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FAMUR Group presentation

HY & Q2 2019 results

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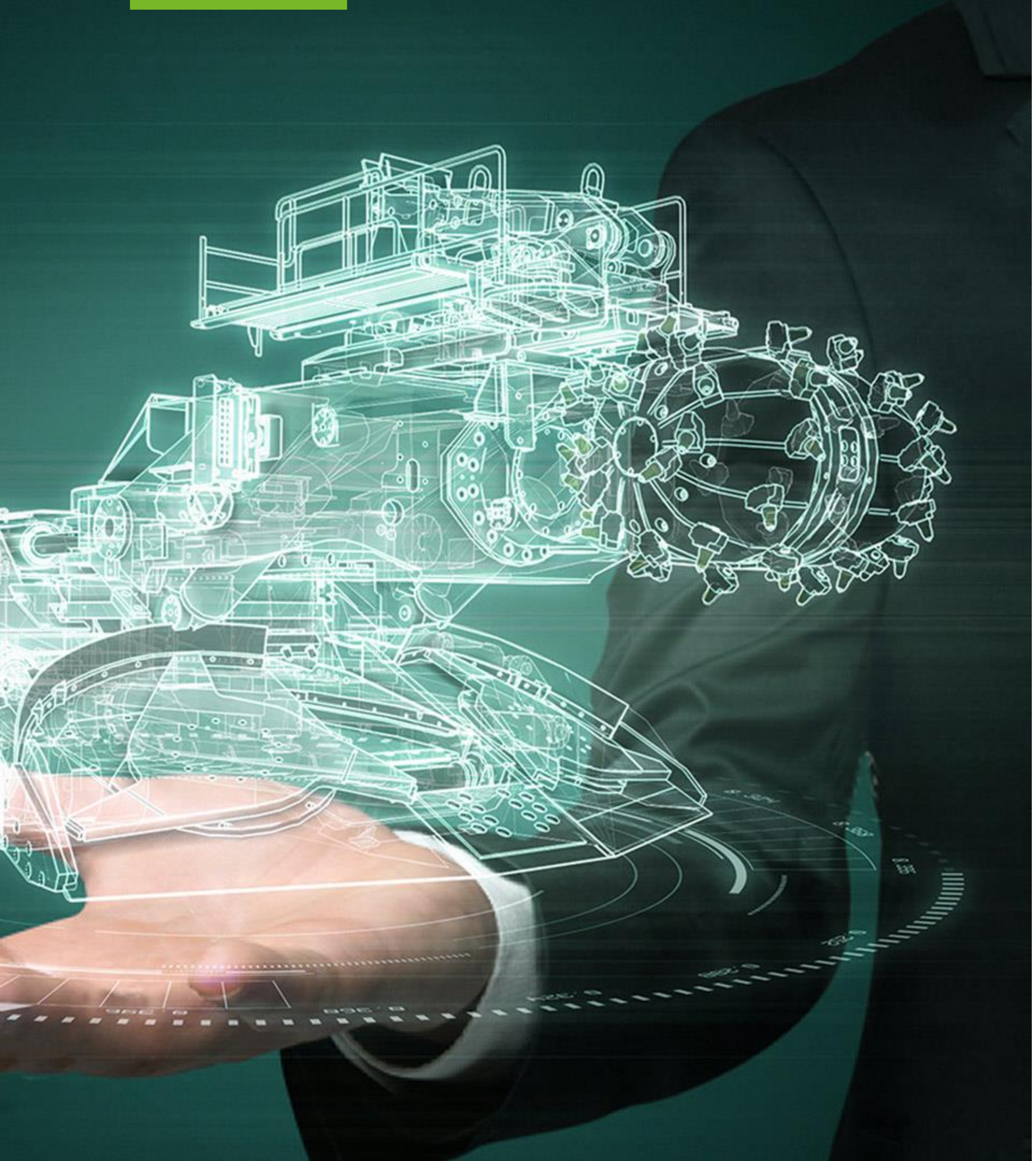
Agenda



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Highlights

Q2 2019 Highlights

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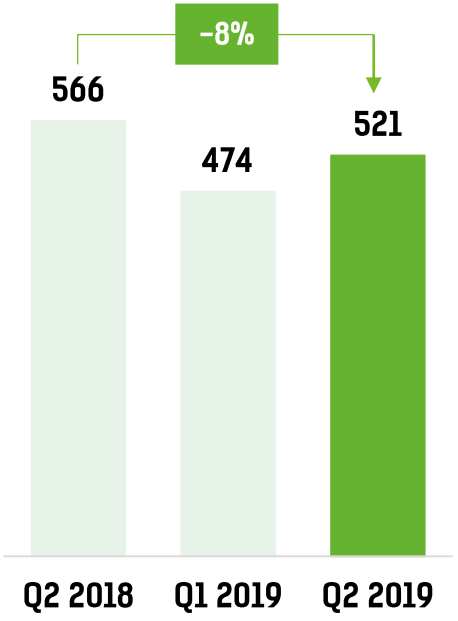
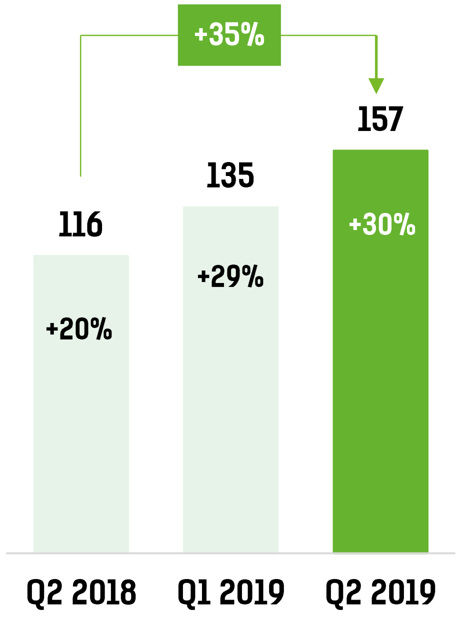
Revenues
PLNm



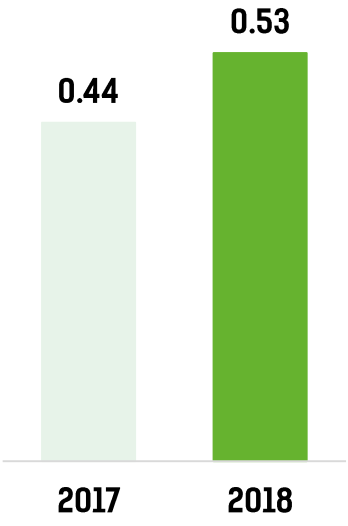
Stronger revenue expected in H2 2019, following schedules of contracts concluded at the turn of 2018/2019 and in H1 2019

EBITDA and EBITDA margin
PLNm, %



Margins above mid-term levels due to products mix and ongoing efforts to improve operational efficiency

Dividend
PLN/share



Dividend at PLN 0.53 per share paid on July 22nd 2019

- Diversified debt structure
- 0.2x [Net debt / EBITDA] adjusted for dividend paid July 22nd 2019
- Funds secured for the repayment of series A bonds (January 2020) and working capital requirements

We expect revenue to increase in the next quarters thanks to the contracts concluded

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H2 2019 revenue

Significant contracts' schedules

Conclusion of delivery contract

Performance of delivery contract

Conclusion of delivery contract	Performance of delivery contract
21 EURm Delivery of roof support sections and conveyors to OOO „RUK", Russia, (Alardinska)	Delivery in March / April 2020
65 PLNm Delivery of roof supports with hydraulic controls to PGG	Delivery 24 weeks from the order
23 EURm Delivery of conveyors and roof suport sections to OOO „RUK", Russia (Osinnikovskaya)	Delivery until mid-November 2019
124 PLNm Delivery of a longwall system to JSW	Delivery Q3/Q4
66 PLNm Delivery of conveyors to PGG („Piast-Ziemowit"}	Delivery 2019-Q1 2021
95 PLNm Delivery of roof suport sections to LWB	Delivery until January 2020
76 PLNm Delivery of conveyors to PGG („ROW")	Delivery 2019-Q2 2020
22 EURm Delivery of a longwall system to Kazakhstan / Arcelor Mittal	Delivery Q3/Q4

Q1 2019 Q2 2019 Q3 2019 Q4 2019

Our objectives for 2019 are being consistently pursued

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OBJECTIVES FOR 2019	ACHIEVEMENTS TO DATE	Progress (%)
Drive further growth in export sales	• Growth in sales on existing foreign markets and winning new markets (Canada)	> 33% of export revenues
Expand service base abroad		
Russia – completion of the OOO FAMUR/Kopex Sibir merger – organisational streamlining and ensuring a reliable, well-equipped base for complete machine refurbishment in Russia	• Completion of the legal merger of companies, operational integration and human resources	
Turkey – launch of the construction of a maintenance service centre to provide ongoing servicing of machinery operated locally	• Launch of a detailed analysis of a prospective partner with service facilities and experience in the mining industry	
Continue divestments of non-operating assets, including		
Financial assets (Serbian companies, non-core companies)	• Launch of sale process	
Property – Estimated proceeds from divestments (2019+) at PLN 80+ million	• Transfer of a significant part of non-core properties to De Estate Sp. z o.o. (SPV) and launch of bidding process to find a buyer of all shares • Continued sale of other non-core properties in separate market transactions (definition and preparation for sale)	
Diversify the Group's debt	• Successful placement of 5Y bonds of PLN 200 million	
Prepare further steps for PTH's strategy after PBSz S.A. divestment	• Completion of PBSz sale, announcement of a tender offer for PTH shares in order to simplify and optimize the ownership and operational structure of the FAMUR Group.	
Continue acquisitions in hard rock mining segment	• Launch of a detailed analysis of one of three prospective targets in the US, completion of the conceptual phase by the end of 2019	

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Financial review

Financial Highligts H1 i Q2 2019

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PLNm	H1 2019	Change vs H1 2018	Q2 2019	Change vs Q2 2018
Revenue	994	-6.5%	**521**	**-7.9%**
Gross profit/(loss)	292	+34.1%	**158**	**+30.2%**
Gross margin	*29.3%*	*+8.9p.p.*	*30.3%*	*+8.9p.p.*
EBIT	195	+62.5%	**107**	**+57.9%**
EBIT margin	*19.7%*	*+8.4 p.p.*	*20.6%*	*+8.6p.p.*
EBITDA	292	+33.0%	**157**	**+35.0%**
EBITDA margin	*29.4%*	*+8.7p.p.*	*30.2%*	*+9.6p.p.*
Adjusted Net profit*	143	+46.3%	**77**	**+31.4%**
Net margin *(excluding one-off PBSz effect (loss on controll)*	*14.4%*	*+5.2p.p.*	*14.9%*	*+4.5 p.p.*
Adjusted net debt * EoP	110	-58.0%	**110**	**-58.0%**

* Comparison od the reported and adjusted (corrected) data is on slide 21

Revenue and EBITDA growth

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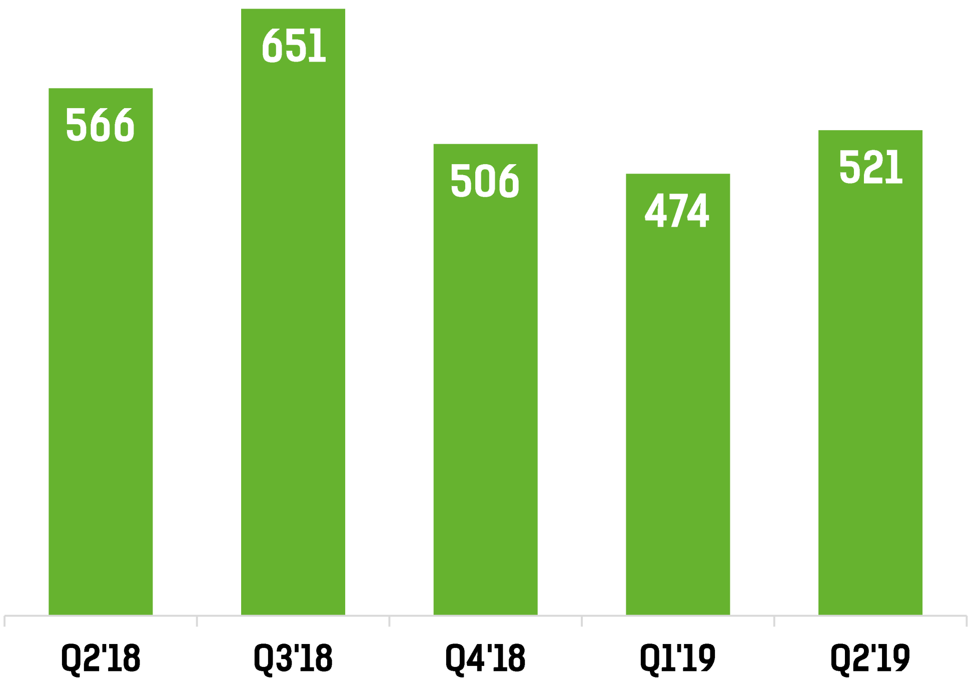
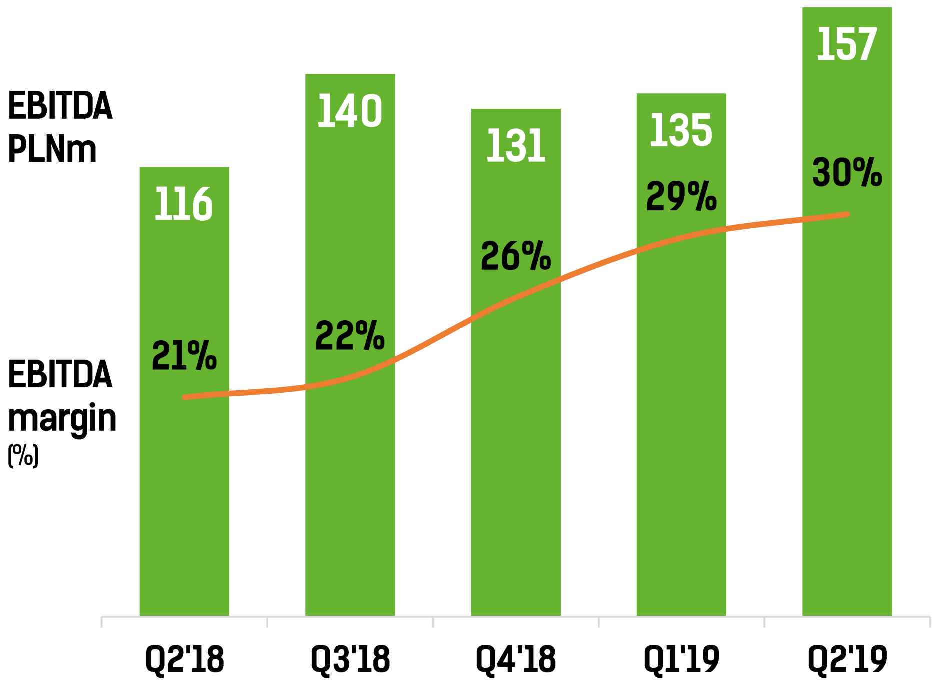
Revenue (PLNm)





- Revenue changes are attributable to the production cycle under long-term contracts
- Revenue growth expected in H2 2019 vs H1 2019, driven by the scheduled performance of contracts concluded at the turn of 2018/2019 and in H1 2019

- Growth of EBITDA margin – combined effect of the product mix (a higher share of lease services and aftermarket operations, with a relatively lower share of equipment deliveries) and consistent improvement of operational efficiency
- In H2 2019, profitability expected to return to long-term trend levels

Underground

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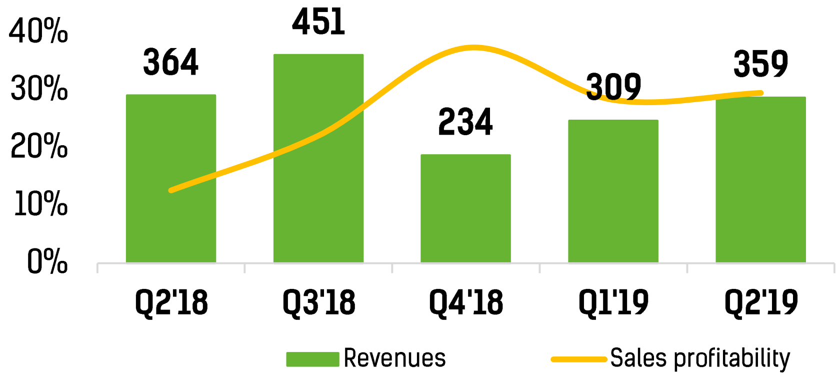
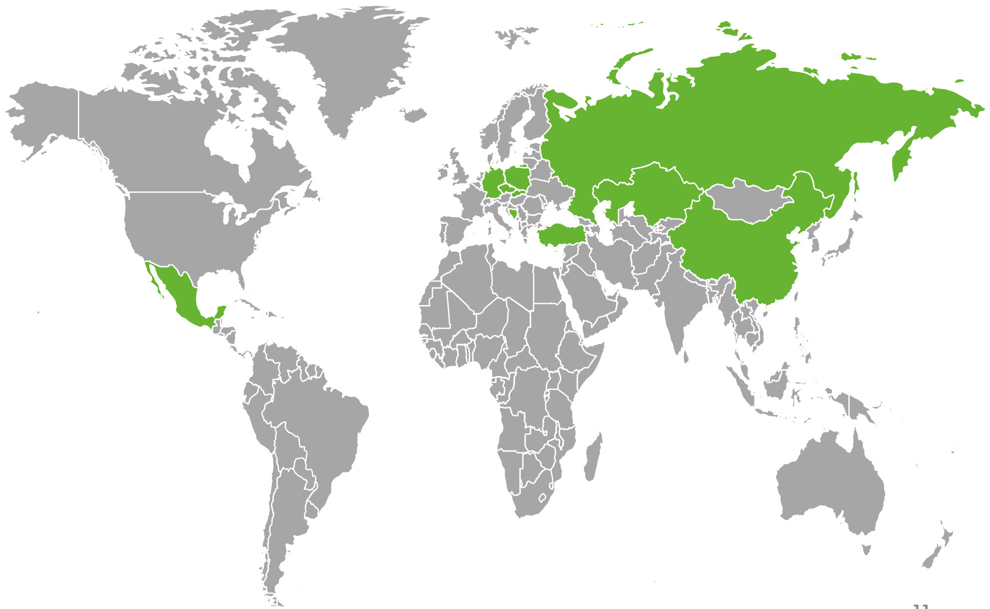
PLNm	H1 2019	Change (yoy)	Q2 2019	Change (yoy)
Revenue:	668	-7.4%	359	-1.2%
Profit/(loss) on sales	193	+101.2%	106	+130.6%
Margin %	*28.9%*	*+15.6p.p.*	*29.5%*	*16.9p.p.*

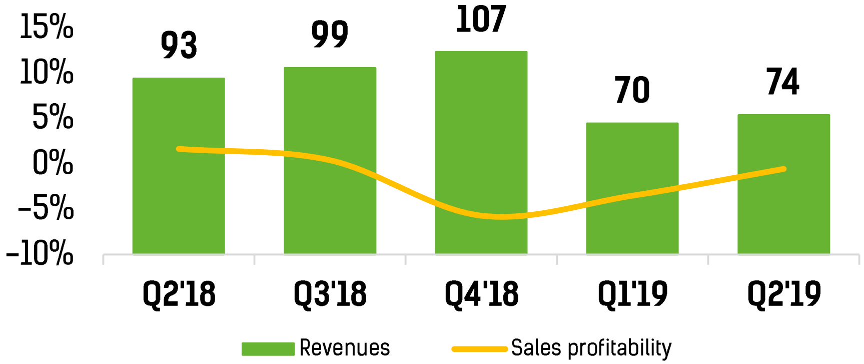


- In H1 2019, the segment's revenue was down 7% year on year. The Underground generates approximately two-thirds of the Group's total revenue.
- The segment's revenue was primarily driven by contracts for the Polish mining industry, particularly the JSW Group and PGG, as well as deliveries to CIS countries.
- At the same time, the segment's profitability was boosted by an improvement in FAMUR S.A.'s operating efficiency, favorable market environment, and a solid mix of ongoing contracts, aftermarket sales and services, including lease.
- Considering the volumes and schedules of contracts executed at the end of 2018 and in 2019, stronger revenue can be expected in H2 2019.

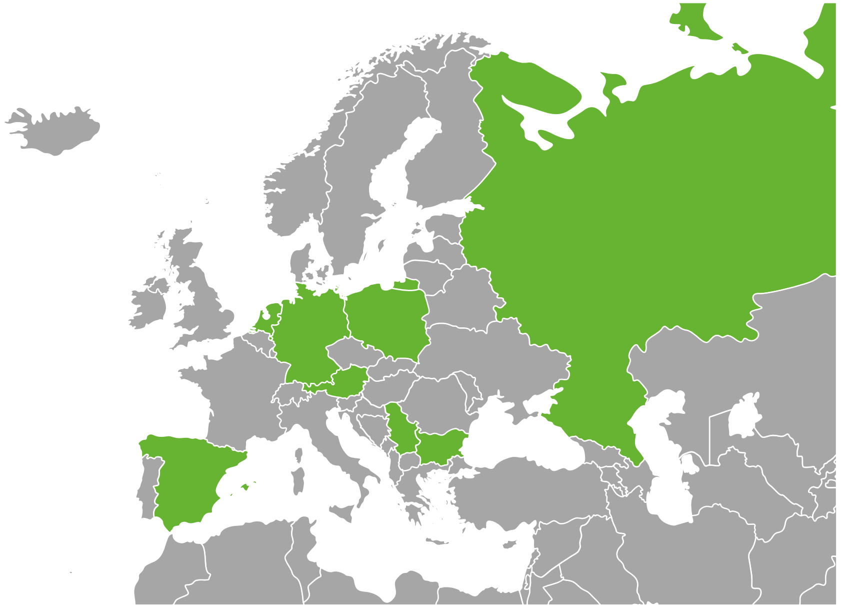


Surface

PLNm	H1 2019	Change (yoy)	Q2 2019	Change (yoy)
Revenue:	145	-11.7%	75	-19.6%
Profit/(loss) on sales	-3	-759%	-0.5	-133%
Margin %	*-2.0%*	*-2.3p.p.*	*-0.7%*	*-2.4p.p.*



- The segment's revenue was largely derived from the contract for a coal dressing plant at the KWK Budryk coal mine and from deliveries of handling and hoisting equipment and surface mining equipment – to Austria, Bulgaria and the Netherlands, where Famak is delivering a grab-type ship-to-shore unloading system for Tata Steel Ijmuiden.
- A significant portion of revenue is attributable to fixed-price long-term contracts concluded until 2018.
- The declining profitability results from cost overruns under long-term contracts (mainly the prices of subcontractor services and labour costs), with limited possibility of renegotiating contractual price rates.
- Long-term contracts analysis initiated to mitigate contract risks and possible profitability to be achieved.
- Simultaneous developing a number of initiatives to be implemented including effective contract management, operating efficiency improvement and costs optimisation measures, with a view to developing an organisational model flexibly responding to any changes in the business environment.



Electrical Equipment

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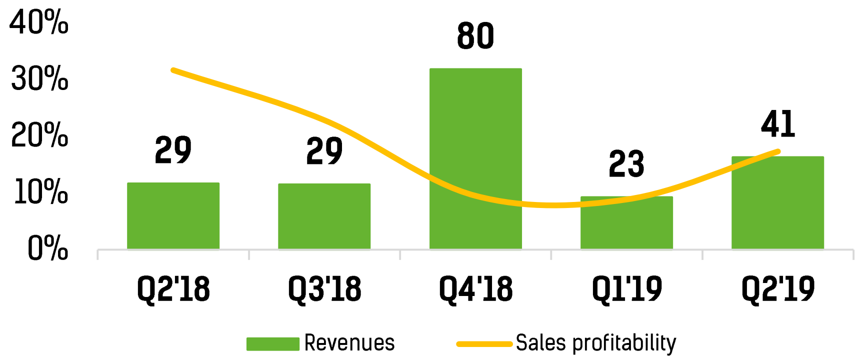
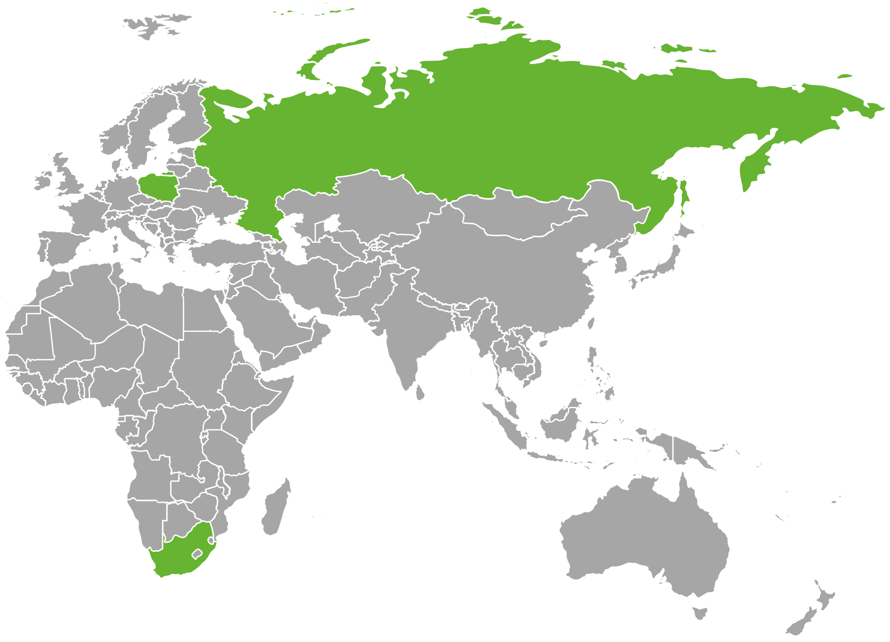
PLNm	H1 2019	Change (yoy)	Q2 2019	Change (yoy)
Revenue:	**64**	**+54.5%**	**41**	**+39.3%**
Profit/(loss) on sales	**9**	**-11.9%**	**7**	**-24.5%**
Margin %	***14.3%***	***-10.8p.p.***	***17.4%***	***-14.6p.p.***



- The Electrical Equipment segment's activities comprise design and manufacture of power supply and switchgear equipment for mining machinery, electronic components, development and deployment of IT solutions, implementation of industrial automation systems, development of technical systems and devices, and integration of power and automation systems.
- A significant (54.5%) year-on-year increase in the segment's revenue in H1 2019 was attributable to a higher number of executed contracts, mainly at Elgór+Hansen S.A.
- Developing and implementing innovative e-mine solutions and predictive maintenance systems, the segment is of key importance to the Group.



Mining services

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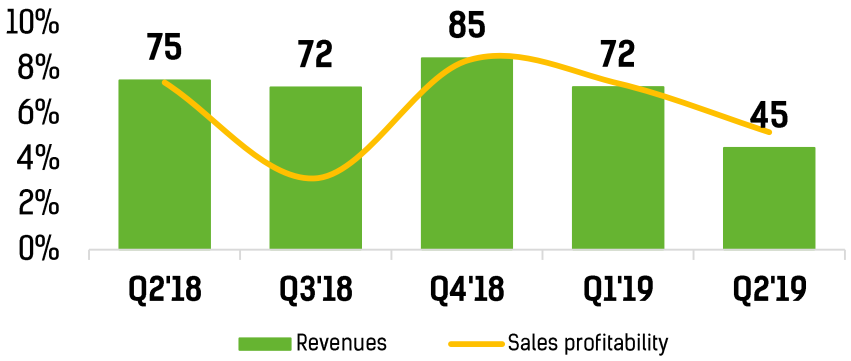
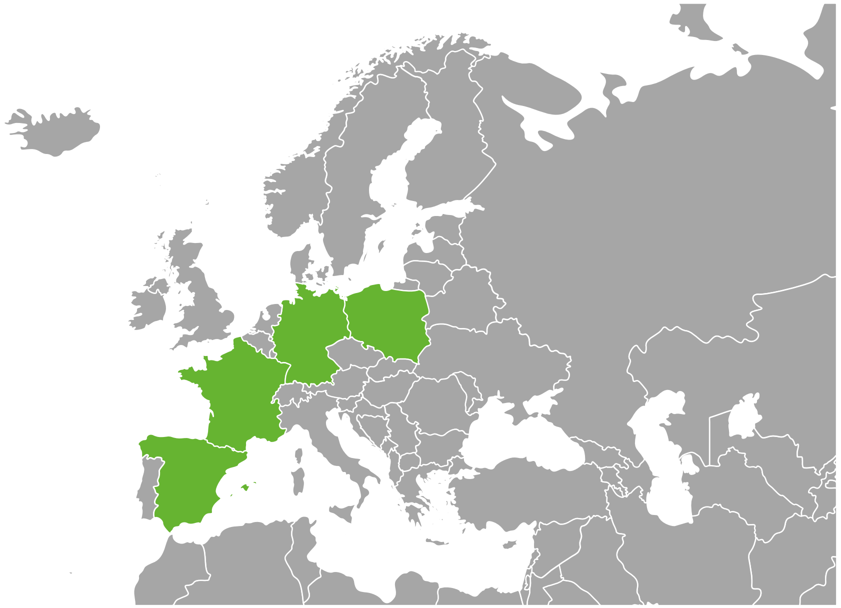
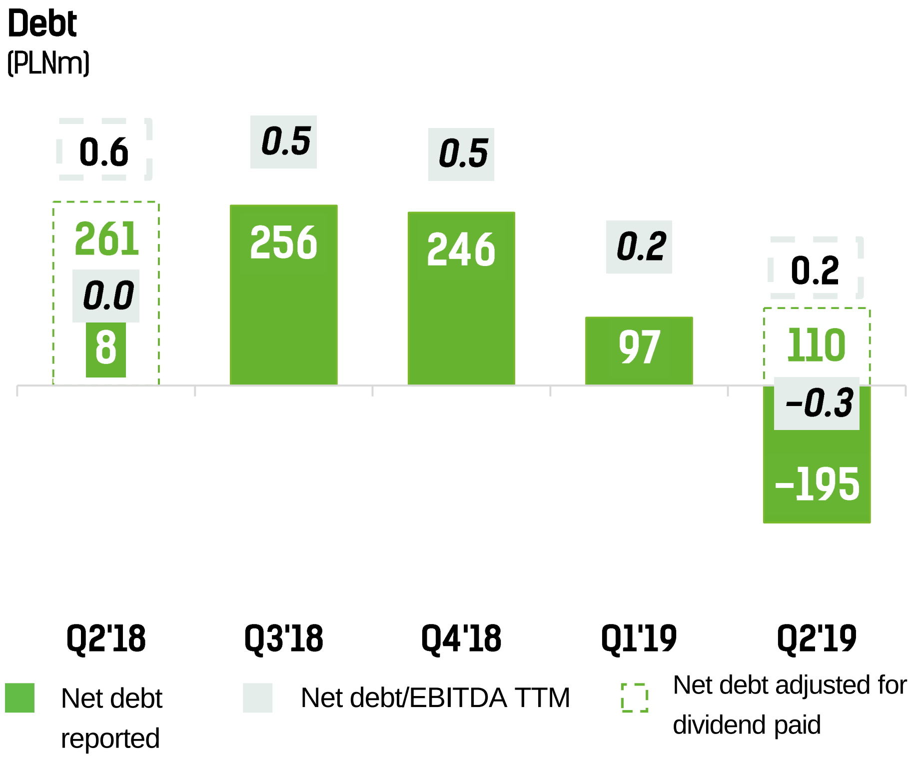
PLNm	H1 2019	Change (yoy)	Q2 2019	Change (yoy)
Revenue:	117	-14.2%	45	-40.2%
Profit/(loss) on sales	8	-21.9%	2	-58.2%
Margin %	*6.5%*	*-0.6p.p.*	*5.2%*	*-2.2p.p.*

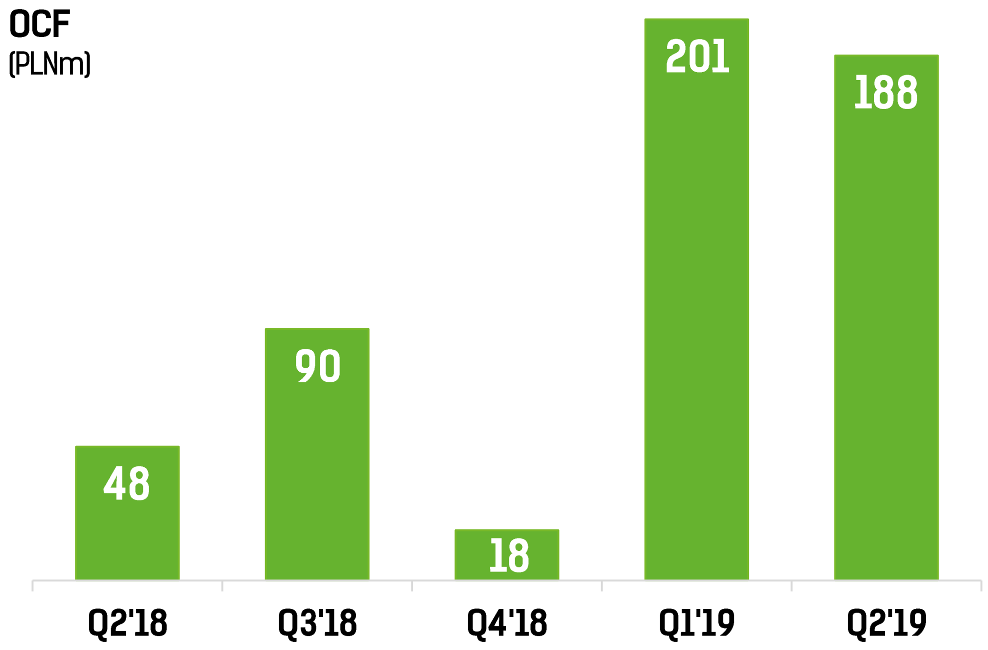


- The segment's core asset was PBSz S.A., which, under the provisions of the restructuring agreement of December 2016, was intended for divestment
- An agreement to sell PBSz S.A. to JSW was signed on May 20th, which affected the entire segment's reported revenue and profit figures for Q2 and H1 2019 (-13.5% year on year)
- Decline in revenue and financial performance of the Mining Services segment in reporting periods subsequent to the sale of PBSz S.A. ŚTW DALBIS Sp. z o.o. remains the segment's major asset
- Divestment proceeds were used to repay debt under the Restructuring Agreement.



EBITDA growth coupled with temporary decrease in working capital requirements improved our operating CF



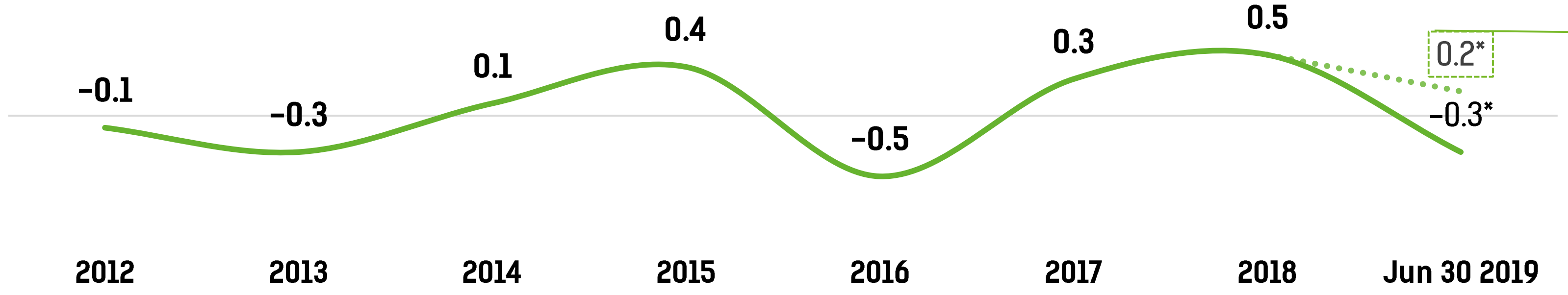


- As a result of the sale of PBSz S.A., the Tranche „B" (PLN 210.5m) of the Kopex Group restructuring agreement of December 1, 2016 was early repaid.
- Strong balance sheet with safe net debt to EBITDA ratio at 0.2x adjusted for dividend paid July 22nd 2019.

- High level of OCF associated with the performance of contracts in Q4 2018 (payments in H1 2019) and strong earnings.
- Working capital requirement is expected to increase in H2 2019 due to implementation of contracts concluded in H1 2019.

We have diversified our debt structure taking advantage of low interest rates on the market

SAFE NET DEBT/EBITDA RATIO

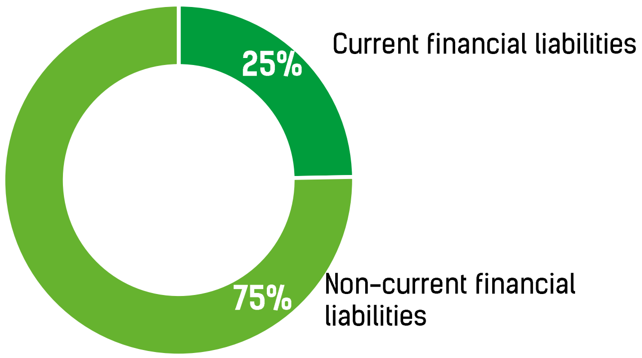


Safe net debt level adjusted for dividend paid July 22nd 2019

* Net debt to EBITDA for the last 12 months ended 06.2019

Safe debt structure (as at June 30th 2019):

By maturity:



40 bps lower margin on B series bonds as compared to A series

Bonds	Series A	Series B
Value (PLNm)	108	200
Issue date	Jan 2016	Jun 2019
Redemption date	Jan 2020	Jun 2024
Margin	300 bps	260 bps

Diversified sources of funding:

- The Group's operations are financed by more than ten banks and financial institutions: Pekao S.A., Industrial and Commercial Bank of China (branch in Poland), BNP Paribas, Credit Agricole, Santander, PKO BP, BGK, mBank, Millenium Bank, BOŚ, KUKE Finance
- Weigheted average maturity for loans and bonds as of June 30th, 2019r is 2 years.

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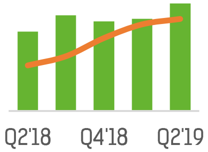
Conclusions

Summary of Q2 2019 and market outlook

- H1 results on track with 2019 goals
- Leveraging a favourable market environment
- Revenue growth expected in H2 2019 vs H1 2019 as a result of the performance of contracts executed in H1



- Expansion of aftermarket operations, product mix, and consistent improvement of operational efficiency delivered the Group's EBITDA margin of 30% in Q2 2019
- A change in sales mix in H2 2019, coupled with wage pressures, expected to reduce EBITDA margin to the Group's long-term level
- Profitability analysis of long-term contracts in the Surface segment and development of a plan to implement efficiency improvement and cost optimisation measures

- Favourable market trends expected to continue throughout 2019
- Continued wage pressures – maintenance of a proper cost structure and optimisation of production processes
- Preparation for a possible slowdown in H2 2020:
  - Implementation of lean management to maintain competitive prices
  - Step-up of aftermarket operations and further diversification of product mix (transport, handling, and Hard Rock Mining)

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Q&A

Thank you for your attention!

Glossary

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Below is a glossary of terms used in this presentation:

Net debt (net leverage)	The consolidated value of long-term and short-term loans, borrowings and bonds, less cash and cash equivalents
Net debt (net leverage) / EBITDA	The consolidated value of long-term and short-term loans, borrowings and bonds, less cash and cash equivalents to EBITDA (operating profit before interests, income tax, depreciation and amortisation) for the last 12 month
EBITDA	Operating profit before interests, income tax, depreciation and amortisation
EBITDA margin	Operating profit before interests, income tax, depreciation and amortisation to net revenues from sales of products, goods and materials