

**FAMUR SPÓŁKA AKCYJNA
KATOWICE, UL. ARMII KRAJOWEJ 51**

**FINANCIAL STATEMENTS
FOR THE 2013 FINANCIAL YEAR**

**WITH
AUDITOR'S OPINION
AND
AUDIT REPORT**

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REPORT ON THE ACTIVITIES OF FAMUR SPÓŁKA AKCYJNA FOR THE 2013 FINANCIAL YEAR

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of FAMUR S.A.

We have audited the attached financial statements of FAMUR S.A. with its registered office in Katowice at Armii Krajowej 51, including statement of financial position prepared as of 31 December 2013, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year from 1 January 2013 to 31 December 2013 and notes comprising a summary of significant accounting policies and other explanatory information.

Preparation of financial statements and a report on the activities in line with the law is the responsibility of the Management Board of the Company.

The Management Board of the Company and members of its Supervisory Board are obliged to ensure that the financial statements and the report on the activities meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express an opinion on compliance of the financial statements with the accounting principles (policy) adopted by the Company and whether the financial statements present fairly and clearly, in all material respects, the financial and economic position as well as the financial result of the Company and on the correctness of the underlying accounting records.

Our audit of the financial statements has been planned and performed in accordance with:


- section 7 of the Accounting Act,
- national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) and material estimates applied by the Company, verification – largely on a test basis – of the accounting evidence and records supporting the amounts and disclosures in the financial statements, as well as overall evaluation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited financial statements in all material respects:

- present fairly and clearly the information material to evaluate the economic and financial position of the Company as of 31 December 2013 as well as its profit or loss in the financial year from 1 January 2013 to 31 December 2013,
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as Commission regulations and in all matters not regulated in the standards – in accordance with the provisions of the Accounting Act, secondary legislation to the Act and based on properly kept accounting records,
- comply with the provisions of law and the by-laws of the Company which affect the contents of the financial statements.

The Report on the activities of the Company for the financial year 2013 is complete within the meaning of Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2009, No. 33, item 259, as amended) and consistent with underlying information disclosed in the audited financial statements.



Artur Maziarka
Key certified auditor
conducting the audit
No. 90108

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:



Artur Maziarka – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 16 April 2014

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

**REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS OF FAMUR SPÓŁKA AKCYJNA
FOR THE 2013 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Company

The Company operates under the business name FAMUR Spółka Akcyjna. The Company's registered office is located in Katowice at Armii Krajowej 51.

The Company operates as a joint stock company established by a notarized deed on 13 December 1991 before Paweł Błaszczak, Notary Public in Warsaw (Repertory A No. 11654/91). The Company was recorded in the Commercial Register kept by the District Court, VIII Business-Registry Division in Katowice, section B, under number RHB 7755. Currently, the Company is recorded in the Register of Entrepreneurs kept by the District Court, VIII Business-Registry Division in Katowice, under KRS number 0000048716.

The Company's tax identification number NIP is: 634-01-26-246.

The REGON number assigned by the Statistical Office is: 270641528.

The Company operates based on the provisions of the Code of Commercial Companies.

In accordance with the Company's by-laws, the scope of its activities includes:

- Manufacture of machinery for mining, quarrying and construction;
- Repair and maintenance of machines;
- Installation of industrial machinery and equipment;
- Development of building projects;
- Construction of other civil engineering projects n.e.c.;
- Wholesale of waste and scrap;
- Non-specialized wholesale;
- Finance leases;
- Other credit granting;
- Other financial services, n.e.c., excluding insurance and pension funds;
- Buying and selling of own real estate;
- Renting and operating of own or leased real estate;
- Accounting and bookkeeping activity, tax advisory services;
- Research and development in other natural and technical sciences;
- Renting and leasing of cars and vans;
- Renting and leasing of other motor vehicles, excluding motorcycles;
- Renting and leasing of other machinery, equipment and tangible goods n.e.c.;
- Production of steel structures and their parts;
- Repair and maintenance of metal finished goods;
- Construction of residential and non-residential buildings;
- Construction of roads and motorways;
- Construction of railways and underground railways;
- Construction of bridges and tunnels;
- Construction of transmission pipelines and distribution networks;
- Construction of telecommunication and power transmission lines;
- Construction of water engineering structures;
- Demolition;

- Site preparation;
- Plastering;
- Painting and glazing;
- Other construction and finish work;
- Other specialized construction activities n.e.c.;
- Wired telecommunications activities;
- Wireless telecommunications activities, excluding satellite telecommunications;
- Architectural activities;
- Engineering and the related technical advice;
- Other technical testing and analyses;
- Rental and lease of construction machinery and equipment;
- Other education n.e.c..

In the audited period, the Company conducted the business activities including sales of mining machines and construction services.

As of 31 December 2013, the Company's share capital amounted to PLN 4.815.000 and was divided into 481.500.000 shares with a face value of PLN 0,01 each.

As of 26 June 2013 (the date of the last Shareholders' Meeting) the Company's shareholders included:

- TDJ SA. – 71,28 % shares,
- ING OFE – 5,82 % shares,
- Others – 22,90 % shares.

There were significant changes in the share capital of the Company during the financial year:

- On 23 December 2013 TDJ S.A. transferred 343.226.896 of ordinary shares of FAMUR S.A. based in Katowice, which represent 71,28% of the share capital of FAMUR S.A., to TDJ Equity I Sp. z o.o. based in Tarnowskie Góry.

During the audited period, the shareholding structure of the Company's share capital did not undergo any significant changes other than the ones specified above.

After the balance sheet date there were no changes in the Company's share capital.

As of 31 December 2013, the Company's equity amounted to PLN 695.232.816,08.

The Company's financial year is the calendar year.

The Company has the following related parties:

- | | | |
|--|---|---------------------|
| - TDJ S.A. | - | Holding Company, |
| - OOO Famur | - | 100 % subsidiary, |
| - Famur Institute Sp. z o.o. | - | 100 % subsidiary, |
| - Georyt Sp. z o.o. | - | 100 % subsidiary, |
| - Dams GmbH | - | 100 % subsidiary, |
| - Remag S.A. | - | 99,99 % subsidiary, |
| - Famur India Mining Solutions Private Limited | - | 99,99 % subsidiary, |
| - Nowosądecka Fabryka Urządzeń Górniczych Nowomag S.A.– | - | 100 % subsidiary, |
| - Fabryka Zmechanizowanych Obudów Ścianowych Fazos S.A.– | - | 100 % subsidiary, |
| - Fabryka Maszyn Górniczych Pioma S.A | - | 100 % subsidiary, |
| - Polskie Maszyny Górnicze SA | - | 100 % subsidiary, |
| - Famur Machinery Sp. z o.o. | - | 100 % subsidiary, |

- | | |
|--|---------------------|
| - OOO Famur Ukraina | - 100 % subsidiary, |
| - Famur Finance Georyt Spółka z ograniczoną odpowiedzialnością SKA | - 99% subsidiary |
| - Famur Brand Sp. z o.o. | - 100 % subsidiary |
| - TOO FAMUR Kazachstan | - 100 % subsidiary. |

In addition, the companies in the TDJ S.A. Capital Group are treated as related parties of FAMUR S.A.

Composition of the Management Board as of the date of the opinion and till the date of the opinion:

- | | |
|---------------------|--|
| - Waldemar Łaski | - Chairman of the Management Board, |
| - Beata Zawiszowska | - Vice-Chairman of the Management Board, |
| - Jacek Osowski | - Vice-Chairman of the Management Board. |

Changes in the composition of the Management Board during the audited period:

- On 14 November, the Supervisory Board of Famur S.A. passed resolutions 78/X/2013, 79/X/2013, 80/X/2013, which dismissed the Vice-Chairmans of the Management Board Ryszard Bednarz, Ireneusz Tomecki and Adam Wojciechowski with effect from 1 January 2014.
- On 14 November, the Supervisory Board of Famur S.A. passed resolution 81/X/2013, which appointed Jacek Osowski to the position of Vice-Chairman of the Management Board with effect from 1 January 2014.

The above changes have been reported and registered at a relevant court register.

2. Information about the financial statements for the prior financial year

The activities of the Company in 2012 resulted in a net profit of PLN 102.246.606,81. The financial statements of the Company for 2012 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.. On 15 March 2013 the certified auditor issued an unqualified opinion on those financial statements with an emphasis of matter, stating as follows:

“Without raising any qualifications to the correctness and fairness of the audited financial statements, we would like to point out that the financial statements, which are referred to in this opinion, are individual ones and should be used mainly for statutory purposes. As such, they cannot provide an exclusive basis for evaluation of the economic and financial standing of the entity, which is a holding company within the Capital Group. In addition to the separate financial statements, the Company prepares consolidated financial statements of the Capital Group for which it acts as the Holding Company.”

The General Shareholders' Meeting which approved the financial statements for the 2012 financial year was held on 26 June 2013. The General Shareholders' Meeting decided on allocation of the net profit for 2012 to increase the supplementary capital.

The financial statements for the 2012 financial year were submitted to the National Court Register (KRS) on 12 July 2013.

3. Details of the authorized entity and the key certified auditor acting on its behalf

The audit of the financial statements was performed based on the agreement of 8 July 2013 concluded between FAMUR S.A. and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of Artur Maziarka, key certified auditor (No. 90108) in the registered office of the Company from 18 to 22 November 2013, from 3 to 12 February 2014 as well as outside the Company's premises until the date of this opinion.

The entity authorized to audit the financial statements was appointed by the resolution of the Supervisory Board of 24 June 2013, based on authorization included in Article 15.2.5 of the Company's by-laws.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and Artur Maziarka, key certified auditor, confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing body, auditing firms and on public oversight (Journal of Laws of 2009, No. 77, item 649, as amended) to express an unbiased and independent opinion on the financial statements of Famur S.A.

4. Availability of data and management's representations

The scope of our audit was not limited.

During the audit, all necessary documents and data as well as detailed information and explanations, were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of 16 April 2014.

II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY

Presented below are the main items from the income statement as well as financial ratios describing the financial performance of the Company and its economic and financial position compared to the prior year.

<u>Main items from the income statement (PLN '000)</u>	<u>2013</u>	<u>2012*</u>
Sales revenue	797.362,89	830.346,23
Operating expenses	789.793,12	709.141,20
Other operating revenue	59.651,70	64.191,31
Other operating expenses	39.775,71	109.252,18
Financial revenue	143.026,23	82.482,35
Financial expenses	25.640,37	47.485,40
Income tax	5.312,16	8.256,50
Net profit (loss)	139.519,46	102.884,61
 Total comprehensive income	 141.719,41	 102.246,61
 <u>Profitability ratios</u>	 <u>2013</u>	 <u>2012*</u>
– gross profit margin ¹	3%	9%
– net profit margin	17%	12%
– net return on equity	25%	23%
 <u>Effectiveness ratios</u>		
– assets turnover ratio	0,59	0,76
– receivables turnover in days	109	72
– liabilities turnover in days	77	47
– inventory turnover in days	35	40
 <u>Liquidity/Net working capital</u>		
– debt ratio	48%	49%
– equity to fixed assets ratio	52%	51%
– net working capital (PLN '000)	(150.662,71)	9.625,18
– current ratio	0,73	1,03
– quick ratio	0,62	0,78

* The figures for the prior financial year include restated comparative data with regard to the entry into force from 2013 of amendments to IAS 19 "Employee benefits"; the ratios are based on result from continued activities.

An analysis of the above figures and ratios indicated the following trends in 2013:

- decrease of gross profit margin,
- increase of net profit margin and net return on equity,
- decrease of assets turnover ratio,
- increase of receivables and payables turnover ratios,
- decrease of inventory turnover ratio,
- decrease of debt ratio,
- decrease of net working capital, which shows negative value at the end of 2013,
- decrease of liquidity ratios.

¹ The ratio calculated as the ratio of operating profit to sales revenue

III. DETAILED INFORMATION

1. Evaluation of the accounting system

The Company has valid documentation required by Article 10 of the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330, as amended), hereinafter referred to as the "Accounting Act", referring in particular to: definition of the financial year and reporting periods thereof, methods of measuring assets and liabilities and determining the financial result, method of keeping the accounting records and the system of data and file protection. The documentation of the accounting policy was developed in line with the Accounting Act and with respect to the measurement of assets and liabilities plus equity as well as presentation of the financial statements – in line with IFRS and approved for use as of 1 January 2013 by an annex to the resolution of the Management Board No. 11/2012 of 15 July 2013. Principal methods of measuring assets, liabilities and the financial result have been presented in the explanatory notes.

Accounting principles selected at the Company's discretion pursuant to IFRS have been selected in a manner that correctly reflects specifics of its business operations, its financial standing and performance. The accounting principles have been applied in a continuous manner and unchanged compared to those applied to the accounting records and financial statements in the preceding financial year.

The Company uses Impuls computerized accounting system, version Evo 1.0., to record all business transactions. The Impuls system is password-protected against unauthorized access and has functional access controls.

The opening balance resulting from the approved financial statements for the prior financial year has been properly introduced into the accounting records of the audited period.

In the part we have audited, documentation of business transactions, accounting records and the relationships between accounting entries, documents and financial statements complied with the requirements of section 2 of the Accounting Act.

The accounting records and evidence, the documentation of the accounting system and the approved financial statements of the Company are stored in compliance with section 8 of the Accounting Act.

The Company performed a physical count of assets and liabilities within the scope, timing and frequency required by the Accounting Act. Identified differences have been recorded and settled in the accounting records for the audited period.

2. Information about the audited financial statements

The audited financial statements were prepared as of 31 December 2013 and include:

- statement of financial position prepared as of 31 December 2013, with total assets and liabilities plus equity of PLN 1.343.352.322,77,
- income statement for the period from 1 January 2013 to 31 December 2013, with a net profit of PLN 139.519.457,33,
- statement of comprehensive income for the period from 1 January 2013 to 31 December 2013 with a total comprehensive income of PLN 141.719.405,77,
- statement of changes in equity for the period from 1 January 2013 to 31 December 2013, disclosing an increase in equity of PLN 141.719.405,77,
- statement of cash flows for the period from 1 January 2013 to 31 December 2013, showing a cash outflow of PLN 14.554.424,74,
- notes, comprising a summary of significant accounting policies and other explanatory information.

The structure of assets and liabilities plus equity as well as items affecting the profit or loss has been presented in the financial statements.

3. Information about selected material items of the financial statements

Property, plant and equipment

Property, plant and equipment in the Company include:

- fixed assets of PLN 253.330.871,31,
- fixed assets under construction of PLN 8.069.971,17,

The notes correctly describe changes in fixed assets and fixed assets under construction and disclose any revaluation write-downs on such assets.

Long-term investments

The Company's long-term investments include:

- shares in controlled entities of PLN 618.918.213,57,
- shares in other entities of PLN 50.000,00.

The notes correctly describe changes in investments during the financial year.

Structure of inventories

The structure of inventories has been correctly presented in the respective explanatory to the statement of financial position.

Structure of receivables

Ageing of trade receivables has been correctly presented in the respective explanatory note to the statement of financial position. The audited sample did not include past-due or redeemed receivables.

Liabilities

Ageing and types of liabilities have been correctly presented in the respective explanatory note to the statement of financial position.

Key items of the Company's liabilities include:

- long-term credit facilities and loans in the amount of PLN 14.842.324,55,
- short-term credit facilities and loans in the amount of PLN 226.627.284,36,
- trade liabilities in the amount of PLN 241.880.967,78,
- tax liabilities in the amount of PLN 34.063.615,80.

The nature of contracted loans and security has been presented in notes. The audited sample did not include past-due or redeemed liabilities.

Prepayments, accruals and provisions for liabilities

The explanatory notes to prepayments, accruals and provisions for liabilities correctly present the structure of the items. Deferred expenses and income have been correctly classified with respect to the audited financial year. Provisions for liabilities have been determined at reliably estimated amounts. The items have been recognized completely and correctly in all material respects in relation to the financial statements as a whole.

4. Completeness and correctness of drawing up notes and explanations and the report on the activities of the Company

The Company confirmed the validity of the going concern basis in preparation of the financial statements. The explanatory notes give a correct and complete description of measurement principles regarding assets, liabilities, profit or loss and principles of preparation of the financial statements.

Limitations imposed on individual assets disclosed in the statement of financial position arising from security granted to creditors have been described.

The explanatory notes comprehensively describe the reporting items and clearly present the remaining data required by the IFRS.

The financial statements have been supplemented with the Management Board's report on the activities of the Company in the 2013 financial year. The report contains all information required under Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2009, No. 33, item 259, as amended). We have audited the report with respect to the disclosed information derived directly from the audited financial statements.



IV. CLOSING COMMENTS

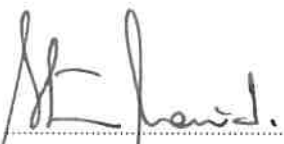
Management Board's Representation

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Company's Management Board, in which the Board stated that the Company complied with the laws in force.



Artur Maziarka
Key certified auditor
conducting the audit
No. 90108

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:



Artur Maziarka – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 16 April 2014