POLISH FINANCIAL SUPERVISION AUTHORITY

Current Report No.	**11**	**/**	**2018**	

Date: February 19th 2018

Abbreviated issuer name:
FAMUR S.A.

Subject:
Estimated consolidated financial data for 2017

Legal basis:
Art. 17.1 of MAR – inside information

Text of the report:

The Management Board of FAMUR S.A. (the Company) announces the estimated unaudited consolidated financial highlights of the FAMUR Group for 2017.

Revenue: approximately PLN 1,458m,
Operating profit: approximately PLN 116m,
EBITDA: approximately PLN 291m, (Operating result plus depreciation and amortization)
Net profit: approximately PLN 58m,
Net debt: approximately PLN 80m.

The Q4 2017 results were affected by a number of significant one-off items. The Company's Management Board believes that the adverse effect of one-offs is primarily related to recent customs and tax inspections carried out at the Group. The related provisions and impairment losses were recognised by the Company out of far-reaching prudence. In the opinion of the Company's Management Board, tax settlements which were subject to the inspections were correct and, if challenged, the Company will defend its position in further proceedings, taking any steps provided by law.

Significant one-offs recognised in 2017 results:

1) allowance for VAT interest receivables: -PLN 16,926 thousand;
2) provision for potential CIT risk: -PLN 21,189 thousand;
3) reversal of deferred tax assets: -PLN 6,812 thousand;
4) reversal of provision for performance bond claim: PLN 19,000 thousand.

Total effect of one-off items on the 2017 net profit: -PLN 26m.
The FAMUR Group's net profit excluding one-offs amounted to approximately PLN 84m.

The above estimates have not been audited by an independent auditor. Following an independent audit of the Famur Group's financial statements, the amounts or manner of presentation of the one-off items may change.

1) Allowance for VAT interest receivables

Further to Current Reports No. 87 and No. 88 of December 22nd 2017, in which the Company reported on the outcome of the customs and tax inspection concerning value added tax for October 2013 in relation to the Company's subsidiary FAMUR Finance Sp. z o.o. of Katowice (the Subsidiary), and the decisions to submit corrected VAT returns in line with the inspection findings received by the Subsidiary, the Management Board announces that, following the submission of corrected tax returns, the Subsidiary paid to the tax office PLN 48,899,276.00 in VAT, plus interest of PLN 16,925,848. At the same time, the Company disclosed in the tax return a value-added tax receivable of PLN 48,901,450, and expects it to be refunded in accordance with applicable regulations.
The Subsidiary decided to request the tax office for a refund of PLN 16,925,848 under accrued and paid interest. The relevant receivable has been recognised in the Subsidiary's accounting records as a receivable from the government.

In the opinion of the Subsidiary's Management Board, the Subsidiary accounted for the tax in conformity with the laws and regulations applicable in October 2013 and with the position adopted at that time by tax authorities and reflected in judicial decisions of administrative courts; the correctness of accounting for the tax was confirmed by a review performed as part of a tax audit by the First Tax Office in Katowice. Notwithstanding the fact that the Subsidiary is legitimately claiming the PLN 16,925,848 of interest receivable, the Subsidiary's Management Board, acting in accordance with the prudence principle, decided to recognise an impairment loss on the PLN 16,925,848 interest receivable. The decision to recognise the impairment loss was made in view of the tax authorities' practice to date, in particular their inconsistent approach in the interpretation of tax laws and regulations.

The impairment loss recognised in the FAMUR Group's consolidated financial statements was charged to finance costs.

2) Provision for potential CIT risk

The Company reports that in parallel with the customs and tax inspection regarding VAT, referred to in item 1 above, a customs and tax inspection has been conducted at the Company regarding corporate income tax for 2013–2015. In the Company's opinion, the latter is focused on the transfer of the 'FAMUR' trademark to a separate company FAMUR Brand, which took place in October 2013, as reported by the Company in Current Report No. 45/2013 of October 29th 2013. As at this report issue date, the audit is still ongoing and the Company has not received its results.
In the Company's opinion, steps taken by the Company in relation to the transfer of the trademark to FAMUR Brand and the Company's incurring of the costs of license fees were consistent with the laws applicable in the period to which the inspection refers and were supported both by business and economic rationale. The Company wishes to point out that the steps taken with respect to its trademark were aimed at minimising potential risks that could be faced by the Company in connection with its reorganisation, restructuring and expansion planned at the time. Considering the inconsistent interpretation of tax laws and the fact that tax authorities tend to identify irregularities in the manner of accounting for trademarks and related items, there is a risk that they

might question that fact that the Company has classified the license fees incurred as a tax-deductible cost and issue an inspection report adverse to the Company's interest in this respect.
Bearing that in mind and acting out of prudence, the Company's Management Board decided to set up a provision for a potentially payable public charge in a total amount of PLN 21,189 thousand.

The provision has been recognised in the consolidated financial statements of the FAMUR Group in other expenses at PLN 17,787 thousand and in finance costs at PLN 3,402 thousand.

In the event of an unfavourable outcome of the inspection, the Management Board intends to use any means of appeal available under law to defend its position, however taking into account the realities of tax proceedings, obtaining a final resolution of the issue might be a long-term prospect.

3) Derecognition of deferred tax assets

In connection with amendments to the corporate income tax laws taking effect as of January 1st 2018, pursuant to which an entity that has internally produced a trademark may not classify amortisation charges on the initial value of the trademark as tax-deductible costs, the Company's Management Board decided to derecognise the entire amount of the deferred CIT asset that had been recognised in relation to the difference between the accounting and tax value of the Company's trademark. There are no grounds to continue the recognition of the deferred tax asset because, as of the beginning of 2018, amortisation charges do not qualify as tax-deductible costs.

The reversal of the asset has been recognised in the consolidated financial statements of the FAMUR Group under 'Income tax'.

4) Reversal of provision for performance bond claim

On February 19th 2018, the Management Board of Kopex S.A. ('Kopex') passed a resolution to reverse the provision for the risk of liquidated damages due to delayed performance of contract No. U/J910/0088/Z/15 of November 12th 2015, following the entry into force of a settlement agreement with E003B7 Sp. z o.o. of Jaworzno made on October 13th 2017. The execution and entry into force of the settlement agreement eliminated the risk that liquidated damages could be imposed as a result of delayed performance of the contract with regard to the period before the settlement date, i.e. before October 13th 2017.

The provision has been reversed in the consolidated financial statements of the FAMUR Group into other income.

FAMUR Spółka Akcyjna (full issuer name)	
FAMUR S.A. (abbreviated issuer name)	Electromechanical (ele) (sector according to the WSE)
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SIGNATURES OF AUTHORISED REPRESENTATIVES

Date	Full name	Position	Signature
February 19th 2018	Mirosław Bendzera	President of the Management Board	
February 19th 2018	Olga Panek	Commercial Proxy	