FAMUR

FAMUR Group
Consolidated Q3 2020 report

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DISCUSSION OF FINANCIAL AND OPERATING PERFORMANCE

Summary of results for the nine and three months ended September 30th 2020

- **PLN 821m in revenue for the nine months ended September 30th 2020, down 49% year on year, mainly as a result of a major drop in orders on the OEM market and for broadly defined aftermarket services, as well as changes in the Group's structure.**
  - **PLN 254m in revenue for the three months ended September 30th 2020 alone, down 60% year on year.**
- **EBITDA for the nine months ended September 30th 2020 at PLN 344m, with EBITDA margin at 42% of revenue.**
  - **EBITDA for the three months ended September 30th 2020 at PLN 123m, with EBITDA margin at 48% of revenue driven by: (i) savings of nearly PLN 16m, (ii) improvement in the product mix as a drop in revenue from the supply of machinery and equipment was larger than a decline in revenue from leases and aftermarket services, (iii) recognition of other income of PLN 16m following a decision to discontinue CIT investigation and (iv) deconsolidation of the FAMAK Group.**
  - **In the coming quarters, profitability is likely to come under pressure due to difficult economic conditions in the Polish thermal coal mining industry, the COVID-19 crisis, as well as investment and production slowdown in the coal mining sector both in Poland and globally.**
- **PLN 155m in net profit for the nine months ended September 30th 2020, including PLN 72m for the three months ended on that day.**
- **Operating cash flow of PLN 504m for the nine months ended September 30th 2020.**
- **Cash surplus over gross debt of PLN 261m as at September 30th 2020**

(PLNm)	9 months to Sep 30 2020	9 months to Sep 30 2019	Change	3 months to Sep 30 2020	3 months to Sep 30 2019	Change
Key financial ratios						
Revenue	821	1,625	-49%	254	631	-60%
EBITDA	344	417	-18%	123	124	-1%
Net profit	155	335	-54%	72	51	41%
Cash flows from operating activities	504	301	67%	104	-88	n/a
as % of revenue						
EBITDA	42%	26%	+16pp	48%	20%	+28pp
Net profit*	16%	14%	+2pp	19%	14%	+5pp

* adjusted for material non-recurring items affecting comparability, as described on page 9.

	As at Sep 30 2020	As at Dec 31 2019
Net debt (PLNm)	-261	220
Net debt/EBITDA	- 0.7	0.5

DISCUSSION OF FINANCIAL AND OPERATING PERFORMANCE

Comment from the President of the Management Board on the performance delivered by the Group
Talking about performance in the third quarter of 2020, Mirosław Bendzera, President of the Management Board, said: "From the mining sector's perspective, after the extremely challenging second quarter, the sector's operations stabilised in the third quarter of 2020; however, its revenue deteriorated markedly year on year. The period witnessed a slight increase in global coal prices. At present, our trading partners are meeting their obligations towards the FAMUR Group, and the contracts executed earlier are being performed without any major problems, temporary suspension or invoking force majeure. However, the third quarter of 2020 saw the onset of a second wave of the COVID-19 pandemic, which is having an ever more severe impact on both local and global economies. Its impact on the mining sector so far has manifested itself in a further reduction of coal output and suspension of new investment projects.

In the third quarter of 2020 in Poland, we received orders mainly for the provision of maintenance services, supplies of machinery component parts, supplies of hydraulic and control systems, as well as rent and lease services. A slight recovery was seen on the Russian market, where in October we signed a contract with AO SUEK, our Russian partner, for delivery of 37 powered roof supports with a control system, worth almost EUR 7m, in addition to several lesser contracts for shearer loaders and scraper conveyors with other customers.

Despite restrictions on cross-border traffic imposed after the COVID-19 pandemic outbreak, we managed to successfully deliver a MIKRUS system to China. The assembly, start-up and testing in mining conditions were performed remotely. Remote completion of the entire process was made possible thanks to the involvement of our and our customer's staff and the use of cutting edge automation and IT solutions. The MIKRUS system was presented by China Energy as one of the most innovative projects recently launched on the Chinese market.

Under the contract for delivery of a longwall system to Indonesia, the presence of the FAMUR Group's maintenance team at the customer was successfully ensured, and therefore the assembly and start-up phase will be carried out under their strict, direct supervision.

A gradual decline in demand and no prospects for improvement both in the short- and medium term within the category of belt conveyors as well as railway and route products prompted a decision in the third quarter to further optimise production processes by closing down the branch in Piotrków Trybunalski. The manufacturing, technical and technological capabilities and product know-how of the closed branch will be taken over by the branches in Nowy Sącz and Katowice. These efforts will enable effective use of the capacities of all FAMUR branches while maintaining manufacturing capacities and know-how so that production of belt conveyors, railways and routes is continued to fulfil any secured orders.

Certain systemic decisions were made in the third quarter concerning the future of Poland's thermal coal sector. An agreement was signed in late September 2020 between representatives of the Polish government and the Inter-Union Protest and Strike Committee of the Silesian-Dąbrowa Region concerning the concept for and the pace of transformation of the hard coal sector, providing for gradual phase-out of mines owned by Polska Grupa Górnicza and Węglokoks Kraj until completion of the process in 2049. This means a gradual reduction in demand for the FAMUR Group's products and services on the Polish market, in line with the timetable for the closing down of individual thermal coal mines. In the situation we are in today, our organisation plans to adapt its operations to the shrinking domestic market, and to strongly focus on continuing foreign expansion and diversifying its business. The FAMUR Group is stepping up efforts to seek attractive acquisition targets both in the complementary sectors (HRM) and in new, promising non-mining industries, where it can achieve product, manufacturing, technology and cost synergies.

Despite the adverse economic conditions, in the third quarter of 2020 the FAMUR Group's commercial efforts translated into more than PLN 120m in newly secured orders. As a result, the total value of our backlog (supplies of machinery and equipment and leases in accordance with the contracts terms) was approximately PLN 712m as at the end of September 2020.

In the third quarter of 2020, revenue fell by 60% year on year, and by approximately 55% after the elimination of consolidation changes, to PLN 254m. The largest year-on-year declines were recorded in revenue from the supply of machinery and equipment (down 72%) and in recurring revenue (down 29%). Despite this steep revenue decline, the Group generated EBITDA of PLN 123m thanks to a swiftly implemented cost optimisation plan and generated savings of almost PLN 16m. Profitability was also positively affected by the receipt of a favourable decision to discontinue CIT investigation. EBITDA posted by the Group, combined with effective management of working capital, including in particular the monitoring of receivables collection, translated into operating cash flows of PLN 104m in the third quarter of 2020. At the end of September 2020, the FAMUR Group increased its cash surplus over debt to PLN 261m.

In the coming quarters profitability is expected to be under growing pressure due to the persistently difficult economic conditions in the Polish thermal coal mining industry, the COVID-19 crisis, as well as investment and production slowdown in the mining sector both in Poland and abroad. Our focus will remain on diversification projects, in line with the adopted objectives, and on commercial activities in foreign markets. However, changes taking place in our business environment, combined with the growing importance of diversification projects for the FAMUR Group's future development, will require a revision of our objectives and update of the strategic plan.

In the coming weeks, we will be closely monitoring further developments related to the second wave of the pandemic; we will appropriately align our efforts to ensure the safety of our staff, dependably provide services and products to our customers, and minimise the risk of disruption to our operations."

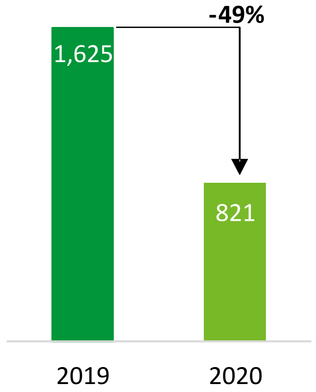
Analysis of factors, events and the Company's achievements with a material bearing on performance

The following discussion of the results for the nine and three months ended September 30th 2020 should be read in conjunction with the condensed quarterly consolidated and separate financial statements of the FAMUR Group for the nine months ended September 30th 2020, prepared in accordance with International Financial Reporting Standards (IFRSs), including notes to those statements, the audited consolidated financial statements of the FAMUR Group and separate financial statements of FAMUR S.A. for the year ended December 31st 2019, prepared in accordance with IFRSs, and the Directors' Report on the operations of FAMUR S.A. and the FAMUR Group in 2019. The following discussion of the results achieved in the period is intended to provide the readers with information enabling them to understand changes in the selected key items of the financial statements and to present significant factors behind those changes. In its evaluation and discussion of the reported financial performance, financial position and cash flows, the FAMUR Group makes references to performance metrics other than those expressly defined or outlined in the applied financial reporting framework compliant with IFRS requirements, such as 'EBITDA', 'net debt', and 'working capital'. However, these metrics are calculated on the basis of information sourced from the financial statements prepared in accordance with IFRSs, with their definitions and calculations presented in the 'Alternative performance measures' section.

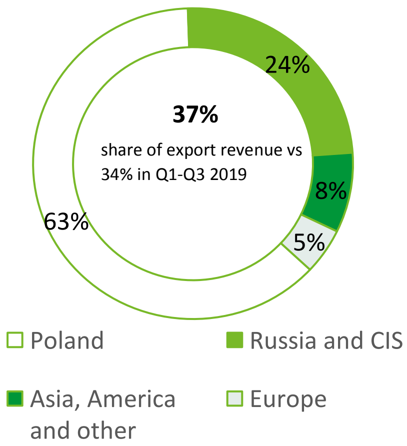
DISCUSSION OF FINANCIAL AND OPERATING PERFORMANCE

FAMUR Group's consolidated revenue for the nine months ended September 30th 2020

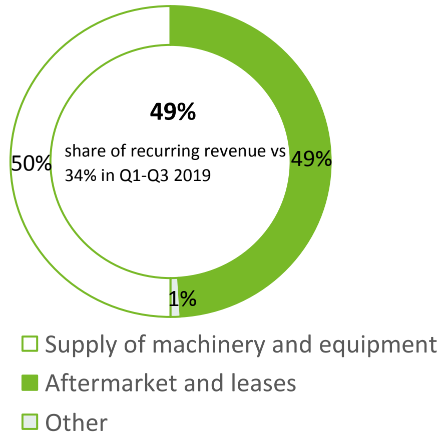
Revenue, PLNm



Revenue by country according to IFRSs (%)



Revenue by type of product/service according to IFRSs (%)



Market environment

The number of orders for mining equipment offered by the FAMUR Group reflects largely the currently prevailing and expected global trends in coal prices, which remain subdued. Combined with the increasingly more stringent decarbonisation policies, these trends have been prompting coal producers to downscale, suspend or even abandon new investment projects, limiting their orders mainly to maintenance services, spare parts and other expenditures related primarily to day-to-day operations, although these are also being reduced due to lowered output. The COVID-19 induced crisis has had a particularly adverse effect on coal producers in Poland and prompted the need to further restructure the sector. In the nine months ended September 30th 2020, hard coal production in Poland fell 13% year on year, and the third quarter of 2020 alone saw coal output drop 11% year on year. At the end of September 2020, coal stocks increased by 8% relative to the end of June 2020.[1] This sharp decline in coal production significantly reduced orders for new machinery and equipment, but also for maintenance services and broadly defined aftermarket services. Additionally, in the second quarter of 2020, following the COVID-19 pandemic outbreak, mining companies in Poland declared force majeure and notified their trading partners of temporary suspension of deliveries of ordered machinery and equipment as well as shearer loader and roadheader leases.

Two product categories were particularly affected by reduced orders and investment cuts in mining machinery and equipment. The first was the category of scraper conveyors, and the other was that of belt conveyors, railways and routes.

The persistently low coal prices coupled with the global economic slowdown caused by COVID-19 have dampened demand for FAMUR Group products also on foreign markets. For instance, the difficult situation on coal markets was cited by AO SUEK Russia in March 2020 as the reason for suspension of its ca. EUR 85m project for an indefinite period. FAMUR had been selected as the contractor for the project in December 2019. After the pandemic outbreak, major cross-border traffic and administrative restrictions were imposed in countries where the FAMUR Group subsidiaries operate (Russia, Kazakhstan and South Africa). This prompted the subsidiaries to temporarily suspend operations, led to a decline in orders for aftermarket services, had an adverse effect on the acquisition of new contracts for machinery and equipment supplies, and disrupted the supply (e.g. assembly) of previously ordered machinery and equipment, making it necessary to complete that stage remotely.

[1] *Source: in-house calculations based on data sourced from https://polskirynekwegla.pl/*

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Despite this challenging market environment, in the third quarter of 2020 the FAMUR Group secured orders totalling more than PLN 120m. In the nine months to September 30th 2020, the FAMUR Group reported a significant contract for the supply of 120 powered roof supports to Russia, with a value of approximately PLN 69m (May 2020, Current Report No. 15/2020). Additionally, in October 2020 the FAMUR Group signed a contract for the supply of powered roof supports to AO SUEK-Kuzbass, with a value of EUR 6.8m (approximately PLN 30m, Current Report No. 25/2020). As at the end of September 2020, the total value of the FAMUR Group's backlog (supplies of machinery and equipment and leases in accordance with the contracts terms) was approximately PLN 712m.

Revenue development

(PLNm)	9 months to Sep 30 2020	9 months to Sep 30 2019	3 months to Sep 30 2020	3 months to Sep 30 2019
Supply of machinery and equipment	409	957	122	440
Revenue from aftermarket services and leases	408	559	131	185
Other	4	109	1	6
Total trade receivables	**821**	**1,625**	**254**	**631**

In the nine months ended September 30th 2020, revenue according to International Financial Reporting Standards (IFRSs) fell by PLN 804m (-49%) year on year, to PLN 821m. The decline followed partly from changes in the scope of consolidation: Przedsiębiorstwo Budowy Szybów (PBSz), whose revenue of approximately PLN 94m was recognised in the FAMUR Group's revenue for the nine months to September 30th 2019, was sold in May 2019, and in February 2020 the Group lost control of the FAMAK Group – its revenue is not included in the consolidated financial statements as of March 2020. The FAMAK Group contributed respectively ca. PLN 187m and ca. PLN 23m to consolidated revenue for the first nine months ended September 30th 2019 and 2020 (after consolidation adjustments). The FAMUR Group's revenue for the nine months to September 30th 2020 after adjustments related to the changes in consolidation would have been lower by approximately PLN 546m (-41%) year on year driven by a decrease in revenue from the supply of mining machinery and equipment and lower recurring revenue (mainly aftermarket).

Revenue from the supply of machinery and equipment in the nine months ended September 30th 2020 was PLN 409m, having fallen PLN 548m (-57%) on the nine months to September 30th 2019. A decrease in recurring revenue (aftermarket and leases) was less substantial: such revenue fell over the same period by PLN 151m (-27%), to PLN 408m. A reduction in other revenue was mainly attributable to the sale of Przedsiębiorstwo Budowy Szybów in May 2019.

In the three months ended September 30th 2020 alone, revenue was PLN 254m, down PLN 377m (-60%) year on year. The decline was led mainly by a PLN 318m (-72%) decrease in revenue from the supply of machinery and equipment and a PLN 54m (-29%) reduction in aftermarket revenue.

Sales by key geographies

In the first nine months of 2020, the FAMUR Group's export sales accounted for approximately 37% of total revenue, vs 34% in the year before. Sales to foreign markets were mainly to Russia and CIS countries (approximately 24% of total revenue), and to a lesser extent Europe (approximately 5%). Asian, American and African countries combined accounted for about 8% of total revenue.

The FAMUR Group's strong position in Russia and Kazakhstan is also supported by the development of its local subsidiaries, whose presence there makes it possible to expand the scope of broadly defined aftermarket and maintenance services. In 2020 TOO FAMUR Kazakhstan received the necessary plant and equipment to enable it to provide a complete range of repair services for actuator-based hydraulic systems. In the fourth quarter of 2020, an appropriately selected team of FAMUR experts is to be sent to the site, to supervise the completion of work. Once the project is completed, the Kazakh subsidiary will be able to fully serve local customers' needs and respond much faster to market requirements.

Profitability

(PLNm)	9 months to Sep 30 2020	9 months to Sep 30 2019	3 months to Sep 30 2020	3 months to Sep 30 2019
Key profitability ratios				
Gross profit	299	458	100	167
Operating profit	211	269	79	73
EBITDA	344	417	123	124
Net profit	155	335	72	51

Gross profit

In the nine months to September 30th 2020 gross profit was PLN 299m, down PLN 159m on the same period of 2019, while in the three months ended on that day gross profit was PLN 100m, down PLN 67m year on year.

Gross profit margin as a percentage of revenue (for the nine months ended September 30th 2020) improved 8pp, to 36%, mainly as a result of the following factors:
- shift in the mix of ongoing contracts as the decline in revenue from the supply of machinery and equipment was larger than the drop in revenue from aftermarket services and leases,
- changes in the FAMUR Group structure (following the sale in May 2019 of Przedsiębiorstwo Budowy Szybów and loss of control of the FAMAK Group in February 2020). Due to its nature, those companies' business generated a margin below the FAMUR Group's average. In addition, gross profit margin in the comparative period was affected by a PLN 20m adjustment to unbilled revenue following the revision of ongoing contract budgets at the FAMAK Group.

Profitability improved also on the back of continued efforts to optimise the cost structure, especially with regard to the organisational structure and steps taken as part of the Lean Management project.

Operating profit and EBITDA

In the nine months ended September 30th 2020, operating profit and EBITDA came in at PLN 211m and PLN 344m, respectively, down by PLN 58m and PLN 73m year on year. In the three months ended September 30th 2020 alone, operating profit reached PLN 79m, up PLN 6m year on year, whereas EBITDA was PLN 123m, down by PLN 1m on the same period of 2019.

The year-on-year decline in both operating profit and EBITDA for the first nine months of 2020 was driven by lower gross profit, partially offset by a reduction in net operating expenses resulting from wage subsidies received and application of measures provided for under the Anti-Crisis Shield Act[2], reversal of the provision for tax risk following the favourable tax decision to discontinue CIT investigation and certain non-recurring events in the comparative period (PLN 24m recognised in impairment losses and provisions at the FAMAK Group). The EBITDA change in the period was also driven by a PLN 15m decrease in depreciation and amortisation reflecting changes in the scope of consolidation.

EBITDA margin (for the nine months to September 30th 2020) improved by 16pp, reaching 42% of revenue, thanks to the improvement in gross profit margin, savings generated (of nearly PLN 41m), reversal of the provision for tax risk (of approximately PLN 16m) and certain non-recurring events which affected comparative data: PLN 44m charged to operating profit of the FAMAK Group (third quarter of 2019) following the update of ongoing contract budgets as well as provisions and impairment losses recognised.

[2] *Act Amending the Act on Special Measures Related to Preventing, Counteracting and Combating COVID-19*

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In the coming quarters profitability is expected to be under growing pressure due to the persistently difficult economic conditions in the Polish thermal coal mining industry, the COVID-19 crisis, as well as investment and production slowdown in the coal mining sector both in Poland and abroad.

Net profit

Net profit for the nine months ended September 30th 2020 was PLN 155m, compared with PLN 335m for the same period of 2019. The year-on-year comparability was affected by the following material non-recurring events:

- in the nine months ended September 30th 2020: PLN 22.5m positive effect on net profit in the third quarter of 2020 following receipt of the favourable tax decision to discontinue CIT investigation,
- in the nine months ended September 30th 2019: PLN 141m in net gain on the sale of PBSz shares (second quarter of 2019) and PLN 41m negative effect on net profit following the revision of ongoing contract budgets and recognition of provisions and impairment losses at the FAMAK Group (third quarter of 2019).

Excluding the above events, the decrease in net profit was chiefly attributable to lower operating profit.

Excluding material non-recurring events, net profit margin for the nine months ended September 30th 2020 was at 16% of revenue, up from 14% in the comparative period. The improvement was driven by savings, shift in the product mix as a result of a larger drop in revenue from the supply of machinery and equipment than from leases and aftermarket services, and by deconsolidation of PBSz and the FAMAK Group, which, given the nature of their operations, delivered lower margins.

In the three months to September 30th 2020 alone, net profit was PLN 72m, compared with PLN 51m in the corresponding quarter of 2019. Excluding non-recurring events which affect the year-on-year comparability (PLN 22.5m positive effect on net profit in the three months ended September 30th 2020 following the discontinuation of CIT investigation and PLN 41m negative effect on net profit in the comparative period following the revision of ongoing contract budgets as well as provisions and impairment losses recognised at the FAMAK Group), net profit would decline by approximately PLN 43m. Net profit margin adjusted for the non-recurring events in the three months ended September 30th 2020 was 19%.

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Financial resources and liquidity position

The table below presents selected IFRS-compliant financial information and other measures of financial health, defined in the ‘Alternative performance measures’ section.

(PLNm)	As at Sep 30 2020	As at Dec 31 2019
Cash and cash equivalents	748	602
Gross debt	487	822
Net debt	-261	220
Working capital	608	1,029
Assets	2,459	2,975
Net debt/EBITDA	-0.7	0.5
Average working capital for the quarter as % of revenue	45%	48%

(PLNm)	9 months to Sep 30 2020	9 months to Sep 30 2019
Cash flows from operating activities	504	301
Cash flows from investing activities	-89	3
Cash flows from financing activities	-267	-286

Net debt

As at September 30th 2020, net cash exceeded borrowings, other debt instruments and lease liabilities by PLN 261m. In the nine months ended September 30th 2020, total non-current and current borrowings and other debt instruments went down by PLN 316m, to PLN 437m, and lease liabilities fell by PLN 19m, to PLN 50m.

Working capital

The decrease in working capital (understood as inventories and short-term trade receivables less short-term trade payables) was attributable to lower revenue, which led mainly to a material decrease in the carrying amount of trade receivables in the nine months ended September 30th 2020 (by PLN 476m to PLN 490m) as a result of contract settlement, with a PLN 96m decrease in trade payables in the same period, which fell to PLN 144m, while inventories fell by PLN 41m, to PLN 262m as at the end of September 2020. The working capital to revenue ratio for the last 12 months was 45%. Lower working capital requirements had a material effect on operating cash flows in the nine months ended September 30th 2020.

Assets

In the nine months ended September 30th 2020, assets fell by PLN 516m, with current assets down PLN 413m and non-current assets down PLN 103m. The decrease in assets was chiefly attributable to a lower amount of receivables and changes in the scope of consolidation resulting from the loss of control of the FAMAK Group in February 2020.

Cash flows

Cash from operating activities of PLN 504m reported for the nine months ended September 30th 2020 was an effect of EBITDA of PLN 344m and released working capital of PLN 286m (PLN 327m in cash inflows from accounts receivable and PLN 12m from inventories, partly offset by negative changes in current liabilities of PLN 53m). Income tax paid was PLN 73m. Other adjustments reconciling EBITDA to operating cash flow amounted to PLN -53m. Cash used in investing activities included primarily PLN 121m spent on property, plant and equipment and intangible assets, partially offset by PLN 13m in proceeds from the sale of non-core assets. Other inflows from investing activities included mainly repayment of a loan by the FAMAK Group, while other outflows were cash at the FAMAK Group as at the deconsolidation date. Cash used in financing activities, of PLN 267m, included a net decrease in bank borrowings (PLN 137m), repayment of Series A notes (PLN 108m), payment of interest (PLN 8m) and of lease liabilities (PLN 14m).

Workforce

In the nine months ended September 30th 2020, the FAMUR Group had an average headcount of 3,251, compared with 4,740 in 2019. The decrease was largely attributable to the sale of PBSz and deconsolidation of the FAMAK Group due to the loss of control, as well as measures taken by the Group to optimise its organisational structure in line with the prevailing market conditions.

Measures taken in the nine months ended September 30th 2020 to adjust the FAMUR Group's cost structure to expected market conditions

In order to adjust its operational resources and cost base structure to current and expected market demand reflecting the global economic slowdown, developments on the coal market and the COVID-19 crisis, in the first nine months of 2020 the Management Board of FAMUR S.A. took the optimisation measures described below, including collective redundancies which covered a total of 450 FTEs by the end of September 2020.

On March 13th 2020, following a cost review covering the structure of employment within Famur S.A.'s central support functions, performed in early 2020, employees were notified of planned collective redundancies covering 84 FTEs within those functions. After all the collective redundancy procedures required by applicable laws had been carried out, the first termination notices were given to employees at the end of March 2020.

To mitigate the adverse effects of reduced orders for scraper conveyors, on April 24th 2020 the Management Board passed a resolution to put the D450 branch in Rybnik into liquidation (Current Report No. 13/2020 of April 24th 2020). This will help the FAMUR Group to optimise its manufacturing processes by consolidating the scraper conveyors business within a single plant, while maintaining technical, technological and product capabilities enabling the Group to manufacture scraper conveyors and peripheral equipment according to the order pipeline. Closing down of the branch involved laying off 204 employees. The collective redundancies at the branch are proceeding as assumed and are planned to be completed at the beginning of 2021.

On September 7th 2020, the Management Board of FAMUR S.A. decided to relocate the manufacture of belt conveyors from the branch in Piotrków Trybunalski to that in Nowy Sącz. The railways and routes business of the Piotrków Trybunalski branch, which is smaller accounting for about 15% of its revenue, will be taken over by the branch in Katowice (Current Report No. 22/2020). Due to the liquidation of the branch, 27 employees were given the option to relocate to the plant in Katowice and 10 to relocate to the Nowy Sącz branch, with 190 covered by a collective redundancy procedure. The collective redundancies started at the end of September and are proceeding as planned; the process is to be completed by the end of June 2021. These measures will help the FAMUR Group to adjust its operational resources to an expected significant reduction in demand for belt conveyors as well as railway and route products, while maintaining the manufacturing, technical and technological capabilities and product know-how, so that the production of belt conveyors, railway and route products is continued to fulfil any secured orders.

They are also in line with the pillars of the adopted FAMUR Group strategy, in particular with the striving for operational excellence by maintaining a flexible operating model, quickly adaptable to the changing business environment.

DISCUSSION OF FINANCIAL AND OPERATING PERFORMANCE

Factors which the FAMUR Group believes may affect its performance in the following quarter or future periods

Key factors and risks with a potential bearing on the FAMUR Group's financial performance in the following quarter or future periods are described 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 of the Directors' Report on the operations of FAMUR S.A. and the FAMUR Group in 2019. The referenced reports are available on the Company's website at https://famur.com.

Other significant factors are discussed below:

Impact of the COVID-19 pandemic on the FAMUR Group's business

The rate of spread of the SARS-CoV-2 virus in Poland and globally, as well as the related preventive measures introduced by individual countries, affected each aspect of business life. In particular, in the period from March to June 2020, the FAMUR Group had to minimise the risk of business disruption and mitigate the negative financial consequences of partial suspension of contract performance by some of its domestic trading partners. The FAMUR Group keeps monitoring this risk and taking steps to mitigate the adverse impact of the second wave of the pandemic on the Group's operations.

The steps taken to ensure uninterrupted operations are described in detail in Section 7 'Material risk factors and threats with bearing on the Company's business' of the Directors' Report on the operations of FAMUR S.A. and the FAMUR Group in 2019.

The COVID-19 pandemic affected the FAMUR Group's financial and operating performance in the nine months ended September 30th 2020 mainly with respect to revenue from aftermarket services and leases and, to some extent, supplies and orders, as a result of the following events:

– In the second quarter of the year, some of the Company's domestic customers issued notices of temporary suspension of selected shearer loader and roadheader leases citing COVID-19 as a force majeure event. Depending on the trading partner, the performance of lease contracts was suspended for a month, one day a week for three months or for an indefinite period. Force majeure was declared, among others, by PGG, JSW, Węglokoks and Tauron.
– The material restrictions introduced preventively in the operations of mining plants led to lower production and thus fewer orders for aftermarket services.
– There was also a decline in orders for maintenance services as a consequence of the restrictions imposed by the governments of Russia and South Africa. The Company's subsidiaries operating on those markets had to significantly limit their operations.
– The COVID-19 related restrictions on cross-border movement of people and operation of mines in the countries affected by the pandemic hinder the acquisition of new contracts and completion of final stages of contracts for the supply of machinery. The pandemic hampered the performance of the final phase of a contract with a Chinese customer. However, thanks to the advanced IT technologies used in the MIKRUS control system and remote communication in close interaction with the Chinese partner, it was possible to successfully perform a remote start-up of the system, first as part of a compatibility test on the surface and then underground in the customer's mine.
– The COVID-19 crisis, together with the low global coal prices, also caused a significant drop in orders on the OEM market as mining companies are suspending or reducing planned expenditure on new equipment due to significantly greater uncertainty.
– In April 2020, the Company signed agreements with the Social Partners on the application of the solutions provided for in the Anti-Crisis Shield Act, i.e. reduction of working time by 20% and the resultant reduction of salaries and wages by 20% in the period May 1st−July 31st 2020. As a result of applying for support under the governmental anti-crisis shield, the FAMUR Group received grants of approximately PLN 15m as wage subsidies for May, June and

July. The grants have already been disclosed in the Company's accounting records for the nine months ended September 30th 2020.

– The COVID-19 pandemic is also affecting the activities of the Company's associate FAMAK (together with its subsidiaries, the FAMAK Group), which has experienced a disruption in the performance of a contract on the Dutch market. Restrictions on cross-border movement have caused delays in the assembly and transport phases, thus also delaying invoicing and adversely affecting operating cash flows. Any further restrictions on cross-border movement of people will impede the completion of assembly phases of the running export contracts. In addition, due to remote-work systems implemented by the customers, deadlines for the provision of technical documentation were delayed under other contracts, which has adversely affected the level of production as well as profitability of the running contracts and has resulted in related revenue being shifted to future periods. Due to the pandemic, customers of the FAMAK Group companies are postponing their investment decisions, which will also have an adverse effect on revenue in subsequent periods.

In the third quarter of 2020, due to the continuing threat of COVID-19, FAMUR continued to operate under strict sanitary measures, with office work performed from two separate locations and close monitoring of safety procedures at the manufacturing plants. Due to a surge in new cases of coronavirus infections in October 2020 (the second wave of COVID-19), the Company reorganised its work to ensure staff safety and mitigate the risk of material limitation or discontinuation of its operations. These measures included redefining the principles of social distancing and division into separate zones (locations), delegating employees to work from home, increased use of personal protective equipment, and updating the rules of staff delegation and direct cooperation with external trading partners (stakeholders).

Other risk factors resulting from the second wave of the COVID-19 pandemic, which are beyond the FAMUR Group's control, include restrictions on cross-border traffic or other administrative restrictions that may trigger the risk of delay or even suspension of deliveries. The FAMUR Group is mitigating this risk by widely diversifying its portfolio of suppliers and cooperating partners and using advanced tools to support remote control of projects being launched.

It is currently impossible to accurately estimate the scale of the pandemic's impact on the business environment of the FAMUR Group in the coming quarters, and in particular on the demand for its products and services, as it is factor that remains beyond the FAMUR Group's control. The FAMUR Management Board is monitoring the threats posed by the COVID-19 crisis on an ongoing basis and is taking appropriate steps to ensure that the employees are safe, operations are not disrupted, liabilities are met, financial liquidity is maintained, and the negative impact of the situation on the Group's profitability is mitigated.

Lower capital expenditure and production in the coal mining sector in Poland and abroad due to the difficult market situation

A significant increase in economic uncertainty caused by the COVID-19 crisis, further decline in thermal coal prices and the continued low prices of coking coal across global markets have translated into reduced business activity, including investments, by companies operating in the mining industry both in Poland and abroad. In addition, lower coal production caused by the epidemiological risk at individual mines and an overall decline in demand for coal have contributed to weaker aftermarket revenues. The lower growth in demand for thermal coal in Asia and the decline in demand in Europe may lead to reduced capital expenditure and, consequently, reduced production on the Russian, as well as other, markets. The difficult situation on coal markets was cited by AO SUEK Russia in March 2020 as the reason for suspension of its ca. EUR 85m project for an indefinite period. FAMUR was selected as the contractor for the project in December 2019.

The restrictions imposed in Russia and South Africa by the governments of these countries and the global impediments to cross-border movement of people caused the FAMUR Group subsidiaries present in these countries to significantly reduce their operating activities. This situation, combined with significant restrictions on mine operations in the countries affected by the pandemic, causes difficulties in acquiring new orders, providing aftermarket services, and implementing the final stages of the contracts for the supply of machinery and equipment.

DISCUSSION OF FINANCIAL AND OPERATING PERFORMANCE

The falling number of coal production projects due to the decarbonisation policy may result in more intense competition, both in Poland and abroad, which may erode margins and drive down profitability.

Since the beginning of 2020, the FAMUR Group has been affected by the globally deteriorating market environment, problems faced by Polish mining operators and growing pressures from financial institutions to curtail financing for companies associated with the broad sector of conventional coal-fired power generation.

The FAMUR Group is monitoring the situation on the markets in which it operates and will adjust its production capacities, operating resources and cost structure to changing conditions.

Difficult economic situation of the Polish hard coal mining industry and possible impact of the restructuring plans on the mining-related industry

Given the difficult economic situation of the Polish hard coal mining industry, exacerbated by the COVID-19 pandemic, corrective measures need to be taken. An unfortunate consequence of postponing the solutions under the recovery plans for Poland's thermal coal mining sector is the suspension of investment decisions by mining companies and reduced orders for related services.

The company whose economic situation is particularly difficult is Polska Grupa Górnicza (PGG), which accounted for 29% of the FAMUR Group's revenue in the nine months ended September 30th 2020. As at September 30th 2020, the FAMUR Group's total receivables from PGG stood at approximately PLN 130m, including past due receivables of approximately PLN 14m. The total exposure, including invoiced revenue, recourse rights relating to receivables sold, and other payments under the contracts in progress (including, but not limited to, the outstanding payments for the lease of shearer loaders and roadheaders), is approximately PLN 515m.

After long and complex talks and negotiations, at the end of September 2020 representatives of the Polish government and the Inter-Union Protest and Strike Committee signed an agreement specifying the concept forand the pace of the sector's transformation. The key provisions of the agreement include: (i) an obligation to formulate, by December 15th 2020, a 'Social Contract' regulating how the sector would operate, (ii) linking the future Energy Policy of Poland to the arrangements of the Social Contract, (iii) guarantee of employment until retirement, or welfare solutions, for currently employed staff, (iv) planned exemption from mandatory wholesale of electricity on the power exchange, and (v) appointment of an officer for the social and economic transformation of post-mining areas. The agreement's key provision says that by 2049 hard coal production at the last mine covered by the programme will have ended. The agreement specifies about a dozen mines covered by the preliminary restructuring schedule, owned mainly by PGG and Węglokoks (without any reference made to mines owned by Tauron Wydobycie and Bogdanka). The process is assumed to start in 2021 with a merger of the Wujek and Murcki-Staszic mines and closure of the RUDA Ruch Pokój mine. However, a majority of the mines concerned are planned to be closed down in the 2030's and 2040's, with 2049 as the final deadline (production will then end at the ROW Ruch Chwałowice and Jankowice mines).

The Social Contract will be subject to notification to the European Commission. This is necessary to have the state aid approved, particularly with respect to financing of day-to-day coal production, which is to ensure stability of the sector's operations until 2049.In October 2020, work is planned to commence on an agreement for transformation of the Katowice Province.

The prolonging work on the final rules to govern the restructuring and operation of the Polish mining sector is making it difficult to reliably estimate the impact of the restructuring process on the FAMUR Group's operations and future financial performance. The uncertainty is increasing the risk that the institutions financing the FAMUR Group may reduce the amounts available under the granted credit or guarantee facilities and shorten the financing periods, despite due discharge by the FAMUR Group of its financial liabilities and maintaining financial ratios significantly above the levels required by the contractual covenants.

DISCUSSION OF FINANCIAL AND OPERATING PERFORMANCE

Given the FAMUR Group's significant sales under contracts executed with Polish mining companies and the considerable share of receivables from those companies in the FAMUR Group's statement of financial position, the agreed restructuring may have a material impact on FAMUR Group's future performance due to the following factors:

- Acceleration of the phase-out of the Polish mining industry, which will reduce FAMUR's revenue,
- Risk of shortening the depreciation periods of shearer loaders and roadheaders leased at the Wujek and Pokój mines due to their planned closure before the end of the lease contract terms (six machines altogether),
- Expected decline in demand for shearer loader and roadheader leases in the coming years,
- Reduction of orders for new equipment,
- Gradual decline in demand for maintenance services due to a reduction in the fleet of machinery and equipment following the decommissioning of mines.

FAMUR

CONDENSED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

for the nine months ended September 30th 2020, prepared in accordance with International Financial Reporting Standards (unaudited)

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Consolidated statement of profit or loss

for the three and nine months ended September 30th 2020, prepared in accordance with IFRSs (unaudited)

in PLNm, except for earnings per share	9 months to Sep 30 2020	9 months to Sep 30 2019	3 months to Sep 30 2020	3 months to Sep 30 2019
Revenue	**821**	**1,625**	**254**	**631**
Cost of sales	522	1167	154	464
Gross profit	**299**	**458**	**100**	**167**
Distribution costs	15	21	3	9
Administrative expenses	75	111	20	39
Profit on sales	**209**	**326**	**77**	**119**
Other income	74	44	30	4
Gain on disposal of non-financial non-current assets	4	2	3	1
Grants	15	1	6	-
Other income, including:	55	41	21	3
reversed impairment losses on expected credit losses	3	3	-	-
Other expenses	72	101	28	50
Revaluation of non-financial assets	14	46	8	27
Other expenses	58	55	20	23
Operating profit	**211**	**269**	**79**	**73**
Finance income	21	20	16	4
Dividend	1	-	1	-
Interest	15	17	8	7
Gain on disposal of investments	1	2	-	2
Revaluation of investments	-	-	8	-
Other	4	1	-1	-5
Finance costs	44	36	4	10
Interest	15	21	4	8
Revaluation of investments	11	9	-	3
Other	18	6	-	-1
Gain/(loss) on disposal or partial disposal of shares in subordinates	12	141	-	-
Share in net profit/(loss) of equity-accounted subordinates	-9	-	-5	-
Profit before tax	**191**	**394**	**86**	**67**
Income Taxes	38	58	14	17
Net profit from continuing operations	**153**	**336**	**72**	**50**
Discontinued operations	2	-1	-	1
Net profit, attributable to:	**155**	**335**	**72**	**51**
owners of the parent	154	334	71	50
non-controlling interests	1	1	1	1
Earnings per ordinary share	0.27	0.58	0.13	0.09
Diluted earnings per ordinary share	0.27	0.58	0.13	0.09
Weighted average number of shares (millions)	575	575	575	575

Consolidated statement of comprehensive income

for the three and nine months ended September 30th 2020, prepared in accordance with IFRSs (unaudited)

(PLNm)	9 months to Sep 30 2020	9 months to Sep 30 2019	3 months to Sep 30 2020	3 months to Sep 30 2019
Net profit	**155**	335	**72**	51
Other comprehensive income that may be reclassified to profit or loss in subsequent reporting periods:	**-25**	4	**-10**	-4
Cash flow hedges	-2	-	-	-3
Exchange differences	-23	4	-10	-1
Other comprehensive income that will not be reclassified to profit or loss in subsequent reporting periods:	**-**	-1	**-**	-
Actuarial gains/(losses)	-	-1	-	-
			-	-
Total other comprehensive income, net of tax	**-25**	3	**-10**	-4
Total comprehensive income	**130**	338	**62**	47
including income attributable to non-controlling interests	**1**	1	**1**	1

FAMUR

Consolidated statement of financial position

as at September 30th 2020 and December 31st 2019, prepared in accordance with IFRSs (unaudited)

Assets

(PLNm)	Note	Sep 30 2020 (unaudited)	Dec 31 2019 (audited)
Non-current assets		**833**	**936**
Intangible assets, including:		187	198
- goodwill		162	162
Property, plant and equipment		467	598
Property, plant and equipment		423	564
Property, plant and equipment under construction		44	34
Long-term receivables		2	4
Long-term investments		111	64
Property		76	43
Non-current financial assets		35	21
Other non-current assets (prepayments and accrued income)		1	1
Deferred tax assets		65	71
Current assets		**1,626**	**2,039**
Inventories		262	303
Short-term receivables		544	1,012
finance lease receivables		-	2
trade receivables		490	966
tax receivables, including:		23	12
current tax assets		18	4
other receivables		31	32
Other current financial assets		2	11
Cash and cash equivalents		748	602
Other current assets (prepayments and accrued income)		6	12
Non-current assets classified as held for sale		64	99
Total assets		**2,459**	**2,975**

Consolidated statement of financial position

as at September 30th 2020 and December 31st 2019, prepared in accordance with IFRSs (unaudited)

Equity and liabilities

(PLNm)	Note	Sep 30 2020 (unaudited)	Dec 31 2019 (audited)
Equity		**1,639**	**1,511**
Share capital		6	6
Statutory reserve funds		816	643
Revaluation reserve		1	3
Other capital reserves		114	114
Exchange differences on translating foreign operations		-27	-4
Retained earnings		761	795
Equity attributable to owners of the parent		1,671	1,557
Equity attributable to non-controlling interests		-32	-46
Liabilities and provisions for liabilities		**807**	**1,447**
Provisions for liabilities		62	121
Deferred tax liabilities		3	3
Provision for retirement and similar benefits		28	43
non-current		24	28
current		4	15
Other provisions		31	75
long-term		9	10
short-term		22	65
Non-current liabilities		449	485
Borrowings and other debt instruments		403	421
Non-current lease liabilities		45	61
Other non-current liabilities		1	3
Current liabilities		274	811
Trade payables		144	240
Wages and salaries		13	18
Tax payable, including:		32	91
Current tax liabilities		7	50
Current lease liabilities		5	8
Short-term borrowings and notes		34	332
Other		46	122
Other liabilities (accrued expenses and deferred income)		22	30
Liabilities directly related to non-current assets classified as held for sale		**13**	**17**
Total equity and liabilities		**2,459**	**2,975**

FAMUR

Consolidated statement of changes in equity

for the nine months ended September 30th 2020, prepared in accordance with IFRSs (unaudited)

(PLNm)	Share capital	Statutory reserve funds	Other capital reserves	Translation reserve	Revaluation reserve	Retained earnings	Equity attributable to non-controlling interests	Total equity
Jan 1 2020	**6**	**643**	**114**	**-4**	**3**	**795**	**-46**	**1,511**
Net profit	-	-	-	-	-	155	-	155
Other comprehensive income	-	-	-	-23	-2	-	-	-25
Transfer of profit to statutory reserve funds	-	170	-	-	-	-170	-	-
Purchase of non-controlling interests	-	-	-	-	-	-16	14	-2
Other	-	3	-	-	-	-3	-	-
Sep 30 2020	**6**	**816**	**114**	**-27**	**1**	**761**	**-32**	**1,639**
Jan 1 2019	**6**	**796**	**114**	**-10**	**2**	**716**	**-37**	**1,587**
Net profit	-	-	-	-		335	1	336
Other comprehensive income	-	-	-	4	-3	-	-	1
Loss of control	-	-	-	-	-	-11	-13	-24
Dividend	-	-151	-	-	-	-153	-	-304
Sep 30 2019	**6**	**645**	**114**	**-6**	**-1**	**887**	**-49**	**1,596**

FAMUR

Consolidated statement of cash flows

for the nine months ended September 30th 2020, prepared in accordance with IFRSs (unaudited)

(PLNm)	9 months to Sep 30 2020	9 months to Sep 30 2019
Cash flows from operating activities – indirect method		
Profit before tax	**191**	**394**
Total adjustments	**313**	**-93**
Depreciation and amortisation	133	148
Foreign exchange (gains)/losses	-10	4
Interest and share of profit (dividend)	12	24
Gain/(loss) on investing activities	-8	-146
Change in provisions	-24	-38
Change in inventories	12	-
Change in receivables	327	-99
Change in current liabilities (net of borrowings)	-53	74
Income taxes paid	-73	-47
Change in accrued expenses and deferred income	-1	-16
Other adjustments	-2	3
Net cash from operating activities	**504**	**301**
Cash flows from investing activities		
Cash provided by investing activities	**48**	**209**
Disposal of intangible assets and property, plant and equipment	13	10
Dividends and other profit distributions received	3	-
Repayment of loans	32	-
Interest	-	-
Other cash provided by investing activities	-	199
Cash used in investing activities	**137**	**206**
Purchase of intangible assets and property, plant and equipment	121	206
Other cash used in financing activities	16	-
Net cash from investing activities	**-89**	**3**
Cash flows from financing activities		
Cash provided by investing activities	**-**	**247**
Borrowings	-	47
Issue of debt securities	-	200
Cash used in investing activities	**267**	**533**
Dividend	-	305
Repayment of borrowings	137	212
Repurchase of debt securities	108	-
Payment of finance lease liabilities	14	7
Interest	8	8
Other cash used in financing activities	-	1
Net cash from financing activities	**-267**	**-286**
Total net cash flows	**148**	**18**
Net change in cash	146	18
including change due to exchange rate fluctuations	-2	-
Cash at beginning of period	602	298
Cash at end of period	**748**	**316**

Notes to the condensed consolidated financial statements

1. 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") under the abbreviated name FAMUR and ticker symbol FMF.

The FAMUR Group is a leading global manufacturer of longwall machinery and systems for underground mining. The Group's product range encompasses longwall systems, roadheaders, conveyors with accessories, power supply and switchgear equipment for mining machinery, and development and supply of IT systems for end-to-end management of coal mining processes (from the face to the surface). Through its subsidiary PRIMETECH, the Group provides mainly specialist services for continued post-mining operation of mining units at potassium chloride mines and borehole drilling services for various applications and offers drilling technology implementation services for engineering and geotechnical projects (through Dalbis).

The registered address of FAMUR SPÓŁKA AKCYJNA is ul. Armii Krajowej 51, Katowice, Poland.

2. Change in scope of consolidation

A list of companies included in the Group's condensed quarterly consolidated financial statements drawn up in accordance with International Financial Reporting Standards ("IFRSs") ("Condensed Quarterly Consolidated Financial Statements") as at September 30th 2020 and for the nine months then ended is provided in Note 10 to the IFRS-compliant consolidated financial statements of the FAMUR Group for the year ended December 31st 2019.

Following changes in the share capital structure of FAMUR FAMAK S.A. ("FAMAK"), a reduction and an increase of FAMAK's share capital, the Company's equity interest in FAMAK fell to 31.88% in February 2020, resulting in the loss of control of FAMAK and its subsidiaries. FAMAK and its subsidiaries thus became associated undertakings and, with significant influence retained by the Company, FAMAK is consolidated with the equity method as of the date of loss of control.

Also, share purchase agreements were concluded in March 2020 under which FAMUR sold all the shares in K-Construction. FAMUR lost control of the company as a result of the transaction and ceased to consolidate its financial statements from the transaction date.

In share sale agreements concluded on July 17th 2020, FAMUR disposed of all the shares in KOPEX MIN-LIV DOO, based in Serbia. Ownership of the shares was transferred to the buyers on September 9th 2020. FAMUR lost control of the company as a result of the transaction and ceased to consolidate its financial statements.

In July 2020, FAMUR announced a tender offer for shares in its subsidiary PRIMETECH S.A. In the tender offer, FAMUR intended to acquire 4,178,208 shares conferring the right to the same number of votes at the General Meeting of PRIMETECH S.A. and representing 26.77% of the total vote and total number of shares in the company. Prior to the announcement of the tender offer, FAMUR held directly 11,431,625 shares, representing approximately 73.23% of the share capital and the same number of votes at the General Meeting of PRIMETECH S.A. The price was PLN 1.45 per share. Following the tender offer, on September 17th 2020 FAMUR S.A. finally acquired a total of 1,241,650 shares in PRIMETECH S.A., representing approximately 7.95% of the company's share capital and conferring the same number of voting rights at its General Meeting. After settlement of the tender offer, FAMUR S.A. holds directly 12,673,275 ordinary bearer shares in PRIMETECH S.A., representing approximately 81.19% of the company's share capital and conferring 12,673,275 voting rights, or approximately 81.19% of total voting rights, at its General Meeting.

Notes to the condensed consolidated financial statements

For further information on transactions that led to changes in the scope of consolidation, see Note 7.

3. Statement of compliance and basis of preparation of the financial statements

Basis of preparation

These unaudited Condensed Quarterly Consolidated Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) No. 34 Interim Financial Reporting (“IAS 34”) and in compliance with all accounting standards applicable to interim financial reporting as endorsed by the European Union, published and effective at the time of preparation of these Condensed Quarterly Consolidated Financial Statements (see also Note 4).

These Condensed Quarterly 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 audited consolidated financial statements for the financial year ended December 31st 2019, prepared in accordance with IFRSs.

These Condensed Quarterly 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.

These Condensed Quarterly Consolidated Financial Statements comprise the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, and selected notes.

These Condensed Quarterly Consolidated Financial Statements are presented in millions of złoty, and they were authorised by the Management Board for issue on November 9th 2020.

4. Declaration concerning accounting policies

The accounting policies and calculation methods applied in the preparation of these Condensed Quarterly Consolidated Financial Statements are consistent in all material respects with the policies described in Notes 5 to 8 to the audited consolidated financial statements of the Group for the year ended December 31st 2019, except for the application of new or amended standards and interpretations effective for annual periods beginning on or after January 1st 2020.
On January 1st 2020, the following amendments to standards came into force:
- Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7.
- amendments to IAS 1 and IAS 8 clarifying the definition of ‘material’ to enhance the relevance of the disclosures in the notes to the financial statements.
- Amendments to References to the Conceptual Framework References in IFRS Standards.

The amendments listed above had no material effect on these financial statements.

5. Segment revenue and performance

Changes in segment presentation

Until the end of 2019, the Group reported the following four business segments:

- Underground – manufacture of longwall system components, roadheaders, underground means of transport, belt conveyors and supporting equipment, and provision of related services
- Surface – manufacture of loading and hoisting equipment and provision of related services, provision of design, construction and engineering services for the general mining industry
- Electrical Equipment – design and manufacture of power supply and switchgear equipment for mining machinery, electronic components, development and deployment of IT solutions, implementation of industrial

automation systems, development of technical systems and devices, and integration of power and automation systems.
- Mining Services – mining design and construction services and drilling services, including surface drilling and underground drilling.

Following the sale of Przedsiębiorstwo Budowy Szybów S.A. (“PBSz”) to a buyer outside the FAMUR Group in May 2019 and the loss of control of FAMUR FAMAK S.A. and its subsidiaries (“FAMAK Group”) in February 2020, these segments ceased to be considered material by the FAMUR Group. Following the sale of PBSz, the Mining Services segment’s share of total revenue fell below 2% in the second half of 2019, compared with 12% in the first half of 2019 and 13% in FY2018. The loss of control of the FAMAK Group, which comprised the Surface segment, resulted in no revenue and operating expenses of the FAMAK Group recognised in the FAMUR Group’s operating results since March 2020. Electrical Equipment’s share of consolidated revenue in 2019 was 7%. A large portion of the segment’s revenue was generated under contracts concluded by the Underground segment with its own trading partners. These changes in the ownership structure and the strong correlation of the segment’s revenue with Underground operations drove a significant change in decision making concerning resource allocation, shifting reliance to consolidated operating performance. In light of the foregoing, the Group reports one operating segment as of 2020.

Segment performance

The Company operates in Poland, Russia, the European Union and other countries.
The table below presents the Group’s markets, irrespective of the country of origin of its products and services.

(PLNm)	9 months to Sep 30 2020	9 months to Sep 30 2019
Geographical region		
Poland	513	1065
Russia and CIS	200	350
European Union	36	134
Other Europe	3	6
Other (America, Asia, Africa, Australia)	68	71
Total exports	308	560
Poland	513	1,065
Total trade receivables	**821**	**1,625**

FAMUR

Notes to the condensed consolidated financial statements

6. Discontinued operations

The Famur Group identified discontinued operations. The Group discontinued operations through subsidiaries on the Serbian and Indonesian markets and discontinued coal trading activities and manufacturing for the construction market.

(PLNm)	9 months to Sep 30 2020	9 months to Sep 30 2019
Revenue	**10**	31
Cost of sales	9	25
Gross profit/(loss)	**1**	6
Distribution costs	-	2
Administrative expenses	3	5
Profit/(loss) on sales	**-2**	-1
Other income	6	1
Other expenses	-	1
Operating profit/(loss)	**4**	-1
Finance income	-	-
Finance costs	2	-
Profit/(loss) before tax	**2**	-1
Income Taxes	-	-
Net profit	**2**	-1
Cash flows from operating activities	**1**	-
Cash flows from investing activities	**-**	-1
Cash flows from financing activities	**-**	-
Total cash flows from discontinued operations	**1**	-1

7. Events affecting assets, liabilities, equity, net profit or cash flows that are unusual because of their nature, size or incidence

On January 13th 2020, being the redemption date specified in the relevant note terms, the Company repurchased all of the 108,000 outstanding Series A notes, with a nominal value of PLN 1,000 per note and a total nominal value of PLN 108m, assigned ISIN code PLFAMUR00038 by the Central Securities Depository of Poland, and paid PLN 2.6m of interest accrued in respect of the final interest period.

On January 8th 2020, the Company's Management Board made a decision to invite TDJ Equity I Sp. z o.o. ("TDJ Equity I") to acquire a controlling interest or to subscribe for new shares in its subsidiary FAMUR FAMAK S.A. ("FAMAK") and to commence negotiations with TDJ Equity I concerning acquisition TDJ Equity I of control over FAMAK and making a capital contribution to the company. The purpose of the negotiations was to confirm the intentions of both parties regarding acquisition by TDJ Equity I of control over FAMAK and to carry out a restructuring of FAMAK and its subsidiaries intended to stabilise their financial and operating positions.

On February 10th 2020, the Company was notified that TDJ Equity I accepted its proposal to acquire a controlling interest in FAMAK in the form of newly issued shares. Among the arrangements negotiated between the parties were a reduction of FAMAK's share capital by PLN 69.6m by reducing the par value of its shares from PLN 1.00 to PLN 0.32 in order to cover the company's losses, with a concurrent increase of the share capital by PLN 70m through the issue of

Series F shares by way of a private placement, with the pre-emptive rights of the existing shareholder waived, and acquisition of shares in the increased share capital by TDJ Equity I.

On February 11th 2020, the Extraordinary General Meeting of FAMAK passed resolutions to effect the equity changes specified above, i.e. to reduce FAMAK’s share capital by PLN 69.6m, with a concurrent increase of its share capital by PLN 70m through the issue of Series F shares.

On February 25th 2020, the District Court in Opole, 8th Commercial Division, registered the reduction and increase in FAMAK’s share capital. As a result, the Company’s shareholding in FAMAK fell to 31.88%.

Following the transactions described above, the Group recognised a gain on the loss of control.

(PLNm)	
Fair value of shares disclosed in consolidated financial statements	35
less net assets of subsidiaries	-23
Gain on the loss of control	**12**

In share sale agreements concluded on March 20th 2020, FAMUR disposed of all the shares in K-Construction. The ownership title to the shares was transferred to the buyers on the same date. The sale price was paid in the form of advance payments before the transaction. The company’s assets were presented under assets classified as held for sale and the company’s liabilities – under liabilities directly related to those assets. The Group’s gain on the loss of control that occurred upon the transaction was immaterial.

On April 24th 2020, the Management Board of FAMUR passed a resolution to put the D450 branch in Rybnik into liquidation. The reason behind the decision was the need to optimise manufacturing processes and mitigate the negative effects of a reduction in orders caused by the global crisis. Closing down of the branch involved laying off 204 employees. For more information on the liquidation of the branch, see section ‘Measures taken in the nine months ended September 30th 2020 to adjust the FAMUR Group’s cost structure to expected market conditions’ in part I of this report. Following the liquidation of the Rybnik branch, the FAMUR Group's net profit was charged with the restructuring cost of approximately PLN 7m, which included severance pay for employees and impairment losses on the branch’s current and non-current assets.

Following an update of the reorganisation plan and adaptation of the business objectives of the associate FAMUR FAMAK S.A. to the conditions triggered by the COVID-19 crisis, in the nine months ended September 30th 2020 an impairment loss of PLN 11m was recognised on the shares in FAMUR FAMAK S.A.

In share sale agreements concluded on July 17th 2020, FAMUR disposed of all the shares in KOPEX MIN-LIV DOO, based in Serbia. Ownership of the shares was transferred to the buyers on September 9th 2020. FAMUR lost control of the company as a result of the transaction and ceased to consolidate its financial statements. The company’s assets were presented under assets classified as held for sale and the company’s liabilities – under liabilities directly related to those assets. The Group’s gain on the loss of control that occurred upon the transaction was immaterial.

On September 7th 2020, the Management Board of FAMUR S.A. resolved to put the branch in Piotrków Trybunalski into liquidation (see Current Report No. 22/2020 of April 24th 2020) because of the need to optimise the manufacturing processes within the category of belt conveyors, railways and routes by relocating their production to the Nowy Sącz and Katowice branches, respectively. This will involve laying off a majority of the employees. For more information on the liquidation of the branch, see section ‘Measures taken in the nine months ended September 30th 2020 to adjust the FAMUR Group’s cost structure to expected market conditions’ in part I of this report. Following the liquidation of the Piotrków Trybunalski branch, the FAMUR Group’s net profit for the three months ended September 30th 2020 was charged with the restructuring cost of approximately PLN 4m, which included severance pay for employees and impairment losses on the branch’s current and non-current assets.

Notes to the condensed consolidated financial statements

On September 25th 2020, the Management Board of FAMUR received a final decision of the Head of the Kraków Province Customs and Revenue Office of Kraków (the "Tax Authority") regarding corporate income tax on income earned in 2013, 2014 and 2015 (the "Tax Decision") whereby the Head of the Tax Authority revoked in full the former position of the Tax Authority and discontinued the investigation concerning incorrect classification of trademark licence fee expenses as tax deductible expenses. The decision was issued following a successful appeal lodged by the Company. As a result of the decision, the Tax Authority refunded to the Company's bank account tax and interest totalling PLN 16.9m. Because of the previously recognised provisions for that risk, the total effect of the decision on net profit amounted to PLN 22.5m and was recognised in FAMUR's results for the three months ended September 30th 2020.

8. Seasonal or cyclical 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.

9. Fair value of financial instruments

After initial recognition, derivatives are measured at fair value. The fair values of derivatives are determined using the method set out in Note 49 to the IFRS-compliant consolidated financial statements for the year ended December 31st 2019. Interest rate swaps (IRS) are initially recognised at fair value net of transaction costs and subsequently, as at each reporting date, are measured at fair value, with the effect of measurement recognised in profit or loss. The fair values of financial derivatives such as forwards, which are used to lock in exchange rates, are estimated for a level 2 asset of the fair value hierarchy described in Note 49.1.

List of derivatives:

Derivatives (groups of instruments)	Planned settlement date	Value of future cash flows at forward rate	Market value as at Sep 30 2020	Hedged risk
Forward – sale of EUR	Q4 2020	4	4	currency risk
Forward – sale of EUR	Q1 2021	20	21	currency risk
Forward – sale of EUR	Q2 2021	3	3	currency risk
Forward - sale of USD	Q4 2020	1	1	currency risk
Forward – sale of RUB	Q4 2020	34	30	currency risk
Forward - purchase of USD	Q4 2020	0	0	currency risk
IRS	Q2 2024	200	212	interest rate risk
Total		**263**	**271**	

10. Dividend

Given a significant increase in economic uncertainty caused by the COVID-19 pandemic in Poland and globally, which has prompted mining companies to reduce their activity and scale down or delay investment plans, and further given a deteriorating liquidity position of the Company's trading partners, the Management Board reasonably resolved to recommend to the Company's Annual General Meeting that the entire net profit for 2019 be retained in order to strengthen the Group's financial position and secure funds for potential acquisitions that could help the Group largely diversify its revenue streams if attractive targets, suitable in terms of their business profile and financial position, are identified (see Current Report No. 11/2020 of April 21st 2020). On June 29th 2020, the Company's entire net profit earned in 2019, of PLN 161.4m, was, by a decision of the General Meeting, allocated to the Company's statutory reserve funds.

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Notes to the condensed consolidated financial statements

11. Contingent liabilities

(PLNm)	As at Sep 30 2020	As at Dec 31 2019
Contingent liabilities	**162**	**142**
- guarantees issued, including:	160	141
- bid bonds	11	15
- performance bonds	101	102
- other	48	24
- other	1	1

As at the end of the reporting period, the Group's total contingent liabilities were approximately PLN 20m higher than at the end of 2019. In line with the arrangements made with respect to the acquisition from FAMUR S.A. of control of FAMUR FAMAK S.A. ("FAMAK") by TDJ Equity I, in February 2020 the Company provided a PLN 21m revolving guarantee facility to its associate FAMAK. In addition, FAMUR S.A. took over FAMAK's liabilities towards banks resulting from the issue, for the benefit of its customers, of letters of credit/bank guarantees with a total value of PLN 44m (see Current Report No. 6/2020 of February 14th 2020, Current Report No. 7/2020 of February 18th 2020, and Current Report No. 8/2020 of February 28th 2020). At the same time, FAMUR S.A. granted FAMAK non-revolving limits of the same amount, which expire on maturity dates in accordance with the schedule. As at September 30th 2020, the value of the non-revolving limits was approximately PLN 18m. Bank guarantee facilities are made available to associates on an arm's length basis.

12. Related-party transactions

Material related-party transactions are described in Note 52 to the IFRS-compliant consolidated financial statements for the year ended December 31st 2019. The related-party transactions concluded in the first quarter of 2020 were executed on an arm's length basis and, in the opinion of the Management Board, were typical and routine transactions.

13. Events occurring after the reporting date

No material events occurred after the reporting date.

Separate statement of profit or loss

for the three and nine months ended September 30th 2020, prepared in accordance with IFRSs (unaudited)

in PLNm, except for earnings per share	9 months to Sep 30 2020	9 months to Sep 30 2019	3 months to Sep 30 2020	3 months to Sep 30 2019
Revenue	**741**	**1,147**	**248**	**494**
Cost of sales	479	768	162	350
Gross profit	**262**	**379**	**86**	**144**
Distribution costs	8	14	2	8
Administrative expenses	50	70	15	24
Profit on sales	**204**	**295**	**69**	**112**
Other income	67	40	28	3
Gain on disposal of non-financial non-current assets	4	1	3	-
Grants	13	-	4	-
Other income, including:	50	39	21	3
reversed impairment losses on expected credit losses	*3*	*-*	*1*	*-7*
Other expenses	71	68	28	22
Revaluation of non-financial assets	14	18	9	5
Other expenses	57	50	19	17
Operating profit	**200**	**267**	**69**	**93**
Finance income	49	23	14	5
Dividend	30	4	5	-
Interest	15	13	8	6
Gain on disposal of investments	1	4	-	-1
Other	3	2	1	-
Finance costs	48	42	-	9
Interest	18	18	4	8
Revaluation of investments	17	17	-3	-1
Other	13	7	-1	2
Profit before tax	**201**	**248**	**83**	**89**
Income Taxes	31	50	13	17
Net profit	**170**	**198**	**70**	**72**
Earnings per ordinary share	0.30	0.34	0.12	0.13
Diluted earnings per ordinary share	0.30	0.34	0.12	0.13
Weighted average number of shares (millions)	575	575	575	575

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Separate statement of comprehensive income

for the three and nine months ended September 30th 2020, prepared in accordance with IFRSs (unaudited)

(PLNm)	9 months to Sep 30 2020	9 months to Sep 30 2019	3 months to Sep 30 2020	3 months to Sep 30 2019
Net profit	**170**	198	**70**	72
Other comprehensive income that may be reclassified to profit or loss in subsequent reporting periods:	**-2**	-	**-**	-3
Cash flow hedges	-2	-	-	-4
Income tax on other comprehensive income	-	-	-	1
Other comprehensive income that will not be reclassified to profit or loss in subsequent reporting periods:	**-**	-1	**-**	-
Actuarial gains/(losses)	-	-1	-	-
Total other comprehensive income, net of tax	**-2**	-1	**-**	-3
Total comprehensive income	**168**	197	**70**	69

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Separate statement of financial position

as at September 30th 2020 and December 31st 2019, prepared in accordance with IFRSs (unaudited)

Assets

(PLNm)	Sep 30 2020 (unaudited)	Dec 31 2019 (audited)
Non-current assets	**950**	**951**
Intangible assets, including:	184	194
- goodwill	162	162
Property, plant and equipment	430	457
Property, plant and equipment	387	425
Property, plant and equipment under construction	43	32
Long-term receivables	-	1
Long-term investments	247	209
Property	18	31
Non-current financial assets	229	178
Non-current prepayments and accrued income	1	1
Deferred tax assets	88	89
Current assets	**1,172**	**1,670**
Inventories	198	210
Short-term receivables	484	797
trade receivables	461	783
tax receivables, including:	17	4
current tax assets	17	1
other receivables	6	10
Other current financial assets	9	45
Cash and cash equivalents	438	528
Current prepayments and accrued income	4	7
Non-current assets classified as held for sale	39	83
Total assets	**2,122**	**2,621**

Separate statement of financial position

as at September 30th 2020 and December 31st 2019, prepared in accordance with IFRSs (unaudited)

Equity and liabilities

(PLNm)	Sep 30 2020 (unaudited)	Dec 31 2019 (audited)
Equity	**1,337**	**1,169**
Share capital	6	6
Statutory reserve funds	941	780
Revaluation reserve	1	3
Other capital reserves	162	162
Retained earnings	227	218
Liabilities and provisions for liabilities	**785**	**1,452**
Provisions for liabilities	52	76
Provision for retirement and similar benefits	24	36
non-current	21	25
current	3	11
Other provisions	28	40
long-term	9	6
short-term	19	34
Non-current liabilities	447	471
Borrowings and other debt instruments	403	421
Non-current lease liabilities	43	49
Other non-current liabilities	1	1
Current liabilities	267	880
Trade payables	134	191
Wages and salaries	9	11
Tax payable, including:	25	78
Current tax liabilities	6	48
Current lease liabilities	22	18
Short-term borrowings and notes	38	521
Other	39	61
Other liabilities (accrued expenses and deferred income)	19	25
Total equity and liabilities	**2,122**	**2,621**

Separate statement of changes in equity

for the nine months ended September 30th 2020, prepared in accordance with IFRSs (unaudited)

(PLNm)	Share capital	Statutory reserve funds	Revaluation reserve	Other capital reserves	Retained earnings	Total equity
As at Jan 1 2020	**6**	**780**	**3**	**162**	**218**	**1,169**
Net profit	-	-	-	-	170	170
Other comprehensive income	-	-	-2	-	-	-2
Profit distribution	-	161	-	-	-161	-
As at Sep 30 2020	**6**	**941**	**1**	**162**	**227**	**1,337**
As at Jan 1 2019	**6**	**931**	**2**	**162**	**211**	**1,312**
Net profit	-	-	-	-	198	198
Other comprehensive income	-	-	-	-	-1	-1
Dividend	-	-151	-	-	-154	-305
Other	-	-	-1	-	1	-
As at Sep 30 2020	**6**	**780**	**1**	**162**	**255**	**1,204**

Separate statement of cash flows

for the nine months ended September 30th 2020, prepared in accordance with IFRSs (unaudited)

(PLNm)	9 months to Sep 30 2020	9 months to Sep 30 2019
Cash flows from operating activities – indirect method		
Profit before tax	**201**	**248**
Total adjustments	**235**	**71**
Depreciation and amortisation	131	121
Interest and share of profit (dividend)	-16	8
Gain/(loss) on investing activities	15	8
Change in provisions	-25	-30
Change in inventories	12	-19
Change in receivables	273	-174
Change in current liabilities (net of borrowings)	-81	197
Income taxes paid	-72	-37
Change in accrued expenses and deferred income	-2	-3
Net cash from operating activities	**436**	**319**
Cash flows from investing activities		
Cash provided by investing activities	**83**	**81**
Disposal of intangible assets and property, plant and equipment	13	55
Dividends and other profit distributions received	30	4
Repayment of loans	39	21
Interest	1	1
Cash used in investing activities	**116**	**269**
Purchase of intangible assets and property, plant and equipment	114	159
Purchase of financial assets	2	72
Loans	-	38
Net cash from investing activities	**-33**	**-188**
Cash flows from financing activities		
Cash provided by investing activities	**-**	**352**
Borrowings	-	152
Issue of debt securities	-	200
Cash used in investing activities	**493**	**360**
Dividend	-	305
Repayment of borrowings	364	50
Repurchase of debt securities	108	-
Payment of finance lease liabilities	13	-
Interest	8	-
Net cash from financing activities	**-493**	**-8**
Total net cash flows	**-90**	**123**
Net change in cash	-90	123
Cash at beginning of period	528	127
Cash at end of period	**438**	**250**

OTHER INFORMATION TO THE CONSOLIDATED QUARTERLY REPORT

Management Board's position on the previously published annual financial forecasts

The Management Board decided not to release forecasts for 2020.

Shareholders holding directly or indirectly (through subsidiaries) at least 5% of total voting rights at the General Meeting of FAMUR S.A. as at the issue date of this interim report and changes in the shareholding structure occurring after the issue of the previous quarterly report

To the best of the Company's knowledge, the Company's shareholding structure as at the date of issue of this interim report for the nine months to September 30th 2020 was the same as the shareholding structure as at August 31st 2020, which was the date of issue of the interim report for the six months ended June 30th 2020, and was as follows:

Shareholder	Number of shares held	Number of voting rights at the General Meeting	Equity interest
TDJ Equity I Sp. z o.o.	271,853,785	271,853,785	47.30%
Nationale-Nederlanden OFE*	61,800,000	61,800,000	10.75%
AVIVA OFE	55,513,000	55,513,000	9.66%
FAMUR S.A.**	4,616	4,616	0.00%
Other	185,591,811	185,591,811	32.29%
Total	**574,763,212**	**574,763,212**	**100%**

The table presents data in accordance with the most recent Annual General Meeting of FAMUR S.A., i.e. as at June 29th 2020.

**Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., i.e.: Nationale-Nederlanden Otwarty Fundusz Emerytalny ("OFE") and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny ("DFE").*
*** Indirectly through subsidiaries.*

Members of the management or supervisory personnel holding FAMUR S.A. shares or rights to FAMUR S.A. shares, and changes in their holdings after the issue of the previous report, according to FAMUR S.A.'s knowledge

According to the Company's knowledge, no FAMUR S.A. shares were held by the Company's management or supervisory personnel as at September 30th 2020 and as at the date of issue of this report; with the proviso that during the reporting period and as at the date of issue of this report a majority interest in the Company was held by Tomasz Domogała, who owned the interest indirectly through TDJ S.A.'s subsidiary TDJ Equity I Sp. z o.o., remaining a major shareholder in the Company.

Material proceedings pending before courts, arbitration or public administration bodies

In the third quarter of 2020 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.

Loan sureties and guarantees issued by FAMUR S.A. or its subsidiary where the aggregate value of such outstanding sureties and guarantees issued to a single entity or its subsidiary is significant

OTHER INFORMATION TO THE CONSOLIDATED QUARTERLY REPORT

Apart from the events described in Note 11 (Contingent liabilities) to the condensed consolidated financial statements, concerning a revolving guarantee facility granted by the Company to its associate FAMAK for the FAMAK Group companies and simultaneous assumption by the Company of the existing letters of credit/bank guarantees issued by banks at FAMAK's instructions, in the nine months to September 30th 2020, no loan sureties or guarantees were issued by the Company or its subsidiary to any entity or its subsidiary whose aggregate value would be significant.

Alternative performance measures

In its evaluation and discussion of the reported financial performance, financial position and cash flows, the FAMUR Group makes references to alternative performance measures (APM) other than those expressly defined or outlined in the applied financial reporting framework compliant with IFRS requirements. However, these metrics are calculated on the basis of information sourced from the financial statements prepared in accordance with IFRSs. APMs are consistent with the standards applied by the FAMUR Management Board in measuring and evaluating the Group's performance for internal management accounting purposes, provide a useful tool for presenting the Group's financial and operating position, and facilitate analysis and assessment of the Group's performance for internal purposes and external needs in discussions with financial analysts, potential investors, shareholders, noteholders, and institutions financing the FAMUR Group's operations.

The alternative performance measures presented by the FAMUR Group are standard metrics and indicators commonly used in financial analysis and are typically used to discuss performance of manufacturers of mining machinery and equipment. The selection of the alternative performance measures was preceded by an analysis of their usefulness in providing investors with helpful information on financial position, cash flows and financial efficiency, and – in the Company's opinion – the selected APMs enable an optimum assessment of financial performance.

In accordance with the ESMA Guidelines on Alternative Performance Measures, the following list sets out the definitions of the alternative performance measures used by the FAMUR Group and reconciliations to the data disclosed in the consolidated financial statements prepared in accordance with International Financial Reporting Standards.

EBITDA

EBITDA is the main operating profit metric used by the Management Board, representing operating profit before depreciation/amortisation and impairment of non-current assets. The method of calculating EBITDA is not defined in IFRSs, and the methodology adopted by the Group is presented below.

(PLNm)	9 months to Sep 30 2020	9 months to Sep 30 2019	3 months to Sep 30 2020	3 months to Sep 30 2019
Operating profit	211	269	79	73
Depreciation and amortisation	133	148	44	51
EBITDA	**344**	**417**	**123**	**124**

Working capital and working capital as % of revenue

Working capital is the metric used by the Management Board to assess the amount of capital needed to perform contracts. Working capital as a percentage of revenue shows the efficiency of managing the operating cash conversion cycle. The method of calculating working capital is not defined in IFRSs, and the methodology applied by the Group is presented below.

(PLNm)	As at Sep 30 2020	As at Dec 31 2019
Inventories	262	303
Short-term trade receivables	490	966
Subtotal	752	1,269
Less short-term trade payables	-144	-240
Working capital	**608**	**1,029**

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Alternative performance measures

LTM revenue according to IFRSs

(PLNm)	Revenue
Jan–Dec 2019	2,165
Less 9 months to Sep 30 2019	-1,625
3 months to Dec 31 2019	540
Plus 9 months to Sep 30 2020	821
LTM to Sep 30 2020	**1,361**

Working capital as at Sep 30 2020	608
Working capital in the quarter as % of LTM revenue	**45%**

Net debt

Net debt is a debt metric used by the Management Board. The method of calculating net debt is not defined in IFRSs, and the methodology applied by the Group is presented below.

(PLNm)	**As at Sep 30 2020**	As at Dec 31 2019
Long-term borrowings	403	421
Short-term borrowings	34	332
Non-current lease liabilities	45	61
Current lease liabilities	5	8
Gross debt	**487**	**822**
Less cash and cash equivalents	-748	-602
Net debt	**-261**	**220**

LTM EBITDA

(PLNm)	EBITDA
Jan–Dec 2019	451
Less 9 months to Sep 30 2019	-417
3 months to Dec 31 2019	34
Plus 9 months to Sep 30 2020	344
LTM to Sep 30 2020	**378**

Net debt as at Sep 30 2020	**-261**
Net debt/EBITDA	**-0.7**

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Signature of the person responsible for

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	…………………………………………………………….