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FAMUR Group Presentation

Surface reorganization plan and Famur Group 2019 preliminary estimated results

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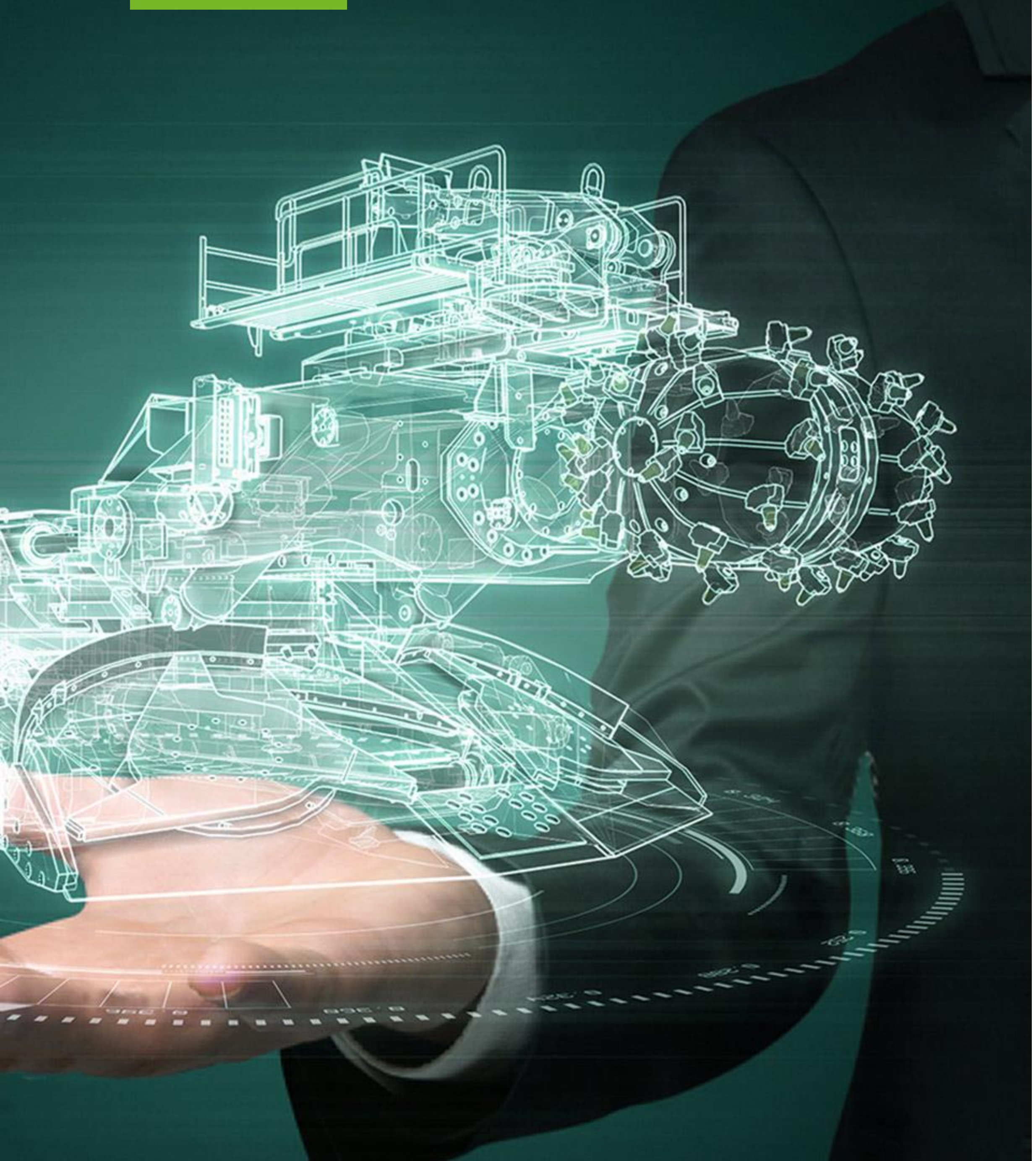
Agenda

1. Overview of the situation in Surface Segment (Famak Group)
2. Reorganization concept for Surface (Famak Group)
3. Effect of the new ownership structure at Famak Group on recognition of results at Famur Group
4. 2019 Famur Group preliminary estimated results and dividend considered
5. Q&A



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Overview of the situation in Surface Segment (Famak Group)

Mirosław Bendzera, *President of Famur Management Board / CEO*

Famak Group financial situation from November 2014 to December 2018

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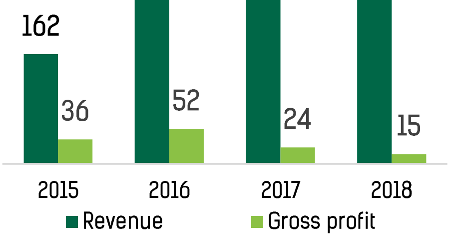
November 2014:
Famur S.A. takes control over Famak S.A.

- Launch of a new business segment (Surface)
- Segment independence maintained
  - independent support functions
  - independent financing

2015–2018:
Surface segment development

- 2.3x revenue growth in 2018 vs. 2015

Revenue and gross profit evolution in Surface segment
PLNm



September 2018:
Famur Group strategy is announced, envisaging, among others:

- A new organizational structure, including
  - appointment of VP for Surface to Famur S.A. Management Board
  - centralization of key support functions
- Planned launch of processes defined in the Strategy starting from January 1st 2019

Famak Group financial situation from January 2019 to November 2019

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January – April 2019:

Launch of the processes defined in the strategy, including:

- establishment of a new organisational structure
- launch of preparations to centralise key support functions

Famak Group budget prepared for 2019
(PLNm)

Revenue	340
EBITDA	22.9
Net result	9.7

May 2019:

Famur S.A. takes over responsibility for financial suport functions in Surface

- Famak Group maintained its budget assumptions for 2019

June – October 2019:

Analysis of financial situation in Surface based on Famur standards

- analysis of contracts and contractual risks
- asset analysis
- review of non-core assets for sale

November 2019:

Release of Q3'19 results on the Warsaw Stock Exchange

- Risks recognised in Surface
  - PLN 45m risks recognised in P&L for Q3'19
  - ~ PLN 18m additional risks with a potential to be mitigated, not recognised in P&L for Q3'19
- Change of Surface CEO

Famak Group key financial data for 9M and 3Q 2019

(PLNm)	9M 2019 Budget (original)	9M 2019 reported ex conso adjustments	3Q 2019 reported ex conso adjustments
Revenue	270	212	**70**
Gross profit	33	0	**-10**
Gross margin	*12.2%*	*0.0%*	*-14.3%*
EBIT	10	-44	**-42**
EBIT margin	*3.7%*	*-20.8%*	*-60.0%*
EBITDA	17,6	-35	**-38**
EBITDA margin	*6.5%*	*-16.3%*	*-54.7%*
Net profit/(loss)	7,6	-41	**-40**
Net debt (excluding IFRS 16)	31	38	**38**

~PLN 60m Surface revenue lower vs. the budget due to postponement of key contracts and lack of new ones

PLN 45m of risks recognised in Q3'19 (effect on net result: PLN 41m)

- contract budgets revision
- potential penalties for failing to meet contract deadlines
- overdue receivables and obsolete inventories
- revaluation of non-core real estate

Recognition of additional risks of ~PLN 18m with a potential to be mitigated, not included in Q3'19 result

12M and 4Q 2019 Famak Group preliminary estimated results

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(PLNm)	2019 Budget (original)	2019 estimated results (ex conso adjustments)	4Q 2019 Preliminary results (ex conso adjustments)
Revenue	341	260	**48**
Gross profit	44	-24	**-24**
Gross margin	*12.9%*	*-9.3%*	*-50%*
EBIT	13	-141	**-97**
EBIT margin	*3.7%*	*-43.4%*	*-202%*
EBITDA	23	-127	**-92**
EBITDA margin	*6,7%*	*-48.8%*	*-192%*
Net profit/(loss)	10	-141	**-100**
Net debt (excluding IFRS 16)	31	55	**55**

- **External factors (beyond the Company's control) and internal factors necessitated a revaluation of long-term contracts and gave rise to new risks**
- **Estimated loss of PLN 97m in Q4'19 results from a PLN 5m operating loss and PLN 92 million of risks recognized in P&L, arising from:**
  - Failure to mitigate the risks disclosed in Q3'19
  - Further revision of contract budgets
  - Potential penalties and damages
  - Potential losses in the event of cancellation of contracts
  - Provisions for warranty repairs
  - Additional impairment losses on receivables and intangible assets, and inventory write-downs

Expected trends in the Famak Group performance in Q1 2020

	expected trends in Q1’20	Commentary
Revenue	Decrease by ~14%-18% y/y	• Order backlog for 2020: ~ PLN 115m as at December 31st 2019 • Material reduction of orders in the surface mining segment and long-term contracts • Postponement of contract delivery deadlines by customers in other areas
EBIT	negative margin ~16%-20%	• No possibility for all sites to operate at capacity given the current order book of the Famak Group • Additional potential restructuring costs

Key internal factors affecting the current situation of the Famak Group

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1. The company's business growth model based on long-term contracts with a concurrent development of competencies in performing very large contracts

2. Too optimistic business and budget assumptions

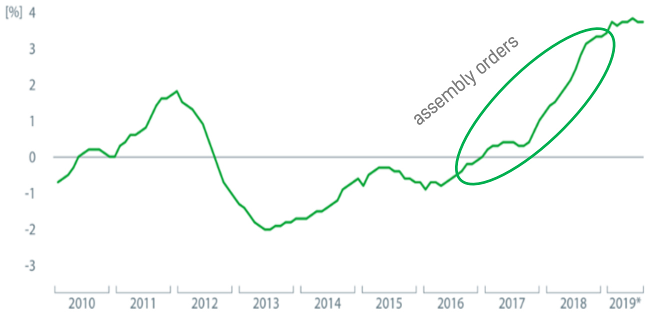
3. Rapid growth in business scale and operations

Key external factors affecting the current situation of the Famak Group

1.

Postponement of contract delivery deadlines by customers and higher contract performance costs (cost of production)

Annual price increase in construction and assembly production

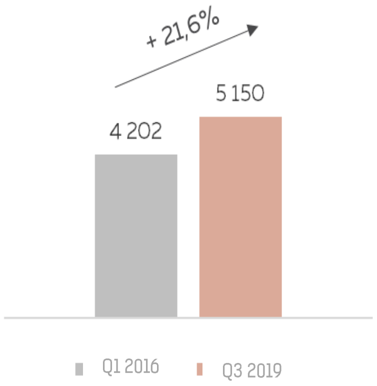


source: GUS *
as of Q2 2019

HRC steel prices in Europe (USD/t)

source: The Steel Index

Average salary in the enterprise sector (PLN)



source: GUS

- Provisions of contracts under public procurement law prevent on-going indexation of production costs
- Unpredictable scale of cost increase after contract execution due to change in market environment
- PLN 80m – the estimated impact of cost increase on key contracts over contract delivery period

Key external factors affecting the current situation of the Famak Group

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2. Increasing requirements regarding quality and scope of work under contracts

- Interpretation of contractual provisions to the disadvantage of the contractor based on general provisions on contractor's obligations (e.g. execution of an additional compressed air installation or additional health and safety installations and other maintenance-related installations)
- Changes of technical requirements regarding materials to be used (e.g. replacement of structural steel with stainless steel)
- Estimated cost increase of ~ PLN 20m

3. Difficult situation of most sector peers

ThyssenKrupp Industrial Solutions

[m EUR]	Revenues	EBIT	EBIT margin
2018	421	- 132	- 31%
2017	624	- 157	- 25%

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[m EUR]	Revenues	EBIT	EBIT margin
2018	236	- 5	- 2%
2017	421	- 17	- 4%

TAKRAF TENOVA

[m EUR]	Revenues	EBIT	EBIT margin
2018	238	- 4	- 1%
2017	154	- 23	- 15%

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[m EUR]	Revenues	EBIT	EBIT margin
2018	3 633	- 126	- 3%
2017	5 020	- 243	-5%

Additionally, bankruptcies of subcontractors – the need to find new subcontractors with new prices

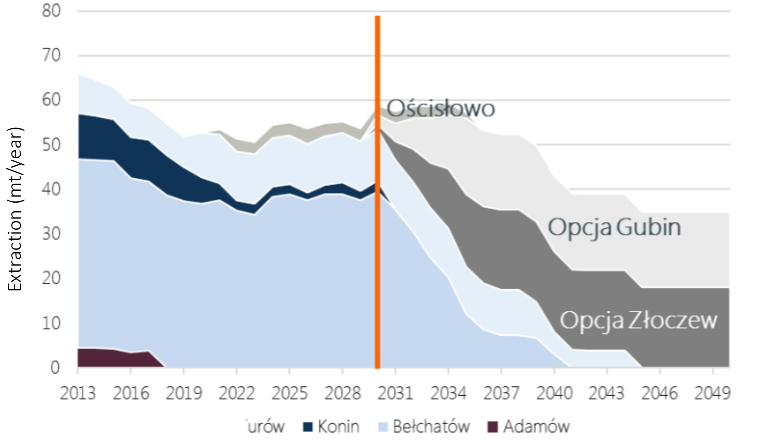
Key external factors affecting the current situation of the Famak Group

4.

Delay or abandonment of investments in the lignite mining sector (surface mining)

- No decision to build new surface mines despite many years' announcements
- The draft of the Polish Energy Policy until 2040 (announced in November 2019) envisages gradual discontinuation of the use of lignite, with a complete stoppage of lignite production by 2040, or launch of an open pit mine in Złoczew, following which lignite would remain in the energy mix beyond 2040. (Decision expected in Q3 2020)
- Currently, mines prefer renovating their existing technological equipment using their own maintenance resources and do not plan any investments in new machinery and equipment

Forecast of lignite extraction in Poland based on a governmental report of June 2018



Source: [Program dla sektora górnictwa węgla brunatnego w Polsce]

2015-2018

Will PGE build a 2,000 MW Power Plant in Złoczew ?

Source: https://www.wnp.pl [03/12/2015]

The land still slides, poeople constantly fight to save machines. Action at the Turów mine.

Source: https://kontakt24.tvn24.pl [28/09/2016]

Konin Mine receives favourable decision of General Directorate for Environmental Protection (GDOŚ) regarding construction of Ościsłowo open pit mine

Source: https://www.wnp.pl [30/11/2017]

PGE: work is ongoing to obtain licence for Złoczew and Gubin

Source: https://biznesalert.pl [11/07/2017]

2019

Poland close to scrapping Zloczew brown coal mine project -sources

Source: https://www.reuters.com [18/12/2019]

Decision to build Ościsłowo open pit mine postponed to December

Source: https://www.przegladkoninski.pl [27/09/2019]

Decision that pleases Greenpeace. No to lignite mine in Lubuskie province

Source: https://zielonagora.wyborcza.pl [27/08/2019]

2

Reorganization concept for Surface (Famak Group)

Tomasz Domogała, *Chairman of TDJ Supervisory Board*

TDJ's involvement in Famak Group’s reorganization

- ⟹The role of the main shareholder in supporting the Group
- ⟹Protection of Famur Group stakeholders
- ⟹Use of TDJ resources in the reorganization of the Famak Group
- ⟹Enabling Famur’s Managment Board to focus on further growth of the Famur Group and implementation of 2019–2023 strategy

Key items of financial support for the Famak Group

TDJ Equity

Planned capital injection of PLN 70m

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Planned shareholding structure after capital injection:

~68% TDJ
~ 32% Famur

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Famur's planned support for Famak S.A. limited to bank guarantee facilities

1. Planned share capital increase of PLN 70m following share issue at Famak S.A. and subscription for the shares by TDJ Equity 1 Sp. z o.o.

2. Plan to pay Famak S.A.'s financial liabilities in full using proceeds from the share capital increase; as at December 31st 2019 the liabilities amounted to approximately PLN 69m and comprised:

bank borrowings of ca. PLN 40m

leases of ca. PLN 7m

loan of ca. PLN 22m from Famur

3. Planned support of Famak S.A. by Famur limited to bank guarantee facilities, for a fee calculated on an arm's length basis, to be effected by:

- Transfer to Famur of about PLN 43m under already issued non-revolving bank guarantee facilities (expected balance as at the end of 2020: about PLN 5m)
- Issue of new revolving guarantee facilities for approximately PLN 21m to support operating activities

Planned course of reorganization of the Famak Group

Q1 2020

- Capital injection of PLN 70m for the Famak Group
- Changes in the Supervisory Board
- Changes in the Management Board
- Definition of reorganization options
- Adoption of strategic growth directions for the Famak Group

Q2–Q4 2020

- Cost, operating and financial restructuring
- Adaptation of the asset base to the new operating model (transport and cargo handling)
- Optimisation of operating structures
- Securing new orders
- Minimising operating losses
- **Incurring the restructuring costs**
- July 2020 – update of the plan of reorganisation directions

Q1–Q4 2021

Stabilisation of financial and operating position

3

Impact of the new ownership structure of Famak Group on the recognition of results in Famur Group

Tomasz Jankowski,
Famur Investor Relations

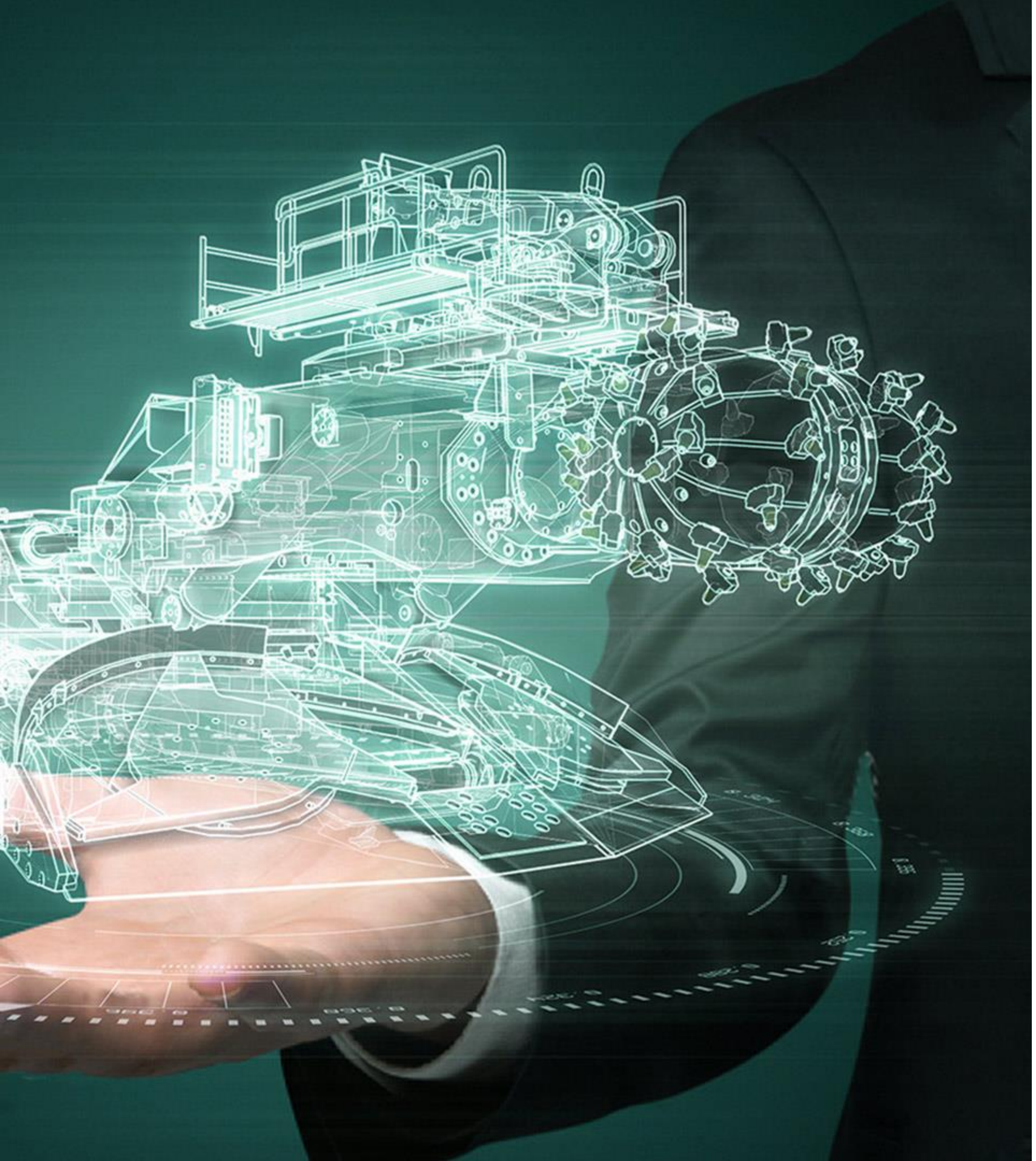
Recognition of Surface segment's results in the Famur Group after loss of control

Currently
100% control over Famak Group

- Full inclusion (line by linel) of the Famak Group's financial data in the Famur Group's results, including revenue, EBIT (EBITDA) and net profit
- No change in the 2019 full year reported results of the Famur Group
- Plan to fully include Famak Group's financial data in the Famur Group's results, including revenue, EBIT (EBITDA) and net profit until the end of February 2020.

After loss of control
Famur will retain significant influence over Famak Group

- Famak Group's revenues and operating profits/losses (EBIT, EBITDA) will no longer be included in the Famur Group's consolidated financial data.
- Famak Group's net profits/losses will be recognised in Famur Group's consolidated financial statements in proportion to Famur's equity interest (~32%).
- Famur Group's share of Famak Group's net profit/loss will be recognised under 'Share in net profit/(loss) of subordinates' above 'Profit before tax'.



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2019 Famur Group preliminary estimated results and dividend considered

Mirosław Bendzera,
President of Famur Management Board / CEO

Tomasz Jankowski,
Famur Investor Relations

Preliminary estimated full-year results of the Famur Group for 2019

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PLN **2.165m**
estimated revenue

PLN **589m**
adjusted EBITDA

PLN **309m**
adjusted net profit**

PLN **453m**
reported preliminary estimated EBITDA

PLN **253m**
reported preliminary estimated net profit

* Adjusted for impairment losses and risk provisions at the Famak Group (PLN 44m for Q3'19 and PLN 92m for Q4'19)

** Adjusted for impairment losses and risk provisions at the Famak Group (PLN 41m for Q3'19 and PLN 91m for Q4'19), goodwill impairment (PLN 60m), gain on sale of PBSz (PLN 136m).

Preliminary estimated full-year revenue of the Famur Group for 2019

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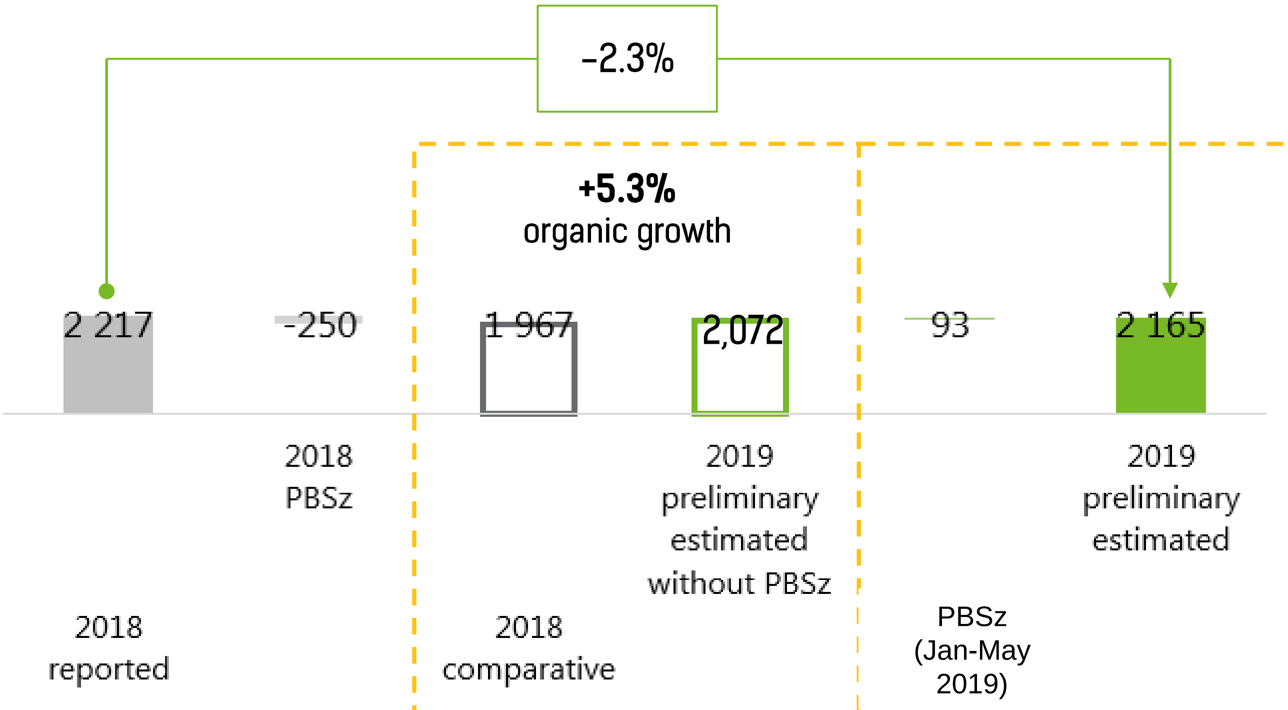
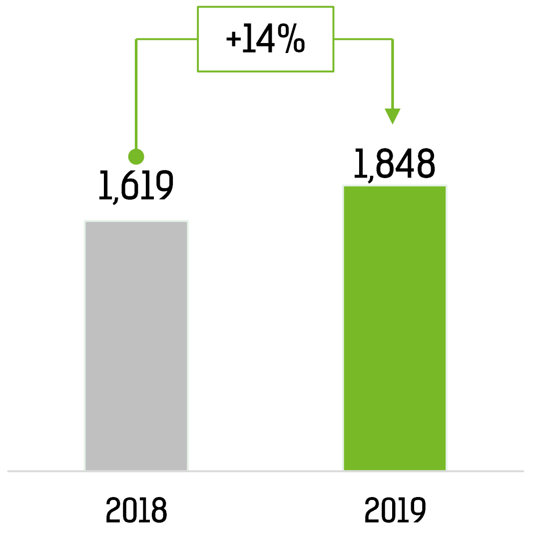
Famur Group revenue

PLNm



including Famur Group's revenue without the Famak Group and PBSz

PLNm



Revenue growth in 2019 in Underground and Electrical Equipment segments: taking advantage of favourable market conditions in the mining sector

Preliminary estimated full-year EBITDA of the Famur Group for 2019

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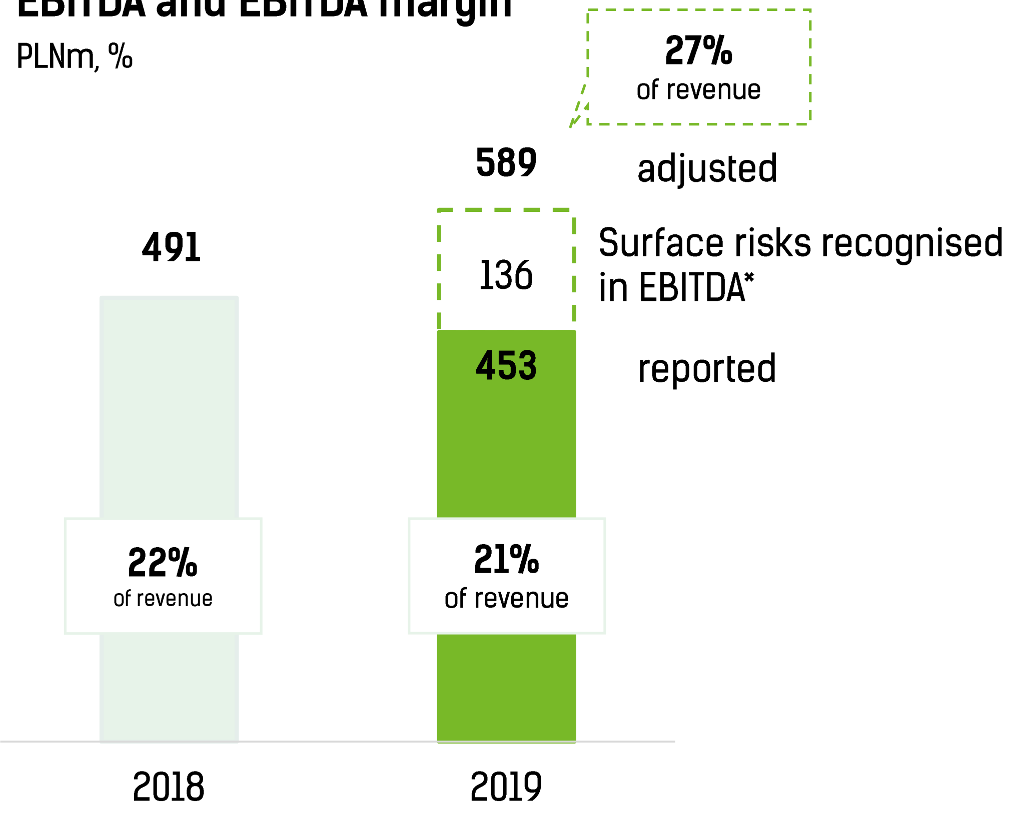
EBITDA and EBITDA margin

PLNm, %



- **Adjusted EBITDA margin of 27%***
- **Maintaining cost discipline and revenue growth in Underground and Electrical Equipment**
- **Profit margins decline in 2019 due to a non-recurring event, recognition of risks in Surface** (revision of contract budgets, impairment losses on current assets, and provisions for potential penalties)
- **Effect of PBSz results on EBITDA:** PLN 32m in 2018 and PLN 11m in 2019

* Adjusted for the total of impairment losses and risk provisions at the Famak Group: PLN 44m for Q3'19 and PLN 92m for Q4'19

Preliminary estimated full-year net profit of the Famur Group for 2019

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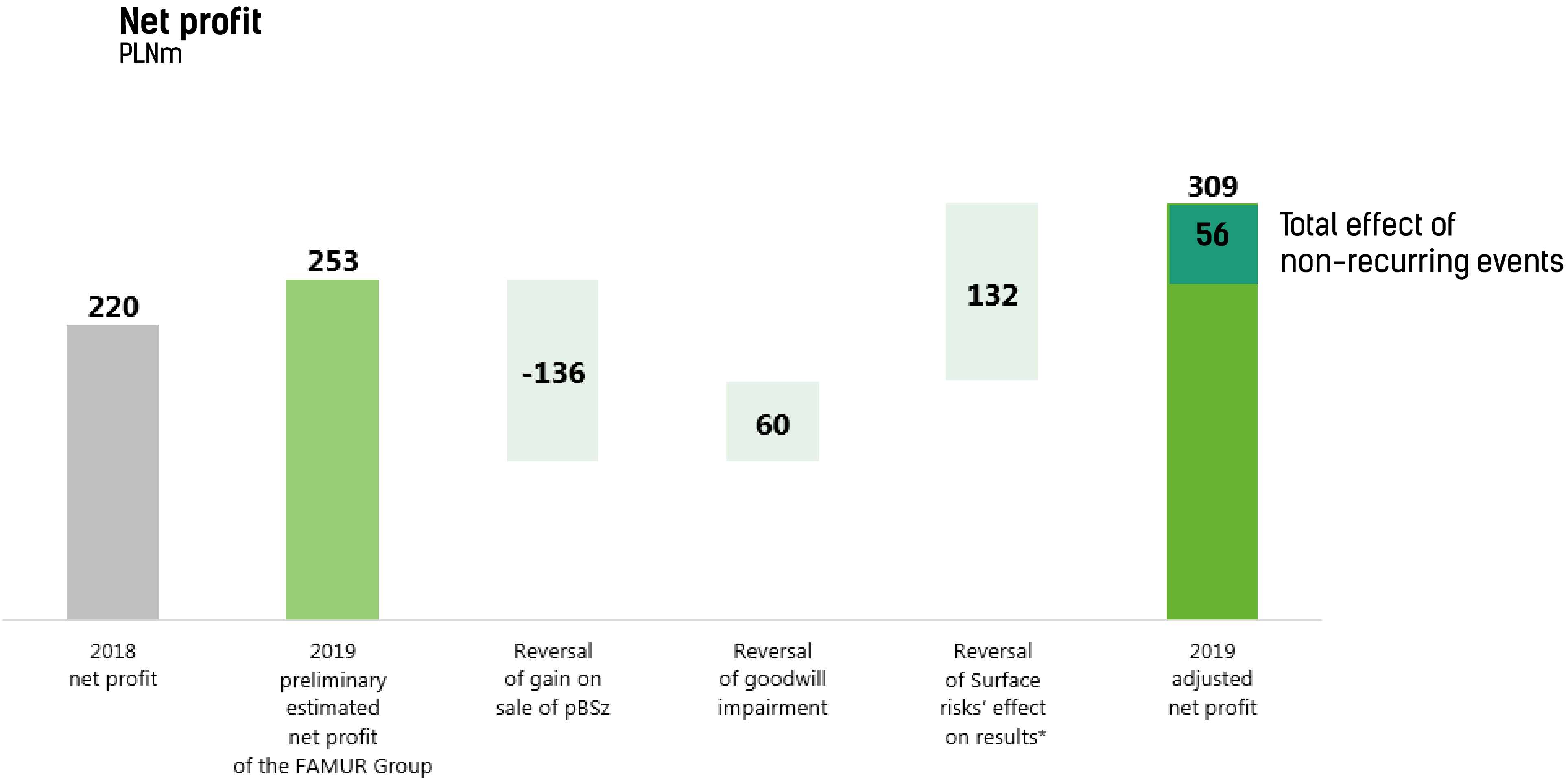

*Total impairment losses and risk provisions at the Famak Group (PLN 41m for Q3'19 and PLN 91m for Q4'19)

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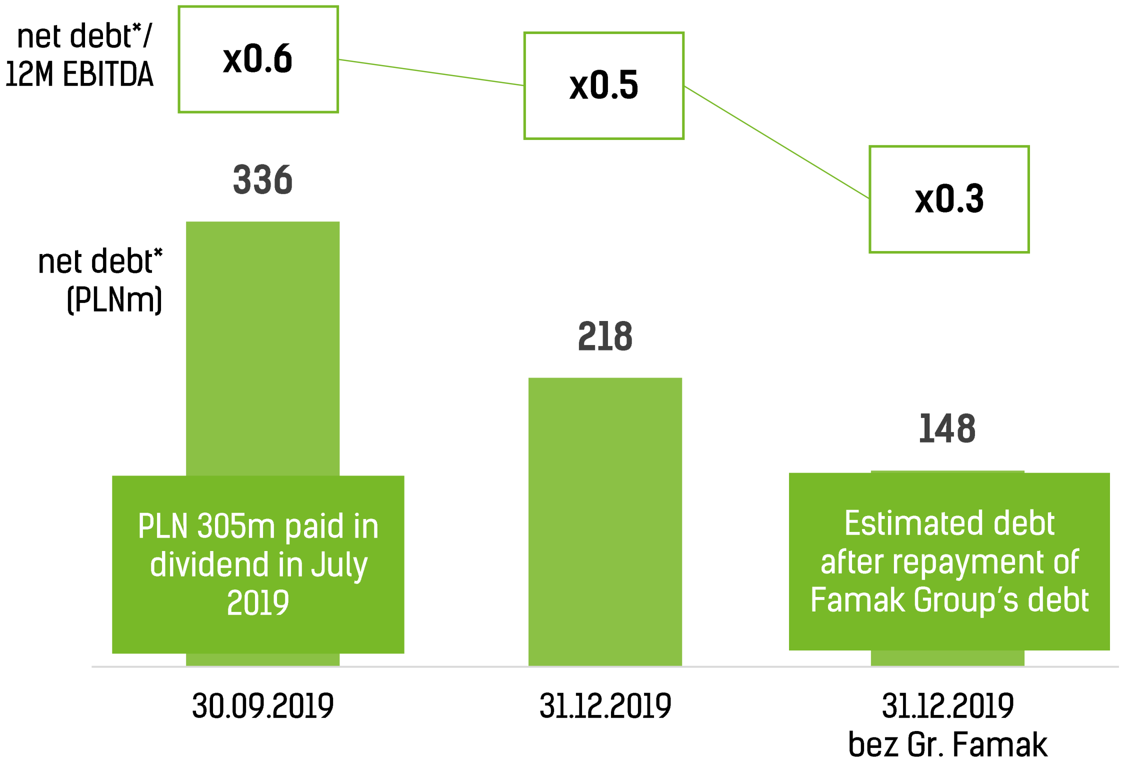
FAMUR Group dividend policy

September 2018 – assumptions of the announced dividend policy:

- We plan to recommend distributing **50% to 100% of net profit as dividend**
- We expect that on average **75% of our profits** will be recommended to be paid as dividend over a period of five years
- The dividend policy may be changed only in the event of significant acquisitions or material changes in market conditions in order to keep FAMUR's debt at safe levels

Estimated evolution of FAMUR Group's net debt



*Net debt: carrying amount of borrowings and lease liabilities less cash

Considered dividend from 2019 net profit

Famur Managment Board is considering proposing a dividend at ~75% of the Group's adjusted net profit for 2019

Final recommendation on dividend will be announced based on authorised and audited financial statements for 2019

* Impairment losses and risk provisions at the Famak Group totalled PLN 41m for Q3'19 and PLN 91m for Q4'19

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Q&A