

## INDEPENDENT AUDITORS' OPINION

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

1. We have audited the attached financial statements for the year ended 31 December 2015 of FAMUR S.A. ('the Company') located in Katowice at Armii Krajowej 51 street, containing statement of financial position as at 31 December 2015, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the period from 1 January 2015 to 31 December 2015 and the summary of significant accounting policies and other explanatory notes ('the attached financial statements').
2. The truth and fairness<sup>1</sup> of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that the attached financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly<sup>2</sup> reflect, in all material respects, the financial position and results of the operations of the Company and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached financial statements in accordance with:
  - chapter 7 of the Accounting Act;
  - National Auditing Standards issued by the National Council of Statutory Auditors;in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.

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<sup>1</sup> Translation of the following expression in Polish: 'rzetelność i jasność'

<sup>2</sup> Translation of the following expression in Polish: 'rzetelnie i jasno'

4. The financial statements for the prior financial year ended 31 December 2014 were subject to an audit by a key certified auditor acting on behalf of another authorised audit firm, who issued an opinion including an emphasis of matter on these financial statements, dated 27 April 2015. This emphasis of matter regarded the method of settlement of the business combination adopted by the Company, the same as the pooling of interests method.
5. In our opinion, the attached financial statements, in all material respects:
  - present truly and fairly all information material for the assessment of the results of the Company's operations for the period from 1 January 2015 to 31 December 2015, as well as its financial position<sup>3</sup> as at 31 December 2015;
  - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records;
  - are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Company's Articles of Association.
6. We have read the 'Directors' Report for the period from 1 January 2015 to 31 December 2015 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of art. 49 para 2 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2014.133 with subsequent amendments).

on behalf of  
Ernst & Young Audyt Polska  
spółka z ograniczoną odpowiedzialnością sp. k.  
Rondo ONZ 1, 00-124 Warsaw  
Reg. No 130

Key Certified Auditor

Leszek Lerch  
certified auditor No. 9886

Warsaw, 27 April 2016

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<sup>3</sup> Translation of the following expression in Polish: '*sytuacja majątkowa i finansowa*'

**FAMUR S.A.**

**LONG-FORM AUDITORS' REPORT  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2015**

## I. GENERAL NOTES

### 1. Background

Registered office of FAMUR S.A. (hereinafter 'the Company') is located in Katowice at Armii Krajowej 51 street.

The Company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 000048716 on 28 September 2001.

The Company was issued with tax identification number (NIP) 6340126246 and statistical number (REGON) 270641528.

The Company is the holding company of the FAMUR Capital Group. Details of transactions with affiliated entities are included in Note 47 of the summary of significant accounting policies and other explanatory notes ("the additional notes and explanations") to the audited financial statements for the year ended 31 December 2015.

The principal activities of the Company are as follows:

- production of machinery for mining, quarrying and construction industries;
- machinery repair and maintenance services;
- installation of industrial machinery and equipment;
- production of metal structures and spare parts;
- repair and maintenance of fabricated metal products.

As at 31 December 2015, the Company's issued share capital amounted to 4.815 thousand zlotys. Equity as at that date amounted to 756.733 thousand zlotys.

In accordance with additional notes and explanations included in attached financial statements, the ownership structure of the Company's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares	% of issued share capital
TDJ Equity I sp. z o.o.	343.225.869	343.225.896	3.432.259	71,28 %
Nationale-Nederlanden OFE	48.123.000	48.123.000	481.230	9,99%
AVIVA OFE	29.000.000	29.000.000	290.000	6,02%
Own shares	1.000	1.000	10	0,00%
Other shareholders	61.150.104	61.150.104	611.501	12,70%
TOTAL	481.500.000	481.500.000	4.815.000	100,00%

The following changes took place in the ownership structure of the Company's issued share capital during the financial year and between the balance sheet date and the date of the opinion:

- Nationale-Nederlanden OFE reduced its involvement in the capital of 48.571.882 shares, representing 10,09% of the total number of votes to 48.123.000, representing 9,99% of total votes;
- a subsidiary of FAMUR S.A. acquired by donation 1.000 shares from TDJ Equity I sp. z o.o.

There were no movements in the share capital in the reporting period.

As at 27 April 2016, the Company's Management Board was composed of:

- Mirosław Bendzera – President
- Beata Zawiszowska – Vice President
- Zbigniew Fryzowicz – Vice President
- Zdzisław Szypuła – Vice President
- Dawid Gruszczyk – Vice President

There were the following changes in the holding company's Management Board during the reporting period as well as during the period from the balance sheet date to the date of the opinion:

- On 30 December 2015, the Supervisory Board adopted a resolution on the appointment on 1 January 2016 Mr. Dawid Gruszczyk to the position of Vice President;
- On 1 March 2016, Mr. Henryk Sok resigned from the position of Vice President.

## 2. Financial Statements

### 2.1 Auditors' opinion and audit of financial statements

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. was appointed by the Supervisory Board on 1 July 2015 to audit the Company's financial statements.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. and the key certified auditor meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649 with subsequent amendments).

Under the contract executed on 10 July 2015 with the Company's Management Board, we have audited the financial statements for the year ended 31 December 2015.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the financial statements taken as a whole.

Based on our audit, we issued an auditors' unqualified dated 27 April 2015, stating the following:

#### **“To the Shareholders Meeting and Supervisory Board of FAMUR S.A.**

1. We have audited the attached financial statements for the year ended 31 December 2015 of FAMUR S.A. ('the Company') located in Katowice at Armii Krajowej 51 street, containing statement of financial position as at 31 December 2015, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the period from 1 January 2015 to 31 December 2015 and the summary of significant accounting policies and other explanatory notes ('the attached financial statements').
2. The truth and fairness<sup>1</sup> of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that the attached financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly<sup>2</sup> reflect, in all material respects, the financial position and results of the operations of the Company and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.

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<sup>1</sup> Translation of the following expression in Polish: 'rzetelność i jasność'

<sup>2</sup> Translation of the following expression in Polish: 'rzetelnie i jasno'

3. We conducted our audit of the attached financial statements in accordance with:
- chapter 7 of the Accounting Act;
  - National Auditing Standards issued by the National Council of Statutory Auditors;
- in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.
4. The financial statements for the prior financial year ended 31 December 2014 were subject to an audit by a key certified auditor acting on behalf of another authorised audit firm, who issued an opinion including an emphasis of matter on these financial statements, dated 27 April 2015. This emphasis of matter regarded the method of settlement of the business combination adopted by the Company, the same as the pooling of interests method.
5. In our opinion, the attached financial statements, in all material respects:
- present truly and fairly all information material for the assessment of the results of the Company's operations for the period from 1 January 2015 to 31 December 2015, as well as its financial position<sup>3</sup> as at 31 December 2015;
  - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records;
  - are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Company's Articles of Association.
6. We have read the 'Directors' Report for the period from 1 January 2015 to 31 December 2015 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of art. 49 para 2 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2014.133 with subsequent amendments)."

We conducted the audit of the Company's financial statements during the period from 10 July 2015 to 27 April 2015. We were present at the Company's head office from 16 November 2015 to 27 November 2015 and from 25 January 2016 to 5 February 2016.

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<sup>3</sup> Translation of the following expression in Polish: '*sytuacja majątkowa i finansowa*'

## 2.2 Representations provided and data availability

The Management Board confirmed its responsibility for the truth and fairness<sup>4</sup> of the financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 27 April 2016, confirming that:

- the information included in the books of account was complete;
- all contingent liabilities had been disclosed in the financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the financial statements;

and confirmed that the information provided to us was true and fair to the best of the Management Board's knowledge and belief, and included all events that could have had an effect on the financial statements.

At the same time declare that during the audit of the financial statements, there were no limitations of scope.

## 2.3 Financial statements for prior financial year

The Company's financial statements for the year ended 31 December 2014 were audited by Artur Maziarka, key certified auditor No. 90108, acting on behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k located in Warsaw, the company entered on the list of entities authorized to audit financial statements conducted by the National Council of Statutory Auditors with the number 73. The key certified auditor issued an opinion including an emphasis of matter on the financial statements for the year ended 31 December 2014. This emphasis of matter regarded the method of settlement of the business combination adopted by the Company, the same as the pooling of interests method.

The Company's financial statements for the year ended 31 December 2014 were approved by the Shareholders' Meeting on 18 June 2015, and the shareholders resolved to appropriate the entire 2014 net profit amounted to 48.183.717,95 zlotys to reserve capital:

The financial statements for the financial year ended 31 December 2014, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the resolution on the appropriation of profit and the Directors' Report, were filed on 2 July 2015 with the National Court Register

The closing balances as at 31 December 2014 were correctly brought forward in the accounts as the opening balances at 1 January 2015.

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<sup>4</sup> Translation of the following expression in Polish: "rzetelność i jasność"

### 3. Analytical Review

#### 3.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2013 - 2015. The ratios were calculated on the basis of financial information included in the financial statements for years ended 31 December 2014 and 31 December 2015.

The ratios for the year ended 31 December 2014 were calculated on the basis of financial information included in the financial statements for the year ended 31 December 2015 which were restated as a result of the settlement of the Company's merger with its subsidiaries. This merger was described in Note 36 of the additional notes and explanations to the audited financial statements for the year ended 31 December 2015.

The ratios for the year ended 31 December 2013 were calculated on the basis of financial information included in the approved financial statements for the year ended 31 December 2014 audited by another auditor acting on behalf of another authorized entity. This financial information was not restated in accordance to the changes resulting from the settlement of the Company's merger with its subsidiaries included in the financial statements for the year ended 31 December 2014, in relation to the comparative data.

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Total assets</b>	1 363 074	1 451 947	1 536 805
<b>Shareholders' equity</b>	756 733	762 948	1 042 814
<b>Net profit/ loss</b>	-5 879	47 842	238 685
<b>Return on assets (%)</b>	-0,4%	3,3%	15,5%
<hr/> $\frac{\text{Net profit/loss} \times 100\%}{\text{Total assets}}$			
<b>Return on equity (%)</b>	-0,8%	4,6%	29,7%
<hr/> $\frac{\text{Net profit/loss} \times 100\%}{\text{Shareholders' equity at the beginning of the period}}$			
<b>Profit margin (%)</b>	-0,9%	6,7%	21,4%
<hr/> $\frac{\text{Net profit/loss} \times 100\%}{\text{Sales of finished goods, goods for resale and raw materials}}$			
<b>Liquidity I</b>	0,9	0,9	1,9
<hr/> $\frac{\text{Current assets}}{\text{Short-term creditors}}$			
<b>Liquidity III</b>	0,0	0,1	0,2
<hr/> $\frac{\text{Cash and cash equivalents}}{\text{Short-term creditors}}$			

	2015	2014	2013
<b>Debtors days</b>	144 days	131 days	124 days
Trade debtors x 365			
Sales of finished goods, goods for resale and raw materials			
<b>Creditors days</b>	44 days	74 days	73 days
Trade creditors x 365			
Costs of finished goods, goods for resale and raw materials sold			
<b>Inventory days</b>	82 days	97 days	51 days
Inventory x 365			
Costs of finished goods, goods for resale and raw materials sold			
<b>Stability of financing (%)</b>	60,4%	58,5%	76,3%
(Equity + long-term provisions and liabilities) x 100%			
Total liabilities, provisions and equity			
<b>Debt ratio (%)</b>	44,5%	47,5%	32,1%
(Total liabilities and provisions) x 100%			
Total assets			
<b>Rate of inflation:</b>			
Yearly average	-0,9%	0,0%	0,9%
December to December	-0,5%	-1,0%	0,7%

### 3.2 Comments

The following trends may be observed based on the above financial ratios:

- Return on assets in the year 2015 amounted to (0,4)% and decreased in comparison to 3,3% in the year 2014 and to 15,5% in the year 2013;
- Return on equity in the year 2015 amounted to (0,8)% and decreased in comparison to 4,6% in the year 2014 and to 29,7% in the year 2013;
- Profit margin in the year 2015 amounted to (0,9)% and decreased in comparison to 6,7% in the year 2014 and to 21,4% in the year 2013;
- Liquidity I as at 31 December 2015 and as at 31 December 2014 amounted to 0,9 and decreased in comparison to 1,9 as at 31 December 2013;
- Liquidity III as at 31 December 2015 amounted to 0,0 and decreased in comparison to 0,1 as at 31 December 2014 and to 0,2 as at 31 December 2013;
- Debtors days in the year 2015 amounted to 144 days and increased in comparison to 131 days in the year 2014 and to 124 days in the year 2013;
- Creditors days in the year 2015 amounted to 44 days and decreased in comparison to 74 days in the year 2014, and to 73 days in the year 2013;

- Inventory days in the year 2015 amounted to 82 days and decreased in comparison to 97 days in the year 2014, and increased in comparison to 51 days in 2013;
- Stability of financing as at 31 December 2015 amounted to 60,4% and increased in comparison to 58,5% as at 31 December 2014, and decreased in comparison to 76,3% as at 31 December 2013;
- Debt ratio as at 31 December 2015 amounted to 44,5% and decreased in comparison to 47,5% as at 31 December 2014, and increased in comparison to 32,1% as at 31 December 2013.

### **3.3 Going concern**

Nothing came to our attention during the audit that caused us to believe that the Company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2015 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 1.IV of the additional notes and explanations to the audited financial statements for the year ended 31 December 2015, the Management Board has stated that the financial statements were prepared on the assumption that the Company will continue as a going concern for a period of at least twelve months subsequent to 31 December 2015 and that there are no circumstances that would indicate a threat to its continued activity.

## **II. DETAILED REPORT**

### **1. Accounting System**

The Company's accounts are kept using the IMPULS computer system at the Company's head office. The Company has up-to-date documentation, as required under Article 10 of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'), including a chart of accounts approved by the Company's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

### **2. Assets, Liabilities and Equity, Profit and Loss Account**

Details of the Company's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2015.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2015.

### **3. Additional Notes and Explanations to the Financial Statements**

The additional notes and explanations to the financial statements for the year ended 31 December 2015 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

### **4. Directors' Report**

We have read the Directors' report on the Company's activities in the period from 1 January 2015 to 31 December 2015 and the basis for preparation of annual financial statements ('Directors' Report') and concluded that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with the relevant provisions of art. 49 para 2 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2014.133 with subsequent amendments).

## **5. Conformity with Law and Regulations**

We have obtained a letter of representations from the Management Board confirming that no laws, regulations or provisions of the Company's Articles of Association were breached during the financial year.

on behalf of  
Ernst & Young Audyt Polska  
spółka z ograniczoną odpowiedzialnością sp. k.  
Rondo ONZ 1, 00-124 Warsaw  
Reg. No 130

Key Certified Auditor

Leszek Lerch  
certified auditor No. 9886

Warsaw, 27 April 2016