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FAMUR Group
Directors' Report on the operations of the Group in the six months ended June 30th 2022

This Directors' Report on the FAMUR Group's operations in the six months to June 30th 2022 has been prepared on the basis of Par. 69 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (Dz.U. of 2018, item 757). For additional information, see the consolidated full-year report for 2021.

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- PLN 550m in revenue for the six months ended June 30th 2022, up 10% year on year.
  - PLN 524m in revenue in the mining machinery segment (up 5% year on year) on higher revenue from sale of machinery and equipment and from aftermarket sales,
  - PLN 26m in revenue from the solar PV segment (2022 is the first full period of consolidation of the segment; the segment's immaterial contribution to the Group's total revenue for 2021 is due to the relatively short period of consolidation of the solar PV segment companies in 2021).
- PLN 290m in revenue for the three months ended June 30th 2022, up 24% year on year.
- EBITDA for the first six months of 2022 at PLN 191m (with EBITDA margin at 35%)
- EBITDA for the three months to June 30th 2022 at PLN 99m (with EBITDA margin at 34%).
- PLN 87m in net profit from continuing operations in the six months ended June 30th 2022, including PLN 49m for the second quarter alone
- PLN 14m in net profit for the six months ended June 30th 2022, down 77% year on year, and net loss of PLN 22m in the three months ended June 30th 2022 due to the PLN 71m loss on discontinued operations, mainly as a result of loss of control over the Russian subsidiary OOO FAMUR (PLN -58m)
- operating cash flows of PLN -25m in the six months ended June 30th 2022, mainly as a result of expenditure on the development and construction of PV farms.
- PLN 349m surplus of cash over debt as at June 30th 2022

	6 months to		Change	3 months to		Change
Key financial ratios	Jun 30 2022	Jun 30 2021	[%]	Jun 30 2022	Jun 30 2021	[%]
(PLNm)						
Revenue	550	500	+10%	290	234	+24%
EBITDA	191	153	+25%	99	65	+52%
Net profit (loss) from continuing operations	87	56	+55%	49	19	+158%
Net profit (loss)	14	61	-77%	-22	22	n/a
Cash flows from operating activities	-25	30	n/a	-123	-55	n/a
as % of revenue						
EBITDA	35%	31%	+4pp	34%	28%	+6pp
Net profit (loss) from continuing operations	16%	11%	+5pp	17%	8%	+9pp

	as at	
	Jun 30 2022	**Dec 31 2021**
Net debt (PLNm)	-349	-423
Net debt/EBITDA	-1.0x	-1.4x

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Discussion of financial and operating performance

Comment from the President of the Management Board on the performance delivered by the Group

Commenting on the performance in the three months ended June 30th 2022, President of the Management Board Mirosław Bendzera said: "In the second quarter of 2022, the FAMUR Group's revenue and EBITDA performance improved despite an exceptionally high degree of uncertainty persisting in the global economy. On the one hand the continuing high prices of fossil fuels led to an increase in requests for proposals, but on the other – we had to deal with high prices of materials, components and energy, as well as supply chain disruptions. However, the experience we had gained over the years and our flexible operating model facilitated swift adaptation to the fast changing market landscape."

Financial performance in the three and six months ended June 30th 2022

In the three months to June 30th 2022 alone, revenue was PLN 290m, having increased 24% year on year. In the six months to June 30th 2022, revenue reached PLN 550m, up 10% year on year. The mining machinery segment generated revenue of PLN 524m (after intersegment eliminations), an increase of PLN 24m (5%) year on year. The solar PV segment added PLN 26m to the Group's revenue (this was the first full reporting period of consolidating the segment in the Group's results, hence a lack of comparability). Export sales accounted for 44% of the FAMUR Group's total revenue.

The revenue growth improved EBITDA, which in the three months ended June 30th 2022 came in at PLN 99m (up PLN 34m year on year), and in the six months ended June 30th 2022 amounted to PLN 191m. EBITDA margin in the three and six months to June 30th of this year stood at 34% and 35%, respectively. Higher EBITDA drove up net profit from continuing operations in the six months ended June 30th 2022 to PLN 87m (compared with PLN 56m in the comparative period). However, the reported net profit was only PLN 14m as a result of loss on discontinued operations in the three months to June 30th 2022, due mainly to non-recurring events: primarily the recognition of a PLN 58m loss following loss of control of the Russian subsidiary OOO FAMUR. Negative operating cash flows of PLN -25m were mainly attributable to expenditure on the development and construction of PV farms. Despite that, we maintained a strong financial position with a PLN 349m surplus of cash over debt as at the end of June 2022.

Mining machinery segment

The mining machinery segment sees a clear increase in requests for proposals concerning new equipment, attributable to the continuing record high prices of fossil fuels. In recent quarters, our international commercial activity continued to focus on expanding our presence in promising markets, including Indonesia, North America and China. We can also see a slight recovery on the domestic market, which remains under the pressure of changes resulting from the adopted programme to phase out thermal coal mines. In June 2022, our bid for mining equipment lease, with the value of the lease contract estimated at PLN 96m, was selected in a tender procedure held by a major Polish customer. We also entered into a number of lower value contracts for lease and delivery of machinery and aftermarket services. In the three months to June 30th 2022 alone, we secured approximately PLN 192m worth of new orders from Poland and abroad, which means both a year-on-year and a quarter-on-quarter improvement of, respectively, ca. PLN 57m (42%) and PLN 40m (26%). As at June 30th 2022, the total value of our backlog (comprising delivery of machinery and equipment and leases in accordance with the contract duration) increased to approximately PLN 736m, from about PLN 592m as at March 31st 2022.

Solar PV segment

In the solar PV segment, the main operational activities included finalisation of a preliminary portfolio sale agreement, development of new projects, construction of solar farms, development and implementation of an offering involving construction of solar PV systems for business prosumers (B2B), and building organisational structures abroad, including business expansion on the German market through our own subsidiary.

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Our PV project portfolio as at the end of June 2022 was over 2.1 GW of the estimated total capacity of projects at different stages of development, including approximately 309 MW with auctions won in 2019, 2020 and 2021. We are completing the construction of the first 'package' of 134 MW solar farms, of which approximately 40% are now fully operational. We also started work on the structure of another portfolio of solar farm projects we expect to build in the coming quarters.

In June 2022, we entered into a preliminary agreement to sell a portfolio of solar farm projects with a total capacity of 184 MW at different stages of development. Upon fulfilment of conditions precedent, but not later than on November 30th 2022, we intend to close the sale of 100% of shares in 32 project companies for approximately PLN 500m. The agreement also provides for an additional earn-out consideration of up to PLN 250m due for the development (achievement of subsequent milestones) of the not yet operational projects (including under the relevant engineering, procurement and construction contracts) not later than within four years from closing. The value of the transaction may total approximately PLN 750m.

We also continue our efforts to simplify the segment's legal and organisational structure in order to improve its efficiency. An important step towards this goal was the purchase, on July 1st 2022, of approximately 14% of shares in PST from FIMM Fundusz Inwestycyjny Zamknięty, a related party of Maciej Marcjanik (details of the transaction are presented further in this report). Following the transaction and an earlier increase in the share capital of FAMUR SOLAR by FAMUR, and after changes in the organisational structure of PST planned for the coming months (involving, among other things, the merger of FAMUR SOLAR with PST), FAMUR will ultimately hold a direct interest of approximately 52% of PST's share capital.

FAMUR Group's plans for the coming quarters

In the following quarters, we will continue to pursue the new strategic directions with a view to transforming the FAMUR Group into a holding that invests in green transition projects and other promising industries. We are working intensively on further acquisitions which will enable us to achieve this objective. Long-term growth of the FAMUR Group requires not only diversification of its revenue sources, in line with the energy transition, while keeping a tight rein on expenses, but also continual initiative in deploying operating solutions that will be cost-effective, safe for our employees and friendly for the environment. To this end, together with an independent external adviser, we began to work on a Sustainable Development Strategy for the FAMUR Group.

In the mining machinery segment, we will focus on looking for new markets and winning orders to maximally close the gap resulting from our decision to discontinue bidding for new mining machinery and equipment contracts on the Russian market. In the solar PV segment, we will focus primarily on completing the sale of a farm portfolio in accordance with the preliminary agreement, construction of solar farms and development of new projects in Poland, Germany and other foreign markets where PST plans to launch its operations. In response to the rapid growth in the prices of materials, components and energy as well as rising pay expectations, we will consistently maintain a flexible and sustainable operating model, strict cost discipline and continuous improvement of operational efficiency in each area of our business.

Analysis of factors, events and the Company's achievements with material bearing on performance

The following discussion of the results for the six and three months ended June 30th 2022 should be read in conjunction with the condensed interim consolidated financial statements of the FAMUR Group and the condensed interim separate financial statements of FAMUR S.A. for the six months ended June 30th 2022, prepared in accordance with International Financial Reporting Standards (IFRS), including notes to those statements, the audited consolidated financial statements of the FAMUR Group and the separate financial statements of FAMUR S.A. for the year ended December 31st 2021, prepared in accordance with IFRSs, and the Directors' Report on the operations of the FAMUR Group in 2021. The following discussion of the results achieved in the period is intended to provide the readers with information enabling

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them to understand changes in the selected key items of the financial statements and to present significant factors behind those changes. In its evaluation and discussion of the reported financial performance, financial position and cash flows, the FAMUR Group makes references to performance metrics other than those expressly defined or outlined in the applied financial reporting framework compliant with IFRS requirements, such as 'EBITDA', 'net debt', and 'working capital'. However, these metrics are calculated on the basis of information sourced from the financial statements prepared in accordance with IFRSs, with their definitions and calculations presented in the 'Alternative performance measures' section.

Famur Group's revenue

	6 months to		3 months to	
Revenue from external customers, by segment (PLNm)	**Jun 30 2022**	Jun 30 2021	**Jun 30 2022**	Jun 30 2021
Mining machinery	524	500	274	234
Solar PV	26	-	16	-
Consolidated revenue	**550**	500	**290**	234

In the six months ended June 30th 2022, revenue rose by PLN 50m (10%) year on year, to PLN 550m. In the six months to June 30th 2022, revenue in the mining machinery segment was PLN 524m, having improved by PLN 24m (5%) compared with the six months ended June 30th 2021. 2022 is the first year with a full reporting period of consolidating the revenue of the solar PV segment, whose contribution to the Group's revenue was PLN 26m in the six months to June 30th 2022.

Sales by key geographies

In the first six months of 2022, the FAMUR Group's export sales accounted for approximately 45% of total revenue, vs 34% in the same period of the previous year. Sales to foreign markets were mainly to the United States, Indonesia, South Africa and China (approximately 26% of total revenue). CIS and Russia accounted for approximately 16% of total revenue (revenue from the Russian market was driven by contracts concluded in previous periods). Sales to other European countries represented about 2% of total revenue.

Key profitability ratios of the FAMUR Group

	6 months to		3 months to	
(PLNm)	**Jun 30 2022**	Jun 30 2021	**Jun 30 2022**	Jun 30 2021
Gross profit	215	146	114	70
Operating profit	112	64	60	23
EBITDA	191	153	99	65
Net profit from continuing operations	87	56	49	19
Net profit (loss)	14	61	-22	22

Gross profit

In the six months to June 30th 2022, gross profit was PLN 215m, up PLN 69m (approximately 47%) on the same period of 2021, mainly as a result of higher revenue from sale of machinery and equipment and aftermarket sales in the mining machinery segment. Gross profit as a percentage of revenue for the six months ended June 30th 2022 rose to 39%, from 29% in the comparative period. The improvement in gross profit margin was mainly attributable to improved profitability in the mining machinery segment (for details, seeFinancial *results of the mining machinery segment*.

Operating profit and EBITDA

In the six months ended June 30th 2022, operating profit rose by PLN 48m, to PLN 112m, relative to the comparative period. The change in operating profit was mainly attributable to higher profit before tax, partly offset by a rise in

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administrative expenses following the consolidation of PST Group companies. In the three months ended June 30th 2022 alone, operating profit was PLN 60m, up PLN 37m year on year.

EBITDA for the first six months of 2022 came in at PLN 191m, having increased PLN 38m (or 25%) year on year, on the back of higher operating profit and lower depreciation and amortisation. In the three months to June 30th 2022 alone, EBITDA stood at PLN 99m, an increase of PLN 34m (or 52%) year on year.

Net finance income/costs

The table below presents key items of finance costs.

	6 months to		3 months to	
(PLNm)	**Jun 30 2022**	Jun 30 2021	**Jun 30 2022**	Jun 30 2021
Finance income	34	9	22	6
Finance costs	35	10	21	8
Net finance costs	-1	-1	1	-2
Gains (losses) on expected credit loss allowances	10	2	10	1
Share in net profit (loss) of equity-accounted subordinates	-	4	-	1
Net finance income (costs)	**9**	5	**11**	-

In the six months ended June 30th 2022, net finance income was PLN 9m, compared with PLN 5m the year before.

Tax

In the six months to June 30th 2022, the effective tax rate was 28% relative to the nominal tax rate of 19%, due mainly to permanent differences in non-deductible expenses and non-taxable income. Reconciliation between the effective and nominal tax rates is described in Note 14 to the interim condensed consolidated financial statements of the FAMUR Group for the six months ended June 30th 2022.

Net profit from continuing operations

In the first six months of 2022, net profit from continuing operations was PLN 87m, having increased by PLN 31m from PLN 56m the year before. In the three months to June 30th 2022 alone, the profit was PLN 49m, up from PLN 19m in the comparative period.

In the first six months of 2022, net profit margin on continuing operations was 16% of revenue (17% in the three months to June 30th 2022 alone), relative to 11% in the comparative period (8% in the three months to June 30th 2021 alone).

Discontinued operations

In the six months ended June 30th 2022, a PLN 73m loss on discontinued operations was recognised, mainly as a result of the following non-recurring events:

- a PLN 58m loss resulting from the loss of operational control of the subsidiary OOO FAMUR registered in the Russian Federation, and its reclassification to discontinued operations. In particular, the loss of control is due to the occurrence of further indications of FAMUR's inability to use its power over OOO FAMUR to direct the latter's activities and affect its results in accordance with the International Accounting Standards.
- PLN 5m – loss on the loss of control of Kopex-Min A.D. of Niš (Serbia) following sale of 100% of its shares. The Group had discontinued its operations in Serbia in previous years. Kopex-Min's net assets amounted to PLN 0m. The transaction price was immaterial. The loss on the loss of control was attributable to exchange differences on translation of the foreign operation.
- PLN 5m – impairment loss on shares in the associate Famak S.A. following reclassification of its shares to non-current assets held for sale.

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For detailed information on discontinued operations, see Note 9 to the interim condensed consolidated financial statements of the FAMUR Group for the six months ended June 30th 2022.

Net profit

Net profit for the first six months of 2022 was PLN 14m compared with PLN 61m in the corresponding period of the previous year, a decrease of PLN 47m, due mainly to the PLN 73m loss on discontinued operations, as described above. A loss of PLN 22m was reported in the three months to June 30th 2022 alone, mainly as a result of a PLN 71m loss on discontinued operations.

Financial resources and liquidity position

The table below presents selected IFRS-compliant financial information and other measures of financial health, defined in the 'Alternative performance measures' section.

	As at	
(PLNm)	**Jun 30 2022**	**Dec 31 2021**
Cash and cash equivalents	1,280	1,333
Gross debt	931	910
Net debt	-349	-423
Working capital	831	703
Assets	3,300	3,220
Net debt/EBITDA	-1.0x	-1.4x
Average working capital for the quarter as % of revenue	77%	68%

	6 months to	
(PLNm)	**Jun 30 2022**	**Jun 30 2021**
Cash flows from operating activities	-25	30
Cash flows from investing activities	-57	-80
Cash flows from financing activities	39	-1

Net debt

As at June 30th 2022, net cash exceeded borrowings, other debt instruments and lease liabilities by PLN 349m. As at the end of June 2022, the Group had access to undrawn bank lines of credit totalling PLN 709m. In the reporting period and until the date of issue of this Directors' Report, agreements with Industrial and Commercial Bank of China (Europe) S.A., Santander Bank Polska S.A., BNP Paribas Bank Polska S.A. were renewed or extended, and a project finance agreement with a total limit of PLN 428m was concluded in the solar PV segment *(see Current Report No. 12/2022 of March 11th 2022)*.

In the six months ended June 30th 2022, total non-current and current liabilities under borrowings, other debt instruments, leases and factoring agreements went up by PLN 21m, to PLN 931m, while cash decreased by PLN 53m, to PLN 1,280m.

On April 28th 2022, FAMUR S.A. paid all liabilities under Series 01/2016 bonds (the "Restructuring Bonds"), Tranche A, under the Restructuring Agreement of KOPEX S.A. (currently Primetech S.A.), in accordance with the Demerger Plan for KOPEX S.A. described in Current Report No. 48/2017 of June 29th 2017. The Restructuring Bonds, with an issue value of PLN 185m, were redeemed by the Company in full, plus accrued interest. As requested by the Bondholders, the bonds were redeemed in two tranches and on two dates (March 31st and April 28th 2022) without charging any additional interest resulting from the change of the redemption date.

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Working capital

In the six months ended June 30th 2022, working capital increased by PLN 128m, to PLN 831m, mainly on higher inventories following purchase of components for the construction of PV solar farms. The ratio of working capital to revenue for the last four quarters to June 30th 2022 was 77%.

Assets

In the six months ended June 30th 2022, assets rose by PLN 80m, with current assets up PLN 140m, mainly on the increase in inventories. In the same period, non-current assets fell by PLN 60m.

Cash flows

In the six months to June 30th 2022, cash from operating activities was negative, at PLN -25m, due mainly to an increase in operating capital requirement, resulting for the most part from the purchase of components for the construction of PV solar farms (a PLN 277m increase in expenditure on inventories). Negative cash flows from investing activities comprised mainly expenditure on property, plant and equipment. In the six months to June 30th 2022, cash provided by financing activities amounted to PLN 39m, mainly as a combined effect of two opposite events: repayment of the Restructuring Bonds of PLN 185m plus interest, and a drawdown under the project finance facility agreement of March 2022.

Workforce

In the six months ended June 30th 2022, the FAMUR Group had an average workforce of 2,283 people, compared with 2,426 in 2021 and 2,497 in the first half of 2021.

Discussion of the FAMUR Group operating segments' results

Mining machinery segment

The FAMUR Group's mining machinery segment supplies longwall systems, roadheaders, belt conveyors with accessories, and power supply and switchgear solutions for underground soft rock mining machinery. The Group's offering includes also design and delivery of IT systems for back-to-back management of coal and other soft-rock mining processes (from the face to the surface). The FAMUR Group is a global manufacturer of longwall machinery and systems for underground mining.

Market environment

To a large extent, the number of orders for mining equipment offered by the FAMUR Group reflects the currently prevailing and expected global trends, mainly in the prices of coal and other energy commodities in short- and medium-term. In the six months ended June 30th 2022, the prices of thermal coal and metallurgical (coking) coal hit all-time highs following the outbreak of war in Ukraine and the resulting sanctions on Russia, which significantly contributed to reducing the supply of coal.

The armed conflict in Ukraine has also caused significant supply chain disruptions and steep increases in the prices of other raw materials as well as metallurgical products and related components, which represent a significant part of the machinery and equipment manufactured by the FAMUR Group. These adverse developments resulted, among other things, in a declaration of force majeure by the supplier of sheet metal to the Company. Citing the current geopolitical situation in Ukraine, the supplier notified the Company that it was unable to perform the supplies on its own or obtain a substitute offer for the material necessary to perform the agreements from any other manufacturers or distributors as all of them have stopped submitting offers due to the highly uncertain conditions prevailing on the market. Consequently, on March 4th 2022 the Management Board of FAMUR S.A. decided to notify its customer Polskie Maszyny Group sp. z o.o. of Katowice of the occurrence of a force majeure event with respect to contracts for the delivery of equipment to be used in the Russian Federation (*see Current Report No. 10/2022 of March 4th 2022*). On April 1st 2022, an agreement was concluded with the customer to abandon the performance of contracts with a total contract price of approximately PLN 130m for the delivery of equipment and the provision of assembly supervision services, purchased for operation in the Russian Federation. Each party agreed to pay a portion of the costs incurred in connection with the

commenced performance of the contracts. The amount of costs to be covered by the Company is not material (*see Current Report No. 16/2022 of April 1st 2022*).

In the first six months of 2022, the FAMUR Group's international commercial efforts in the mining machinery segment focused mainly on increasing its presence in North America, Indonesia and China.

In the first half of 2022, coal production in Poland remained unchanged relative to the same period of 2021. At the end of June 2022, coal stocks shrank by 33% relative to the end of December 2021 and by 75% relative to June 2021.[1] Although a slight recovery is seen on the domestic market, it remains under the pressure of changes resulting from the adopted programme to phase out thermal coal mines. In June 2022, the FAMUR Group's bid for mining equipment lease, with the value of the lease contract estimated at PLN 96m, was selected in a tender procedure held by a major Polish customer. In addition, a number of lower value contracts were concluded for lease and delivery of machinery and aftermarket services. In the six months to June 30th 2022, the FAMUR Group's commercial efforts in Poland and abroad translated into almost PLN 344m in newly secured orders for the delivery of machinery and equipment and for aftermarket services. Approximately PLN 192m in new orders from Poland and abroad were secured in the three months to June 30th 2022 alone, an increase of ca. PLN 57m (42%) year on year and PLN 40m (26%) quarter on quarter.

As at the end of June 2022, the total value of the FAMUR Group's backlog (comprising delivery of machinery and equipment and leases in accordance with the contract duration) increased to approximately PLN 736m from about PLN 592m as at March 31st 2022.

Initiatives to use the operational resources of the mining machinery segment to offer wind-turbine gearbox repair/refurbishment and maintenance services

In order to fully exploit its operational resources and find new sources of revenue in the renewable energy segment, the FAMUR Group has started offering wind-turbine gearbox repair/refurbishment services.

The competitive strengths and capabilities of the FAMUR Group in this respect are primarily based on its long track record of manufacturing gear trains and drive trains for various sectors and an in-house dynamometer enabling testing of any type of gearbox. The services currently offered comprise assessment of the condition of a gearbox at the customer's site and repair/refurbishment of the gearbox in a process involving its disassembly, evaluation of the components, re-assembly, replacement of damaged parts, and load testing in the in-house dynamometer. Services offered in the current phase of the project focus on gear trains with a capacity of up to approximately 2MW. The implementation of this service did not require any additional capital expenditure as it is provided using the existing machinery and manufacturing experience.

Further development of such services will also involve assembly of the Group's own maintenance teams who, after obtaining relevant certificates (GWO Basic Safety Training), will be able to independently provide maintenance services at existing wind farms. The next step will be to implement a service consisting in ongoing monitoring of existing gearboxes at the customer's site to early identify a need for maintenance intervention.

On May 17th 2022, the FAMUR Group signed a letter of intent with the EdF EN Group, in which the parties are considering joint wind-turbine development and operation projects in Poland and development of a model of the potential collaboration.

Towards green manufacturing First solar PV systems deployed at production sites with plans for further PV expansion

The following steps have been taken in the mining machinery segment to reduce the carbon footprint of manufacturing operations and achieve measurable energy cost savings:

- solar PV panel installations were launched in the first quarter of 2022 at two production sites in a prosumer system, each with a capacity of 50kWp;
- conceptual work aimed at increasing the capacity of existing installations is in progress;
- plans are in place to build another installation with a capacity of approximately 1 MWp, with an option to equip it with an energy storage system (most of the output would be consumed internally).

[1]Source: in-house calculations based on data sourced from https://polskirynekwegla.pl/

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Financial results of the mining machinery segment

Segment's revenue from external customers (PLNm)	6 months to		3 months to	
	Jun 30 2022	Jun 30 2021	**Jun 30 2022**	Jun 30 2021
Supply of machinery and equipment	214	179	121	62
Revenue from aftermarket services and leases	303	272	149	124
Other	7	49	4	48
Total revenue	**524**	500	**274**	234

In the six months ended June 30th 2022, the mining machinery segment's revenue from external customers was PLN 524m, up PLN 24m (or 5%) year on year. In the six months to June 30th 2022, revenue from the delivery of machinery and equipment rose year on year by PLN 35m (20%), to PLN 214m. Recurring revenue (aftermarket services and leases) increased by PLN 31m (11%) year on year, to PLN 303m. The decrease in other revenue in the first six months of 2022 was attributable to full consolidation of the PV segment companies as of the beginning of 2022; in the comparative period, transactions with these companies (until their consolidation) were, in accordance with the IFRSs, disclosed as the Group's revenue from external customers, although from the economic point of view they represented intragroup sales.

In the three months to June 30th 2022, the mining machinery segment's revenue from external customers was PLN 274m, having increased PLN 40m (or 17%) year on year. Revenue from the delivery of machinery and equipment rose by PLN 59m. Recurring revenue (aftermarket services and leases) went up by PLN 25m. The decrease in other revenue was attributable to consolidation of the PV segment as of the beginning of 2022.

Sales by key geographies

In the six months to June 30th 2022, export sales of the mining machinery segment (after intersegment eliminations) accounted for approximately 47% of the segment's total revenue from external customers, vs 34% a year earlier. Sales to foreign markets were mainly to the United States, Indonesia, South Africa and China (approximately 28% of total revenue). CIS and Russia accounted for approximately 17% of total revenue (revenue from the Russian market was driven by contracts concluded in previous periods). Sales to other European countries represented about 2% of total revenue.

Profitability of the mining machinery segment

	6 months to		3 months to	
(PLNm)	**Jun 30 2022**	Jun 30 2021	**Jun 30 2022**	Jun 30 2021
Gross profit	208	146	108	70
Operating profit	136	64	79	23
Depreciation and amortisation	76	89	37	42
EBITDA	212	153	116	65
EBITDA margin [%]	40%	31%	42%	28%

Discussion of financial and operating performance

Gross profit for the six months ended June 30th 2022 in the mining machinery segment was PLN 208m, up PLN 62m (42%) year on year. The increase in gross profit led to an improvement of both operating profit and EBITDA, which stood at, respectively, PLN 136m (up PLN 72m year on year) and PLN 212m (up PLN 59m year on year). EBITDA margin for the six and three months ended June 30th 2022 was 40% (up 9pp) and 42% (up 14pp), respectively. The analysis of profitability is distorted by the low base effect as the comparative period includes transactions involving key components for solar farm construction projects entered into with related SPVs. Until the consolidation of the SPVs, such transactions were, in accordance with the IFRSs, disclosed as the Group's revenue from external customers, although from the economic point of view they represented intragroup sales. Adjusted for those transactions, EBITDA margin for the six and three months to June 30th 2022 would grow by 6pp and 7pp, respectively.

Solar PV segment

The FAMUR Group's solar PV segment provides EPC solutions (from project development, design, engineering and construction to maintenance services) for utility-scale PV projects (solar power plants) and medium-sized PV installations (for business customers). FAMUR actively supports and participates in the development of renewable energy sources, as demonstrated by the growing base of assets attributable to PV and solar farm capex.

Market environment

In the utility-scale PV sector, trends seen in the previous quarters continued:

- further rapid increase in installed photovoltaic capacities in Poland, which, according to the most recent data published by the Energy Market Agency, was over 10.2 GW at the end of May 2022, compared with approximately 7.7 GW at the end of 2021,
- rising average price per 1 MW of development projects and completed solar farms,
- rising prices of components for farm construction, including panels, substations and mounting structures (profiles); the prices have somewhat stabilised since the end of the second quarter of 2022,
- disruptions in logistics and rising prices of sea freight insurance due to the outbreak of war in Ukraine and delayed supplies from China (the main exporter of solar panels) as a result of the country's efforts to contain the COVID pandemic,
- reduced number of connection permits issued for new projects and protracted process of connecting completed solar projects to operators' grids as a result of insufficient progress in adapting power distribution networks to the fast-growing renewable power capacity.

Operational activities in the solar PV segment

The segment's main operational activities in the six months to June 30th 2022 included:

- Continued construction of the first 'package' of 134 MW solar farms (of which approximately 40% were fully operational at the end of August 2022). As further PV farm projects were progressed to the construction phase, there was an increase in PV farms under construction and those commissioned as at the end of June 2022 to 142 MW.
- Development of own projects and purchases of rights in third-party projects. The total capacity of projects in the portfolio, which are at different stages of development, was estimated at just under 2.1 GW as at June 30th 2022, including approximately 309 MW with auctions won in 2019, 2020 and 2021.
- Intensive preventive measures to minimise the negative impact of limited availability and disruptions in the logistics of supplies of components necessary to construct solar farms, such as placing purchase orders well in advance, ongoing search for alternative suppliers and supply markets, and diversification of transport modes (maritime and rail) to reduce delivery times.
- Development and implementation of an offering involving construction of PV systems for business prosumers (B2B).
- Organising operations and sales structures and looking for land on which to site investment projects in Germany, and starting to build organisational structures in further markets.

Material agreements

March 11th 2022 saw the execution of a PLN 428m project finance credit facility agreement to finance and refinance the costs of construction of solar PV farms with a total capacity of approximately 134 MW, with an option to

subsequently convert the credit facility into an investment loan and to cover the debt service reserve. The credit facility agreement was concluded between 32 companies owned by Projekt Solartechnik Fund FUNDUSZ INWESTYCYJNY ZAMKNIĘTY (the "Companies") and a syndicate of ING Bank Śląski S.A., Bank Polska Kasa Opieki S.A. and BNP Paribas Bank Polska S.A. (the "Banks") *(see Current Report No. 12/2022 of March 11th 2022)*.

On June 24th 2022, Projekt Solartechnik Fundusz Inwestycyjny Zamknięty (the "Seller"), a subsidiary of the FAMUR Group, entered into a preliminary share sale agreement with Spoleto Sp. z o.o., a special purpose vehicle wholly owned by Alternus Energy Group Plc as a buyer, which will acquire 100% of shares in the 32 Project Companies holding a portfolio of solar farm projects, at different stages of development, with a total capacity of 184 MW (the "Transaction"). The Projects are at different stages of development by the Project Companies. The Transaction will close once part of the Projects currently under construction by the Project Companies, with a total capacity of at least 45 MW, become operational and generate electricity, but not later than on November 30th 2022. All rights to all shares in all of the Project Companies will transfer upon execution of the final agreements and upon fulfilment of the other conditions precedent (the "Closing").

Upon Closing, all of the Project Companies will be transferred to the Buyer, including also the Project Companies owning Projects which are still in the development and construction phase (i.e., are not fully operational). The Buyer and the Seller have agreed certain earn-outs, including payments under relevant engineering, procurement and construction (EPC) contracts, to be paid to the Seller or Projekt Solartechnik (a subsidiary of FAMUR) upon completion of subsequent milestones (advancement) of the Projects post-Closing.

As part of the Transaction, Projekt Solartechnik will lead the construction process of the Projects and perform maintenance services for a contractually agreed period. The total Transaction value is expected to be up to PLN 750m. This amount comprises the purchase price of approximately PLN 500m for 100% of the shares in all the Project Companies payable upon Closing and amounts of up to PLN 250m due as an earn-out consideration for the development (achievement of subsequent milestones) of the not yet operational Projects (including under the relevant engineering, procurement and construction contracts) not later than within four (4) years from Closing. The Agreement contains the customary interim covenants of the Seller concerning the period between the execution date of the Agreement and Closing *(see Current Report No. 27/2022 of June 24th 2022).*

Simplification and streamlining of the FAMUR Group's organisational structure in the solar PV segment

The following measures and transactions have been and are planned to be carried out to simplify and streamline the FAMUR Group's organisational structure in the area of solar PV projects (the 'solar structure') and to concentrate this business at PST as a separate operating segment.

- Share capital increase at FAMUR SOLAR Sp. z o.o. As part of a share capital increase at FAMUR SOLAR, which took effect upon its entry in the National Court Register on May 18th 2022, the Company subscribed for 142,111 shares in FAMUR SOLAR for a total issue price of PLN 71,055,500, i.e., PLN 500.00 per share. The issue price per share was set in accordance with the same rules and in the same amount as in the previous share capital increase at FAMUR SOLAR (entered in the National Court Register in November 2021), where FAMUR SOLAR shares had been subscribed for by the Company and TDJ S.A. The purpose of the increase was to eliminate FAMUR SOLAR's debt (ahead of its planned merger with PST). Therefore, the total issue price was set to reflect the amount of FAMUR SOLAR's debt towards the Company (including interest) at the time of subscription for the shares. The price for the subscribed shares was settled by offsetting the amount owed by FAMUR SOLAR to the Company under a PLN 69m (including interest) loan granted on July 20th 2021 to support the delivery of the former's objectives, particularly to fund the acquisition of investment certificates issued by Projekt Solartechnik Fund Fundusz Inwestycyjny Zamknięty (the "Fund"), as announced by the Company in the Directors' Report for 2021. This helped prepare FAMUR SOLAR for its planned merger with PST.
- Acquisition by FAMUR SOLAR of 87,540,132 Series D ordinary registered shares in the share capital of Projekt-Solartechnik S.A. to ensure that all investment certificates of the Fund are contributed to PST (i.e., to place the Fund directly under PST in the organisational structure). Accordingly, as part of the share capital increase, both the certificates held by FAMUR SOLAR and the certificates held indirectly by Maciej Marcjanik were contributed to PST. The issue price of PST shares subscribed for in exchange for the contributed investment certificates of the Fund was

set uniformly for both shareholders subscribing for the new shares, in an amount equal to the par value of the shares (i.e. PLN 1.00 per share). For FAMUR SOLAR, the aggregate issue price was PLN 87,540,132.00 and equalled the value of all of the investment certificates of the Fund contributed to PST. The PST shares exchanged for the investment certificates held indirectly by Maciej Marcjanik were subscribed for on the same terms. Setting the issue price at the par value of PST shares allowed the value of the contributions to be fully reflected in the number of shares subscribed for in exchange for the contributions. As the issue price was the same for both shareholders who subscribed for the shares and contributed the same assets to pay for the shares (adding up to 100% of the investment certificates of the Fund), this helped keep the ownership ratio in PST's share capital and shareholding structure unchanged (51% and 49%, respectively) compared with the ownership ratio in PST's share capital and the Fund's ownership structure prior to the share capital increase. This transaction structure enabled smooth transfer of all of the certificates of the Fund to PST, taking into account the value of the Fund based on the valuation prepared by an independent third party which periodically valuates certificates of the Fund (on a NAV per Investment Certificate basis), in line with the existing ownership ratio in the two entities.

- Acquisition of approximately 14% of PST shares by the Company*(see Current Report No. 29/2022 of July 1st 2022)*. The agreement providing for the purchase of these shares was concluded between FAMUR SA and FIMM Fundusz Inwestycyjny Zamknięty, a closed-end investment fund in which Maciej Marcjanik is an investor.
- Planned merger between FAMUR SOLAR and PST. The merger is planned to be effected so that the existing shareholders in FAMUR SOLAR are allotted PST shares in exchange for their holdings of FAMUR SOLAR shares according to their equity interests in FAMUR SOLAR at the time of the merger. PST shares allotted to FAMUR would represent approximately 38% of PST's share capital in issue. FAMUR SOLAR would cease to exist as a result of the merger. In exchange for its holding of FAMUR SOLAR shares, the Company would receive PST shares in the number corresponding to its interest in FAMUR SOLAR.

Following the transactions referred to above and changes in PST's organisational structure (as described above) planned for the coming months (involving, among other things, the merger of FAMUR SOLAR with PST), the Company will ultimately hold, as a direct interest, approximately 52% of the shares in PST's share capital, Maciej Marcjanik and his related parties – approximately 35% and TDJ – approximately 13%.

FAMUR's involvement in the solar PV segment development project

As a result of the acquisition of projects, loans granted to the SPVs and costs incurred on the construction of solar PV farms, as at June 30th 2022 FAMUR's spending on the solar PV segment development project was approximately PLN 296m. After the reporting date, an agreement was signed with Maciej Marcjanik whereby FAMUR acquired approximately 14% of shares in Projekt-Solartechnik S.A. for PLN 117m *(see Current Report No. 29/2022 of July 1st 2022).*

Financial results of the solar PV segment

	6 months to		3 months to	
(PLNm)	**Jun 30 2022**	Jun 30 2021	**Jun 30 2022**	Jun 30 2021
Segment's revenue from external customers	26	-	16	-
Gross profit	7	-	6	-
Operating profit	-24	-	-18	-
Depreciation and amortisation	3	-	2	-
EBITDA	-21	-	-17	-

The process to build a solar PV segment within the FAMUR Group commenced in 2021 as a result of the activities and transactions described in the Directors' Report on the operations of the FAMUR Group in 2021. In 2021, the revenue and financial results of the solar PV segment were immaterial from the Group's perspective. In the six months ended June 30th 2022, the segment's sales to external customers amounted to PLN 26m, including PLN 16m in the three months then ended. The entire revenue generated in the first six months of 2022 was derived from the domestic market.

Discussion of financial and operating performance

Operating profit and EBITDA for the six months to June 30th 2022 were negative at PLN -24m and PLN -21m, respectively, as a result of costs incurred on solar farm projects under development and under construction, which were being prepared for sale.

Factors which the Company believes may affect its performance in the following quarter or future periods

The table below presents factors which the Company believes may have bearing on the FAMUR Group's operations in the next quarter or for a longer period:

Factor	Description
Effective and efficient delivery of the adopted strategy to achieve diversification of revenue streams	Further development of the FAMUR Group requires significant efforts to diversify its revenue streams beyond the thermal coal mining industry. In 2021, the FAMUR Group updated its strategic directions with a view to transforming it into a holding investing in green transition projects and opportunities in other promising industries, including solar photovoltaics, cogeneration, energy storage, smart grid, HVAC, and electric mobility. In 2024, the share of revenue related to the thermal coal mining sector in the Group's total revenue is expected to decrease to below 30%. The pace of revenue diversification will depend on the Group's ability to identify suitable investment targets as well as on efficient integration of new entities within the Group.
Geopolitical and economic situation created by the war in Ukraine	A sharp rise in price volatility on the markets of raw materials following the outbreak of war in Ukraine and sanctions imposed on Russia, which ban the import into the European Union of iron and steel products originating from that country due to Ukraine's/Russia's significant share in the total output of steel products and related components (including castings and forgings). In consequence, a significant increase in the prices of components (mainly sheet metal and steel) used by the FAMUR Group may harm the FAMUR Group's competitive position on the existing and new markets vis-à-vis Chinese producers and depress its margins. Loss of control of the Russian subsidiary OOO FAMUR (Note 30 to the interim condensed consolidated financial statements of the FAMUR Group for the six months ended June 30th 2022).
Expected increase in demand for renewable energy solutions	Growing demand for components used in the construction and maintenance of solar PV panels without maintaining a steady increase in production volumes may significantly reduce their availability and push up prices. Rising prices of key elements used in the solar PV segment's operations or their limited availability may lead to delays in or reduce the profitability of PV farm construction projects.
Global transition towards low-carbon economies	Expected structural decline in demand for thermal coal in the long term in Poland and globally. The EU's decarbonisation strategy and its implementation into the Member States' legal systems will result in a significant decline in demand for thermal and coking coal in the long and medium term. In consequence, demand for equipment and machinery offered by the FAMUR Group's mining machinery segment may weaken.
Supply chain disruptions	The COVID-19 pandemic and the outbreak of war in Ukraine have caused disruptions in global supply chains, which may increase operating expenses and extend lead times.
Increase in component and energy prices	A close to 40% increase between January and June 2022 in the prices of steel sheet, a material of particular importance to the FAMUR Group used in the manufacturing process. High prices of steel sheet affect the prices of FAMUR Group products, especially in the mining machinery segment, which may harm the FAMUR Group's competitive position on the existing and new markets vis-à-vis Chinese producers, affect its order volumes and depress margins. Growing prices of energy commodities and projected limitations in the supply of natural gas have led to sharp rises in electricity and heat prices and may drive up operating expenses.
Rising pay expectations	A rise in pay expectations on the Polish market due to the persistently high inflation and surges in the prices of both consumer goods and energy may increase pay pressures and, consequently, operating expenses.

Discussion of financial and operating performance

Factor	Description
Maintaining a flexible operating model and tight cost control	The fundamental principle underlying the FAMUR Group's operations is to maintain a flexible operating model enabling quick and effective adaptation of the cost and production base to current and expected demand shaped by the business cycle and structural shifts in the markets in which the Group operates.

FAMUR

Description of key risks and threats

General definition and classification of key risks at the FAMUR Group

The FAMUR Group defines risk as an uncertainty which is inherent in its business and which may result in both opportunities and threats to the achievement of its strategic objectives and have an adverse impact on its financial performance, assets, operating or commercial activities, or outlook. Based on its best knowledge, the Management Board of FAMUR S.A. has identified the key risks to the FAMUR Group and classified them into the following categories:

- External risks, i.e. risks associated with the Group's business environment,
- Operational risks, i.e. risks arising from the Group's business activities,
- Financial risks: movements in prices, interest rates and foreign exchange rates, the Group's liquidity position, failure by the Group's trade partners to fulfil their obligations under contracts with the Group.

Key external risks

Type of risk	Risk exposure
Changes in macroeconomic trends	High
Geopolitical risk	High
Material changes in the industries in which the Group operates	High
Major regulatory changes	High
Environmental and climate	High
Technological shifts	Medium

Key operational risks

Type of risk	Risk exposure
M&A transactions and acquiree integration	Medium
Failure to meet customer expectations	Medium
Failure to retain or attract key personnel	Medium
Supply chain disruption	High
Disruptions in manufacturing processes and provision of maintenance services	Low
IT and cybersecurity threats	High
Failure to comply with legal or regulatory requirements	Medium

Key financial risks

Type of risk	Risk exposure
Credit risk: failure by a trade partner to meet its contractual obligations	Medium
Liquidity risk: loss or limitation of the FAMUR Group's ability to meet its obligations	Low
Market risk: currency risk, interest rate risk, and price risk	Medium

Description of key risks and threats

Description of key risks and corresponding risk mitigation measures

Below is presented a description of the key external and operational risks, including information on the possible consequences of their materialisation for the FAMUR Group and on the corresponding risk mitigation measures.

Type of risk	Risk description	Consequences of risk materialisation	Risk mitigation measures
Changes in macroeconomic trends	Failure to keep pace with changes in the economic environment: a slowdown in the global economy may result in lower order volumes, increased competition and consequent margin erosion; on the other hand, rapid economic growth may lead to increased wage pressures and rising prices of services, energy and materials, and often to reduced availability of certain components (supply chain disruptions).	Reduced order volumes, increase in operating expenses, drop in margins.	Continuous optimisation of manufacturing processes and tight cost control. Flexible organisational structure, adaptable to changes in the environment. Monitoring of project margins and cash flows. Maintaining a low leverage ratio.
Geopolitical risk	Political changes in countries where FAMUR Group companies operate may result in business constraints, unexpected liabilities or charges, supply chain disruptions, or restrictions on cash transfers.	Reduced order volumes, increase in operating expenses.	Monitoring of political changes in countries where FAMUR Group companies operate or offer their products, or into which the Group is considering entry.
Material changes in the industries in which the Group operates	Change in the competitive environment: an increase in the number of new players on the market may cause a downward pressure on prices, structural decline in demand for certain products or services offered by the Group, and limited availability of key components for the Group's products. Consolidation of suppliers or customers may increase the costs of components or pressure on prices of the FAMUR Group's products, as appropriate.	Reduced demand for certain products or services offered by the Group, lower order volumes, declining revenue, depressed margins.	Pursuing strategy to diversify revenue streams and searching for entities offering product synergies. Continuous improvement of the product offering, provision of comprehensive solutions, expansion of the product portfolio.
Major regulatory changes	Major amendments to RES, tax or public procurement laws or regulations, imposing unexpected significant burdens on businesses.	Benefits from entering into renewable energy market partly or entirely offset. Increased costs due to unforeseen taxes and other public charges. Cancelling auctions or restricting participation in auctions may result in a revenue drop.	Ongoing monitoring of changes in and comprehensive analysis of statutory interpretations and recent judicial decisions and taking prompt action to ensure compliance with new legislation.
Environmental and climate	Potential acceleration of global trends to phase out carbon emitting energy generation sources. Changes in regulations, administrative fees, charges for using natural resources such as water, energy or raw materials, or emission fees.	Faster than expected decline in revenue in the mining machinery segment.	Adoption of a strategy for entry into the renewable energy sector, deployment of PV systems at selected production facilities.
Technological shifts	Development or emergence of new technologies offering an economically viable alternative to the existing solutions on the market.	Inventory write-downs, decrease in revenue, costs of implementing new technologies.	Development and improvement of existing products, investment in R&D, monitoring of technology developments and customer needs and expectations.
M&A transactions and acquiree integration	Difficulties in closing an acquisition, integrating the acquiree, or obtaining the expected synergies.	Reduced ability to achieve strategic objectives, unexpected costs or potential impairment losses on acquired assets.	Ongoing review of acquisition plans, development of an acquiree integration plan at the due diligence stage, ensuring

Description of key risks and threats

Type of risk	Risk description	Consequences of risk materialisation	Risk mitigation measures
			adequate and properly qualified personnel, engagement of reputable external advisers.
Failure to meet customer expectations	Failure to obtain the required certificates, failure to pass a customer's product quality tests, failure to fulfil orders on schedule, failure to market new products or solutions, failure to respond to a technological shift or meet customer demand for new products.	Incurring damages or penalties, reputational damage, decline in revenue.	Investments in R&D, expansion of the product portfolio, offering tailor-made solutions based on customer input, provision of aftermarket services.
Failure to retain or attract key personnel	Failure or inability to retain or attract qualified personnel A pandemic adversely affecting employees' health and fitness for work.	Increase in labour costs, possible disruptions in operating activities, deteriorated growth prospects following loss of key personnel.	Continuous mapping of employee competences and requirements, monitoring of the labour market in terms of remuneration and qualifications. Providing development opportunities to employees within the Group.
Supply chain disruption	The FAMUR Group relies heavily on suppliers of components for its products. Risk of disruptions or unexpected major delays in component deliveries or of a sharp rise in component prices. Risk of failure by FAMUR Group suppliers to comply with the "Code of Conduct for FAMUR Group Suppliers".	Increase in operating expenses Delays in contract performance Reduced ability to accept new orders as a result of limited availability or increased costs of components.	Evaluation and selection of business partners based on objective criteria such as quality, pricing and supply reliability. Prior to commencing deliveries for the FAMUR Group, each new trading partner is required to commit to complying with the "Code of Conduct for FAMUR Group Suppliers".
Disruptions in manufacturing processes and provision of maintenance services	Unforeseen major disruptions in manufacturing processes or provision of services as a result of extreme weather conditions, fires, pandemics, civil unrest, etc.	Failure to deliver products and services on schedule may result in a decrease in revenue or an increase in costs due to liquidated damages.	Adequate crisis management procedures and business continuity plans have been developed and are reviewed on an ongoing basis and updated as required.
IT and cybersecurity threats	Failure of or unauthorised access to the FAMUR Group's IT infrastructure and/or systems, leakage of confidential information, theft of FAMUR Group's intellectual property, loss of the operational continuity of key IT systems and services.	Crisis resulting from unauthorised access to confidential information, risk of reputational damage to the FAMUR Group, risk of penalties.	The FAMUR Group takes regular measures to ensure the security of its IT infrastructure and systems, including by implementing various procedural, organisational and technical safeguards.
Failure to comply with legal or regulatory requirements	Risks related to breaches of the security or integrity of personal data (GDPR), trade secrets or other confidential information, including in particular destruction, loss, modification, or unauthorised disclosure, publication or transfer of protected data.	Failure to comply with the GDPR may result in the imposition of a penalty of up to 4% of the breaching party's annual global turnover. Any breach of the security of personal data or trade secrets may adversely affect the perception of the Group's brand, its competitive position, or its future financial performance.	The FAMUR Group takes regular measures to ensure adequate protection of its trade secrets and personal data that is controls or processes, including by implementing various procedural, organisational and IT security solutions.
Credit risk	Risk of a trade partner's failure to meet its contractual obligations, including as a result of such credit events as the trade partner's insolvency, partial payment of amounts due, or material delays in payment.	Need to recognise impairment losses on past due receivables charged to costs of the period.	Checking the creditworthiness of trade partners and using security instruments (in the form of letters of credit, bank guarantees, insurance of receivables).

FAMUR

Description of key risks and threats

Type of risk	Risk description	Consequences of risk materialisation	Risk mitigation measures
Liquidity risk	Risk of inability to meet liabilities when due.	Risk of a credit standing downgrade or loss of creditworthiness, a rise in borrowing costs.	Managing the payment and collection periods, as well as the system of advance payments, inventory optimisation, maintaining an adequate level of external financing sources, including long-term ones.
Market risk – currency risk	Sharp exchange rate movements, causing uncertainty as to the level of future cash flows and financial results.	Increase or decrease in the cost of purchasing raw or other materials in foreign currencies. Movements in receivables and payables settled in foreign currencies.	Ongoing monitoring and analysis of currency exposure, in line with the Company's policy. Use of forward transactions and price revision clauses in the event of exchange rate movements.
Market risk – interest rate risk	Significant and sharp interest rate movements.	Risk of an increase in interest expense on the unhedged portion of financial liabilities based on a floating rate in the event of an increase in general interest rates. Loss of potential benefits in the event of declining interest rates as a result of a hedging arrangement involving floating-for-fixed swaps.	Execution of interest rate swaps Ongoing monitoring of the Monetary Policy Council's decisions and negotiating the terms of conditions of credit facility agreements.
Market risk – price risk	Significant movements in the prices of raw materials, mainly steel products, causing uncertainty as to achieving the target financial result.	Increase in the purchase cost of raw or other materials.	Negotiating prices or placing framework purchase orders, diversifying supply sources and service providers.

Other information to the interim consolidated Directors' Report

Changes in the FAMUR Group's structure

Changes in the FAMUR Group's structure are described in Note 8 to the interim condensed consolidated financial statements of the FAMUR Group for the six months ended June 30th 2022.

Changes in the organisational structure of the Management Board of FAMUR S.A.

On June 15th 2022, the Supervisory Board resolved to appoint the same five members of the Company's Management Board for another joint three-year term of office:

- Mirosław Bendzera, President of the Management Board
- Beata Zawiszowska – Vice President of the Management Board, Chief Financial Officer
- Dawid Gruszczyk – Vice President of the Management Board, Sales
- Tomasz Jakubowski – Vice President of the Management Board, Chief Operating Officer, Underground Segment
- Ireneusz Kazimierski – Vice President of the Management Board, Business Development

The biographical notes of the Management Board members were published in Current Report No. 24/2022 of June 15th 2022.

Shareholders holding directly or indirectly (through subsidiaries) at least 5% of total voting rights at the General Meeting of FAMUR S.A. as at the issue date of this interim report and changes in the shareholding structure occurring after the issue of the previous quarterly report

To the best of the Company's knowledge based on Current Report No. 15/2022 of March 30th 2022, Current Report No. 19/2022 of April 15th 2022, Current Report No. 22/2022 of April 26th 2022, and on data from the most recent Annual General Meeting of June 22nd 2022 (Current Report No. 25/2022), FAMUR S.A.'s shareholding structure as at the date of issue of this interim report for the six months ended June 30th 2022 was as follows:

Shareholder	Number of shares held	Number of voting rights	Equity interest
TDJ Equity I Sp. z o.o.	290,728,459	290,728,459	50.59%
Nationale-Nederlanden OFE and DFE*	57,738,124	57,738,124	10.05%
AVIVA OFE AVIVA SANTANDER	55,513,000	55,513,000	9.66%
FAMUR S.A.**	4,116	4,116	0.00%
Other shareholders***	170,696,974	170,696,974	29.70%
Total	**574,680,673**	**574,680,673**	**100%**

** Aggregate value for accounts of OFE and DFE funds managed by NN PTE.*
*** Indirectly through subsidiaries.*
**** Total other shareholders holding less than 5% of total voting rights.*

In the period between the issue of the most recent interim report for the three months ended March 31st 2022 and the date of issue of this interim report for the six months ended June 30th 2022, FAMUR S.A.'s shareholding structure did not change.

Members of the management or supervisory personnel holding FAMUR S.A. shares or rights to FAMUR S.A. shares, and changes in their holdings after the issue of the previous report, according to FAMUR S.A.'s knowledge

According to the Company's knowledge, no FAMUR S.A. shares were held by the Company's management or supervisory personnel as at June 30th 2022 and as at the date of issue of this report; with the proviso that during the reporting period and as at the date of issue of this report a majority interest in the Company was held by Tomasz Domogała, who

Other information to the interim consolidated Directors' Report

owned the interest indirectly through TDJ S.A.'s subsidiary TDJ Equity I Sp. z o.o., remaining a major shareholder in the Company.

Dividend

On June 22nd 2021, by resolution of the General Meeting the Company's entire net profit earned in 2021, in the amount of PLN 35.2m, was allocated to the Company's statutory reserve funds.

Management Board's position on the previously published annual financial forecasts

The Management Board decided not to release forecasts for 2022.

Material proceedings pending before courts, arbitration or public administration bodies

In the six months ended June 30th 2022 and as at the issue date of this report, there were no court, arbitration or administrative proceedings pending that would be material from the perspective of the Company or its Group.

Related-party transactions

The related-party transactions in the six months to June 30th 2022 were executed on an arm's length basis and, in the opinion of the FAMUR S.A. Management Board, were standard transactions. For detailed information on related-party transactions, see Note 29 to the interim condensed consolidated financial statements of the FAMUR Group for the six months ended June 30th 2022.

Loan sureties and guarantees issued by FAMUR S.A. or its subsidiary where the aggregate value of such outstanding sureties and guarantees issued to a single entity or its subsidiary is significant

In the six months ended June 30th 2022, neither the Company nor any of its subsidiaries provided any sureties or guarantees equivalent to 10% or more of FAMUR S.A.'s equity to any single entity or its subsidiary.

Events after the reporting date

There were no significant events after the reporting date.

Representations by the Management Board of FAMUR S.A.

The Management Board of FAMUR S.A. comprising:

- Mirosław Bendzera – President of the Management Board
- Beata Zawiszowska – Vice President of the Management Board, Chief Financial Officer
- Dawid Gruszczyk – Vice President of the Management Board, Sales
- Tomasz Jakubowski – Vice President of the Management Board, Chief Operating Officer, Underground Segment
- Ireneusz KazimierskiVice President of the Management Board, Business Development

represent that, to the best of their knowledge:

- FAMUR S.A.'s interim condensed financial statements for the six months ended June 30th 2022 and the comparative data, as well as the FAMUR Group's interim condensed consolidated financial statements for the six months ended June 30th 2022 and the comparative data, were prepared in accordance with the applicable accounting principles and give a true, clear and fair view of the assets, financial position and financial results of FAMUR S.A. and the FAMUR Group.
- The Directors' Report on the operations of FAMUR S.A. and the FAMUR Group in the six months to June 30th 2022 gives a fair view of the development, achievements and position of FAMUR S.A. and the FAMUR Group, including a description of key risks and threats.

Auditor

BDO Spółka z ograniczoną odpowiedzialnością Sp.k., the audit firm authorised to perform statutory audits of financial statements, which reviewed the interim condensed financial statements of FAMUR S.A. for the six months ended June 30th 2022 and the FAMUR Group's interim condensed consolidated financial statements for the six months ended June 30th 2022, was appointed in accordance with the applicable laws. Both the audit firm and the auditor who performed the review met the conditions required to issue an objective and independent review report, in accordance with the applicable provisions of Polish law.

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Alternative performance measures

In its evaluation and discussion of the reported financial performance, financial position and cash flows, the FAMUR Group makes references to alternative performance measures (APM) other than those expressly defined or outlined in the applied financial reporting framework compliant with IFRS requirements. However, these metrics are calculated on the basis of information sourced from the financial statements prepared in accordance with IFRSs. APMs are consistent with the standards applied by the FAMUR Management Board in measuring and evaluating the Group's performance for internal management accounting purposes, provide a useful tool for presenting the Group's financial and operating position, and facilitate analysis and assessment of the Group's performance for internal purposes and external needs in discussions with financial analysts, potential investors, shareholders, noteholders, and institutions financing the FAMUR Group's operations.

The alternative performance measures presented by the FAMUR Group are standard metrics and indicators commonly used in financial analysis and are typically used to discuss performance of manufacturers of mining machinery and equipment. The selection of the alternative performance measures was preceded by an analysis of their usefulness in providing investors with helpful information on financial position, cash flows and financial efficiency, and – in the Company's opinion – the selected APMs enable an optimum assessment of financial performance.

In accordance with the ESMA Guidelines on Alternative Performance Measures, the following list sets out the definitions of the alternative performance measures used by the FAMUR Group and reconciliations to the data disclosed in the consolidated financial statements prepared in accordance with International Financial Reporting Standards.

EBITDA

EBITDA is the main operating profit metric used by the Management Board, representing operating profit before depreciation/amortisation and impairment of non-current assets. The method of calculating EBITDA is not defined in IFRSs, and the methodology adopted by the Group is presented below.

	6 months to		3 months to	
(PLNm)	**Jun 30 2022**	Jun 30 2021	**Jun 30 2022**	Jun 30 2021
Operating profit	112	64	60	23
Depreciation and amortisation	79	89	39	42
EBITDA	191	153	99	65

FAMUR

Alternative performance measures

Working capital and working capital as % of revenue

Working capital is the metric used by the Management Board to assess the amount of capital needed to perform contracts. Working capital as a percentage of revenue shows the efficiency of managing the operating cash conversion cycle. The method of calculating working capital is not defined in IFRSs, and the methodology applied by the Group is presented below.

	As at	
(PLNm)	**Jun 30 2022**	**Dec 31 2021**
Inventories	752	583
Short-term trade receivables	350	419
Subtotal	1102	1,002
Less short-term trade payables	-137	-160
Less prepayments received	-134	-139
Working capital	831	703
Working capital as % of revenue for the last four quarters	77%	68%

LTM revenue according to IFRSs

(PLNm)	Revenue
Jan–Dec 2021	1,032
Less 6 months to Jun 30 2021	-500
6 months to Dec 31 2021	532
Plus 6 months to Jun 30 2022	550
LTM to Jun 30 2022	**1,082**
Working capital as at Jun 30 2022	831
Working capital in the quarter as % of LTM revenue	**77%**

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Alternative performance measures

Net debt

Net debt is a debt metric used by the Management Board. The method of calculating net debt is not defined in IFRSs, and the methodology applied by the Group is presented below.

	As at	
(PLNm)	**Jun 30 2022**	**Dec 31 2021**
Non-current financial liabilities	**645**	**648**
bank credit and non-bank borrowings	17	4
other debt instruments	599	599
leases	29	32
factoring	-	13
Current financial liabilities	**286**	**262**
bank credit and non-bank borrowings	268	28
other debt instruments	5	206
leases	5	11
factoring	8	17
Gross debt	**931**	**910**
less cash and cash equivalents	-1280	-1,333
Net debt	**-349**	**-423**
Net debt/EBITDA	**-1.0x**	**-1.4x**

LTM EBITDA

(PLNm)	EBITDA
Jan–Dec 2021	301
Less 6 months to Jun 30 2021	-153
6 months to Dec 31 2021	148
Plus 6 months to Jun 30 2022	191
LTM to Jun 30 2022	**339**

Net debt as at Jun 30 2022	**-349**
Net debt/EBITDA	**-1.0x**

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Signatures of members of the Management Board of FAMUR S.A.

Mirosław Bendzera …….

Beata Zawiszowska …….

Dawid Gruszczyk …….

Tomasz Jakubowski …….

Ireneusz Kazimierski …….