



**FAMUR**

**Presentation of the FAMUR Group**

**Q3 and 9M 2019 – overview**

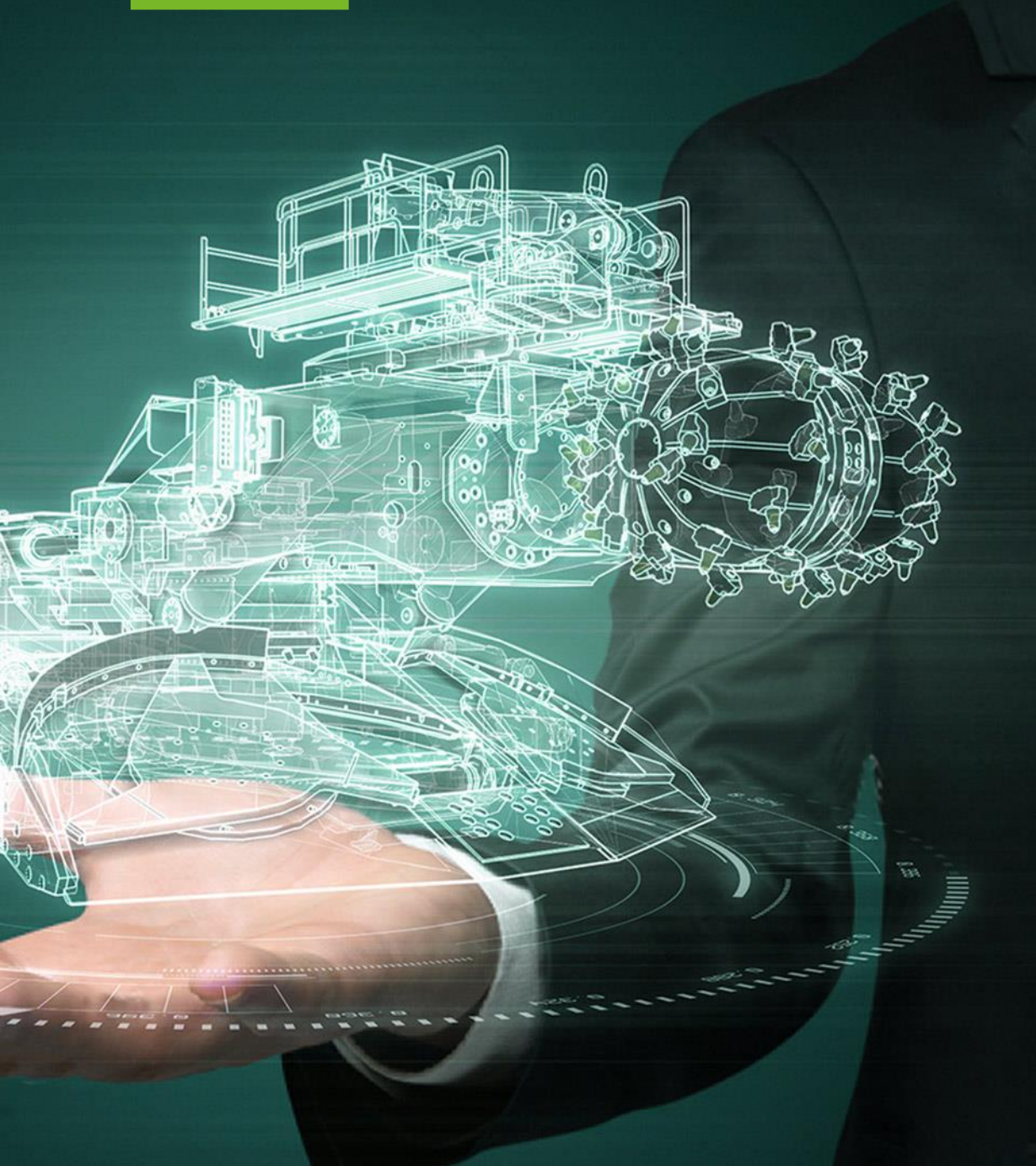
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# Agenda

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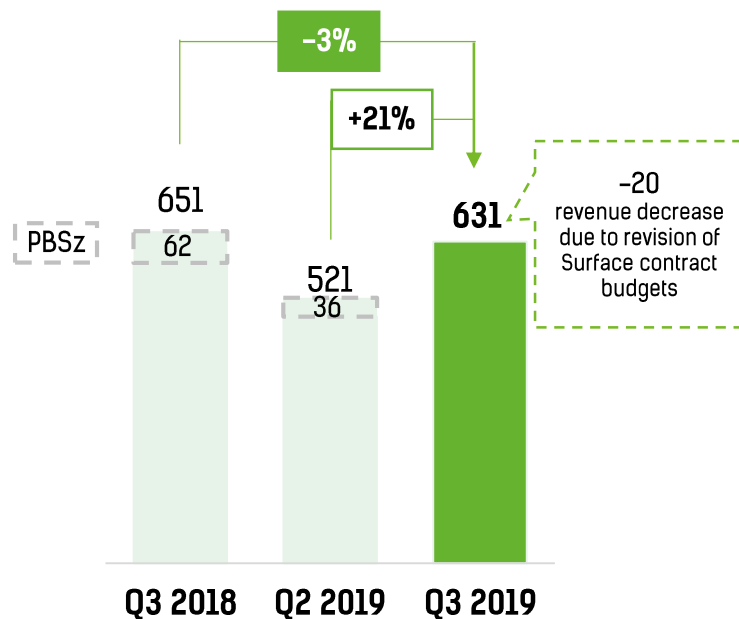
# 1

## Highlights



# Highlights of Q3 2019

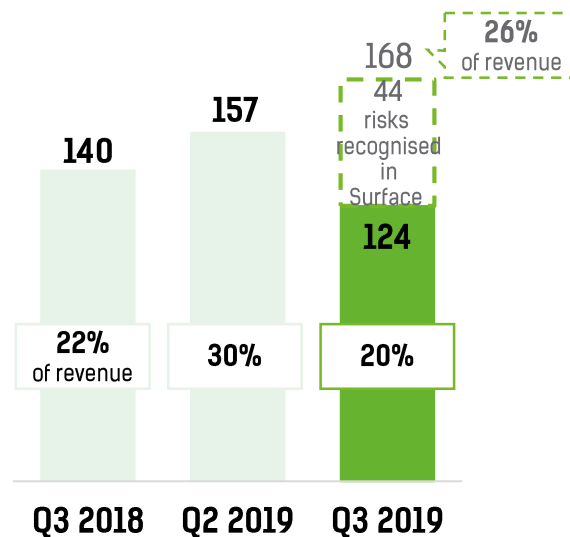
**Revenue**  
(PLNm)



revenue up 21% in Q3 vs Q2 driven by contracts concluded in late 2018/early 2019 and in H1 2019

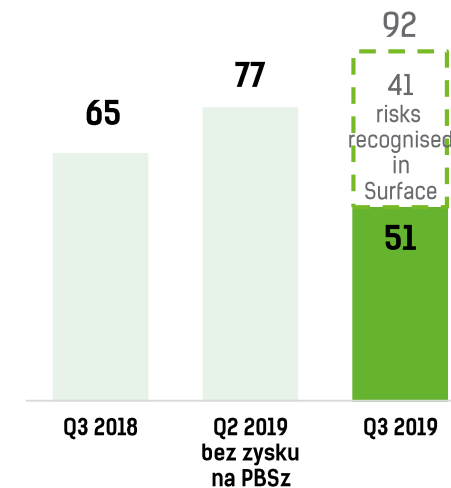
revenue up 7% yoy on a normalised basis

**EBITDA and EBITDA margin**  
PLNm, %



Q3 profit margins affected by recognition of risks in Surface (revision of contract budgets, impairment losses on current assets and provisions for potential liquidated damages)

**Adjusted net profit**  
(PLNm)



Decrease in Q3 2019 net profit resulting from recognition of risks in Surface, adjusted for recognised tax asset

# Our objectives for 2019 are being consistently pursued

OBJECTIVES FOR 2019	ACHIEVEMENTS TO DATE	Progress
▶ <b>Drive further growth in export sales</b>	<ul style="list-style-type: none"> <li>Growth in sales on existing foreign markets and winning new markets (Canada, Indonesia)</li> </ul>	> 34% of export revenue
▶ <b>Expand maintenance service base abroad</b> <ul style="list-style-type: none"> <li>▶ Russia – completion of the OOO FAMUR/Kopex Sibir merger – organisational streamlining and ensuring a reliable, well-equipped base for complete machine refurbishment in Russia</li> <li>▶ Turkey – concept to establish a maintenance service centre to provide ongoing servicing of machinery operated locally</li> </ul>	<ul style="list-style-type: none"> <li>Completion of the legal merger and the process of integrating operations and human resources</li> <li>Completion of a detailed evaluation of a potential business partner, which has shown that any further steps would carry excessive risk. Launch of a study of alternative options to establish a maintenance service centre in connection with expected future sales</li> </ul>	
▶ <b>Continue divestment of non-core assets, including</b> <ul style="list-style-type: none"> <li>▶ Financial assets (Serbian companies, non-core companies)</li> <li>▶ Properties – divestment proceeds (2019+) estimated at PLN 80m or more</li> </ul>	<ul style="list-style-type: none"> <li>Sale process continued</li> <li>Transfer of a significant part of non-core properties to De Estate Sp. z o.o. (SPV) and process continued to find a buyer</li> <li>Continue to sell other non-core properties in separate market transactions (preparation of sale offers)</li> </ul>	
▶ <b>Diversify the Group's debt</b>	<ul style="list-style-type: none"> <li>Successful placement of 5-year notes of PLN 200m</li> </ul>	
▶ <b>Define further plans for PTH after the divestment of PBSz</b>	<ul style="list-style-type: none"> <li>Closing the sale of PBSz, more than 7% of PTH shares tendered in a tender offer and equity interest in PTH increased to more than 73%. Continued listing of PTH shares on the WSE</li> </ul>	
▶ <b>Continue acquisitions in hard rock mining</b>	<ul style="list-style-type: none"> <li>A detailed evaluation of a prospective target in the US, completion of the conceptual phase by the end of 2019</li> </ul>	

# Increase in mining sector capex, mainly in Asia and Russia

## In Poland, capex due to stabilise from 2020 onwards

### GLOBAL TRENDS



#### Thermal coal

- accelerated adaptation of clean energy sources
- low gas prices
- falling coal prices
- + growing global energy demand
- + competitive source of energy in Asia



#### Coking coal

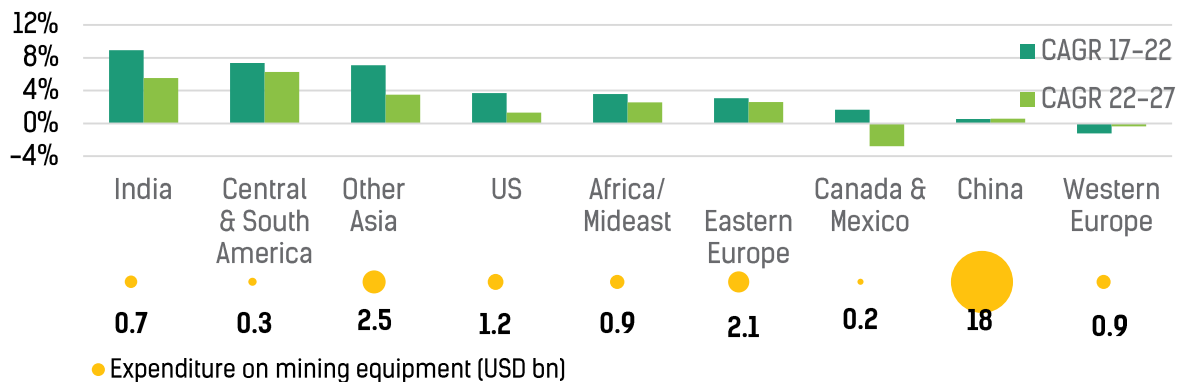
- deteriorating prospects for global economy
- growing uncertainty in trade relations
- decline in industrial output
- falling coal prices
- + growing demand in India
- + plans to increase production in Russia

### CUSTOMERS' EXPECTATIONS FOR MINING EQUIPMENT

- ▶ Strong productivity
- ▶ More technologically advanced and autonomous mining systems
- ▶ Improved reliability, reduced downtime, speed of maintenance services
- ▶ Safer working environment
- ▶ Low costs (mainly developing markets)
- ▶ Competitive financing

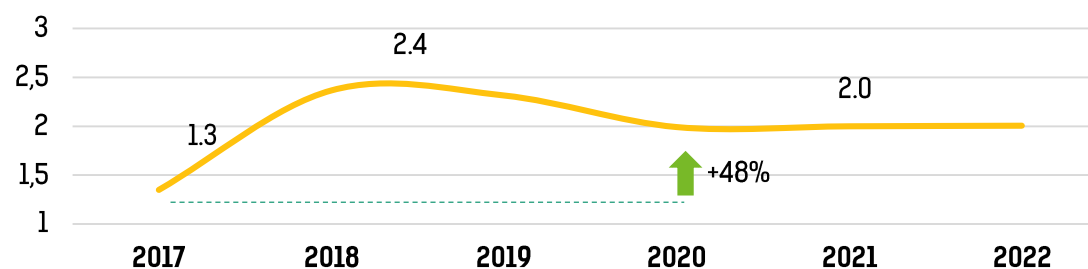
### GLOBAL MARKETS: UNTIL 2022: EXPECTED INCREASE IN CAPEX ON MINING EQUIPMENT ACROSS ALL KEY MARKETS (EXCEPT FOR WESTERN EUROPE)

Expected changes in demand and value of the coal mining equipment market



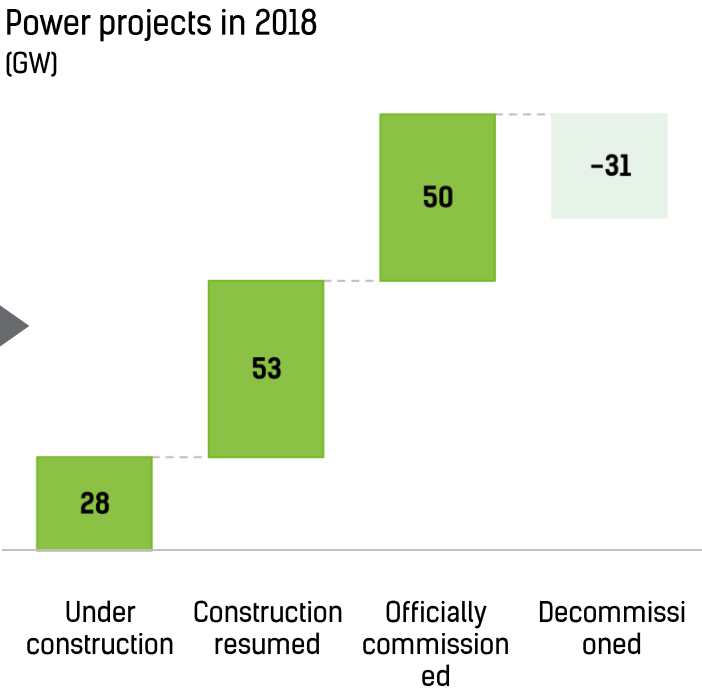
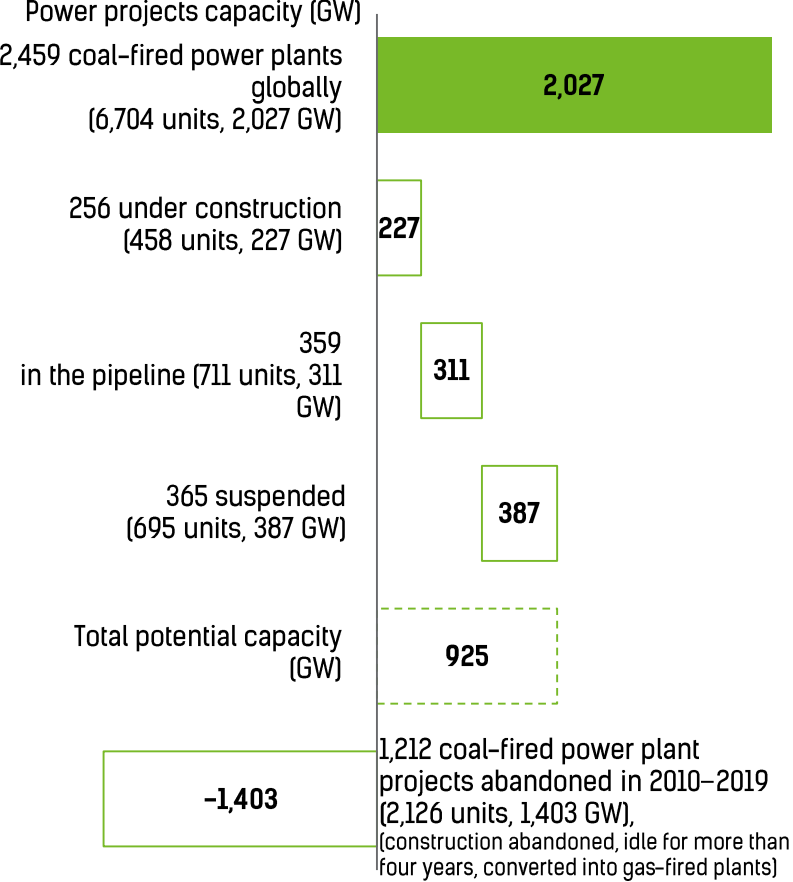
### POLAND: STRONG INCREASE IN CAPEX IN 2018-2019 FOLLOWED BY EXPECTED DECREASE IN 2020 AND STABILISATION AFTERWARDS

Projected capital expenditure in the Polish coal mining industry (PLNbn)



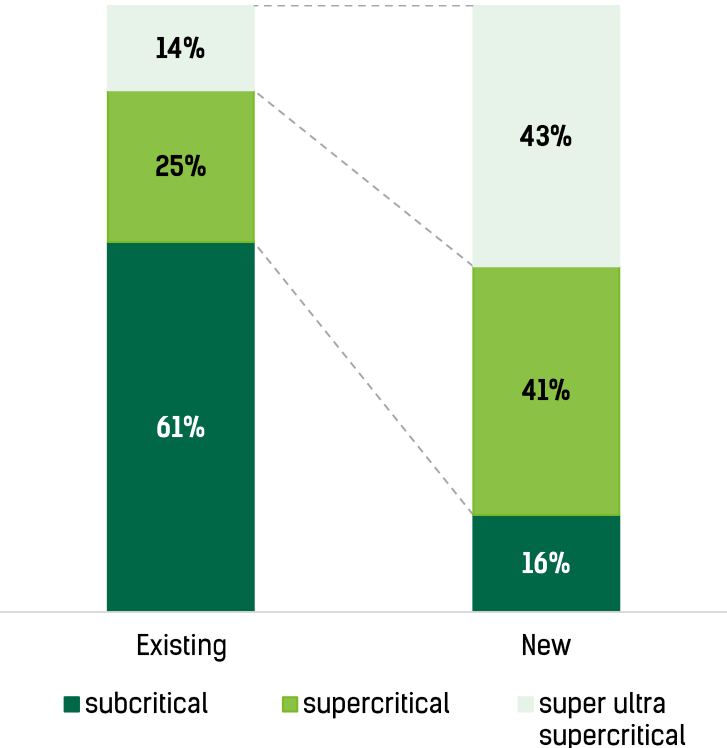
# Global coal-based power generation: ~ 260 coal-fired power plants still under construction. New, high-efficiency generation units reduce CO<sub>2</sub> emissions FAMUR

## NEARLY 260 COAL-FIRED POWER PLANTS UNDER CONSTRUCTION AND 359 MORE IN THE PIPELINE



84% of the new coal-fired power plants based on supercritical or ultra-supercritical technologies

Existing and new coal-fired power plants, by operating parameters

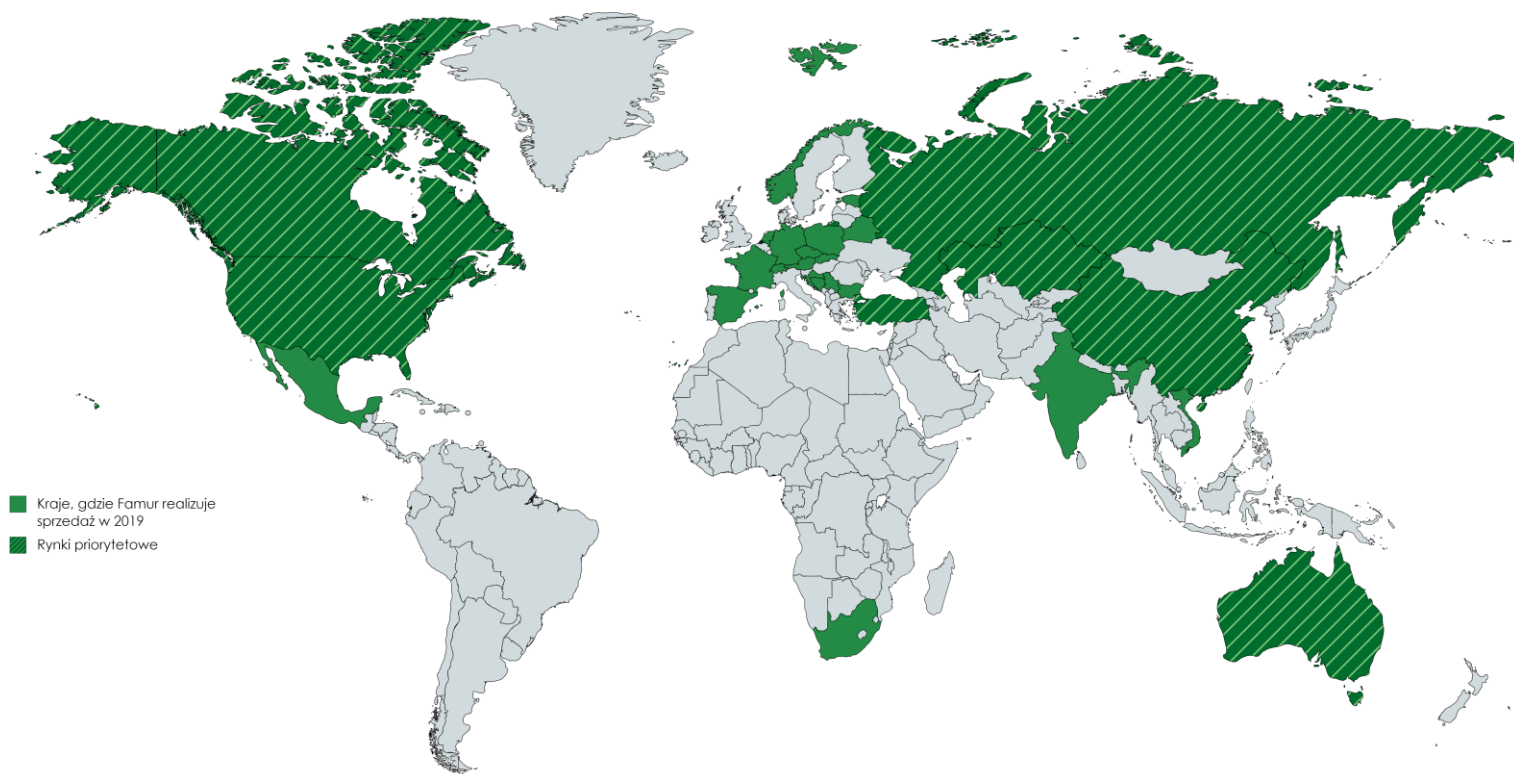


Source: Global Coal Plant Tracker, July 2019 by CoalSwarm. The report covers only units with a capacity of 30 MW or more.

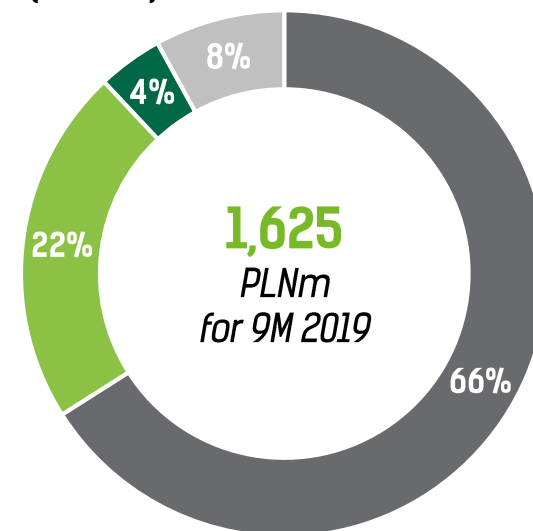


# Revenue by geographic markets

Priority markets: Russia and CIS countries, Turkey, China, US, Canada and Australia



Sales by geographic area (YTD 2019)

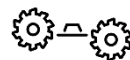
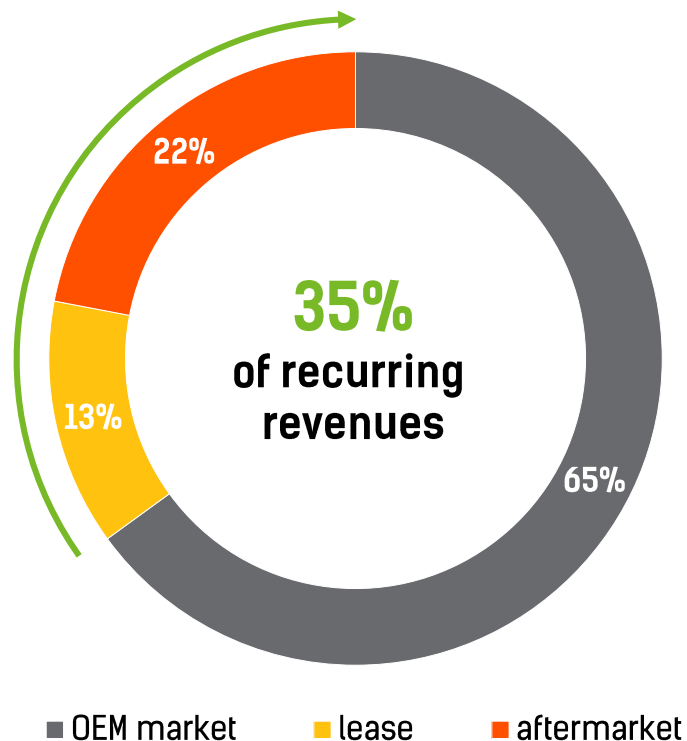


- Poland
- Russia and CIS
- America, Asia, Africa, Australia
- European Union

# Aftermarket business growth set to improve revenue stability

## 35% of recurring revenues

Sales by type  
(YTD 2019)

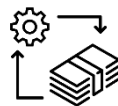


Comprehensive offering on the OEM market



Continued development of the aftermarket portfolio  
(target: 25% by 2023)

- ▶ improved revenue stability during market downturns
- ▶ higher margins than on OEM deliveries
- ▶ depend on solutions globally deployed at customers

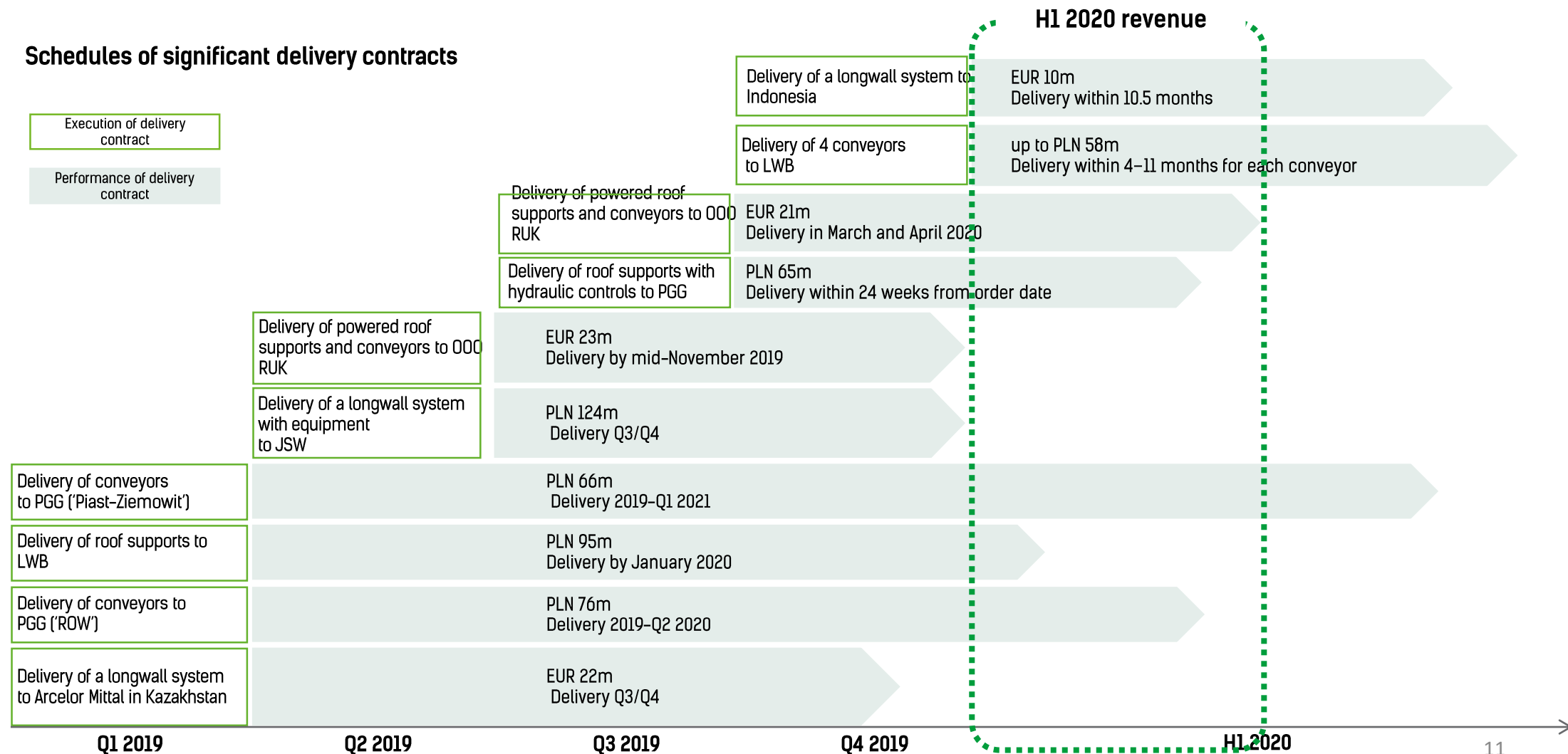


Lease of shearer loaders/roadheaders improves revenue stability

# PLN 811m-worth delivery contracts signed in 11M 2019

## Revenue from those contracts due: in Q4 and H1 2020

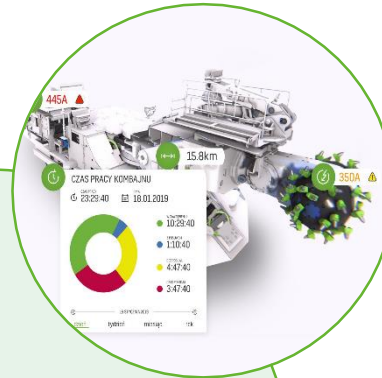
### Schedules of significant delivery contracts



# Smart technologies – new portfolio products and services rolled out in 2019

## EH Smart Mine

- Monitoring | Visualisation and continuous control of processes
- Maintenance | Analysis and reporting of coal production metrics



## Predictive Maintenance

- Helps predict and ultimately prevent equipment failures and manage spare parts inventory (PoC – Proof of Concept)
- Connected to EH Smart Mine system

## One Control Room

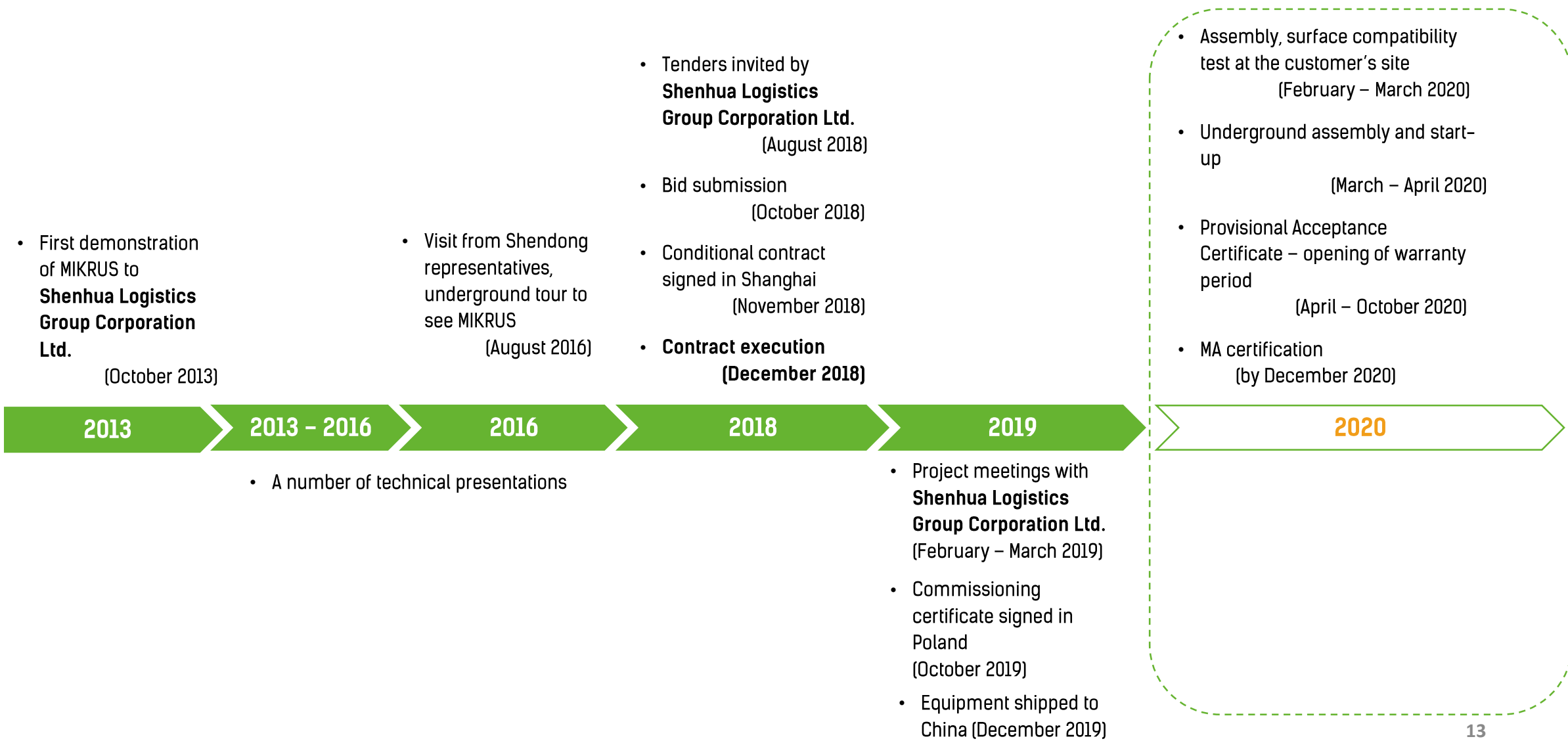
- Enables production process control and management from a single location
- Solution available as part of EH Smart Mine



## Virtual reality training

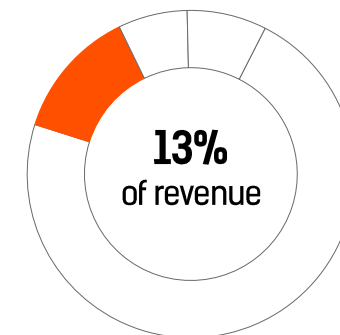
- Dedicated to longwall and gallery system service staff, operators and electricians
- User-friendly interface, maintenance scenarios tailored to individual equipment items

# MIKRUS – project status



# Surface as an essential element of the revenue diversification strategy

Action plan implemented to achieve lasting efficiency improvement



## RISKS RECOGNISED IN Q3 2019

- ▶ Responsibility for the FAMUR FAMAK Group's financial area taken over by FAMUR and a more conservative, uniform approach applied to projecting and identifying contract risks across the FAMUR Group
- ▶ PLN 45m effect on pre-tax profit on account of risks recognised in Q3 2019:
  - revision of contract budgets
  - potential liquidated damages for failing to meet contract deadlines
  - past due receivables and inventories
  - revaluation of non-core properties
- ▶ Identification of additional risks (ca. PLN 18m) – not recognised in Q3 2019 profit/loss (as they can still be reduced or completely mitigated)

## EFFICIENCY IMPROVEMENT MEASURES

- ▶ New organisational structure envisioned and implemented for the FAMUR FAMAK Group
- ▶ Further active search for new markets and trading partners
- ▶ Improving cost budgeting, valuation and contract control starting from bid preparation
- ▶ Consistent implementation of the conservative approach to provisioning and contract risk identification
- ▶ Efficiency improvement – Lean Management model implemented based on the Underground segment's experience
- ▶ Identification and sale of non-core assets, collection of past due receivables
- ▶ Optimisation of workforce in certain areas

# 2

## Financial results



# 9M and Q3 2019 financial results

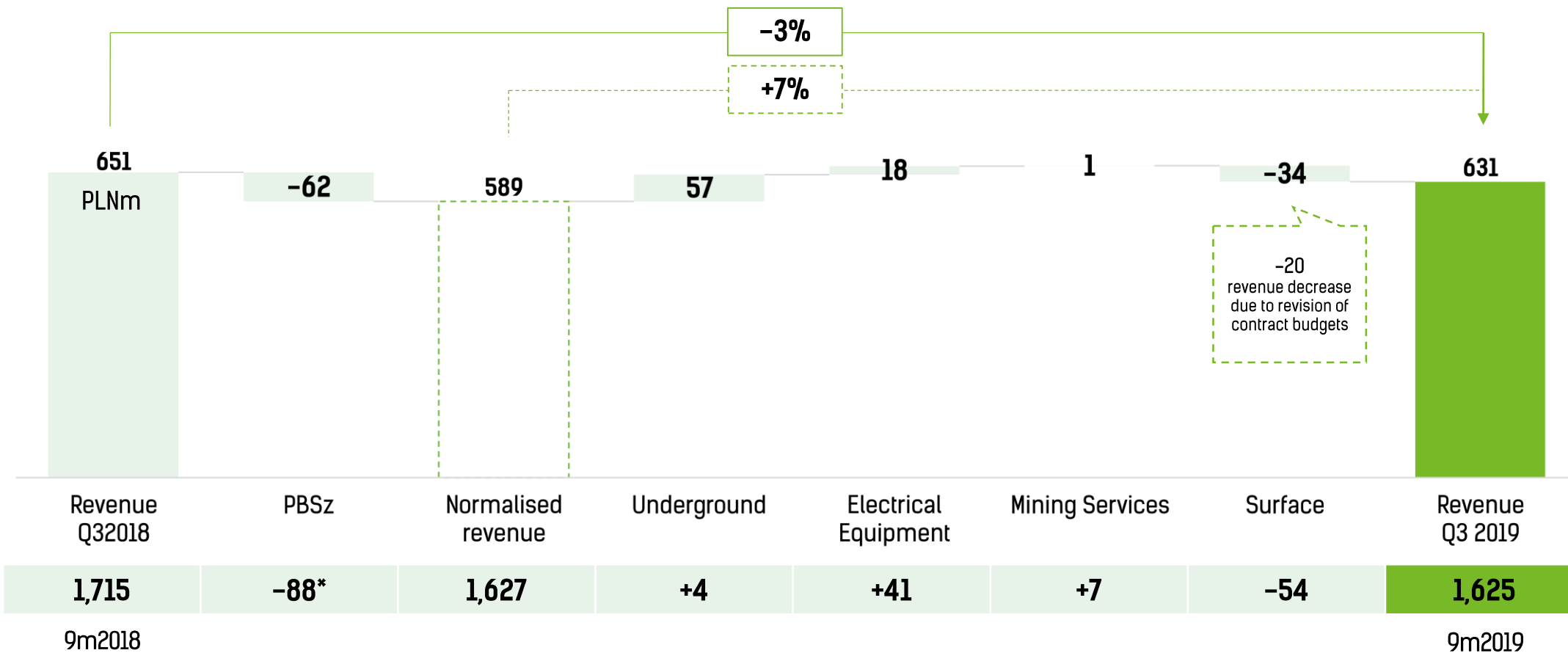
<i>(PLNm)</i>	9m 2019	Change on 9M 2018	Q3 2019	Change on Q3 2018
<b>Revenue</b>	1,625	-5.2%	<b>631</b>	<b>-3.0%</b>
<b>Gross profit</b>	459	+20.7%	<b>167</b>	<b>+2.8%</b>
<i>Gross margin</i>	28.2%	+6.0pp	26.5%	+1.5pp
<b>EBIT</b>	268	+24.7%	<b>73</b>	<b>-23.3%</b>
<i>EBIT margin</i>	16.5%	+4.0pp	11.5%	-3.1p.p.
<b>EBITDA</b>	416	+15.6%	<b>124</b>	<b>-11.6%</b>
<i>EBITDA margin</i>	25.6%	+4.6pp	19.6%	-2.0p.p.
<b>Adjusted net profit/(loss) *</b>	194	+19.2%	<b>51</b>	<b>-21.7%</b>
<i>Net margin(excluding gain on the loss of control of PBSz)</i>	12.0%	+2.5pp	8.1%	-1.9p.p.
<b>Net debt *</b> (at period end)	269	+5.1%	<b>269</b>	<b>+5.1%</b>

\* For a reconciliation between reported and adjusted data, refer to slide 26



# 7% yoy increase of normalised revenue in Q3

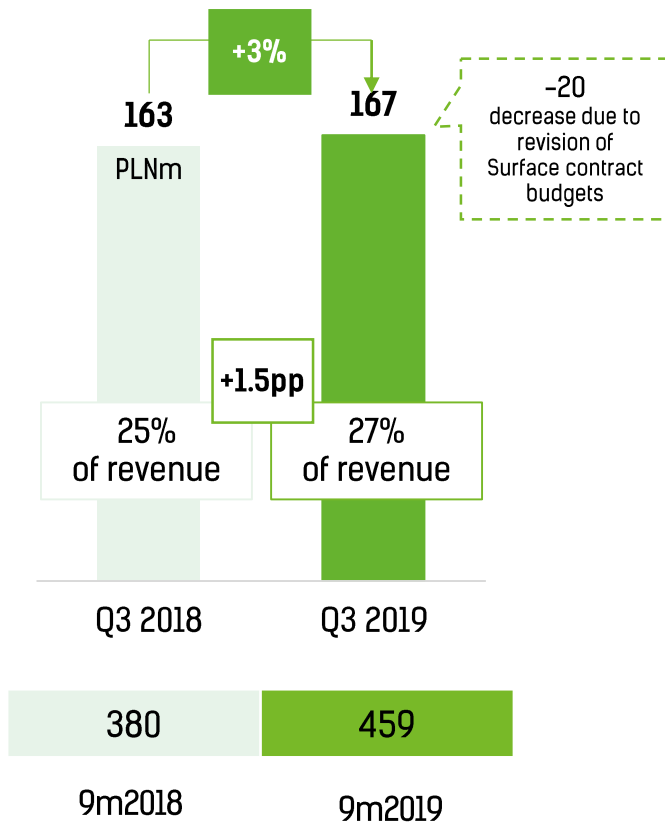
## Growth in Underground and Electrical Equipment, decline in Surface



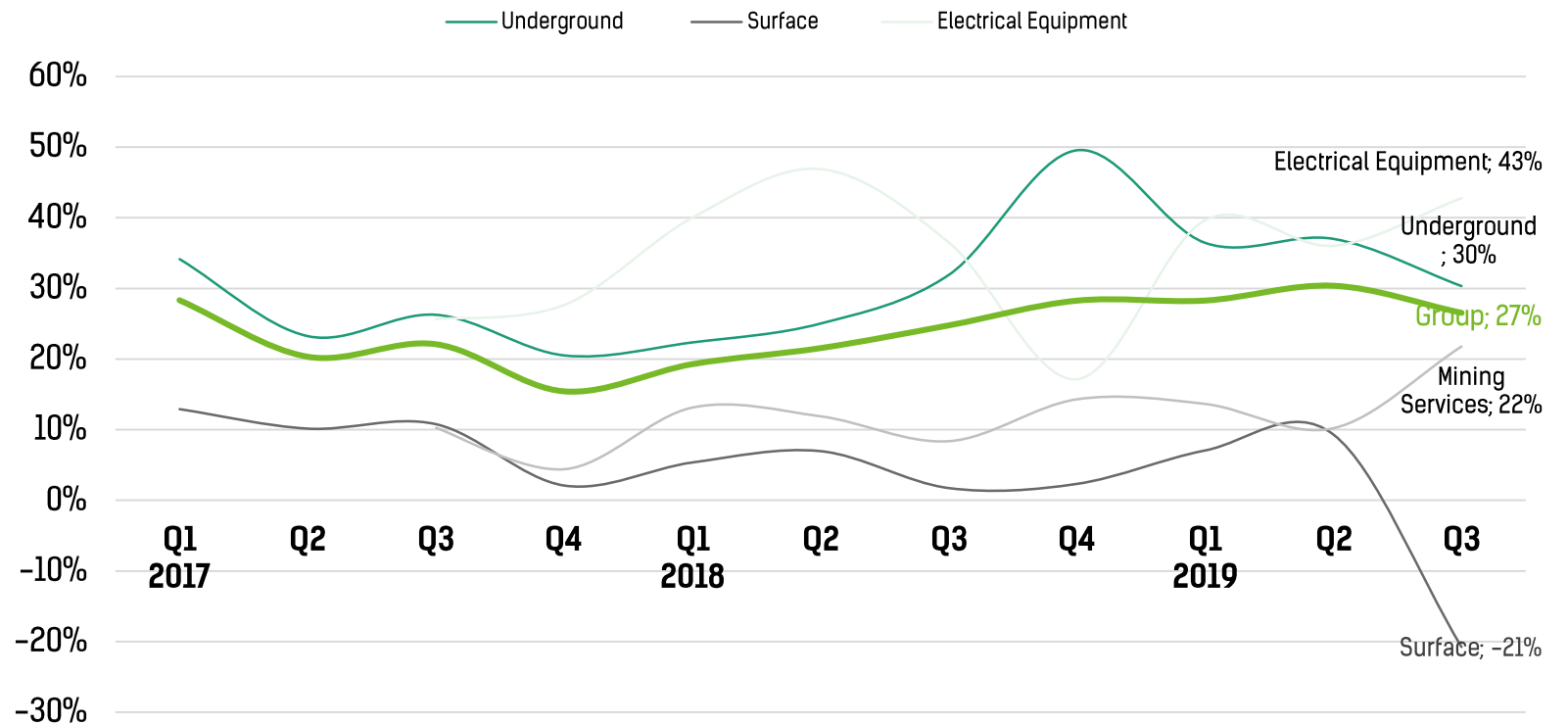
\* Elimination of PBSz's revenue for Jun-Sep 2018

# 1.5pp improvement in gross margin despite revision of Surface contract budgets thanks to cost discipline in Underground

## Gross margin

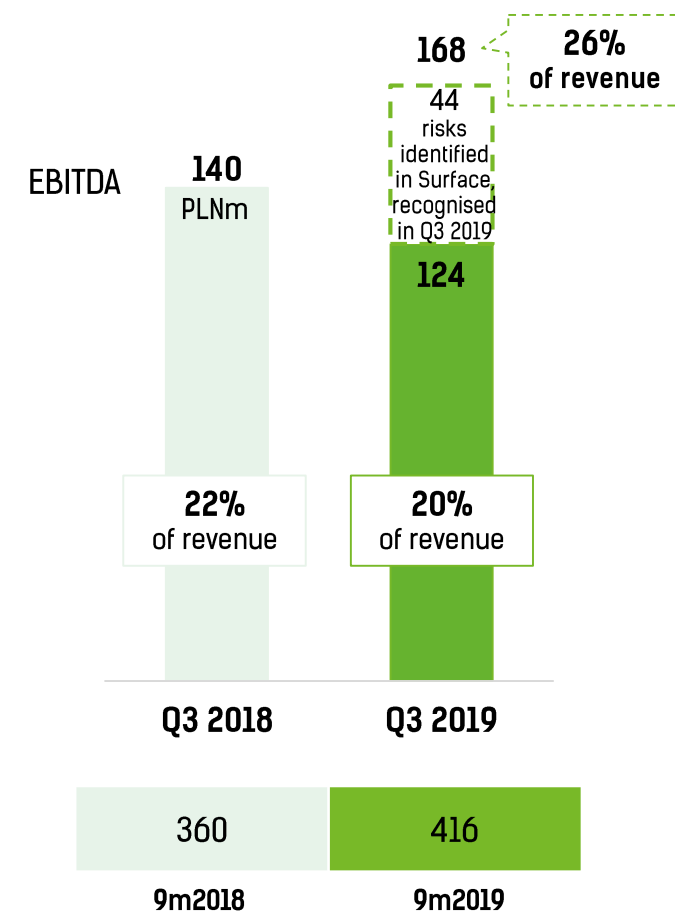
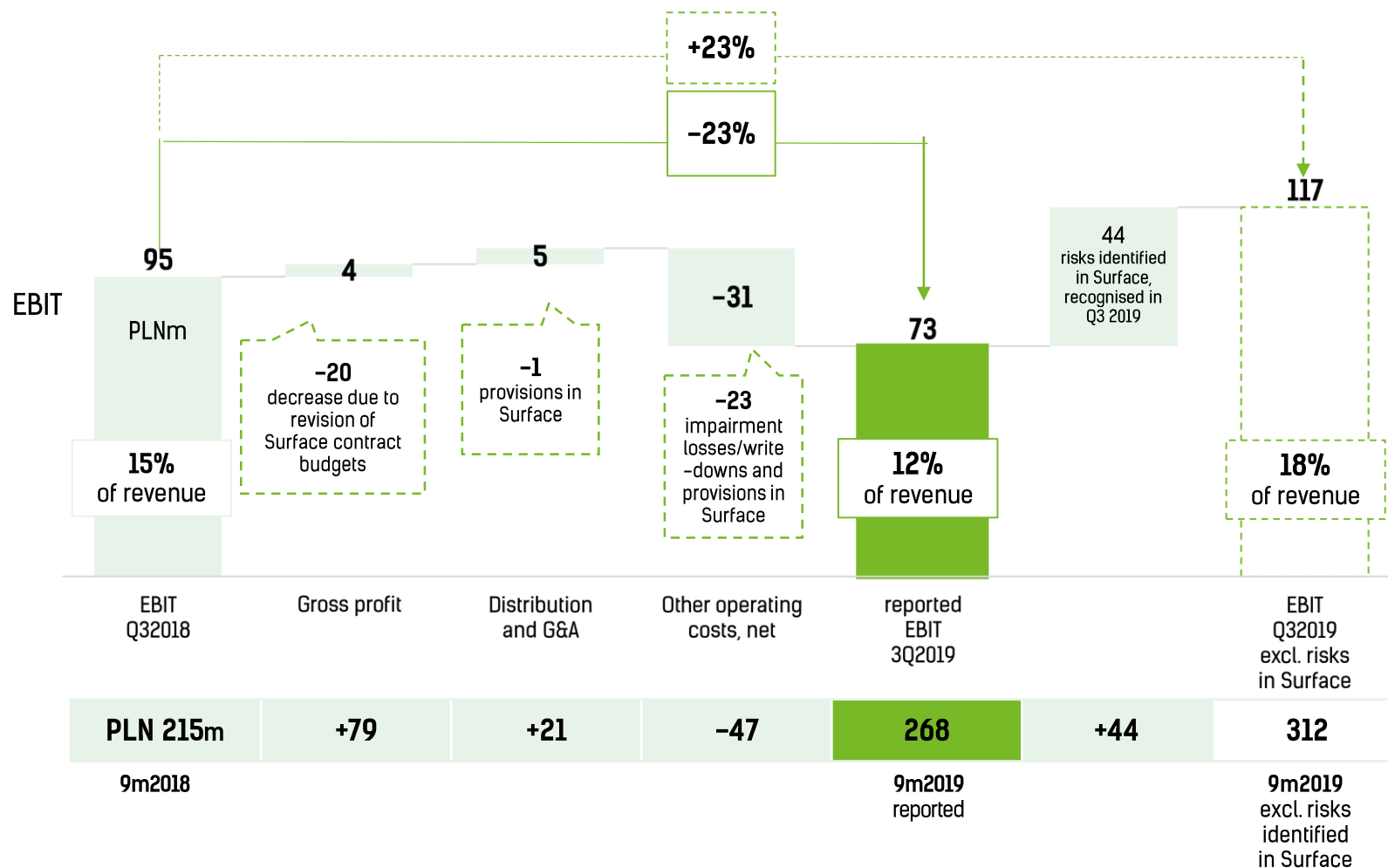


## Gross margin development, by segment



# PLN 416m EBITDA in 9M 2019

EBIT reported for Q3 2019 affected by provisions and write-downs recognised in Surface



## PLN 195m adjusted net profit in 9M 2019

<i>(PLNm)</i>	9m2018	9m2019	Q3 2018	Q3 2019
EBIT	215	268	95	73
Net finance costs*	-18	-15	-15	-6
Income tax	-34	-58	-16	-17
<b>Adjusted net profit from continuing operations</b>	<b>164</b>	<b>195</b>	<b>64</b>	<b>51</b>
Profit/(loss) from discontinued operations	-1	-1	1	0
Gain/(loss) on sale of PBSz		141		
Reported net profit	163	335	65	51

- ▶ Decrease in finance costs in Q3 2019 vs Q3 2018, mainly on account of foreign exchange gains
- ▶ Q3 2019 effective tax rate of 25% due to risks recognised in Surface
- ▶ YTD gain on sale of PBSz of PLN 141m, without impact on FMF's and PTH's dividend capacity

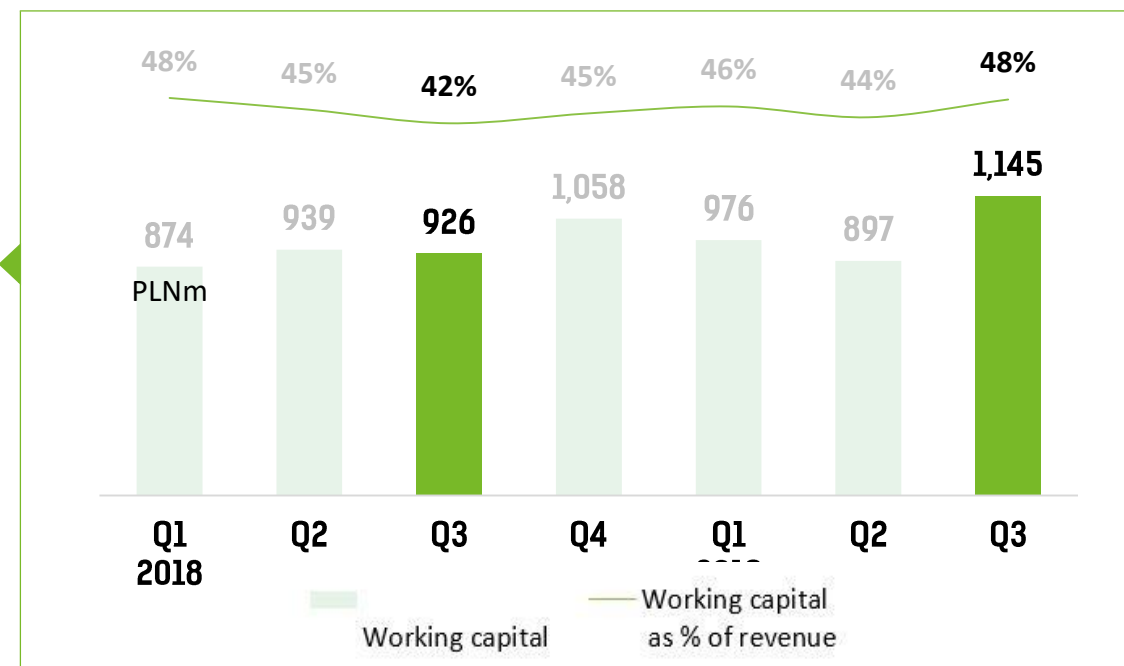
\* Net finance costs = Finance costs less finance income

# PLN 301m operating cash flows in 9M 2019

Working capital requirement up in Q3 2019 due to increased contract performance

(PLNm)	9m2018	9m2019	Q3 2018	Q3 2019
Operating cash flows before change in working capital	392	326	179	111
Change in working capital*	-195	-25	-89	-199
<b>Operating cash flows</b>	<b>197</b>	<b>301</b>	<b>90</b>	<b>-88</b>
Net debt at period end (PLNm)			256	269
<b>Net debt to EBITDA(12M)**</b>			<b>0.6</b>	<b>0.5</b>

Changes in working capital requirement\* vs revenue



\*Change in cash flows from inventories, short-term receivables & payables excl. provisions

\*\*Net debt to EBITDA for the last 12M

\*Inventories, short-term trade receivables & payables



# 3

## Overview

## Overview

- ▶ **revenue up 21% in Q3 vs Q2** , driven by contracts concluded in late 2018/early 2019 and in H1 2019, **revenue up 7% yoy** on a normalised basis
- ▶ Significant delivery contracts worth **PLN 811m** signed in 11M 2019, revenue from those contracts due: in Q4 2019 and H1 2020
  - Growth in sales on existing foreign markets and winning new markets (Canada, Indonesia)
  - New products and services rolled out within the portfolio (**Smart technologies**)
  - **Mikrus project progressing as planned** (Chinese market)
- ▶ **Further revenue diversification** – continued market research with a view to entering the hard rock mining segment
- ▶ **Action plan implemented in Surface** to achieve lasting efficiency improvement
- ▶ Q3 2019 profit margins affected by provisions and impairment losses/write-downs recognised in Surface
  - **Gross margin delivered by Underground at 30%** in Q3 2019 on the back of strict cost discipline



4

Q&A





**Thank you for your  
attention!**

# Reconciliation between operating and reported metrics

<i>(PLNm)</i>	9m2019	9m2018	Q3 2019	Q2 2019	Q3 2018
Operating profit/(loss)	268	215	73	107	95
<i>Depreciation and amortisation</i>	148	145	51	50	45
<b>EBITDA</b>	<b>416</b>	<b>360</b>	<b>124</b>	<b>157</b>	<b>140</b>
Reported net profit/(loss)	335	163	51	218	65
<i>Adjustment for gain on the loss of control of PBSz (no impact on FMF's and PTH's dividend capacity)</i>	-141	0	0	-141	0
<b>Adjusted net profit/(loss)</b>	<b>194</b>	<b>163</b>	<b>51</b>	<b>77</b>	<b>65</b>

<i>(PLNm)</i>	Sep 30 2019	Dec 31 2018	Sep 30 2018
Reported debt (borrowings and notes)	585	544	587
<i>Cash and cash equivalents</i>	-316	-298	-331
<b>Reported net debt (at period end)</b>	<b>269</b>	<b>246</b>	<b>256</b>

# Glossary

Below is a glossary of terms used in this presentation:

<b>Net CAPEX</b>	Capital expenditure to purchase intangible assets and property, plant and equipment, adjusted for proceeds from disposal of intangible assets and property, plant and equipment
<b>Net debt</b>	Net carrying amount of long-term and short-term borrowings and debt instruments, less cash and cash equivalents
<b>Adjusted net debt</b>	Net carrying amount of long-term and short-term borrowings and debt instruments, less cash and cash equivalents, adjusted for total dividend paid (after the reporting date)
<b>Net debt to EBITDA</b>	Net carrying amount of long-term and short-term borrowings and debt instruments, less cash and cash equivalents, to EBITDA (operating profit before depreciation and amortisation) for the last 12 months
<b>EBIT</b>	Operating profit
<b>EBITDA</b>	Operating profit before depreciation and amortisation
<b>EBITDA margin</b>	Operating profit before depreciation and amortisation to net revenue from sale of products, merchandise, and materials
<b>Net working capital</b>	Carrying amount of inventories, increased by trade receivables, less trade payables (from related and other entities)
<b>Adjusted net profit/(loss)</b>	Net profit/(loss) adjusted for total dividend paid (after the reporting date)
<b>Change in working capital</b>	Total of items: <i>change in inventories, change in receivables and change in current liabilities, net of borrowings</i> , disclosed in the statement of cash flows
<b>Net finance costs</b>	Finance costs less finance income

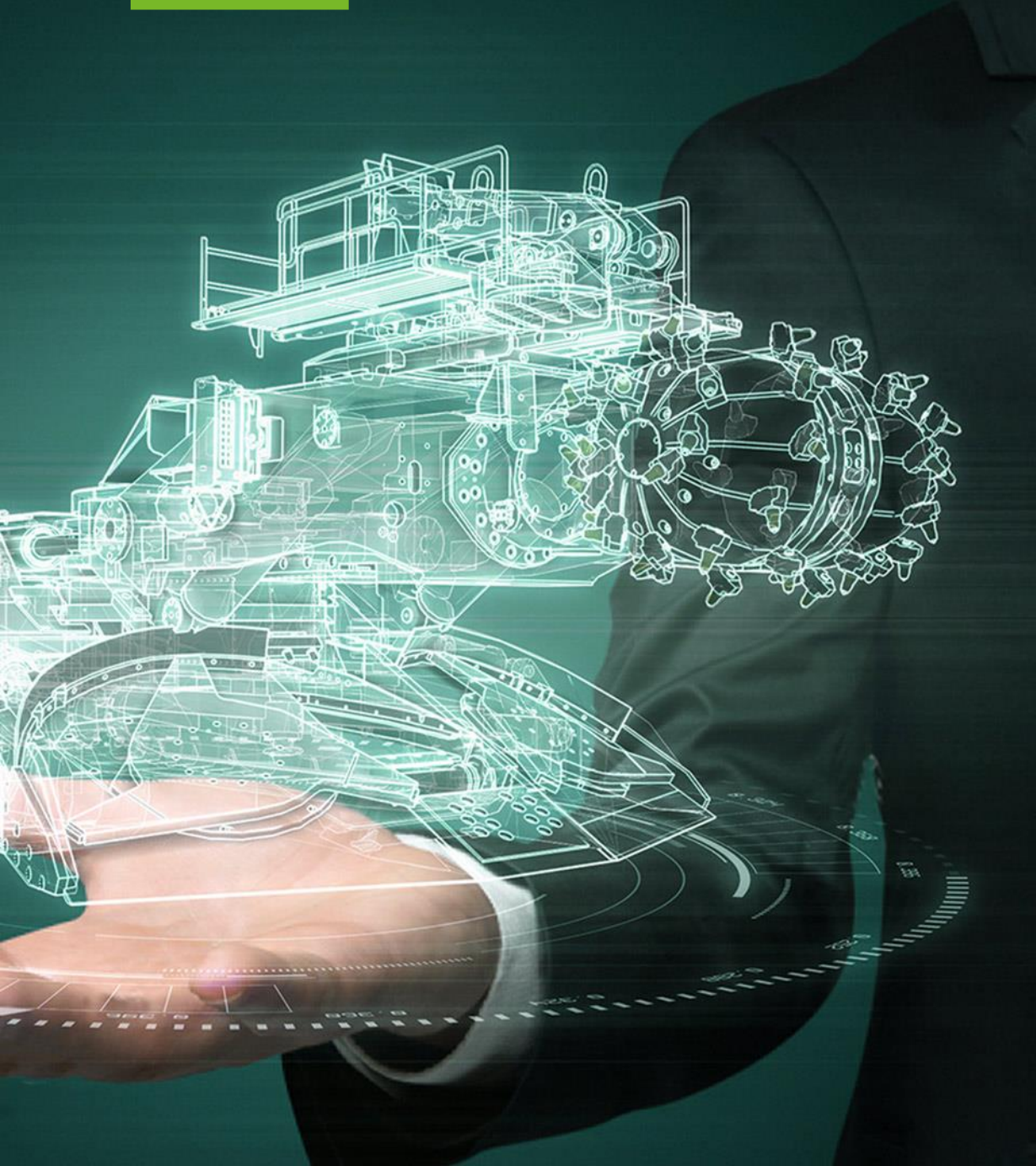
**FAMUR**

**Proven solutions.  
Global reach.  
Smart technology.**

**Back up – about  
FAMUR**

# 1

## Key facts



# Key facts

- 1 **Europe's leading provider** of a broad portfolio of innovative solutions for the mining, transport and material handling sectors
- 2 **Undisputed leader in Poland** – strong M&A track record, with 16 successful acquisitions
- 3 **Effective organisation** – systematic business processes, modern production base and stable, highly qualified staff
- 4 **Experienced management team** and supportive majority shareholder
- 5 **Above-average financial performance** – the highest profitability in the industry in the long term



\* **2,229 m**  
(PLN)



\* **22%**  
EBITDA



\* **33%**  
of exports



**+1.2bn\*\***  
in dividends paid  
(PLN)



**~4,200**  
employees



**11**  
production  
facilities

\* Audited data for 2018  
\*\* Cumulatively from 2011 onwards

# Consolidation of the Polish market over the past 17 years



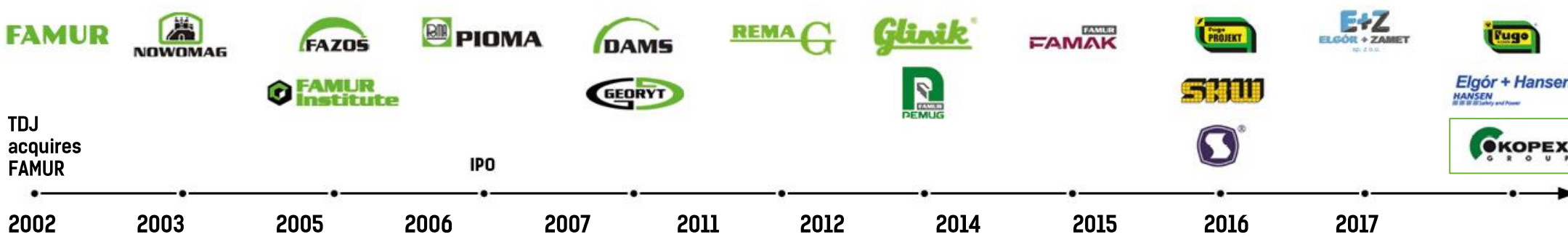
**1922**

**Machinery and equipment**  
 From a manufacturer of machinery and mining systems with a narrow range of applications...

**2018** Jesteśmy częścią TDJ

**End-to-end solutions**  
 ... to a supplier of end-to-end solutions for the mining, transport, material handling and power sectors.

✓ In 2017 we acquired Kopex, closing the consolidation of the PL market



# Consistent implementation of the strategy over the past 17 years

## Gradual consolidation and effective optimisation

Building a **regional leader** in the **Underground** segment through:

- Consolidation of the Polish market
- Optimisation of assets and production base
- Development of a comprehensive offering
- Concentration on core business – PGO S.A. and Zamet S.A. shares delivered as non-cash dividend



2002 – 2013

Proven solutions

## End of consolidation and Go Global expansion

Building a **European leader** in the **Underground and Surface** segments through:

- Expansion of the scale of operations on international markets
- Diversification achieved by entering the power and material handling markets
- End of the consolidation process on the Polish market
- Operational Integration Programme



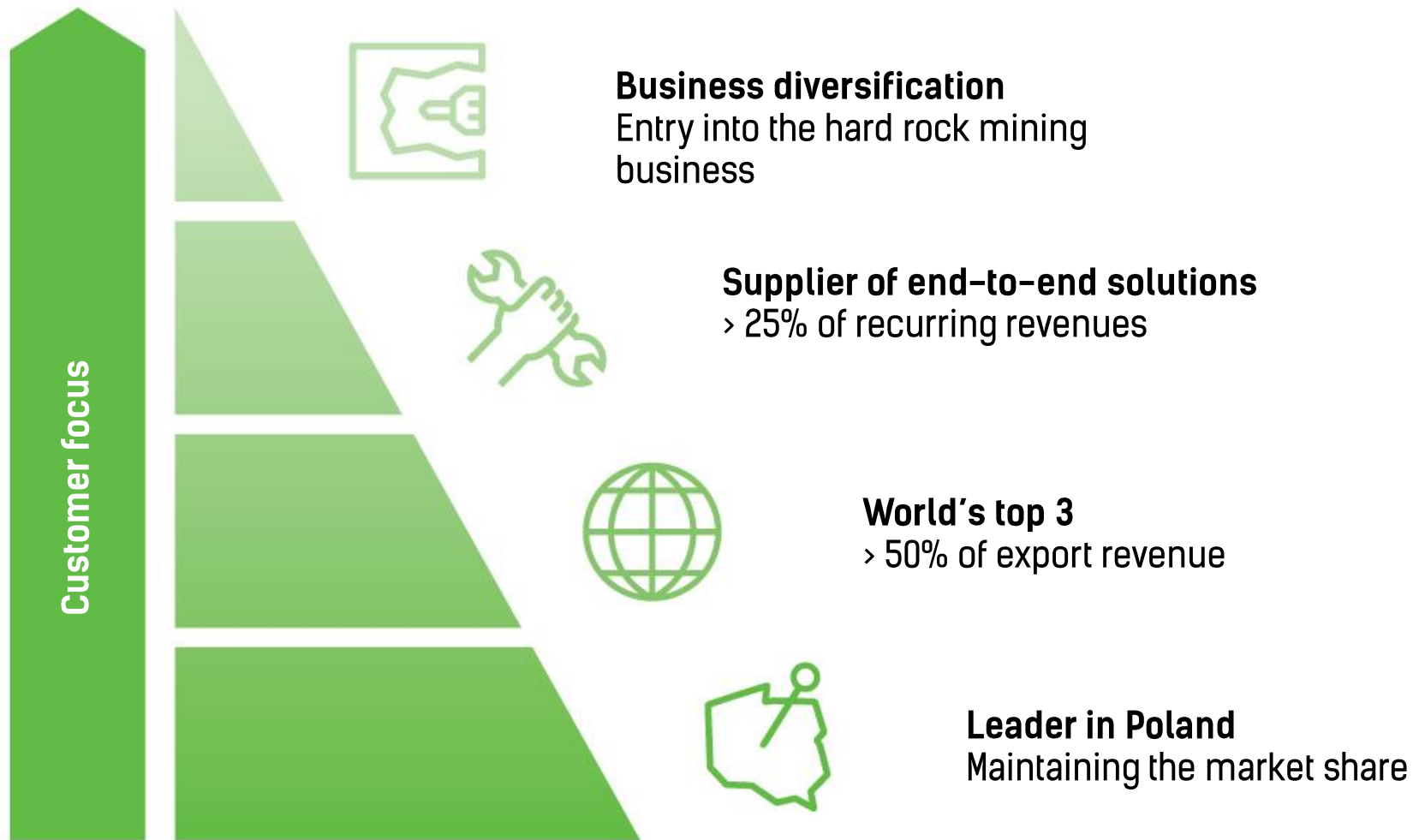
2014 – 2018

Proven solutions. Global reach.

2019 – 2023

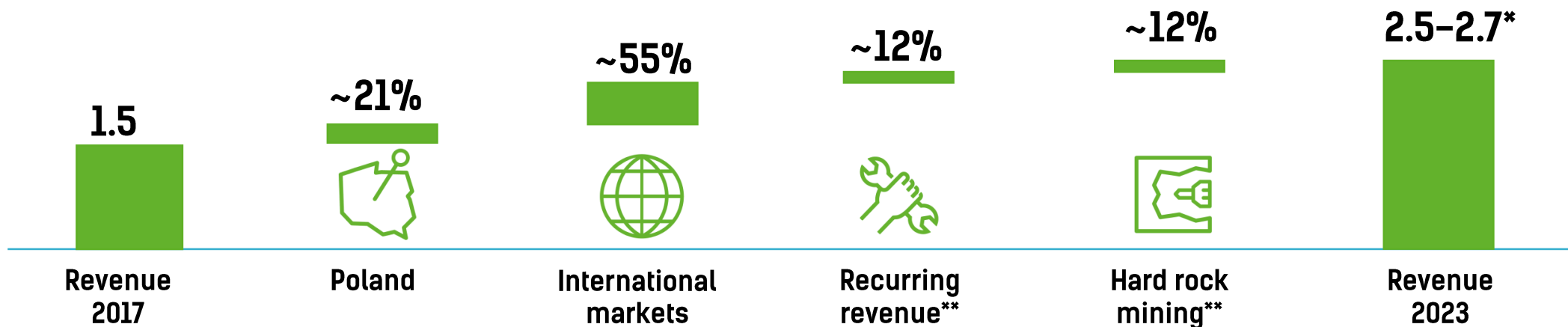


# Our strategic objectives for 2019–2023



# What we want to achieve – our targets

Estimated revenue growth in 2017–2023 (PLNbn)



	2023
Revenue (PLNbn)	2.5 – 2.7
Margins (%)	Close to current levels
Net debt/EBITDA	< 2.0
Dividends (%)	~70% of annual average profits within five years

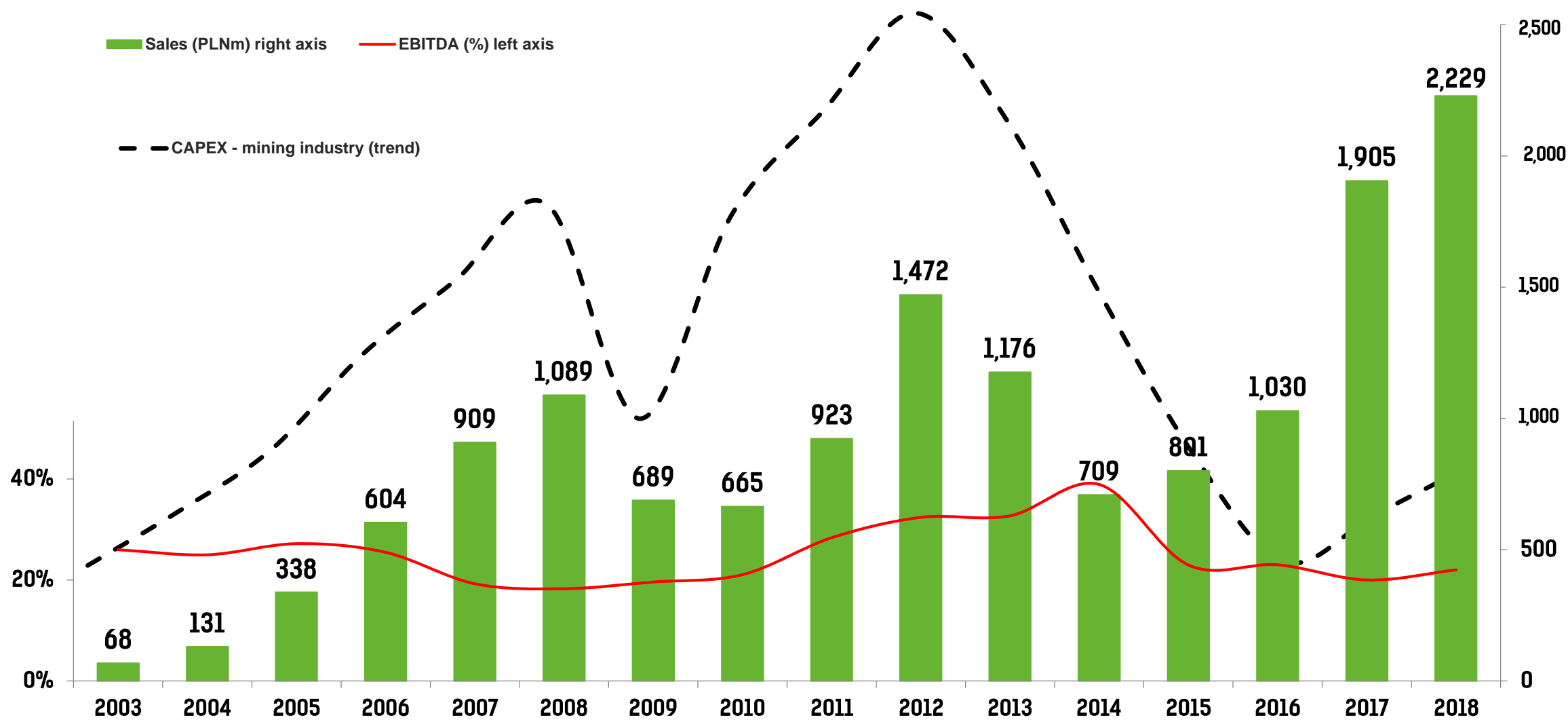
\*Revenue excluding PBSz (assuming prior sale of PBSz) \*\* Including exports revenue

# 2

## Group's long-term position

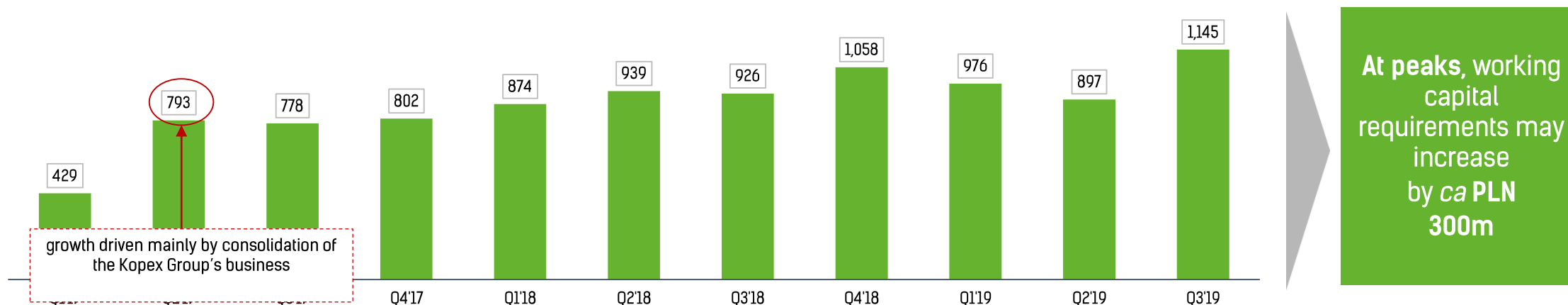


# We maintain profitability throughout the business cycle...

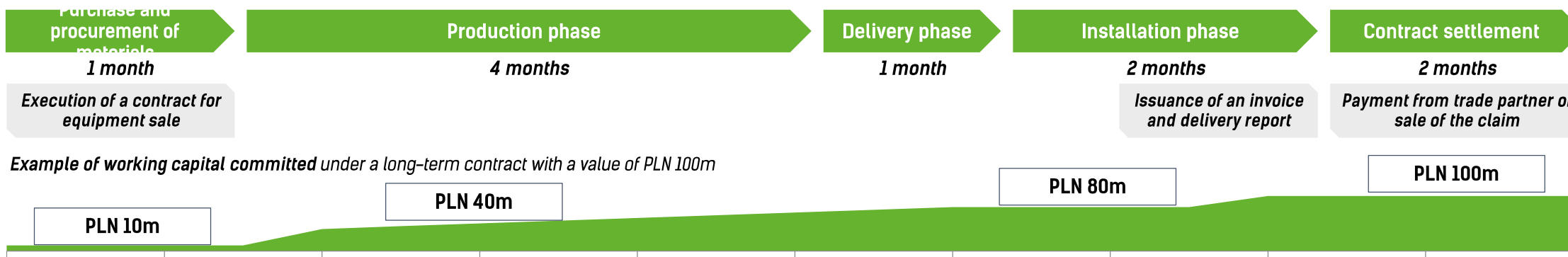


# Expansion requires flexible access to financing

## Working capital cycle by quarters (PLNm)



## Long-term contract cycle vs working capital committed



# Comprehensive portfolio of advanced solutions – mining

	UNDERGROUND										SURFACE							MINING SERVICES			ELECTRICAL EQUIPMENT						
	Soft rock mining									Hard rock mining			Soft rock mining			Hard rock mining				Mining projects	Drilling services	Mining construction	Mining electronics	Explosion-proof equipment	Control and measurement instruments		
	Longwall systems			Gallery systems (including room-and-pillar system)						Transport and handling systems	Drill rigs	Haul trucks	Roof bolters	Bucket-wheel excavators	Belt conveyor systems	Stackers	Blast hole drillers	Dragline excavators	Haulers							Bucket-wheel excavators	
	Powered roof support systems	Shearer loaders	Scraper conveyors	Bolter miners	Roadheaders	Continuous miners	Haul trucks	Crushing and continuous transport equipment	Roof bolters																		
<b>FAMUR</b>	+	+	+		+		+	+	+	+				+	+	+					+	+	+	+	+	+	+
<b>CATERPILLAR®</b>	+	+	+	+		+	+	+	+	+	+	+					+	+	+	+					+	+	+
<b>KOMATSU</b>	+	+	+	+	+	+	+	+	+	+	+	+					+	+	+	+					+	+	+
<b>SANDVIK</b>				+	+	+	+	+	+		+	+	+				+										

# Comprehensive portfolio of advanced solutions

- 1 Shearer loaders
- 2 Powered roof support systems
- 3 Scraper conveyors
- 4 Roadheaders
- 5 Drill rigs and roof bolters
- 6 Loaders and dinting loaders
- 7 Suspended monorail systems
- 8 Underground belt conveyors
- 9 Mining electrical equipment
- 10 Mine shaft
- 11 In-plant continuous transport
- 12 Surface belt conveyors
- 13 Stacker-reclaimers
- 14 Bucket-wheel excavators
- 15 Wagon tippers
- 16 Surface infrastructure
- 17 Container cranes
- 18 Ship-to-shore gantry cranes
- 19 Power plant's coal feeding system

