

POLISH FINANCIAL SUPERVISION AUTHORITY

Current Report No.

21

/

2016

Date:

April 18th 2016

Abbreviated issuer name

FAMUR S.A.

Subject

Reports by the Management Boards of FAMUR S.A. and ELGÓR+ZAMET Sp. z o.o. presenting the rationale for the merger of the companies

Legal basis

Art. 56.1.2 of the Public Offering Act – Current and periodic information

Text of the report:

Further to Current Report No. 56/2015 of December 30th 2015 announcing that a decision to merge FAMUR S.A with ELGÓR+ZAMET sp. z o.o. was made, and subsequent reports, including Current Report No. 4/2016, containing the text of the agreed merger plan, and Current Report No. 15/2016, containing the auditor's opinion on the plan of merger of FAMUR S.A. and ELGÓR+ZAMET Sp. z o.o., the Management Board of FAMUR S.A. publishes (attached hereto) the written reports prepared under Art. 501 of the Commercial Companies Code.

Legal basis: Par. 19.2.2, in conjunction with Par. 5.1.13 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009.

Appendices

File	Description
sprawozdanie zarządu Famur.pdf	Report by the Management Board of Famur S.A.
report by the Management Board of E+Z.pdf	Report by the Management Board of ELGÓR+ZAMET Sp. z o.o.

FAMUR Spółka Akcyjna	
	(full issuer name)
FAMUR S.A.	Electromechanical (ele)
	(sector according to the WSE)
(abbreviated issuer name)	
40-698	Katowice
	(city/town)
(postal code)	
Armii Krajowej	51
	(number)
(street)	
+48 32 359 63 00	+48 32 359 66 77
	(fax)
(phone)	
sekretariat@famur.com.pl	www.famur.com
	(www)
(email)	
634-012-62-46	270641528
	(Industry Identification Number – REGON)
(Tax Identification Number – NIP)	

SIGNATURES OF AUTHORISED REPRESENTATIVES

Date	Full name	Position	Signature
April 18th 2016	Zbigniew Fryzowicz	Vice President of the Management Board	
April 18th 2016	Olga Panek	Commercial Proxy	

**REPORT BY THE MANAGEMENT BOARD
FAMUR SPÓŁKA AKCYJNA (THE ACQUIRER)
PRESENTING THE RATIONALE FOR THE MERGER WITH
ELGÓR + ZAMET SPÓŁKA Z OGRANICZONĄ
ODPOWIEDZIALNOŚCIĄ
(THE ACQUIREE)**

1. Introduction

Acting pursuant to Art. 501 of the Commercial Companies Code, the Management Board of FAMUR S.A. of Katowice (the Acquirer) presents rationale for the merger of FAMUR S.A. with ELGÓR + ZAMET Sp. z o.o. (the Acquiree).

In accordance with the merger plan agreed on January 15th 2016 (the Merger Plan), the merger will be effected in accordance with Art. 492.1.1) of the Commercial Companies Code, i.e. through the transfer of all assets of the Acquiree – ELGÓR+ZAMET Sp. z o.o. of Piekary Śląskie, to the Acquirer – FAMUR S.A. of Katowice.

2. Legal basis of the merger

2.1. The planned merger involves:

a. The Acquirer:

FAMUR Spółka Akcyjna with its registered office in Katowice at ul. Armii Krajowej 51, 40-698 Katowice, Poland, entered in the Business Register of the National Court Register maintained by the District Court for Katowice-Wschód in Katowice, 8th Commercial Division of the National Court Register, under KRS number 0000048716; a public company within the meaning of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005 (Dz.U. No. 185, item 1439), listed at the Warsaw Stock Exchange.

b. The Acquiree:

ELGÓR + ZAMET Spółka z ograniczoną odpowiedzialnością with its registered office in Piekary Śląskie at ul. 1 Maja 35, 41-940 Piekary Śląskie, Poland, entered in the Business Register of the National Court Register maintained by the District Court in Gliwice, 10th Commercial Division of the National Court Register, under KRS number 0000205901.

Shareholders:

- I. FAMUR S.A., holding 58 shares with a par value of PLN 1,000.00 (one thousand złoty) per share, representing 29% of the Acquiree's share capital;
- II. Andrzej Czechowski, holding 17 shares with a par value of PLN 1,000.00 (one thousand złoty) per share, representing 8.5% of the Acquiree's share capital;
- II. Dawid Gruszczyk, holding 45 shares with a par value of PLN 1,000.00 (one thousand złoty) per share, representing 22.5% of the Acquiree's share capital;

- III. Bolesław Kleszko, holding 23 shares with a par value of PLN 1,000.00 (one thousand złoty) per share, representing 11.5% of the Acquiree's share capital;
- IV. Wojciech Malinga, holding 40 shares with a par value of PLN 1,000.00 (one thousand złoty) per share, representing 20% of the Acquiree's share capital;
- V. Joachim Sosnica, holding 17 shares with a par value of PLN 1,000.00 (one thousand złoty) per share, representing 8.5% of the Acquiree's share capital.

In connection with the merger, the Acquirer's share capital will be increased by PLN 49,700.00 (forty-nine thousand, seven hundred złoty), from PLN 4,815,000 (four million, eight hundred and fifteen thousand złoty) to PLN 4,864,700,00 (four million, eight hundred and sixty-four thousand, seven hundred złoty) by way of issue of 4,970,000 (four million, nine hundred and seventy thousand) Series C ordinary bearer shares with a par value of PLN 0.01 (1/100 złoty) per share, and total par value of PLN 49,700.00 (forty-nine thousand, seven hundred złoty) (Merger Shares). All Merger Shares will be taken up by all shareholders of the Acquiree excluding FAMUR S.A. Pursuant to Art. 514.1 of the Commercial Companies Code, FAMUR S.A., as the Acquirer, may not take up its own shares in exchange for shares held in the Acquiree.

On March 10th 2016, an opinion on the Merger Plan was prepared by a qualified auditor acting in accordance with Art. 520.1 of the Commercial Companies Code. The opinion stated that the Merger Plan was fair and accurate and met the requirements stipulated in Art. 499.1 and 499.2 of the Commercial Companies Code.

3. Economic rationale for the merger

ELGÓR+ZAMET Sp. z o.o. is a producer of mining machinery and equipment complementary to the portfolio of products currently offered by FAMUR S.A., especially with respect to gallery systems. ELGÓR+ZAMET is a supplier of drilling rigs, augers, dinting loaders and loaders used in Polish hard coal mines. The company also has credentials from foreign markets, and its products have the potential to be used in the mining of other minerals. ELGÓR+ZAMET Sp. z o.o. operates its own engineering design office as well as production and maintenance facilities.

FAMUR S.A.'s merger with ELGÓR+ZAMET Sp. z o.o. would be another step on the path to building FAMUR S.A.'s position as the leader of the mining support industry in Poland. The mining market, especially at present, is highly competitive, and in the foreseeable future will to be extremely demanding for all the operators. The current market slowdown, challenging as it may be for companies, may also provide them with opportunities for further development.

The merger is based on sound economic rationale of improving the efficiency and profitability of the FAMUR Group's operations, while simplifying its organisational structure.

The merging companies assume that benefits from the merger will include:

- strengthening of the Acquirer's market position,
- consolidation of assets, including property, plant and equipment, inventories, materials and know-how;
- reduction of the merging companies' operating expenses, e.g. thanks to lowering of administrative expenses,
- possibility of pursuing a uniform strategy towards the Companies' trading partners,
- reduction of fees and operating expenses thanks to increased volume of transactions offered to the service providers cooperating with the merged entity,
- possibility to tap into the consolidation synergies and to streamline and enhance the business processes.

The one-off costs associated with the merger process are not material, therefore the merger will not require significant expenditure on operational integration.

In the Management Board's opinion, the merger will enhance the Company's value to all of its shareholders, primarily thanks to taking full advantage of strategic market opportunities.

4. Share exchange ratio between the Acquiree and Acquirer shares

The market value of the Acquirer shares has been put at PLN 2.00 (two złoty) per share. The market value of the Acquirer shares was determined as the arithmetic mean of two turnover-weighted average prices of Acquirer shares for the periods of three and six months, in each case as at the date of the Letter of Intent signed between the Acquirer and the Acquiree's Shareholders, that is as at November 2nd 2015. These values amounted to PLN 1.82 and PLN 2.18, respectively. They reflect the market value of the Acquirer shares as at the date of the Merger Plan.

The market value of the Acquiree shares was put at PLN 70,000.00 (seventy thousand złoty) per share. The value was determined on the basis of two valuation methods:

- the book value approach based on the most recent statement of financial position prepared prior to the date of the letter of intent between the Acquirer and the Acquiree's Shareholders (November 2nd 2015 – the most recent statement of financial position was prepared as at October 31st 2015); under that approach, the aggregate value of all the Acquiree shares is the amount of net assets, that is PLN 13,616 thousand, or PLN 68 thousand per share; and

- the discounted cash flow method based on a scenario of growth of ELGÓR+ZAMET Sp. z o.o. as an independent entity; using this method, the aggregate value of all of the Acquiree shares was determined at PLN 14,385 thousand or PLN 72 thousand per share.

The value of one share in ELGÓR + ZAMET Spółka z o.o. was determined as the arithmetic mean of the two amounts above, that is at PLN 70,000.00.

In view of the above, for each share held in the Acquiree an Acquiree shareholder (other than FAMUR S.A.) will be entitled to 35,000 (thirty-five thousand) shares in the Acquirer. The total number of Acquiree shares for which Acquirer shares will be issued is 142. Therefore, as a result of the merger, Acquiree shareholders (other than FAMUR S.A.) will be allotted a total of 4,970,000 (four million, nine hundred and seventy thousand) Acquirer shares.

No additional contributions to equity, within the meaning of Art. 499.1.2 of the Commercial Companies Code, will be payable by the Acquiree shareholders in connection with the merger.

The shareholders of the Acquiree (other than FAMUR S.A.) will be allotted the following numbers of Merger Shares:

Andrzej Czechowski, holding 17 Acquiree shares, will be allotted 595,000 Merger Shares;

1. Dawid Gruszczyk, holding 45 Acquiree shares, will be allotted 1,575,000 Merger Shares;
2. Bolesław Kleszko, holding 23 Acquiree shares, will be allotted 805,000 Merger Shares;
3. Wojciech Malinga, holding 40 Acquiree shares, will be allotted 1,400,000 Merger Shares;
4. Joachim Sosnica, holding 17 Acquiree shares, will be allotted 595,000 Merger Shares;

The Acquirer will take steps to convert the Merger Shares into book-entry form and to have the Merger Shares admitted to trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange), on which the existing shares in the Acquirer are listed.

5. Summary

The arguments of economic and business nature presented above and in the Merger Plan indicate that there is a sound rationale for the planned merger both for the merging companies and their shareholders. The merger is justified by reasons of strategy, operations and cost effectiveness. The merger should be considered desirable and beneficial not only from the point of view of the Acquirer and the Acquiree, but also from the point of view of the entire FAMUR Group.

In view of the foregoing, given that the opinion on the Merger Plan prepared by a qualified auditor stated that the Merger Plan is fair and accurate and meets the requirements stipulated in Art. 499.1 and 499.2 of the Commercial Companies Code, the Management Board of FAMUR S.A. recommends that the shareholders approve the presented merger concept and adopt a resolution to merge the companies, increase the share capital of FAMUR S.A., and amend the articles of association of FAMUR S.A., in accordance with the draft resolution attached as an appendix to the Merger Plan.

Katowice, April 18th 2016

FAMUR S.A.
ul. Armii Krajowej 51
40-698 Katowice,
Poland

Phone: +48 32 359 63 00
Fax: +48 32 359 66 77
famur@famur.com.pl

KRS No. 0000048716
Industry Identification
Number (REGON): 270641528
Tax Identification Number
(NIP): 634-012-62-46

District Court for Katowice-Wschód in Katowice, 8th Commercial Division of the National
Court Register
Share capital: PLN 4,815,000.00, paid in full.
Bank account (PLN): Raiffeisen Bank Polska S.A. 37 1750 1035 0000 0000 0638 4862

FAMUR

**REPORT BY THE MANAGEMENT BOARD
OF FAMUR SPÓŁKA AKCYJNA (ACQUIRER)
PRESENTING THE RATIONALE FOR THE MERGER WITH
ELGÓR + ZAMET SPÓŁKA Z OGRANICZONĄ
ODPOWIEDZIALNOŚCIĄ
(THE ACQUIREE)**

1. Introduction

Acting pursuant to Art. 501 of the Commercial Companies Code, the Management Board of ELGÓR+ZAMET Sp. z o.o. of Piekary Śląskie (the Acquiree) provides rationale for the merger of FAMUR S.A. (the Acquirer) with ELGÓR+ZAMET Sp. z o.o.

In accordance with the merger plan agreed on January 15th 2016 (the Merger Plan), the merger will be effected under Art. 492.1.1) of the Commercial Companies Code, i.e. through the transfer of all assets of the Acquiree – ELGÓR+ZAMET Sp. z o.o. of Piekary Śląskie, to the Acquirer – FAMUR S.A. of Katowice.

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Shareholders:

- I. FAMUR S.A., holding 58 shares with a par value of PLN 1,000.00 (one thousand złoty) per share, representing 29% of the Acquiree's share capital;
- II. Andrzej Czechowski, holding 17 shares with a par value of PLN 1,000.00 (one thousand złoty) per share, representing 8.5% of the Acquiree's share capital;
- III. Dawid Gruszczyk, holding 45 shares with a par value of PLN 1,000.00 (one thousand złoty) per share, representing 22.5% of the Acquiree's share capital;
- IV. Bolesław Kleszko, holding 23 shares with a par value of PLN 1,000.00 (one thousand złoty) per share, representing 11.5% of the Acquiree's share capital;
- V. Wojciech Malinga, holding 40 shares with a par value of PLN 1,000.00 (one thousand złoty) per share, representing 20% of the Acquiree's share capital;
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The mining market, especially at present, is highly competitive, and in the foreseeable future will to be extremely demanding for all the operators. The current market slowdown, challenging as it may be for companies, may also provide them with opportunities for further development.

The merger is based on sound economic rationale of improving the efficiency and profitability of the FAMUR Group, to which ELGÓR+ZAMET Sp. z o.o. already belongs, while simplifying its organisational structure. The merging companies assume that benefits from the merger will include:

- strengthening of the Acquirer's market position while preserving the production currently conducted by the Acquiree,
- consolidation of assets, including property, plant and equipment, inventories, materials and know-how;
- reduction of the merging companies' operating expenses, e.g. thanks to lowering of administrative expenses,
- possibility to implement a uniform strategy towards the companies' trading partners,
- reduction of fees and operating expenses thanks to an increased volume of transactions offered to the service providers cooperating with the merged entity,
- possibility to tap into the consolidation synergies and to streamline and enhance the business processes.

The one-off costs associated with the merger process are not material, therefore the merger will not require significant expenditure on operational integration.

In the Management Board's opinion, the merger of the companies and, consequently, their full integration will translate into more effective growth driven chiefly by optimal use of strategic market opportunities. The above considerations point to the conclusion that further operation of the two companies as independent entities would be disadvantageous to both of them.

4. Share exchange ratio between the Acquiree and Acquirer shares

The market value of the Acquirer shares has been put at PLN 2.00 (two złoty) per share. The market value of the Acquirer shares was determined as the arithmetic mean of two turnover-weighted average prices of Acquirer shares for the periods of three and six months, in each case as at the date of the Letter of Intent signed between the Acquirer and the Acquiree's Shareholders, that is as at November 2nd 2015. These values amounted to PLN 1.82 and PLN 2.18, respectively. They reflect the market value of the Acquirer shares as at the date of the Merger Plan.

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The shareholders of the Acquiree (other than FAMUR S.A.) will be allotted the following numbers of Merger Shares:

Andrzej Czechowski, holding 17 Acquiree shares, will be allotted 595,000 Merger Shares;

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In view of the foregoing, given that the opinion on the Merger Plan prepared by a qualified auditor stated that the Merger Plan is fair and accurate and meets the requirements stipulated in Art. 499.1 and 499.2 of the Commercial Companies Code, the Management Board of ELGÓR+ZAMET Sp. z o.o. recommends that the shareholders accept the presented merger concept and adopt a resolution to merge FAMUR S.A. with ELGÓR+ZAMET Sp. z o.o., in accordance with the draft resolution attached as an appendix to the Merger Plan.

Piekary Śląskie, April 14th 2016