

**POLISH FINANCIAL SUPERVISION AUTHORITY**

Current Report No.

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2019

Date:

November 20th 2019

Abbreviated issuer name:

FAMUR S.A.

Subject:

**Preliminary estimates of consolidated financial data for the first nine months of 2019**

Legal basis:

Article 17(1) of MAR – Inside information

## Text of the report:

The Management Board of FAMUR S.A. of Katowice (the “Company” or “FAMUR”) hereby publishes 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 estimates contained in this report may differ from the figures which will be disclosed in the Company’s condensed consolidated financial statements for the first three quarters of 2019, scheduled to be issued on November 27th 2019.

The 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 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 and its subsidiaries and commenced the implementation at those companies of a Group-wide, uniform, and conservative approach to projecting and identifying risks under contracts performed by the Surface segment. As a result, the Management Boards of FAMUR FAMAK Group companies, revised, based on their best knowledge, their contract budgets and recognised additional costs and identified risks relating to certain contracts, resulting from potential penalties for delays, as at September 30th 2009, in the performance of contractual work. In addition, following a review of current assets and planned optimisation measures designed to improve the efficiency of operating processes in the Surface segment, the need was identified to recognise provisions

and impairment losses on certain working-capital items, mainly significantly past due receivables and inventories, and on non-operating properties identified as held for sale.

Therefore, acting in accordance with the principle of prudence, the FAMUR FAMAK Group companies reduced the amount their uninvoiced revenue in connection with the revision of ongoing contract budgets by a total of PLN 20m (leading to a drop in consolidated revenue). In addition, operating expenses totalling PLN 24m were recognised on account of impairment losses on significantly past due receivables, assets held for sale and inventories, as well as provisions, mainly for potential penalties for delays in the performance of contractual 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, because a deferred tax asset may only be recognised up to the amount of recognised deferred tax liability.

Furthermore, the FAMUR FAMAK Group identified additional risks, mainly relating to potential penalties for delays in 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 that enables their mitigation or complete elimination and, as at the date of this Report, the Company did not receive any claims connected with the identified risks relating to delays in contract performance. The Management Boards of the FAMUR FAMAK Group companies monitor these risks on an ongoing basis and make every effort to mitigate them significantly 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 the experience gained in this area 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 ongoing contracts and the impairment losses and provisions at the FAMUR FAMAK Group significantly reduce 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 projections of future expected financial performance and cash flows, taking into account the current market and operating conditions of the FAMUR FAMAK Group as well as the measures taken to improve efficiency. The result of this test may necessitate recognising a non-cash impairment loss on FAMUR FAMAK S.A. shares in the 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 to be recognised in the consolidated financial statements of the FAMUR Group for Q4 2019 and the full year 2019.

FAMUR Spółka Akcyjna	(full issuer name)
FAMUR S.A.	Electromechanical (ele)
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### SIGNATURES OF AUTHORISED REPRESENTATIVES

Date	Full name	Position	Signature
November 20th 2019	Mirosław Bendzera	President of the Management Board	
November 20th 2019	Beata Zawiszowska	Vice President, Chief Financial Officer	