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# Presentation of the FAMUR Group

# Q1 2020 Summary

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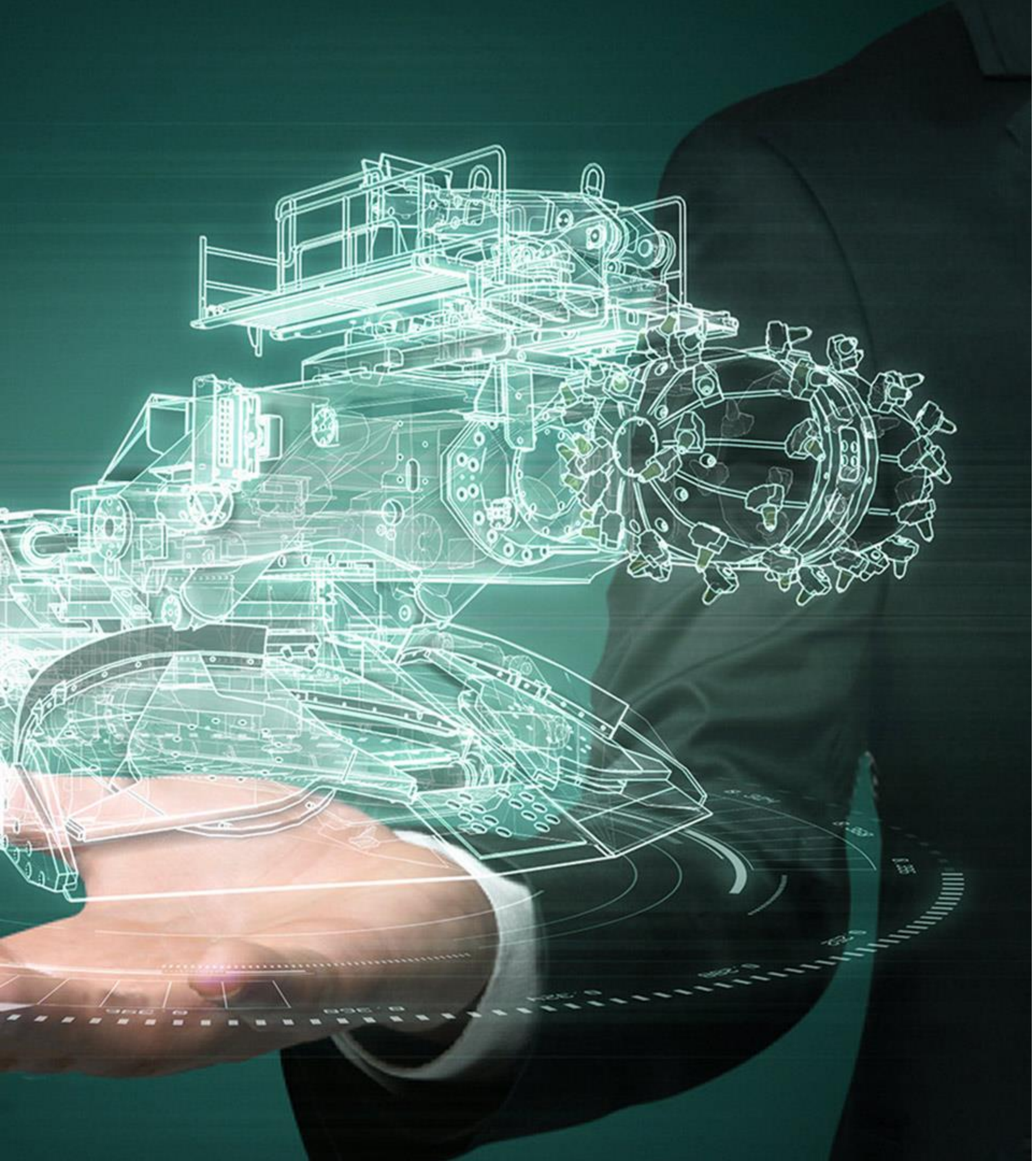
# Agenda

1. Highlights
2. Financial results
3. Summary
4. Q&A



# 1

## Highlights

Mirosław Bendzera
*President of the Famur Management Board*

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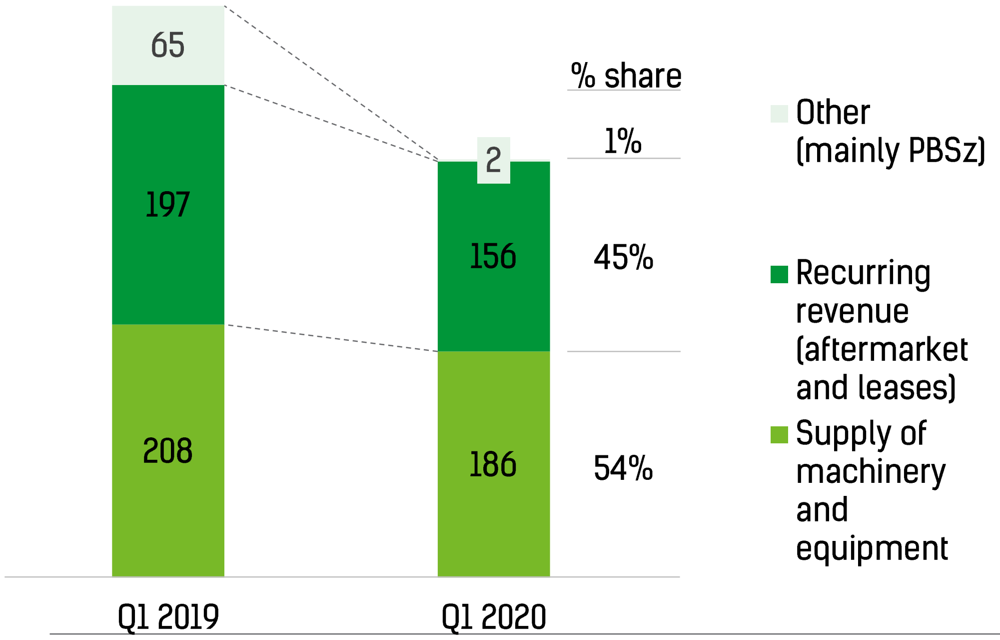
# FAMUR Group Q1 2020 results

| Revenue: | EBITDA: | Net profit: |
| --- | --- | --- |
| PLN344m | PLN109m | PLN52m |
| down 27% year on year | down PLN 26m year on year | down 14m year on year |

# The impact of the pandemic and production cuts reflected in revenue erosion. Continued growth in export sales

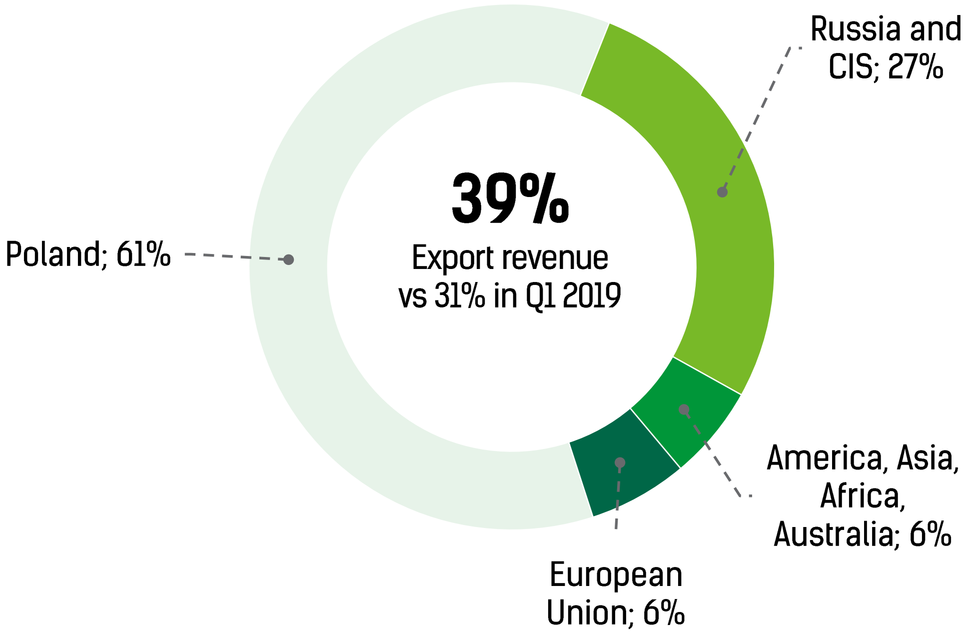
**Lower recurring revenue due to reduced production as a result of declining demand compounded by the COVID-19 pandemic and to relatively high base effect (two major contracts in Russia in Q1 2019)**

Revenue by product category (PLNm)




**A growing share of exports attributable to more contracts performed in international markets and the sale PBSz (May 2019)**

Revenue by geographical market

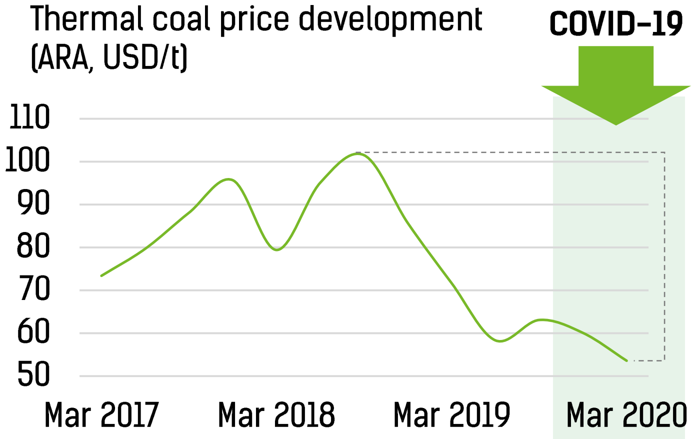


# The COVID-19 pandemic is further exacerbating the scale of investment reduction in the mining sector caused by falling coal prices

**Key market factors:**

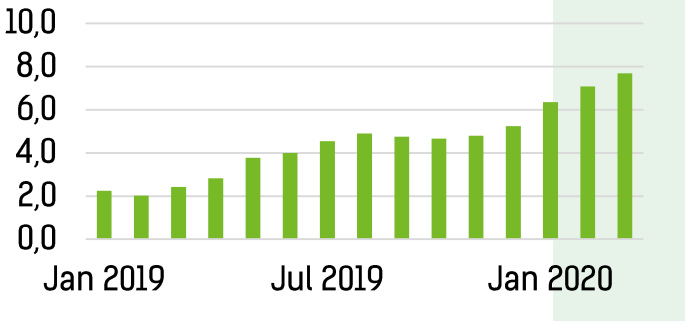
- lower coal prices and the COVID-19 pandemic cause suspension or reduction of investment plans, with investment expenditures reduced to maintenance and spare parts
- according to the IEA, global demand for energy and coal fell 4% and 8%*, respectively, in Q1 2020
- drop in demand for coking coal due to steel production falling globally as a result of a downturn in the automotive market

Thermal coal price development (ARA, USD/t)




**-47%** decrease from the peak in September 2018

Changes in inventories of manufactures in Poland, in tonnes**




**>3x** year-on-year increase in inventories

**The impact of market environment on the Famur Group**

- AO SUEK-Kuzbass's decision to suspend two major projects for an indefinite period
- over 70% drop expected in projected scraper conveyor sales
- manufacturers in Poland declare force majeure; PGG, Tauron and Węglokoks suspend performance of selected contracts
- temporary major scale-down of the Group's Russian and South African operations due to administrative restrictions
- final stages of contract performance hampered by restrictions on cross-border travel

* https://www.iea.org/reports/global-energy-review-2020
** https://polskirynekwegla.pl/raport-dynamiczny/stan-zapasow-wegla-kamiennego-caly-okres-czasu

# The efforts taken to adapt the Group to the current market landscape

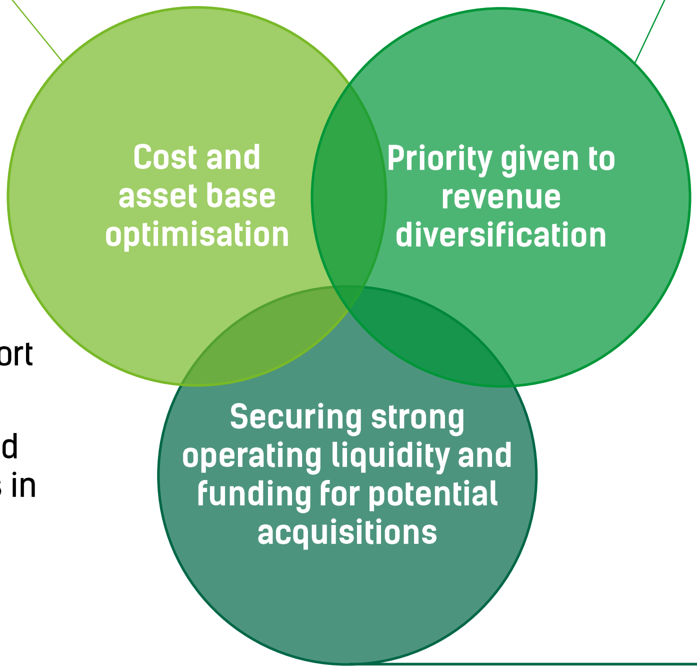
**Steps taken to mitigate the adverse effects of reduced purchase orders in the wake of a global crisis caused by the COVID-19 pandemic:**

- headcount reduction by ca. 300 FTEs in the central support functions at Famur S.A. and as a result of liquidation of the Rybnik production branch
- reduction of working hours and pay by 20% from May to the end of July 2020, use of government support as part of the 'anti-crisis shield' package
- pay reductions affecting executive personnel and employees alike; suspension of bonus schemes in 2020

**Ca. PLN 40m of estimated savings in 2020**

**Optimisation of non-core assets**

- Ca. PLN 7m of cash proceeds in Q1 2020 from disposal of property; DeEstate takes on a new role: management and sale of non-core properties across the Group




**Measures taken to protect revenue against the impact of structural changes on the thermal coal market**

- diversification project extended beyond the mining industry
- HRM: a deeper analysis of EU and North American entities meeting preliminary investment criteria

**Sound balance sheet with a strong cash position**

- Management Board's recommendation to retain the entire profit for 2019

# 2

## Financial results

Tomasz Jankowski
*Famur Investor Relations*

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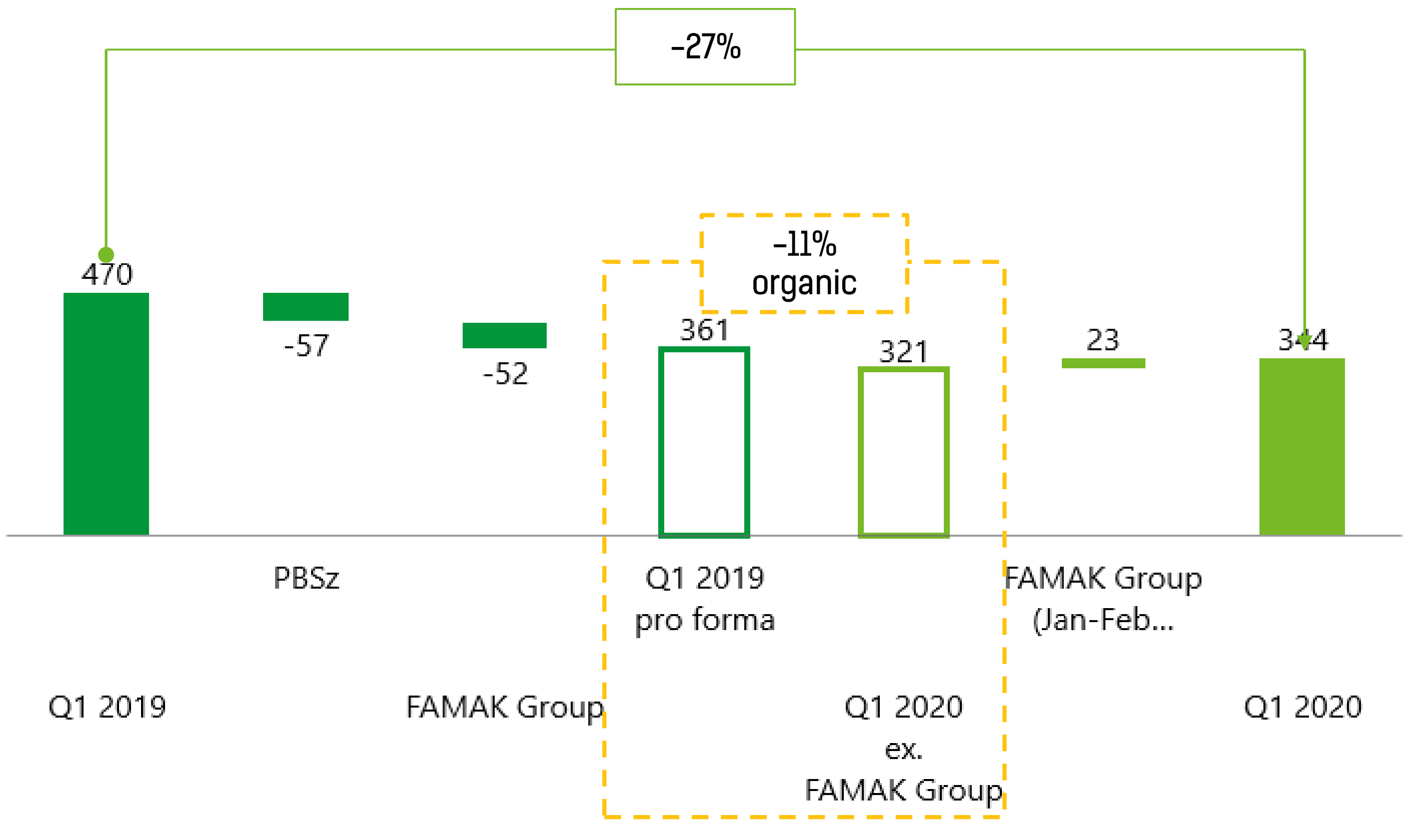
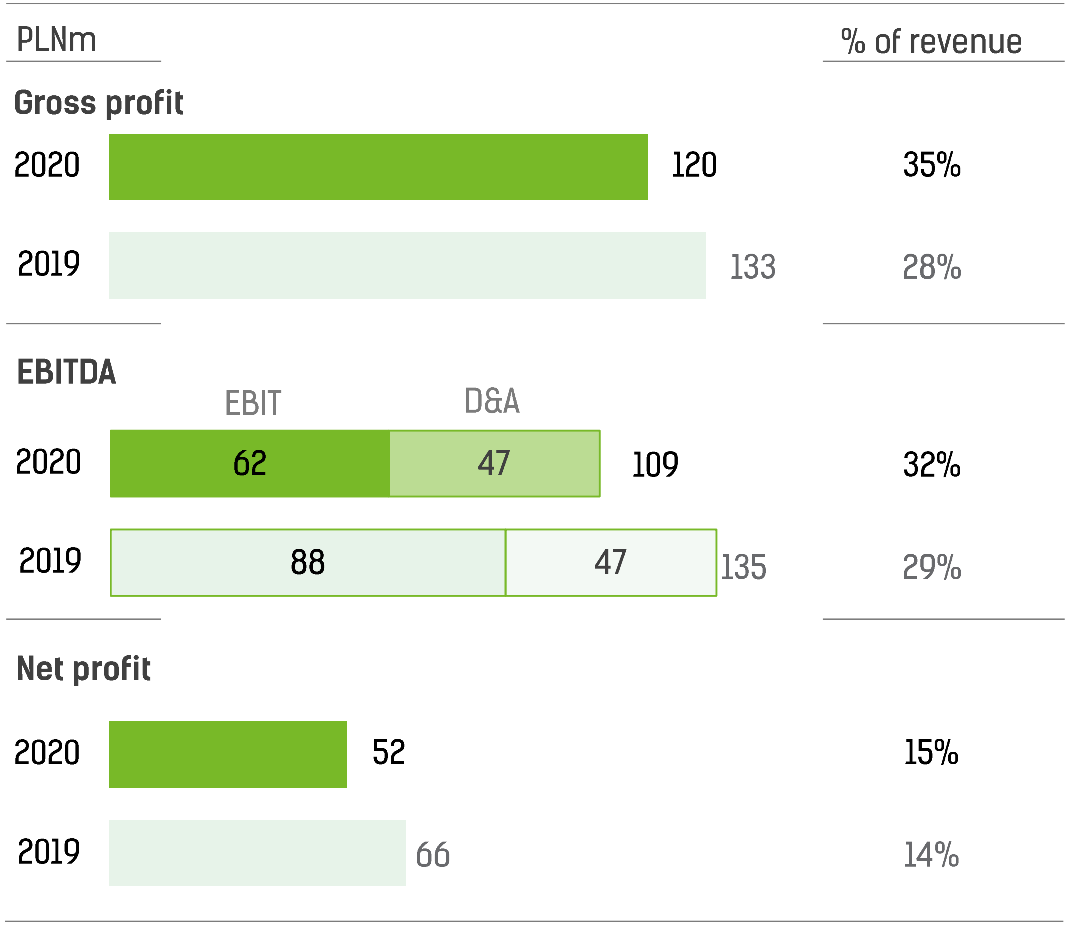
# 27% decline in revenue due to deteriorating market conditions

- 27% decline in nominal revenue as a result of the sale of PBSz (May 2019), lower revenue reported by the FAMAK Group (consolidated until the loss of control in February 2020), and deteriorating market conditions
- 11% decline in organic revenue driven by a drop in aftermarket revenue, partially offset by a rise in revenue from the supply of machinery and equipment, driven by contracts signed in the preceding year
- lower aftermarket revenue as a result of deteriorating market conditions: production cuts by both domestic and foreign customers owing to falling coal prices, declining demand for coal and electricity compounded by the COVID-19 pandemic, and relatively high base effect (two major contracts on the Russian market in Q1 2019)

**FAMUR Group revenue** (PLNm)



# Profitability analysis




discussion of key performance figures

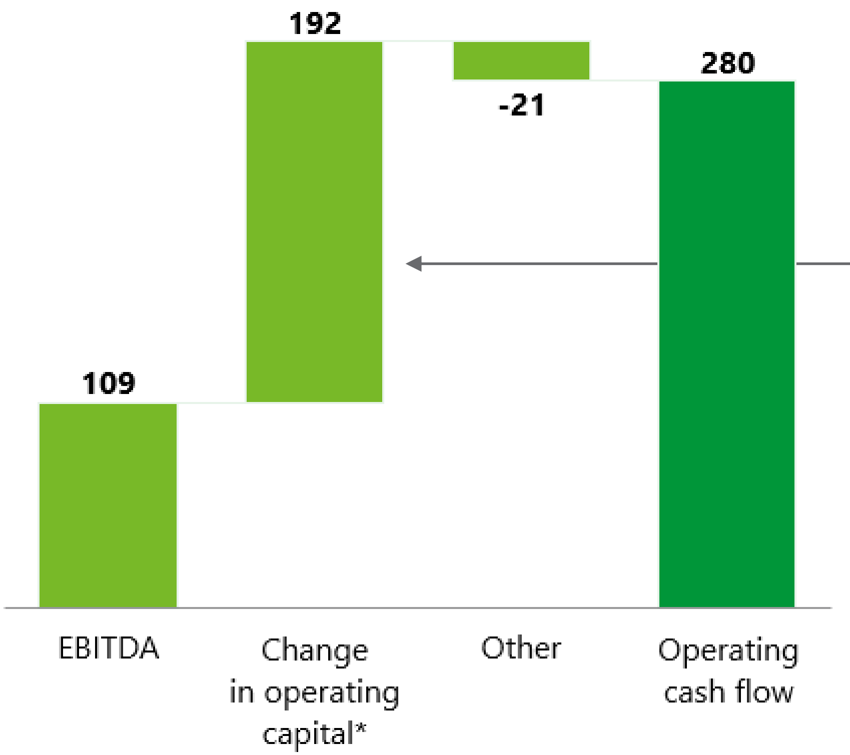
- **Gross profit:** down PLN 13m on lower revenue
- **Distribution costs and administrative expenses:** up PLN 3m
- **Net other expenses*:** up PLN 10m, mainly due to provisions for optimisation of central support functions and warranty repairs
- **Net finance costs**:** up PLN 7m, mainly due to an adverse change in the fair value measurement of an IRS (economically exchanging the floating interest rate on Series B notes for a fixed rate)
- **Result on subordinated entities:** PLN +12m on accounting for the loss of control of FAMAK, and PLN –1m of the share of loss in March 2020
- **Effective tax rate:** 19% in Q1 2019 equal to nominal rate

* other expenses less other income
** finance costs less finance income

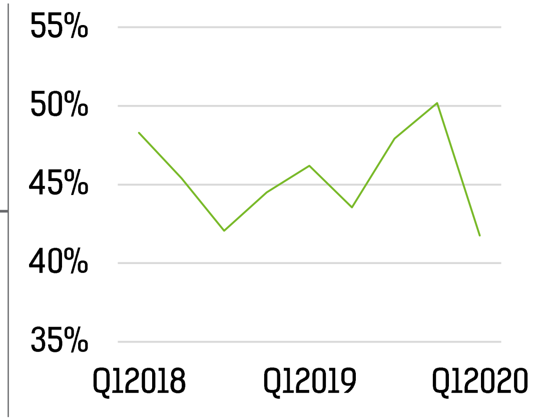
# PLN 280m in operating cash flow

- PLN 280m in operating cash flow, led mainly by:
  - EBITDA of PLN 109m
  - PLN 192m of inflows from operating capital attributable to lower revenue (PLN +208m in net accounts receivable collections)
- Working capital as a percentage of revenue down to 42% in Q1 2020 (vs 50% in Q4 2019)
- 'Other' includes PLN -15m of changes in non-cash items and PLN 6m of income tax paid

**Operating cash flow in Q1 2020** (PLNm)




**Movements in the average working capital relative to 12M revenue**

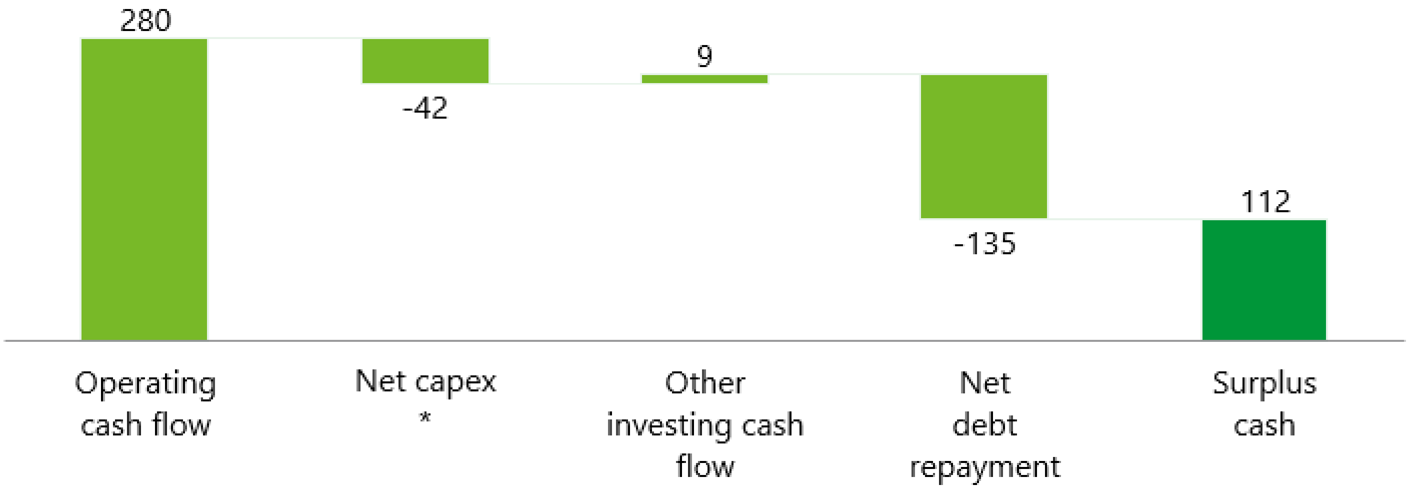



*Total of items: change in inventories, change in receivables and change in current liabilities, net of borrowings

# PLN 92m surplus in cash over debt after Q1 2020

- PLN 49m capital expenditure on property, plant and equipment and intangible assets, partly financed from the PLN 7m proceeds on disposal of non-core assets
- Other cash flows from investing activities include repayment of a loan by the FAMAK Group, net of cash attributable to the FAMAK Group as at the deconsolidation date
- Net debt repayment: repayment of Series A notes (PLN 108m), net loan repayments (PLN 18m), payment of lease liabilities (PLN 5m), interest payments (PLN 4m)

**Capital allocation in Q1 2020** (PLNm)




**PLN -92m**

**net debt at March 31 2020**

PLN 620m gross debt

PLN 712m cash

* Purchase of intangible assets and property, plant and equipment, less proceeds from disposal of intangible assets and property, plant and equipment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# 3

## Overview

Mirosław Bendzera
*President of the Famur Management Board*

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# Overview

- **Declines in revenue and EBITDA:** 27% decrease in revenue, with EBITDA down PLN 26m in Q1 2020 vs Q1 2019
- **Sound balance sheet**, with a PLN 92m surplus of cash over debt at the end of March 2020
- **Measures to adapt the Group to unfavourable market conditions:** operational optimisation
  and revenue diversification through active search for entities operating in the HRM and non-mining sectors
- **The coming quarters are bound to be affected by adverse economic effects of the COVID-19 pandemic and economic headwinds faced by the mining industry in Poland and globally**

# 4

# Q&A

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# Appendices

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# The effect of FAMAK's deconsolidation on the FAMUR Group's performance in Q1 2020

| (PLNm) | FAMUR Group (excluding FAMAK Group) | FAMAK Group's contribution to FAMUR Group's performance | FAMUR Group data according to IRFSs |
|---|---|---|---|
| Revenue | 321 | 23 | 344 |
| Operating profit | 68 | -6 | 62 |
| Net profit | 48 | 4 | 52 |

| Effect of FAMAK Group on consolidated net profit | (PLNm) |
|---|---|
| Net profit of FAMUR Group excluding FAMAK Group | 48 |
| Loss of FAMAK Group for January–February 2020 | -7 |
| Gain on loss of control of FAMAK Group | 12 |
| 31.88% share of FAMAK Group net loss for March 2020 | -1 |
| **Consolidated net profit according to IFRSs** | **52** |

The fair value of FAMAK shares, as disclosed in the consolidated financial statements, is PLN 35m

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# Reconciliation between operating and reported metrics

**EBITDA**

| (PLNm) | 3 months to Mar 31 2020 | 3 months to Mar 31 2019 |
|---|---|---|
| Operating profit | 62 | 88 |
| Depreciation and amortisation | 47 | 47 |
| **EBITDA** | **109** | **135** |

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# Reconciliation between operating and reported metrics

### Working capital

| (PLNm) | As at Mar 31 2020 | As at Dec 31 2019 |
|---|---|---|
| Inventories | 292 | 303 |
| Short-term trade receivables | 641 | 966 |
| Subtotal | 933 | 1,269 |
| Less short-term trade payables | -209 | -240 |
| **Working capital** | **724** | **1,029** |

### Average working capital relative to 12M revenue

| (PLNm) | Revenue |
|---|---|
| Jan–Dec 2019 | 2,165 |
| Less 3 months to Mar 31 2019 | -470 |
| 9 months to Mar 31 2019 | 1,695 |
| Plus 3 months to Mar 31 2020 | 344 |
| **LTM to Mar 31 2020** | **2,039** |
| | |
| Working capital as at Mar 31 2019 | 976 |
| Working capital as at Mar 31 2020 | 724 |
| **Average working capital in the period** | **850** |
| **Average working capital in the quarter as % of revenue** | **42%** |

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# Reconciliation between operating and reported metrics

### Net debt

| (PLNm) | As at Mar 31 2020 | As at Dec 31 2019 |
|---|---|---|
| Long-term borrowings | 412 | 421 |
| Short-term borrowings | 162 | 332 |
| Non-current lease liabilities | 40 | 61 |
| Current lease liabilities | 6 | 8 |
| **Gross debt** | **620** | **822** |
| Less cash and cash equivalents | –712 | –602 |
| **Net debt** | **–92** | **220** |

### Net debt to EBITDA for the last four quarters

| (PLNm) | EBITDA |
|---|---|
| Jan–Dec 2019 | 451 |
| Less 3 months to Mar 31 2019 | –135 |
| 9 months to Dec 31 2019 | 316 |
| Plus 3 months to Mar 31 2020 | 109 |
| **LTM to Mar 31 2020** | **425** |
| | |
| **Net debt as at Mar 31 2020** | **–92** |
| **Net debt/EBITDA** | **–0.2** |

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# Glossary

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