of Series B notes

On June 19th 2019, in Current Report No. 42/2019, the Company's Management Board announced that it had passed a resolution to allot 200,000 Series B notes with a nominal value of PLN 1,000.00 per note and a total nominal value of PLN 200,000,000.00 ("Series B Notes") to the entities which had subscribed for the notes, i.e. had submitted an effective and valid Form of Acceptance of the Invitation to Acquire Series B Notes of FAMUR S.A. The allotment is subject to payment for the Series B Notes based on relevant settlement instructions, in accordance with the Terms and Conditions of Series B Notes.

Series B Notes have been offered to investors pursuant to Art. 33.2 of the Polish Act on Bonds of January 15th 2015 (consolidated text: Dz.U. of 2018, item 483, as amended), that is by way of a private placement with no more than 149 individually designated investors.

Noteholders have the right to demand early redemption of Series B Notes. The events triggering the Noteholders' right to demand early redemption of Series B Notes and the early redemption procedure for Series B Notes are specified in the Terms and Conditions of Series B Notes.

Starting from (and including) the third interest period and every 6 (six) months at the end of each interest period, the Company has the right to send an early redemption notice for all or part of Series B Notes, enabling it to redeem the Notes on the terms set out in the Terms and Conditions of Series B Notes.

Series B Notes were issued in book-entry form and registered with the Central Securities Depository of Poland.

The issue date for Series B Notes was June 27th 2019 (the "Issue Date") and the redemption date for Series B Notes will be June 27th 2024.

Series B Notes may be introduced to trading in the alternative trading system operated by the Warsaw Stock Exchange or BondSpot S.A., or both. If a decision is made to introduce Series B Notes to trading in an alternative trading system, the Company's Management Board will take all necessary steps to introduce Series B Notes to trading in one of the aforementioned trading systems or in both of them.

Series B Notes have been issued under and are governed by Polish law.

Registration and admission of Series B Notes to trading

In Current Report No. 44/2019 of June 27th 2019, the Company's Management Board announced that 200,000 (two hundred thousand) Series B Notes of the Company with a nominal value of PLN 1,000 (one thousand złoty) per note and a total nominal value of PLN 200,000,000.00 (two hundred million złoty) had been registered with the Central Securities Depository of Poland. The notes registered with the depository were assigned ISIN code PLFAMUR00053.

The Series B Notes were therefore duly paid for by all investors to whom they were conditionally allotted by the Company on June 19th 2019.

As announced by the Company in Current Report No. 52/2019 of September 20th 2019, Management Board of the Warsaw Stock Exchange passed Resolution No. 941/2019 of September 19th 2019 to admit 200,000 (two hundred thousand) Series B bearer notes, with a nominal value of PLN 1,000 (one thousand złoty) per note, to the Catalyst alternative trading system; the resolution became effective as of its date. The Management Board of BondSpot Spółka Akcyjna passed Resolution No. 211/19 of September 19th 2019 to admit 200,000 (two hundred thousand) Series B bearer notes, with a nominal value of PLN 1,000 (one thousand złoty) per note, to the Catalyst alternative trading system (the resolution became effective as of its date).

13. Dividend

As disclosed in Current Report No. 27/2019 of May 20th 2019, the Company's Management Board recommended to the General Meeting convened for June 17th 2019 that dividend of PLN 206,914,756.32 (PLN 0.36 per share) be paid from the 2018 profit and from profit brought forward. The amount corresponded to approximately 100% of consolidated net profit attributable to owners of the parent. The proposed dividend record date was July 10th 2019, and the dividend payment date – July 22nd 2019. The Management Board's dividend recommendation was presented to the Company's Supervisory Board, which resolved to endorse it.

On June 17th 2019, the Annual General Meeting of FAMUR S.A. passed a resolution to allocate the net profit generated by the Company in the financial year ended December 31st 2018, in the amount of PLN 153,435,438.79, increased by the Company's net profit brought forward of PLN 151,186,617.09, for payment of dividend. The total dividend amount approved by the Annual General Meeting of FAMUR S.A. was PLN 304,622,055.88, i.e. PLN 0.53 (fifty-three grosz) per share.

Under the resolution of the FAMUR Annual General Meeting, the dividend record date was set for July 10th 2019. The right to dividend was vested in shareholders who held Series A, B, C, D, F bearer shares and Series E registered shares, excluding 4,616 treasury shares. The dividend was paid on July 22nd 2019.

14. Events relating to previous years

In the reporting period, there were no material events related to previous years.

15. Profit forecast

The Management Board decided not to release forecasts for 2019.

16. List of shareholders entitled to attend General Meeting

As at September 30th 2019 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.

Shareholding structure as at December 31st 2018 and January 1st 2019

The table below shows the shareholding structure as at January 1st 2019, 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.

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.*	327,009,251	327,009,251	56.89%	56.89%
Nationale-Nederlanden OFE	39,849,000	39,849,000	6.93%	6.93%
OFE AVIVA Santander**	52,400,000	52,400,000	9.12%	9.12%
Treasury shares***	4,616	4,616	0.0008%	0.0008%
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%**

** According to a notification of December 21st 2018, see Current Report No. 77/2018.*

*** OFE AVIVA Santander (formerly AVIVA OTWARTY FUNDUSZ EMERYTALNY AVIVA BZ WBK of Warsaw; change of name as of November 15th 2018).*

**** Held indirectly through subsidiaries; no voting rights are exercised on the treasury shares.*

Shareholder structure as at September 30th 2019 and as at this report date

As at 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.

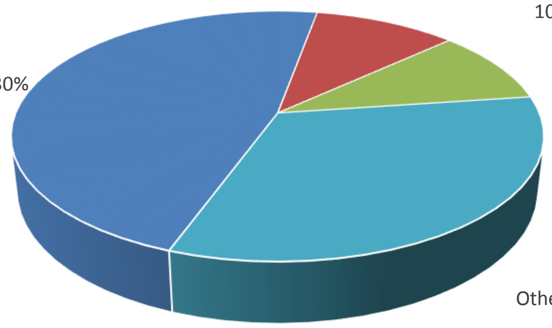
There are no other securities conferring any special control rights. Also, the Management Board is not aware of any agreements that could lead to future changes in the shareholder structure.

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.	271,853,785	271,853,785	47.30%	47.30%
Nationale-Nederlanden OFE*	59,300,000	59,300,000	10.32%	10.32%
AVIVA OFE	55,400,000	55,400,000	9.64%	9.64%
Treasury shares**	4,616	4,616	0.0008%	0.0008%
Other shareholders	188,204,811	188,204,811	32.74%	32.74%
Total	**574,763,212**	**574,763,212**	**100.00%**	**100.00%**

The following table shows the shareholding structure based on data from the Company's most recent Annual General Meeting held on June 17th 2019 and the notifications received

** Aggregate value for accounts of OFE and DFE funds managed by NN PTE.*

*** Treasury shares: 3,116 bearer shares held directly by FAMUR S.A. and indirectly through subsidiaries PRIMETECH S.A. (500 bearer shares) and FAMUR Finanse sp. z o.o. (1,000 bearer shares).*



** 4,616 treasury shares (0.0008%) held directly by FAMUR S.A. (3,116 bearer shares) and indirectly through PRIMETECH S.A. (500 bearer shares) and FAMUR Finanse sp. z o.o. (1,000 bearer shares).*

Source: FAMUR GROUP.

Changes in the shareholding structure were detailed by the Company in the Directors' Report on the operations of the Company and the Company's Group in H1 2019, as well as in Current Reports No. 1/2019 of January 8th 2019, 2/2019 of January 9th 2019, No. 15/2019 of March 11th 2019 (as corrected), No. 17/2019, No. 18/2019 and No. 38/2019 of June 17th 2019, which includes a list of shareholders holding 5% or more of total voting rights at the Company's Annual General Meeting held on June 17th 2019.

17. Shares held by management and supervisory personnel

The holdings of FAMUR shares by members of the Management Board in the period from January 1st 2019 to the date of their sale, i.e. March 11th 2019, are presented in the table below. In the reporting period, members of the Supervisory Board did not hold any shares in the Company.

The table below shows the holdings of Company shares held by the individual Management Board members prior to their sale to TDJ Equity I sp. z o.o. in transactions notified to the Company on March 11th 2019. The relevant information and the content of the notifications were published by the Company in Current Reports No. 15/2019 of March 11th, 13th, 15th and 18th 2019.

Company shares held by Management Board members from January 1st to March 11th 2019

Management Board member	No. of shares	% share
Dawid Gruszczyk	875,000	0.1522%
Tomasz Jakubowski	804,175	0.1399%
Beata Zawiszowska	321,000	0.0558%

*Source: FAMUR GROUP; As at **March 11th 2019;***

As at September 30th 2019 and the date of issue of this report, the Company's management and supervisory personnel **held no shares in the** Company**.**

18. Material proceedings pending before courts, arbitration or public administration bodies

In Q3 2019 and as at the issue date of this report, there were no court, arbitration or administrative proceedings pending that would be material from the perspective of the Company or its Group.

19. Related-party transactions

The related-party transactions concluded in Q3 2019 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 2019	Dec 31 2018
Consolidated data			
1.	Contingent liabilities	**240,163**	**311,280**
	- guarantees issued, including:	154,056	226,149
	- bid bonds	12,985	18,211
	- performance bonds	107,780	141,559
	- other	33,291	66,379
	- surety bonds and promissory notes issued to financial institutions	-	5,990
	- purchase of debt	86,107	78,025
	- other	-	1,116

Source: the Company; amounts in PLN '000.

21. Other information

Workforce

As at the reporting date of September 30th 2019, the FAMUR Group had 4,241 employees. The significant decrease in the FAMUR Group's headcount was attributable to the sale of shares in Przedsiębiorstwo Budowy Szybów S.A. in H1 2019.

Changes in the composition of the Management Board

The following changes in the composition of the Company's Management Board took place in Q3 2019.

The functions of individual Management Board Members were changed. As of January 1st 2019, as announced by the Company in Current Report No. 52/2018 of September 26th 2018, Adam Toborek's function changed from Vice President to Vice President, Export Sales Underground, and Dawid Gruszczyk's function changed from Vice President to Vice President, Domestic Sales Underground.

On February 26th 2019, Bartosz Bielak resigned from his position as Vice President of the Management Board, Chief Strategy and Development Officer, with effect from February 28th 2019, citing personal reasons. Bartosz Bielak served on the Company's Management Board from September 2017. Over that time, he was responsible for drafting the Company's growth strategy for 2019–2023, announced in September 2018, and for divestment processes. Bartosz Bielak will work for the FAMUR Group as an adviser, providing advice on such issues as the Company's growth through acquisitions, including in the Hard Rock Mining segment. The Company announced his resignation in Current Report No. 12/2019.

On November 12th 2019, Mr Waldemar Łaski tendered his resignation as Vice President of the Management Board, Surface. The resignation took effect upon its submission to the Company. On the same day, the Company's Supervisory Board passed a resolution to appoint Mr Ireneusz Kazimierski as Vice President of the Management Board, Surface, for a joint three-year term of office, with effect from November 12th 2019.

For information on the educational background, professional experience and required representations of Management Board members, see Current Report No. 35/2019 of June 13th 2019 and Current Report No. 57/2019 of November 12th 2019.

Composition of FAMUR S.A.'s Management Board as at January 1st 2019:

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, Underground Segment Export Sales
4. Dawid Gruszczyk – Vice President of the Management Board, Underground Segment Domestic Sales
5. Bartosz Bielak – Vice President of the Management Board, Chief Strategy and Development Officer
6. Tomasz Jakubowski – Vice President of the Management Board, Chief Operating Officer, Underground segment
7. Waldemar Łaski – Vice President of the Management Board, Surface segment

Composition of the Management Board of FAMUR S.A. as at September 30th 2019:

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, Underground Segment Export Sales
4. Dawid Gruszczyk – Vice President of the Management Board, Underground Segment Domestic Sales
5. Tomasz Jakubowski – Vice President of the Management Board, Chief Operating Officer, Underground segment
6. Waldemar Łaski – Vice President of the Management Board, Surface

Composition of the Company's Management Board as at the date of issue of this report

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, Underground Segment Export Sales
4. Dawid Gruszczyk – Vice President of the Management Board, Underground Segment Domestic Sales
5. Tomasz Jakubowski – Vice President of the Management Board, Chief Operating Officer, Underground segment
6. Ireneusz Kazimierski – Vice President of the Management Board, Surface

Changes in the composition of the Supervisory Board

There were no changes in the composition of the Company's Supervisory Board in Q3 2019.

Composition of FAMUR S.A.'s Supervisory Board as at September 30th 2019 and the date this report:

1. Tomasz Domogała as Member of the Supervisory Board
2. Czesław Kisiel as Member of the Supervisory Board
3. Jacek Leonkiewicz as Member of the Supervisory Board

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4. Magdalena Zajączkowska-Ejsymont as Member of the Supervisory Board.
5. Dorota Wyjadłowska* as Member of the Supervisory Board
6. Tomasz Kruk* as Member of the Supervisory Board
7. Michał Nowak as Member of the Supervisory Board

**Supervisory Board member meeting statutory independence criteria.*

For detailed information on the educational background and professional experience of the appointed persons, see the Company's Current Report No. 40/2019 of June 17th 2019.

Valuation of hedging transactions at the FAMUR Group as at September 30th 2019

The Group takes steps to minimise foreign exchange risk by relying on 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 by 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 2019.

Derivatives (groups of instruments)	**Planned settlement date** 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 30 2019	**Hedged** risk
Forward – sale of EUR	Q4 2019	181,183	182,183	Currency risk
Forward – sale of EUR	Q1 2020	117,457	118,381	Currency risk
Forward – sale of EUR	Q2 2020	60,363	60,171	Currency risk
Forward – sale of EUR	Q3 2020	8,081	8,059	Currency risk
Forward – sale of EUR	Q4 2020	1,660	1,663	Currency risk
Forward – purchase of EUR	Q2 2020	243	251	Currency risk
Forward - sale of USD	Q4 2019	976	1,035	Currency risk
IRS	Q1 2020	108,000	108,098	interest rate risk
IRS	Q2 2024	200,000	202,123	interest rate risk

Source: the Company; amounts in PLN '000.

Interim condensed separate financial statements of FAMUR S.A. for Q3 2019

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS OF FAMUR S.A.

Accounting policies applied in the preparation of the report for Q3 2019

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.

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

	Sep 30 2019	Dec 31 2018
ASSETS		
Non-current assets	**1,078,337**	**1,088,349**
Intangible assets	195,649	200,478
Property, plant and equipment	450,720	365,080
Long-term receivables	1,039	30,794
Long-term investments	369,634	414,229
Other non-current assets (prepayments and accrued income)	1,044	1,431
Deferred tax assets	60,251	76,337
Current assets	**1,516,425**	**1,075,776**
Inventories	278,764	259,851
Trade receivables	829,983	609,447
Other short-term receivables	8,539	26,883
Current assets held for trading	9	5
Current financial assets	54,498	38,988
Cash and cash equivalents	250,282	127,642
Other current assets (prepayments and accrued income)	4,246	3,924
Non-current assets classified as held for sale	90,104	9,036
Total assets	**2,594,761**	**2,164,125**
EQUITY AND LIABILITIES		
Equity	**1,203,997**	**1,311,613**
Share capital	5,748	5,748
Statutory reserve funds	779,586	930,773
Revaluation reserve	785	2,299
Other capital reserves	162,213	162,213
Retained earnings	255,665	210,580
Liabilities and provisions for liabilities	**1,390,763**	**852,508**
Provisions for liabilities	78,832	108,458
Long-term borrowings and other debt instruments	396,654	302,175
Non-current lease liabilities	50,217	180
Other non-current liabilities	1,627	910
Trade payables	279,425	140,799
Tax payable	46,769	60,527
Short-term borrowings and other debt instruments	368,097	151,809
Current finance lease liabilities	16,618	444
Other current liabilities	126,482	59,588
Other liabilities (accruals and deferred income)	26,042	27,618
Total equity and liabilities	**2,594,761**	**2,164,125**

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

	3 months ended		9 months ended	
CONTINUING OPERATIONS	Sep 30 2019	Sep 30 2018	Sep 30 2019	Sep 30 2018
Net revenue	**493,850**	**441,942**	**1,147,143**	**1,119,097**
Costs of products, goods and materials sold	349,044	305,359	767,561	834,682
Gross profit	**144,806**	**136,583**	**379,582**	**284,415**
Other income	3,803	6,012	40,651	22,801
Distribution costs	8,164	14,852	14,498	31,960
Administrative expenses	24,389	24,569	69,974	70,691
Other expenses	22,474	21,456	68,350	41,489
Operating profit	**93,580**	**81,719**	**267,411**	**163,077**
Finance income	4,297	5,047	22,427	19,505
Finance costs	9,276	18,509	41,930	35,888
Profit before tax	**88,601**	**68,257**	**247,908**	**146,694**
Income tax	16,931	12,541	50,213	28,770
Net profit from continuing operations	71,670	1	197,695	117,924
Discontinued operations	-	-	-	-
Net profit	**71,670**	**55,716**	**197,695**	**117,924**
number of shares	574,763,212	574,763,212	574,763,212	574,763,212
Earnings per share (PLN)	0.12	0.10	0.34	0.21

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

	3 months ended		9 months ended	
	Sep 30 2019	Sep 30 2018	Sep 30 2019	Sep 30 2018
Net profit/(loss)	**71,670**	**55,716**	**197,695**	**117,924**
Valuation of assets	-	**-**	-	-8
Cash flow hedges	- 3,969	1,853	-345	-1,126
Actuarial gains/(losses)	-	-	-504	-2,029
Income tax on components of total other comprehensive income	740	-353	161	600
Total other comprehensive income	- 3,229	**1,500**	**-688**	**-2,563**
Total comprehensive income	68,440	**57,216**	**197,007**	**115,361**

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

		9 months ended
	Sep 30 2019	Sep 30 2018
OPERATING ACTIVITIES		
Profit/(loss) before tax	**247,908**	**146,694**
Total adjustments	**71,548**	**-15,239**
Depreciation and amortisation	120,613	98,920
Foreign exchange (gains)/losses	178	37
Interest and share of profit (dividend)	7,926	7,823
Gain/(loss) on investing activities	8,007	2,655
Change in provisions	-30,131	18,064
Change in inventories	-18,913	-5,835
Change in receivables	-174,215	77,838
Change in current liabilities, net of bank borrowings and other debt instruments	197,458	-217,696
Income taxes paid	-36,555	-3,119
Change in accruals and prepaid expenses	-2,819	6,074
Other adjustments	-	-
Net cash from operating activities	**319,457**	**131,457**
INVESTING ACTIVITIES		
Cash provided by investing activities	**81,380**	**124,031**
Disposal of intangible assets, property, plant and equipment and investment property	55,396	6,235
Cash provided by financial assets	25,985	5,029
Other cash provided by investing activities	-	112,767
Cash used in investing activities	**269,370**	**121,374**
Purchase of intangible assets and property, plant and equipment	159,493	84,677
Purchase of investment property and intangible assets	-	-
Cash used on financial assets	109,877	36,697
Net cash from investing activities	**-187,990**	**2,656**
FINANCING ACTIVITIES		
Cash provided by financing activities	**352,171**	**89,853**
Net proceeds from issue of shares and other equity instruments and from contributions to equity	**-**	-
Borrowings	152,171	89,853
- including from related entities	142,400	-
Proceeds from issue of debt securities	200,000	-
Other cash provided by financing activities	-	-
Cash used in financing activities	**360,998**	**440,032**
Dividends and other distributions paid to owners	304,622	252,895
Repayment of borrowings	50,090	170,000
- including to related entities	50,000	-
Other financial liabilities	-	-
Payment of finance lease liabilities	315	8,978
Interest	5,971	8,159
Other cash used in financing activities	-	-
Net cash from financing activities	**-8,827**	**-350,179**
Total net cash flows	**122,640**	**-216,066**
Cash at beginning of period	127,642	382,745
Cash at end of period	250,282	166,679

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

Jan–Sep 2019	Share capital	Capital reserves	Statutory reserve funds	Revaluation reserve	Retained earnings	Total equity
Balance as at Jan 1 2019	**5,748**	**162,213**	**930,773**	**2,299**	**210,580**	**1,311,613**
Exchange differences	-	-	-	-	-	-
Financial assets available for sale	-	-	-	-1,234	1,234	-
Cash flow hedges	-	-	-	-345	-	-345
Actuarial gains/(losses)	-	-	-	-	-504	-504
Income tax on components of total other comprehensive income	-	-	-	65	95	160
Net profit/(loss)	-	-	-	-	197,695	197,695
Total comprehensive income	**-**	**-**	**-**	**-1,514**	**198,521**	**197,007**
Dividend	-	-	-151,187	-	-153,435	-304,622
As at Sep 30 2019	**5,748**	**162,213**	**779,586**	**785**	**255,665**	**1,203,997**

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Jan–Sep 2018	Share capital	Capital reserves	Statutory reserve funds	Revaluation reserve	Retained earnings	Total equity
Balance 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 total other comprehensive income	-	-	-	214	385	599
Net profit/(loss)	-	-	-	-	117,924	117,924
Total comprehensive income	**-**	**-**	**-**	**-920**	**116,280**	**115,361**
Transfer of profit to statutory reserve funds	-	-	-	-	-	-
Issue of shares	153	-	-	-	-	153
Merger with PRIMETECH S.A.	-	-	277,519	-	-	277,519
Dividend	-	-211,771	-	-	-41,125	-252,896
As at Sep 30 2018	**5,747**	**162,213**	**930,773**	**1,301**	**174,219**	**1,274,254**

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Signature of the person responsible
for the preparation of the financial statements
Marcin Pietrzak

Signatures of members of the Management Board of FAMUR S.A.

Mirosław Bendzera	………………………………………………………..
Beata Zawiszowska	………………………………………………………..
Dawid Gruszczyk	………………………………………………………..
Tomasz Jakubowski	………………………………………………………..
Ireneusz Kazimierski	………………………………………………………..
Adam Toborek	………………………………………………………..