ERRATUM

to the **Directors' Report on the operations of the FAMUR Group and FAMUR S.A. in 2018** [the "**Report**"]

included in the FAMUR Group's Full-Year Consolidated Report for 2018 and FAMUR S.A. Full-Year Report for 2018, issued on April 17th 2019

Section 16 of the Directors' Report: The statement of compliance with corporate governance standards at FAMUR S.A., where it relates to 'Description of the internal control system' and 'Additional information on the Audit Committee' read as follows:

"Description of the internal control system

Key features of the internal control and risk management systems used in the process of preparing financial statements are as follows:

1. Transactions are carried out on the basis of general or specific authorisations by management (depending on the importance of a document);
2. Documents are checked, accepted and described by persons responsible both for the subject matter they relate to and for the accounting aspects;
3. Each material transaction is duly reviewed by the legal department to ensure that it is properly accounted for in accordance with the accounting and tax laws;
4. Appropriate control procedures put in place by the management are used, including:
   - checking the correctness of accounting entries by responsible persons,
   - control of computer programs and the IT environment by assigning care of the programs and the IT environment to IT specialists and firms,
   - maintaining and reviewing subsidiary ledger accounts and statements of ledger transactions and account balances,
   - approval and control of documents,
   - comparing actual performance against targets and analysis of the results,
5. All transactions and other events are promptly recorded in correct amounts, in appropriate accounts and in proper accounting periods so as to enable the preparation of financial statements in accordance with the adopted financial reporting policy;
6. Access to assets and records is only possible with the management's authorisation;
7. Assets revealed in accounting records are compared against physical assets based on the provisions of the accounting laws; relevant measures are taken whenever any discrepancies are found;
8. A uniform accounting policy has been developed for all the Group companies;
9. The accounting policy is updated as needed so that it is always in line with the current accounting laws.
10. In the previous financial year, the Company's Extraordinary General Meeting appointed to the Supervisory Board additional Supervisory Board members meeting independence criteria, as defined in the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017. At the same time, an Audit Committee was established within the Supervisory Board. Its responsibilities include monitoring of the effectiveness of the internal control and risk management systems as well as of the internal audit function, also with respect to financial reporting. In 2018, the Audit Committee consisted of Robert Rogowski, Dorota Wyjadłowska and Jacek Leonkiewicz. Following Robert Rogowski's resignation from the Supervisory Board, on October 11th 2018 Tomasz Kruk was appointed to the Audit Committee and elected Chair of the Audit Committee. At present, the Audit Committee consists of: Mr Tomasz Kruk, Ms Dorota Wyjadłowska and Mr Jacek Leonkiewicz.

    The Company had no separate internal audit function in 2018, and all internal control, risk management and compliance functions were performed within the corporate controlling and legal departments. At the beginning of January 2019, an Internal Audit Department was established at the Company.

    Having analysed the practices and procedures set out in Art. 130.1.5–7 of the Act on Statutory Auditors, Audit Firms, and Public Oversight, in the previous financial year the Audit Committee adopted:

- Policy for the selection of the audit firm to audit financial statement;
- Procedure for the selection of the audit firm;
- Policy for the provision of non-audit services by the audit firm, its affiliates and members of its network.

Additional information on The Audit Committee

- Ms Dorota Wyjadłowska and Mr Robert Rogowski are the persons who meet the independence criteria laid down in the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017 (Dz.U. of 2017, item 1089).
- Both persons meeting the independence criteria have expertise and competence in accounting or auditing of financial statements. A detailed description along with biographical notes of both these persons are available on the Company's website in the Investor Relations /Current Reports section (the biographical note of Dorota Wyjadłowska is available at https://famur.com/upload/2017/10/rb-2017-71-Projekt-Uchwa%C5%82y-i-kandydaci-do-RN-full.pdf, and the biographical note of Tomasz Kruk is available at https://famur.com/upload/2018/10/RB_2018_54-Zg%C5%82oszenia-kandydata-do-RN.pdf)
- No permitted non-audit services were provided to the Company by the audit firm auditing its financial statements, save for the review of its interim financial statements.
- Key assumptions of the Company's policy for the selection of the audit firm to perform statutory audit of the Company's financial statements and a policy for the provision of permitted non-audit services by the audit firm, its affiliates and members of its network.

− The internal regulations governing selection and rotation of the audit firm and the lead auditor have been introduced pursuant to the Act on Statutory Auditors and Their Self-Government, Entities Qualified to Audit Financial Statements and Public Oversight of May 11th 2017 (Dz.U. of 2017, item 1089, as amended).

− The audit firm is selected in keeping with the principle of audit firm and lead auditor rotation so that the maximum duration of uninterrupted statutory audit engagements with an audit firm, any of its affiliates or members of its network operating in the territory of the European Union does not exceed five years, and that a lead auditor does not carry out statutory audits of the Company's financial statements for a period longer than five years (in which case the lead auditor may again carry out statutory audits of the Company's financial statements after at least three years from the end of the most recent statutory audit).

− The audit firm is selected by the Company's Supervisory Board after having considered the Audit Committee's recommendation.

− The audit firm is selected sufficiently in advance to enable it to take part in inventory taking of significant assets and a review of interim reports.

− When selecting the audit firm, the Audit Committee and the Supervisory Board must pay particular attention to ensuring independence of the audit firm and the auditor.

− The independence of the statutory auditor and the audit firm is verified and monitored at each stage of the selection procedure.

− The Supervisory Board, during the selection process, and the Audit Committee, when preparing its recommendation, apply the following criteria: the auditor's confirmed impartiality and independence, price offered by the auditor, the audit firm's reputation and experience, its human resources and qualifications and experience of its personnel directly involved in the audit process, the ability to perform an audit within the time frame specified by the Company, completeness of the product range.

− The provision of permitted non-audit services is allowed to the extent provided for in Art. 136.2 of the Act on Statutory Auditors, Audit Firms and Public Oversight.

− The provision of permitted non-audit services is only allowed to the extent they do not relate to the Company's tax policy, after a risk assessment has been performed and independence referred to in Art. 69–73 of the Act on Statutory Auditors, Audit Firms and Public Oversight has been ensured by the Audit Committee.

− An agreement for the provision of permitted non-audit services is signed on the initiative of the Company's Management Board, subject to the Audit Committee's approval.

− When entering into an agreement for the provision of permitted non-audit services, the Company's Management Board must pay particular attention to ensuring the auditor's and audit firm's independence.

– Permitted non-audit services are performed in compliance with the independence requirements laid down in relevant professional ethics policies and standards of performance of non-audit services.

- The Audit Committee's recommendation on the selection of the audit firm to audit the Company's and the Group's financial statements met relevant requirements stipulated in the Polish Accounting Act of September 29th 1994 (Dz.U. of 2019, item 351, as amended), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16th 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, and complied with the adopted policy on selecting the audit firm to perform statutory audits of the Company's financial statements. The recommendation was prepared following an audit firm selection procedure carried out by the Company.
- The Audit Committee met twice to perform its duties in 2018. Meetings of the Audit Committee were also held in the form of conference calls and its resolutions were also voted on in writing.

After correcting the Report by supplementing it with additional information in accordance with Par. 70.6.5.l of the Minister of Finance's Regulation of March 29th 2018 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. (Dz.U. 2018, item 757) (the "Regulation"), **Section 16 of the Directors' Report** reads as follows: **Statement of compliance with corporate governance standards at FAMUR S.A.** reads as follows:

Description of the internal control system

Key features of the internal control and risk management systems used in the process of preparing financial statements are as follows:

1. Transactions are carried out on the basis of general or specific authorisations by management (depending on the importance of a document);
2. Documents are checked, accepted and described by persons responsible both for the subject matter they relate to and for the accounting aspects;
3. Each material transaction is duly reviewed by the legal department to ensure that it is properly accounted for in accordance with the accounting and tax laws;
4. Appropriate control procedures put in place by the management are used, including:
   – checking the correctness of accounting entries by responsible persons,
   – control of computer programs and the IT environment by assigning care of the programs and the IT environment to IT specialists and firms,
   – maintaining and reviewing subsidiary ledger accounts and statements of ledger transactions and account balances,
   – approval and control of documents,
   – comparing actual performance against targets and analysis of the results,
5. All transactions and other events are promptly recorded in correct amounts, in appropriate accounts and in proper accounting periods so as to enable the preparation of financial statements in accordance with the adopted financial reporting policy;
6. Access to assets and records is only possible with the management's authorisation;
7. Assets revealed in accounting records are compared against physical assets based on the provisions of the accounting laws; relevant measures are taken whenever any discrepancies are found;
8. A uniform accounting policy has been developed for all the Group companies;
9. The accounting policy is updated as needed so that it is always in line with the current accounting laws.
10. In the previous financial year, the Company's Extraordinary General Meeting appointed to the Supervisory Board additional Supervisory Board members meeting independence criteria, as defined in the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017. At the same time, an Audit Committee was established within the Supervisory Board.

The Audit Committee is an advisory and opinion giving body, acting collectively within the Supervisory Board and supporting the Supervisory Board, particularly with its recommendations, proposals, opinions and reports.
Its responsibilities include monitoring of the effectiveness of the internal control and risk management systems as well as of the internal audit function, also with respect to financial reporting.

In 2018, the Audit Committee was composed of:
- Mr Robert Rogowski*
- Ms Dorota Wyjadłowska*
- Mr Jacek Leonkiewicz
**Audit Committee members meeting the statutory independence criteria.*

Following Robert Rogowski's resignation from the Supervisory Board, on October 11th 2018 Tomasz Kruk was appointed to the Audit Committee and elected Chair of the Audit Committee.

At present, the Audit Committee consists of:
- Mr Tomasz Kruk*
- Ms Dorota Wyjadłowska*
- Mr Jacek Leonkiewicz.
**Audit Committee members meeting the statutory independence criteria.*

Two Audit Committee members meet the independence criteria specified in Art. 129.3 of the Act on Statutory Auditors, Audit Firms and Public Oversight of May 11th 2017 (Dz.U. of 2017, item 1089, as amended). In addition, at least one member of the Audit Committee has knowledge of and skills in accounting or financial statements auditing and at least one member of the Audit Committee has knowledge and skills relevant for the industry in which the Company operates, or the individual members of the Audit Committee have knowledge and skills relevant for different aspects of that industry.

Members of the Supervisory Board and memebrs of Supervisory Board Committees act on the basis of the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board published on the Company's website at https://famur.com/relacje-inwestorskie/lad-korporacyjny/ and are required to comply with the corporate governance principles stipulated in the Code of Best Practice for WSE Listed Companies, except where the Company has submitted a declaration of non-compliance (in accordance with the statement of compliance with corporate governance standards at FAMUR S.A. included in Section 16 of this Report).

Mr Robert Rogowski has a university degree. He graduated from the University of Warmia and Mazury in Olsztyn (Master of Science in Mechanical Engineering) and completed postgraduate studies in business management at the Kotarbiński University of Information Technology and Management in Olsztyn. Also: Central Europe Trust and The Chartered Association of Certified Accountants (ACCA). Since 1998, he has been working in finance, strategic and operational management, mainly for WSE listed companies. He has held managerial or supervisory functions at Indykpol S.A. and Fabryki Mebli Forte S.A.). Since 2006, he has been a sole trader, providing advisory services.
Since 2014, Mr Rogowski has been the CFO at Rolmex S.A.. Currently, he also serves as Vice President of Wine Taste Sp. z o.o. Until December 2018, he was a member of the Supervisory Board of Indykpol Brand Sp. z o.o.

Mr Robert Rogowski's full biographical note was published by the Company in Current Report No. 71/2017 of October 17th 2017.

Ms Dorota Wyjadłowska graduated in Finance and Banking from the University of Łódź. She is a licenced investment adviser (Licence No. 238).

She started her professional career at PZU AM S.A., first as equity analyst and then as investment adviser. Subsequently, Ms Wyjadłowska took the position of equity portfolio deputy manager at Amplico PTE S.A. In 2009−2015, she served as Deputy Head of the Equity Portfolio Management Department at PKO TFI S.A., where she managed equity funds. From 2013 to 2015, Ms Wyjadłowska also served as Member of the Supervisory Board and Chair of the Audit Committee at PKP Intercity S.A., and from February 2015 to March 2016 she was a member of the Management Board of PKP Intercity S.A., where she supervised finance, procurement and warehouse management, IT, audit and control, standards and quality, customer service (including train guard service), and HR. In 2008−2014, she also served as President and Vice President of the Polish Association of Brokers and Investment Advisors, where she was actively involved in the legislative work concerning the capital market. Since April 2016, she has been a managing partner at TDJ Equity, in charge of corporate supervision and investment strategy in this area. Ms Wyjadłowska also sits on the Supervisory Boards of the following TDJ Group companies: Odlewnia Śrem S.A., Pioma Odlewnia sp. z o.o., Pemug S.A., PGO S.A. and FPM S.A.

Ms Dorota Wyjadłowska's full biographical note was published by the Company in Current Report No. 71/2017 of October 17th 2017.

Mr Jacek Leonkiewicz graduated from the Warsaw School of Economics and completed the CEMS Master in International Management programme at the Copenhagen Business School (CBS) in Copenhagen, Denmark. He also studied in Madrid.
Mr Leonkiewicz began his professional career at J.P. Morgan (an investment bank) in London, UK, where he worked in the Equity Capital Markets, Debt Capital Markets and Equity Private Placements teams. He was also a member of the Debt Capital Partners team at Merrill Lynch in London. He then worked for PKO TFI, where his role was equity market research, with particular focus on construction, industrial, property development and transport companies. In 2013–2015, Mr Leonkiewicz served as Managing Director for Corporate Supervision and Privatisation at PKP S.A., where he was responsible for monitoring privatisation processes at the PKP Group. He was in particular responsible for the stock exchange debut and accelerated bookbuild of PKP Cargo. From January 2015 to March 2016, he was President of PKP Intercity S.A. Since April 2016, he has been a managing partner at TDJ Equity, in charge of corporate supervision and investment strategy in this area. Ms Wyjadłowska also sits on the Supervisory Boards of the following TDJ Group companies: Odlewnia Śrem S.A., Pioma Odlewnia Sp. z o.o. and PGO S.A.

Mr Jacek Leonkiewicz's full biographical note was published by the Company in Current Report No. 42/2017 of June 22nd 2017 announcing proposed candidates to the Supervisory Board of FAMUR S.A.

Mr Tomasz Kruk holds a Master's degree in economics from the Faculty of Management at Łazarski University of Warsaw (major: strategic management). He studied risk management at the Warsaw School of Economics (Postgraduate Studies in Risk Management at Financial Institutions). He is qualified in project management (having passed Prince2 Foundation Examination). Since 2018, Mr Kruk has held the qualifications of Certified Internal Auditor (CIA). He is a member of the International Compliance Association and The Institute of Internal Auditors.
He has over 10 years of experience in compliance audits, internal audits, special audits, advisory audits, litigation advice, risk management, as well as fraud and abuse risk management projects. Mr Kruk has a long track record of work in management and supervisory positions, including as a member of investment committees. For more than a decade, he has worked directly with the management and supervisory boards of both private and public sector companies. Tomasz Kruk meets the statutory independence criteria for a member of the Supervisory Board of FAMUR S.A.

Mr Tomasz Kruk's full biographical note was published by the Company in Current Report No. 54/2018 of October 3rd 2018 on a proposed candidate to the Supervisory Board of FAMUR S.A.

All members of the Audit Committee who held their positions in the financial year 2018 had the knowledge and skills relevant for the industry in which the Company operates, acquired through education or professional practice.

Mr Robert Rogowski graduated from the University of Warmia and Mazury in Olsztyn (Master of Science in Mechanical Engineering). He has more than twenty years of managerial and supervisory experience in the manufacturing industry.

Mr Tomasz Kruk has gained the knowledge relevant for the industry in which the Company operates through professional practice, including supervision of investment funds' investments in portfolio companies, preparation of internal ratings of issuers of debt securities, carrying out due diligence processes at companies,
review of periodic reports published by the Company and other website content, implementation of projects in various sectors.

Ms Dorota Wyjadłowska has gained the knowledge relevant for the industry in which the Company operates through her
experience and professional practice as equity analyst and investment adviser, holding positions described above.

Mr Jacek Leonkiewicz has gained the knowledge relevant for the industry in which the Company operates through professional practice, which involved equity market research, in particular companies operating in the construction, industry, property development and transport sectors.

The Company had no separate internal audit function in 2018, and all internal control, risk management and compliance functions were performed within the corporate controlling and legal departments.

At the beginning of January 2019, an Internal Audit Department was established at the Company.
Having analysed the practices and procedures set out in Art. 130.1.5–7 of the Act on Statutory Auditors, Audit Firms, and Public Oversight, in the previous financial year the Audit Committee adopted:

- Policy for the selection of the audit firm to audit financial statement;
- Procedure for the selection of the audit firm;
- Policy for the provision of non-audit services by the audit firm, its affiliates and members of its network.

Additional information on The Audit Committee

- No permitted non-audit services were provided to the Company by the audit firm auditing its financial statements, save for the review of its interim financial statements.
- Key assumptions of the Company's policy for the selection of the audit firm to perform statutory audit of the Company's financial statements and a policy for the provision of permitted non-audit services by the audit firm, its affiliates and members of its network.

- The internal regulations governing selection and rotation of the audit firm and the lead auditor have been introduced pursuant to the Act on Statutory Auditors and Their Self-Government, Entities Qualified to Audit Financial Statements and Public Oversight of May 11th 2017 (Dz.U. of 2017, item 1089, as amended).
- The audit firm is selected in keeping with the principle of audit firm and lead auditor rotation so that the maximum duration of uninterrupted statutory audit engagements with an audit firm, any of its affiliates or members of its network operating in the territory of the European Union does not exceed five years, and that a lead auditor does not carry out statutory audits of the Company's financial statements for a period longer than five years (in which case the lead auditor may again carry out statutory audits of the Company's financial statements after at least three years from the end of the most recent statutory audit).
- The audit firm is selected by the Company's Supervisory Board after having considered the Audit Committee's recommendation.
- The audit firm is selected sufficiently in advance to enable it to take part in inventory taking of significant assets and a review of interim reports.
- When selecting the audit firm, the Audit Committee and the Supervisory Board must pay particular attention to ensuring independence of the audit firm and the auditor.
- The independence of the statutory auditor and the audit firm is verified and monitored at each stage of the selection procedure.
- The Supervisory Board, during the selection process, and the Audit Committee, when preparing its recommendation, apply the following criteria: the auditor's confirmed impartiality and independence, price offered by the auditor, the audit firm's reputation and experience, its human resources and qualifications and experience of its personnel directly involved in the audit process, the ability to perform an audit within the time frame specified by the Company, completeness of the product range.
- The provision of permitted non-audit services is allowed to the extent provided for in Art. 136.2 of the Act on Statutory Auditors, Audit Firms and Public Oversight.
- The provision of permitted non-audit services is only allowed to the extent they do not relate to the Company's tax policy, after a risk assessment has been performed and independence referred to in Art. 69–73 of the Act on Statutory Auditors, Audit Firms and Public Oversight has been ensured by the Audit Committee.
- An agreement for the provision of permitted non-audit services is signed on the initiative of the Company's Management Board, subject to the Audit Committee's approval.
- When entering into an agreement for the provision of permitted non-audit services, the Company's Management Board must pay particular attention to ensuring the auditor's and audit firm's independence.
- Permitted non-audit services are performed in compliance with the independence requirements laid down in relevant professional ethics policies and standards of performance of non-audit services.

- The Audit Committee's recommendation on the selection of the audit firm to audit the Company's and the Group's financial statements met relevant requirements stipulated in the Polish Accounting Act of September 29th 1994 (Dz.U. of 2019, item 351, as amended), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16th 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, and complied with the adopted policy on selecting the audit firm to perform statutory audits of the Company's financial statements. The recommendation was prepared following an audit firm selection procedure carried out by the Company.

The Audit Committee met twice to perform its duties in 2018.

Meetings of the Audit Committee were also held in the form of conference calls and its resolutions were also voted on in writing.

Section 2 of the Directors' Report: Organisation and management, where it relates to Remuneration of management and supervisory personnel, read as follows:

Information on the remuneration of members of the Management Board and Supervisory Board was disclosed in Section 55 of the consolidated financial statements of the FAMUR Group for 2018. The Company did not enter into any agreement with management personnel which would provide for severance payments in the event of their resignation or removal from office. The Company entered into non-competition agreements with members of the Management Board that are effective over the term of their employment and continue in force after its termination. The agreements stipulate that during the specified period, that is for 12 months after the termination of employment, the Management Board members will receive a monthly remuneration equal to 30% of their average monthly pay over the last 12 months of employment. The Company does not operate any employee stock option scheme.

After correcting the Report by supplementing it with information in accordance with Par. 70.7.17 of the Regulation,**Section 2 of the Directors' Report: Organisation and management, where it relates to remuneration of management and supervisory personnel,** shall read as follows:

Remuneration, awards and benefits in the financial year 2018

Information on the remuneration of members of the Management Board and Supervisory Board was disclosed in **Section 52** (Remuneration of Management Board members) **on page 55** of the consolidated financial statements of the FAMUR Group for 2018. The Company did not enter into any agreements with its management personnel which would provide for severance payments in the event of their resignation or removal from office. The Company entered into non-competition agreements with members of the Management Board that are effective over the term of their employment and continue in force after its termination. A non-competition agreement stipulates that, within the non-competition period defined therein, that is for 12 months after the termination of employment, a Management Board member receives a monthly remuneration equal to 30% of the member's average monthly pay over the last 12 months of employment. The Company does not operate any employee stock option scheme.

Pursuant to Section 2.8 of the Rules of Procedure for the Management Board of FAMUR S.A., the remuneration of Management Board Members is determined by the Supervisory Board.

The table below presents the information on remuneration of members of the Parent's Management Board for the financial year 2018 in accordance with Par.70.7.17 of the Regulation on current and periodic information

A	B	C	D	E
Member of the Management Board	**Total remuneration, awards or benefits paid by the parent, PLN '000 (remuneration + bonuses)**	**Separate amounts of bonuses paid by the parent in the financial year 2018 for 2017, PLN '000 (bonus)***	**Total remuneration and rewards received for serving on the governing bodies of subsidiaries (PLN '000)**	**Total remuneration, rewards or benefits paid by the parent and the subsidiaries in 2018 (PLN '000)****
Mirosław Bendzera	900	501	4	**904**
Beata Zawiszowska	695	396	4	**699**
Zdzisław Szypuła	227	225	7	**234**
Dawid Gruszczyk	465	228	2	**467**
Bartosz Bielak	128	0	1	**129**
Tomasz Jakubowski	33	0	0	**33**
Waldemar Łaski	1	0	0	**1**
Adam Toborek	287	26	0	**287**
Total	**2736**	**1376**	**18**	**2754**

* The amounts of bonuses shown in column C are a component of the amounts presented in column B (remuneration + bonus).

** The amounts shown in column E are a sum of the amounts shown in columns B and D.

Members of the Company's Supervisory Board receive remuneration on the terms and in the amounts set forth in a General Meeting resolution. Pursuant to Resolution No. 19 of the Extraordinary General Meeting of FAMUR S.A. of October 18th 2017 to determine the terms of remuneration for members of the Supervisory Board of FAMUR S.A., members of the FAMUR S.A. Supervisory Board shall receive gross monthly remuneration of PLN 500. Members of FAMUR S.A. Audit Committee shall receive additional gross monthly remuneration of PLN 500.

The table below presents the information on remuneration of members of the Parent's Supervisory Board for the financial year 2018 in accordance with Par.70.7.17 of the Regulation on current and periodic information

A	B	C	D	E
Member of the Supervisory Board	**Total remuneration, awards or benefits paid by the parent (PLN '000)** **(remuneration + bonuses)**	**Separate amounts of bonuses paid by the parent in the financial year 2018 for 2017 (PLN '000)** **(bonus)***	**Total remuneration and rewards received for serving on the governing bodies of subsidiaries (PLN '000)**	**Total remuneration, rewards or benefits paid by the parent and the subsidiaries in 2018 (PLN '000)****
Tomasz Domogała	5	0	5	**10**
Czesław Kisiel	5	0	5	**10**
Jacek Leonkiewicz	9	0	5	**14**
Michał Nowak	5	0	0	**5**
Dorota Wyjadłowska	9	0	0	**9**
Magdalena Zajączkowska-Ejsymont	5	0	2	**7**
Tomasz Kruk	2	0	0	**2**
Robert Rogowski	7	0	7	**14**
Total	**47**	**0**	**24**	**71**

* The amounts of bonuses shown in column C are a component of the amounts presented in column B (remuneration + bonus).

** The amounts shown in column E are a sum of the amounts shown in columns B and D.

Sections 5.1, 5.2. and 10.1 of the Directors' Report describing the **Domestic market, Foreign markets** and **Procurement of raw materials, merchandise and services**, respectively, read as follows:

5.1. Polish market

Key products offered by the FAMUR Group in Poland include components of longwall systems, such as shearer loaders, powered roof supports, conveyors, and roadheaders. The Polish market sees a large number of tender processes held by key hard coal producers – Jastrzębska Spółka Węglowa S.A., TAURON Wydobycie S.A. and Polska Grupa Górnicza S.A. Such tenders are called both for new machinery and equipment, spare parts, repairs and upgrades, as well as for renovated equipment. The vast majority of shearer loaders and roadheaders in Poland are used under lease CONTRACTS, which is also a characteristic feature of the market. Roadheaders are sometimes purchased by private drilling companies.

The key players in the Polish mining and heat and power sectors include:

- Polska Grupa Górnicza S.A.
- Jastrzębska Spółka Węglowa S.A.
- Lubelski Węgiel Bogdanka S.A.
- TAURON Wydobycie S.A.
- Węglokoks Kraj Sp. z o.o.
- KGHM Polska Miedź S.A.,
- PGE Group companies,
- Enea Wytwarzanie Sp. z o.o.
- Przedsiębiorstwo Górnicze Silesia Sp. z o.o.[1]

The first two companies control approximately 80% of Poland's hard coal mines and are the key customers on the Polish market for mining equipment. The FAMUR Group's long-standing presence in the mining equipment sector, experience gained on foreign markets, a portfolio of recognised products, and the nature of the domestic market keep the Group's core customer base relatively stable.

In the Company's opinion, there is no material risk of its dependence on any single customer. However, the Company's sales are concentrated in a single sector of the economy. Customers accounting for over 10% each of the Group's revenue in 2018 included Jastrzębska Spółka Węglowa S.A. (26.3% of the Group's sales and 22.5% of the Company's sales), Polska Grupa Górnicza S.A. (21.2% and 17.1%, respectively) and OOO Polskie Maszyny of Moscow, Russia (15.9% and 10.1%, respectively).

Three years ago the FAMUR Group significantly diversified its domestic customer base following the acquisition FAMUR FAMAK, which is the backbone of the Surface segment with extensive credentials in the power, cargo handling and surface mining sectors.

The unfavourable situation on global coal markets (the sharp and long decline in prices in 2012–2016), the characteristics of the domestic market (mainly complex geological conditions) and insufficient restructuring, all contributed to a gradual erosion of the financial position of Polish coal producers in the previous years, which was reflected in the net losses of the entire coal industry, still recorded in 2015 and 2016. Thanks to the improvement of global macroeconomic conditions (including the marked rebound of thermal and coking coal prices starting from the second quarter of 2016), as well as the ongoing restructuring of the Polish mining industry, the financial position of the main domestic producers of hard coal improved significantly. As a result, almost all Polish coal companies generated positive financial results, and the aggregate net profit of the JSW, PGG and Bogdanka Groups in 2018 (based on available market data and stock exchange reports) reached approximately PLN 2.3bn. The continuing favourable market conditions in 2019 support the performance of

[1] *A private company, with most of the share capital held by foreign investors.*

Polish producers. Therefore, the largest Polish coal companies are likely to report robust financial results also in the near future.

One of the major threats to the coal mining sector are its delayed investment plans as some projects were put on hold in previous years. While increased demand for coal has resulted in unprecedented, gradual sell-off of stocks, it is not possible to rapidly ramp up production from Polish mines. As a result, coal imports have been on the rise for the past two years. The launch of mining operations involves prior preparatory work to access new coal deposits, which requires a sufficiently long project implementation time. Under current conditions, a rapid launch of investment projects in this area is becoming a priority.

In view of the significant improvement in the mining sector and in order to tackle the issues related to delayed investments, back in 2017 the largest Polish coal producers announced plans to significantly step up capital expenditure in the coming periods. The gradual improvement in investments was becoming visible already in 2018, as confirmed by data on increased capital expenditure based on available market information and research reports – the largest coal producers' aggregate capital expenditure exceeded PLN 4.5bn in 2018, relative to more than PLN 3.1bn in 2017.

According to experts, in order to successfully overcome the adverse trends in the hard coal industry, coal producers need to thoroughly modernise their infrastructure, plant and equipment – an effort which will guarantee cost optimisation. Consistent implementation of cost-cutting measures is the key to improving profitability of coal production in Poland. Roll-out of innovative technologies and regular upgrading of equipment operated at coal mines is the right path to follow. The lower the production costs at Polish coal mines, the more attractive the price of Polish hard coal for both domestic and foreign customers. Therefore, it is of vital importance to strive for the highest possible efficiency and profitability of coal production, as well as the high quality of maintenance services to ensure a high availability of working time of mining equipment for uninterrupted production.

5.2. Foreign markets

The FAMUR Group's position and activities on foreign markets are strictly correlated with development opportunities of the global mining and power industries. The increasingly stringent environmental policies, especially in Europe, hinder the launch of new coal production projects. However, coal production and conventional power generation still represent a major source of energy globally. In many countries of the world, especially in Asia, the energy mix is dominated by coal-based generation, which is the only and cheapest way to reduce an energy shortfall.

In recent years, the market has seen a rise in global coal production, with new production centres emerging, mainly in Asia. According to the International Energy Agency, U.S. Energy Information Administration and BP, the outlook for coal-based power generation for the next 20 years is still moderately optimistic. The average annual demand for coal is estimated to rise by 0.2% per cent per year[2].

For further information on the market, see the 'Non-financial statement' of the FAMUR Group and FAMUR S.A. for 2018.

The Group also has strong credentials in the cargo handling segment, offering turn-key solutions in bulk handling systems for ports, power plants and handling terminals. The Company gained unique credentials on the highly prospective market, following the delivery (in 2017) of a handling system for the Port of Rotterdam – Europe's largest bulk material handling terminal.

On the cargo handling market, we see development opportunities in:

- Expansion of handling terminals in ports;
- Rising coal-fired generation capacities, including programmes in Indonesia and Turkey (80 power plants);
- Business development in India.

The Group's major competitive advantages in the handling and hoisting equipment segment include:

- Quality certificates and contractor licences widely recognised on the EU market;
- The opinion of a reliable contractor on the European market, with many years of experience, working in accordance with global requirements;
- Well-implemented European best practice in the application of EU standards, especially in project execution;
- the achieved level of product development enabling the Company to market finished products, while providing comprehensive services including: design, development of the manufacturing technology, construction, assembly, commissioning, training of maintenance personnel and experienced staff's support.

Several years ago, coal producers started to appreciate the benefits of being able to order complete mining systems from a single manufacturer. One of the advantages of such an approach is the full responsibility of a single vendor for the choice and compatibility of the machinery and for its maintenance.

In the twelve months of 2018, the FAMUR Group's export sales represented approximately 33.1% of total revenue. The reduced share of exports in total revenue relative to 2018 is attributable to the recovery of the Polish market and performance of significant contracts for Polish mining companies. In nominal terms, export sales reached PLN 737.7m, up 34.8% year on year. The significant contribution of exports to total revenue came as a result of the strengthening of the FAMUR Group's capabilities and improvement in the economic conditions on the global commodity markets. The FAMUR Group's brand awareness on international markets is increasing gradually. It is associated with the high quality of products 'made in Europe', their technological advancement,

[2] *BP Energy Outlook 2017.*

stable aftermarket service, and competitive prices. The table below presents the shares of individual foreign markets in the Group's total revenue.

10.1. Procurement of raw materials, merchandise and services

FAMUR S.A. coordinates the majority of materials supplies for the Group, centralising the supply chain management in the Underground segment. The other segments pursue independent procurement policies in their respective business areas. The Group has access to diversified sources of raw materials and is thus not dependent on one or more suppliers. With the growth of its business, the FAMUR Group was able to enhance the efficiency of its procurement processes by leveraging the economies of scale.

After correcting the Report by supplementing it with information in accordance with Par. 70.7.2 of the Regulation,**Sections 5.1, 5.2. and 10.1 of the Directors' Report** describing the **Domestic market, Foreign markets** and **Procurement of raw materials, merchandise and services**, respectively, shall read as follows:

5.1. Polish market

Key products offered by the FAMUR Group in Poland include components of longwall systems, such as shearer loaders, powered roof supports, conveyors, and roadheaders. The Polish market sees a large number of tender processes held by key hard coal producers – Jastrzębska Spółka Węglowa S.A., TAURON Wydobycie S.A. and Polska Grupa Górnicza S.A. Such tenders are called both for new machinery and equipment, spare parts, repairs and upgrades, as well as for renovated equipment. The vast majority of shearer loaders and roadheaders in Poland are used under lease CONTRACTS, which is also a characteristic feature of the market. Roadheaders are sometimes purchased by private drilling companies.

The key players in the Polish mining and heat and power sectors include:

- Polska Grupa Górnicza S.A.
- Jastrzębska Spółka Węglowa S.A.
- Lubelski Węgiel Bogdanka S.A.
- TAURON Wydobycie S.A.
- Węglokoks Kraj Sp. z o.o.
- KGHM Polska Miedź S.A.,
- PGE Group companies,
- Enea Wytwarzanie Sp. z o.o.
- Przedsiębiorstwo Górnicze Silesia Sp. z o.o.[3]

The first two companies control approximately 80% of Poland's hard coal mines and are the key customers on the Polish market for mining equipment. The FAMUR Group's long-standing presence in the mining equipment sector, experience gained on foreign markets, a portfolio of recognised products, and the nature of the domestic market keep the Group's core customer base relatively stable.

In the Company's opinion, there is no material risk of its dependence on any single customer. However, the Company's sales are concentrated in a single sector of the economy. **Customers accounting for over 10% each of the Group's revenue in 2018 included Jastrzębska Spółka Węglowa S.A. (26.3% of the Group's sales and 22.5% of the Company's sales), and Polska Grupa Górnicza S.A. (21.2% and 17.1%, respectively).**

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[3] *A private company, with most of the share capital held by foreign investors.*

There are no formal capital links between the above entities and the Company.

Three years ago the FAMUR Group significantly diversified its domestic customer base following the acquisition FAMUR FAMAK, which is the backbone of the Surface segment with extensive credentials in the power, cargo handling and surface mining sectors.

The unfavourable situation on global coal markets (the sharp and long decline in prices in 2012–2016), the characteristics of the domestic market (mainly complex geological conditions) and insufficient restructuring, all contributed to a gradual erosion of the financial position of Polish coal producers in the previous years, which was reflected in the net losses of the entire coal industry, still recorded in 2015 and 2016. Thanks to the improvement of global macroeconomic conditions (including the marked rebound of thermal and coking coal prices starting from the second quarter of 2016), as well as the ongoing restructuring of the Polish mining industry, the financial position of the main domestic producers of hard coal improved significantly. As a result, almost all Polish coal companies generated positive financial results, and the aggregate net profit of the JSW, PGG and Bogdanka Groups in 2018 (based on available market data and stock exchange reports) reached approximately PLN 2.3bn. The continuing favourable market conditions in 2019 support the performance of Polish producers. Therefore, the largest Polish coal companies are likely to report robust financial results also in the near future.

One of the major threats to the coal mining sector are its delayed investment plans as some projects were put on hold in previous years. While increased demand for coal has resulted in unprecedented, gradual sell-off of stocks, it is not possible to rapidly ramp up production from Polish mines. As a result, coal imports have been on the rise for the past two years. The launch of mining operations involves prior preparatory work to access new coal deposits, which requires a sufficiently long project implementation time. Under current conditions, a rapid launch of investment projects in this area is becoming a priority.

In view of the significant improvement in the mining sector and in order to tackle the issues related to delayed investments, back in 2017 the largest Polish coal producers announced plans to significantly step up capital expenditure in the coming periods. The gradual improvement in investments was becoming visible already in 2018, as confirmed by data on increased capital expenditure based on available market information and research reports – the largest coal producers' aggregate capital expenditure exceeded PLN 4.5bn in 2018, relative to more than PLN 3.1bn in 2017.

According to experts, in order to successfully overcome the adverse trends in the hard coal industry, coal producers need to thoroughly modernise their infrastructure, plant and equipment – an effort which will guarantee cost optimisation. Consistent implementation of cost-cutting measures is the key to improving profitability of coal production in Poland. Roll-out of innovative technologies and regular upgrading of equipment operated at coal mines is the right path to follow. The lower the production costs at Polish coal mines, the more attractive the price of Polish hard coal for both domestic and foreign customers. Therefore, it is of vital importance to strive for the highest possible efficiency and profitability of coal production, as well as the high quality of maintenance services to ensure a high availability of working time of mining equipment for uninterrupted production.

5.2. Foreign markets

The FAMUR Group's position and activities on foreign markets are strictly correlated with development opportunities of the global mining and power industries. The increasingly stringent environmental policies, especially in Europe, hinder the launch of new coal production projects. However, coal production and conventional power generation still represent a major source of energy globally. In many countries of the world, especially in Asia, the energy mix is dominated by coal-based generation, which is the only and cheapest way to reduce an energy shortfall.

In recent years, the market has seen a rise in global coal production, with new production centres emerging, mainly in Asia. According to the International Energy Agency, U.S. Energy Information Administration and BP, the outlook for coal-based power generation for the next 20 years is still moderately optimistic. The average annual demand for coal is estimated to rise by 0.2% per cent per year[4].

For further information on the market, see the 'Non-financial statement' of the FAMUR Group and FAMUR S.A. for 2018.

The Group also has strong credentials in the cargo handling segment, offering turn-key solutions in bulk handling systems for ports, power plants and handling terminals. The Company gained unique credentials on the highly prospective market, following the delivery (in 2017) of a handling system for the Port of Rotterdam – Europe's largest bulk material handling terminal.

On the cargo handling market, we see development opportunities in:

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- Rising coal-fired generation capacities, including programmes in Indonesia and Turkey (80 power plants);
- Business development in India.

The Group's major competitive advantages in the handling and hoisting equipment segment include:

- Quality certificates and contractor licences widely recognised on the EU market;
- The opinion of a reliable contractor on the European market, with many years of experience, working in accordance with global requirements;
- Well-implemented European best practice in the application of EU standards, especially in project execution;
- the achieved level of product development enabling the Company to market finished products, while providing comprehensive services including: design, development of the manufacturing technology, construction, assembly, commissioning, training of maintenance personnel and experienced staff's support.

Several years ago, coal producers started to appreciate the benefits of being able to order complete mining systems from a single manufacturer. One of the advantages of such an approach is the full responsibility of a single vendor for the choice and compatibility of the machinery and for its maintenance.

In the twelve months of 2018, the FAMUR Group's export sales represented approximately 33.1% of total revenue. The reduced share of exports in total revenue relative to 2018 is attributable to the recovery of the Polish market and performance of significant contracts for Polish mining companies. In nominal terms, export sales reached PLN 737.7m, up 34.8% year on year.

Foreign customers accounting for over 10% each of the Group's revenue in 2018 included OOO Polskie Maszyny of Moscow, Russia (15.9% of the Group's sales and 10.1% of the Company's sales).

The significant contribution of exports to total revenue came as a result of the strengthening of the FAMUR Group's capabilities and improvement in the economic conditions on the global commodity markets. The FAMUR

[4] *BP Energy Outlook 2017.*

Group's brand awareness on international markets is increasing gradually. It is associated with the high quality of products 'made in Europe', their technological advancement, stable aftermarket service, and competitive prices. The table below presents the shares of individual foreign markets in the Group's total revenue.

10.1. Procurement of raw materials, merchandise and services

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None of the Company's suppliers account for over 10% of the Group's or the Company's revenue for 2018, and therefore there are no formal capital links between the Company and suppliers accounting for 10% or more of total revenue.

Mirosław Bendzera – President of the Management Board

Beata Zawiszowska – Vice President, Chief Financial Officer

Adam Toborek – Vice President of the Management Board, Underground Segment Export Sales

Dawid Gruszczyk – Vice President of the Management Board, Underground Segment Domestic Sales

Tomasz Jakubowski – Vice President of the Management Board, Chief Operating Officer, Underground Segment

Waldemar Łaski – Vice President of the Management Board, Surface Segment