

Presentation of results for Q1-Q3 2017  
November 29, 2017





**Daniel Janusz**  
president of the Board



**Piotr Wielecik**  
member of the Board



## The most important events of the third quarter of 2017

Investment program under implementation

Financial results for the first three quarters of 2017

Sales development trends

Project Tanzania

Strategy

Summary

- On the level of financial results for the third quarters of 2017, it brought nearly 100% increase in sales revenues compared to the same period last year. In addition, prospects for potential future contracts allow you to optimally assess the forecasts for subsequent periods.
- The record portfolio of contracted orders for the Group's products for the period 2017-2019, worth approximately PLN 156.1 million, includes 34 contracts. The constantly growing potential portfolio of clients waiting for EU funding and holding a building permit is at a level of approximately PLN 39.3 million. In the second half of 2017, thanks to the resolution of last year's applications for co-financing, the anticipated significant effectiveness of commercial activity was confirmed, resulting in the signing of contracts with the general contractor Feerum.
- Consistently implemented steps in implementing the strategy related to the Company's expansion on the African market. A contract with the National Food Reserve Agency based in Dar es Salaam (United Republic of Tanzania) for the construction of five grain silo and storage facility complexes on the territory of the United Republic of Tanzania and the revitalization of existing storage facilities with a total value of USD 33.1 million has been ratified by intergovernmental ratification.
- Continuation of sales activities on Western European markets, increased involvement in Lithuania, active and effective commercial activity in Ukraine, first contracts on the Czech market, intensive marketing and first offers in the Russian Federation and Kazakhstan.

The most important events of the third quarter of 2017

Investment program under implementation

Financial results for the first three quarters of 2017

Sales development trends

Project Tanzania

Strategy

Summary



## Advanced lightweight orthotropic constructions of steel coils of flat bottom silos Research and development

The subject of the project is to carry out advanced R & D works in order to develop innovative flat-bottomed grain silos characterized by orthotropic construction of steel coats and a modern construction of the connection of vertical mantle fins with silo foundations.

The result of the project will be a direct response to needs Customers regarding the improvement of grain storage conditions and quality (expected greater thermal and moisture storage stability), minimization of the influence of atmospheric factors on the quality of grain, improved safety of silo use and reduction of transport costs of construction elements and silo assembly.

The unique parameters of the new product obtained thanks to the innovative design of the silo will ensure the improvement of grain storage conditions, reduce its storage losses by 5% and improve the durability and quality of the grain in the food chain.

The estimated value of the investment is PLN 5.7 million. Financed was planned with own funds in the amount of PLN 3.5 million and PLN 2.2 million from financing \*\*

\*\* On November 15, 2017, the Company concluded a contract with the National Center for Research and Development, the subject of which is to finance the project entitled. "Light orthotropic constructions of steel coils of flat bottom silos guaranteeing thermal and moisture stability of grain storage". The total amount of expenditure eligible for support is PLN 4.3 million. After meeting the conditions resulting from the Agreement, NCBiR undertakes to provide the Company with co-financing in the maximum amount of PLN 2.2 million.

## Strengthening the production potential

Expansion of the existing machinery park. Purchase of machinery and equipment. Modern production lines ensure high precision of manufacture and quality of manufactured products. Innovative technological solutions thanks to the automation of production processes contribute to strengthening the market advantage.

Modernization of the production hall will enable optimization of production processes, keeping short delivery times with increasing production scale. High-tech equipment and production lines require precise position configuration to eliminate unnecessary costs of unused capacity.

The estimated value of the investment is PLN 3.0 million.  
Financed is planned from own resources.

**1** Research and development      **2** Strengthening the production potential

Orthotropic constructions of silos

purchase of machinery and equipment

Other R&D works

modernization of the production hall

5,7

planned expenditures

3,0

1,39

expenditures incurred

2,38

1,39

own resources

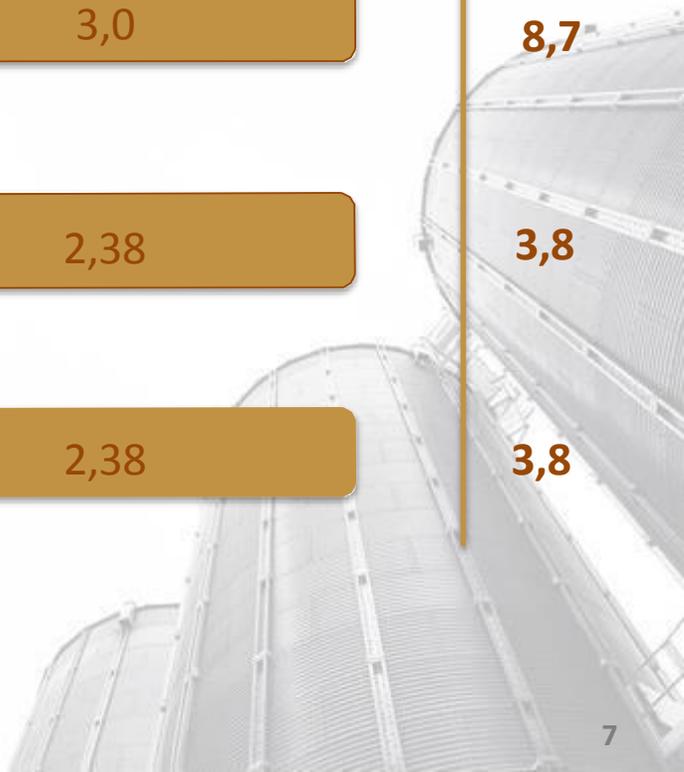
2,38

mIn PLN

8,7

3,8

3,8





- The production technologies of individual building elements for the Tanzania project were developed with the use of new Feerum machines - production of all profiles and silo sheets on an automatic line for cutting and profiling
- Expansion of the machine park with another press for the production of buckets and a laser burner
- Adaptation of the logistic zone for the possibility of loading sea containers (loading ramps)

Developing a procurement and logistics strategy related to the implementation of contracts in Tanzania along with the selection of the main logistics operator to service the contract.

Development of a full strategy for building construction and executive facilities for five investments in Tanzania:

- 1) Development of own concrete production technology. Selection, purchase and implementation of machines for concrete production (mobile concrete mixing nodes with necessary equipment)
- 2) Designing, implementation and implementation of housing and living facilities in each investment
- 3) Selection and purchase of heavy construction machines for use in Tanzania (excavators, telescopic loaders, bulldozers)
- 4) Developing a logistics plan for the supply of raw materials and internal logistics services for each investment. Truck trucks were purchased to service every investment
- 5) Each investment was developed, purchased and equipped with the necessary material facilities for construction brigades. All necessary tools, power tools, machines and devices as well as necessary equipment were provided to ensure smooth and efficient work on the implementation of these investments.

Technological changes in the area of butyl seals for screw connections have been introduced - a special blend has been developed to improve the product, guaranteeing longer life and cost-effectiveness of the seals used.

Work on a series of products allowing to increase the work efficiency of the facilities at the level of 250-300 t / h has been completed.

Components  
purchasing policy supporting  
the effective development of  
the production and sales area

Launch of serial production of a new line of arched chain conveyors, used for the collection and transport of cereal grains and maize, legume and oilseed crops, and various feed products angled and horizontally. They are widely used in grain processing (adoption), in fodder and mixing plants, farms and large food industry plants.

Successfully implemented pneumatic powered devices for current production and offer ensure a significant reduction of the unit cost of the product, lower electricity consumption and higher safety of the FEERUM devices. From the point of view of purchases, the goal of implementation was to achieve savings of 40-50%.

A revolution has been made in the drive stations of transport equipment. The introduced changes guarantee: innovation, modernity, saving space, time, reduction of assembly costs and equipment service.

Development and improvement of cooperation with OEM gear manufacturer - special for FEERUM applications.

The most important events of the third quarter of 2017

Investment program under implementation

**Financial results for the first three quarters of 2017**

Sales development trends

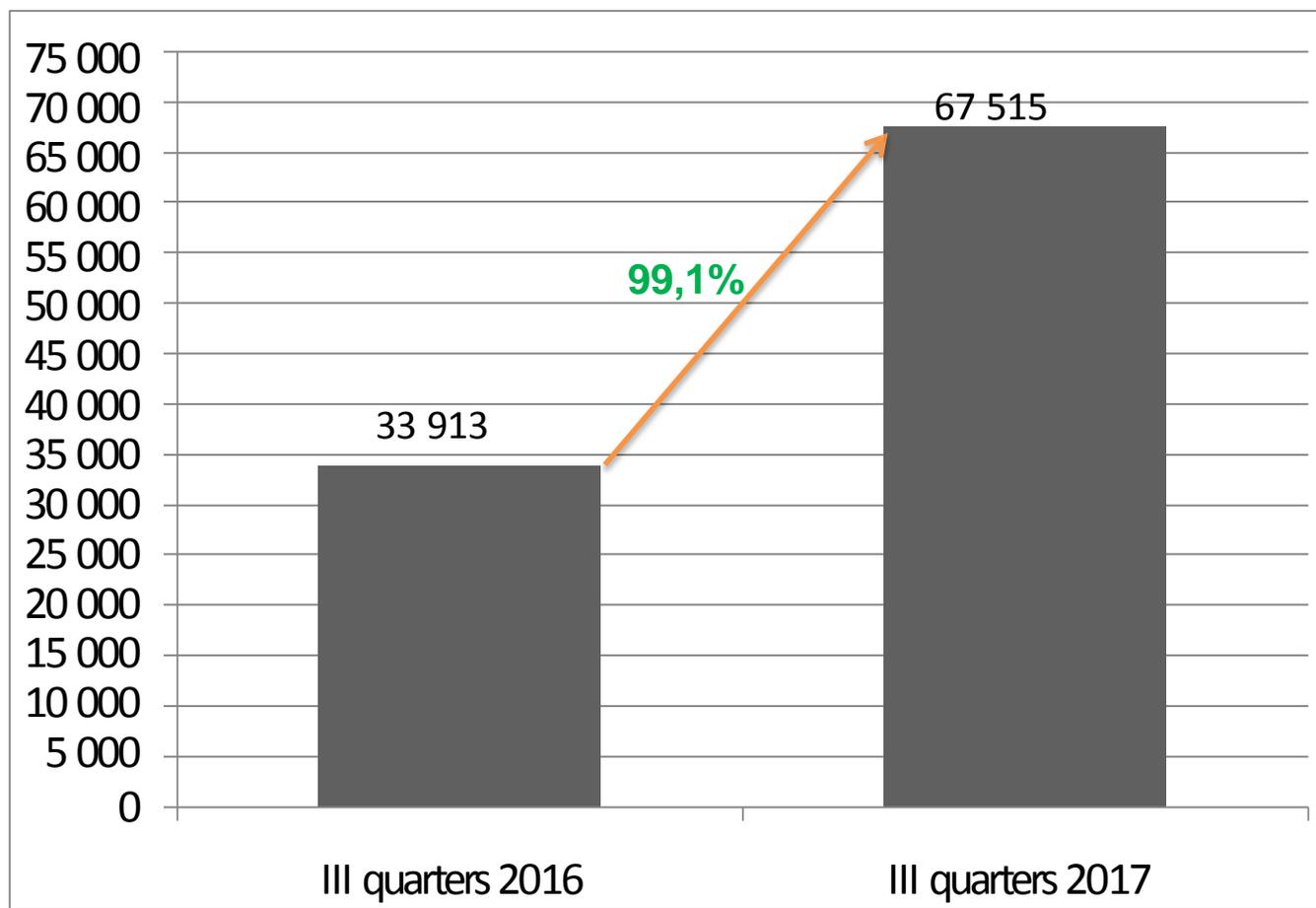
Project Tanzania

Strategy

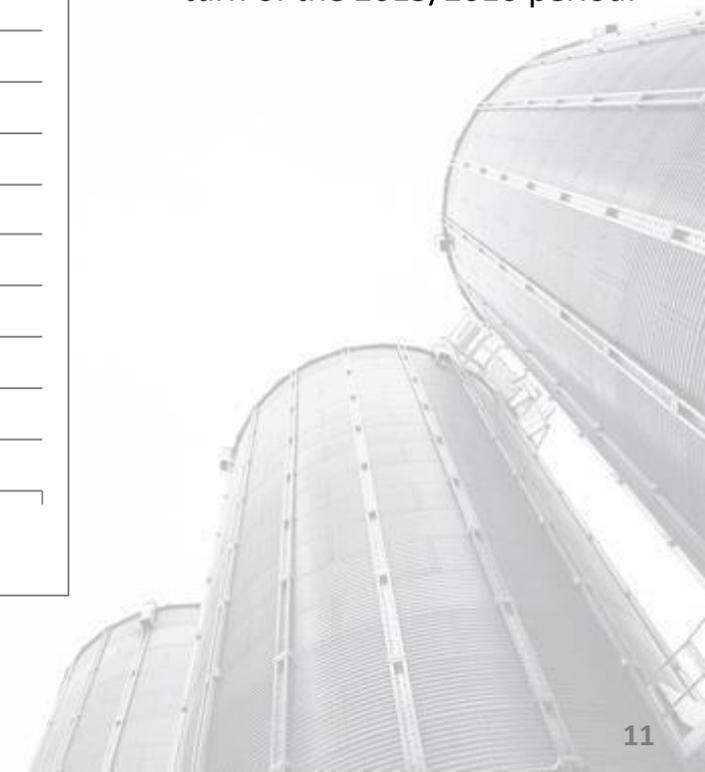
Summary



(tys. PLN)



The increase in revenues from sales was primarily affected by the resolution of a number of applications for EU funding from the Agency for Restructuring and Modernization of Agriculture for which recruitment took place at the turn of the 2015/2016 period.



# The revenue structure by sales directions

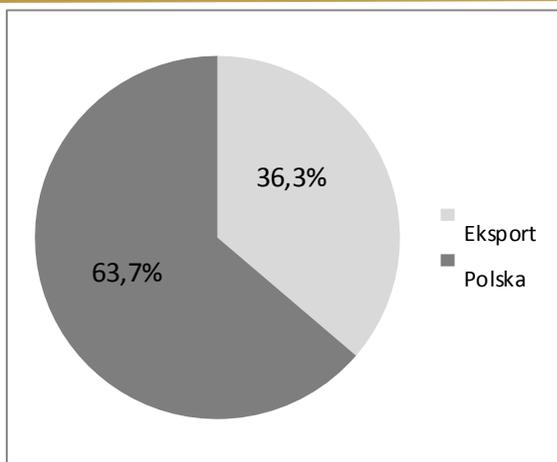


## Geographical structure of revenues

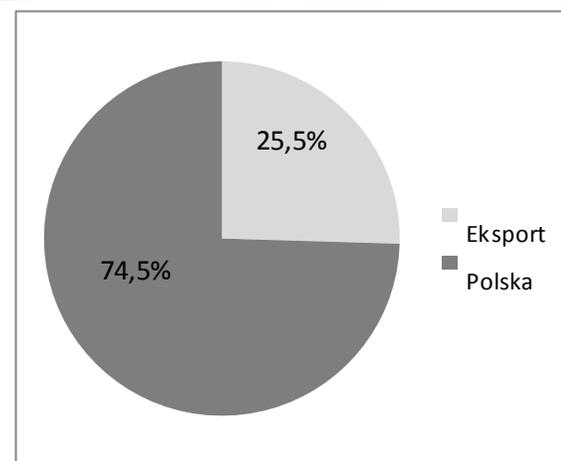
thous. zł	III quarters 2017	III quarters 2016	change (thous. zł)	change (%)
Poland	43 027	25 275	+ 17 752	+70,2%
Exsport	24 488	8 638	+ 15 850	+183,5%
Total	67 515	33 913	+ 33 602	+99,1%

- The export growth was mainly driven by sales in Eastern European markets: Ukrainian and Lithuanian.

**III quarters 2017**



**III quarters 2016**



# Basic financial results for the third quarters of 2017



	I-III q. 2017	I-III q. 2016	change (thous. zł)	change (%)
Sales revenues	67 515	33 913	+ 33 602	+ 99,1%
Gross profit from sales	14 039	3 384	+ 10 655	+ 314,9%
Gross margin on sales	20,8%	10,0%	-	+ 10,8 p.p.
EBITDA	14 191	5 238	+ 8 953	+ 170,9%
EBITDA profitability	21,0%	15,4%	-	+ 5,6 p.p.
Operating profit (EBIT)	7 322	- 1 926	+ 9 248	+ 480,2%
Profitability on operating activity	10,8%	- 5,7%	-	+ 16,5 p.p.
Gross profit	6 543	- 1 953	+ 8 497	+ 435,0%
Gross profit margin	9,7%	- 5,8%	-	+ 15,5 p.p.
Net profit	6 084	- 1 603	+ 7 688	+ 479,5%
Return on net sales	9,0%	-4,7%	-	+ 13,7 p.p.

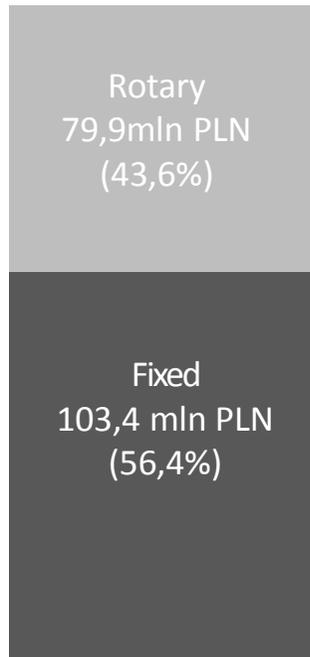


## Assets

## Liabilities

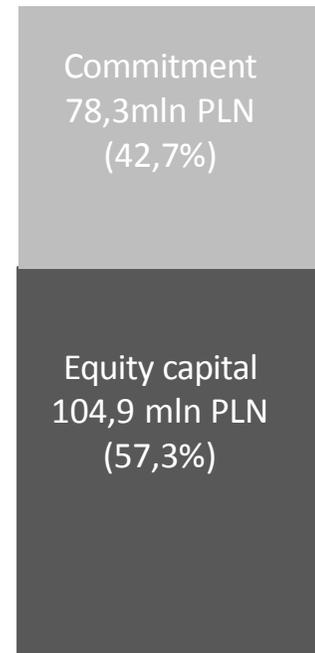
### Main items:

- ✓ Financial stocks – 57,8 mln PLN
- ✓ Receivables – 17,1 mln PLN
- ✓ Cash flow – 3,4 mln PLN



### Main items:

- ✓ Short-term liabilities due to deliveries and services – 18,7 mln zł
- ✓ Long-term loan – 14,1 mln zł
- ✓ Long-term accruals – 14,8 mln zł



**Balance sheet total: 183,3 mln PLN**



The most important events of the third quarter of 2017

Investment program under implementation

Financial results for the first three quarters of 2017

**Sales development trends**

Project Tanzania

Strategy

Summary



# Assessment of the current situation in the most important



- The company observes constant demand for elevators, both on the domestic and foreign markets,
- The current backlog includes 34 contracts with a completion date in the period 2017 to 2019 of approximately 156.1 million PLN.
- Among foreign markets, the leading involvement so far has been located on the European north-east markets, which encourages (PLN million) for further intensive work in this area and resulting in intensification of orders.  
We are currently involved in tenders in Lithuania, Latvia and Estonia, where the implementation of investments offered by the Group, as in Poland, is in correlation with EU subsidies. We estimate the market potential of the Baltic countries at around PLN 30 million. This year, the Company has launched a dozen or so warehousing and drying facilities in these countries, which strengthens its position on the markets of the Baltic countries.
- We are observing a significant increase in exposure in Ukraine, where currently, apart from contracted agreements, investments worth PLN 25 million are planned and planned. In addition, the upward trend in this market should be maintained over the next 2-3 years. Cooperation was established with a new dealer - a representative of the Ukrainian company AGRICON on the market. This entity has many years of experience in the agro industry, which has a promising effect on the planned sales on that market.
- Numerous inquiries and tender offers emerging from the Moldavian market give rise to optimism, inducing intensive work in this market. However, the possibility of implementing projects depends on the launch of intergovernmental loan. At present, the recruitment of projects has been suspended until the agreement on the extension of the period in which trade contracts can be concluded under the Intergovernmental Agreement, which caused the suspension of trade talks between FEERUM and the Moldovan market entities. Bearing in mind the cooperation between the two countries, as well as the existing agreements and contacts with local clients, we estimate the value of pre-approved projects at around PLN 30 million. We remain in constant contact with our clients. Project documentation is prepared and each construction can be launched at any time.
- Trade activities in the Russian Federation and Kazakhstan are still being maintained and developed, where marketing efforts have been intensified through effective participation in exhibitions, agricultural fairs, as well as in thematic conferences organized by the governments of both countries. The efforts made have resulted in the signing of an agency agreement with a dealer that conducts active commercial activities in Russia. The first effects of cooperation are complex trade offers worth PLN 10 million. In addition, in the current quarter, cooperation was established with a Polish company present for many years on the Russian market in the area of sales of large warehouse and drying bases. A measurable effect of this cooperation are already two commercial offers for a total value of over PLN 13 million.
- As the foreign target markets for new products, the countries of Central and Eastern Europe are also effectively analyzed, with a significant emphasis on the Czech Republic and Slovakia. Currently, the first tangible effects appeared on the Czech market, where the first contract was signed and the assembly of facilities began.

The most important events of the third quarter of 2017

Investment program under implementation

Financial results for the first three quarters of 2017

Sales development trends

**Project Tanzania**

Strategy

Summary



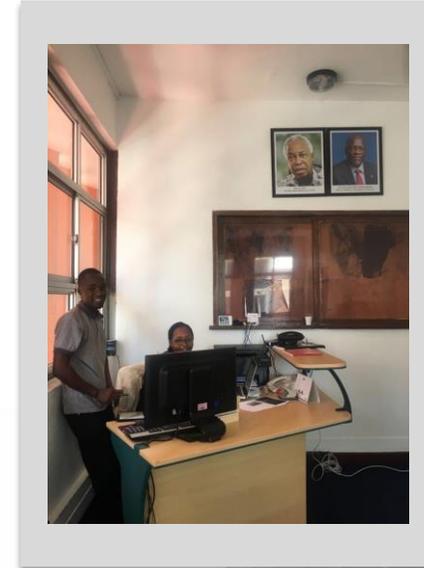
- On December 22, 2016, the Company signed a contract with the National Food Reserve Agency based in Dar es Salaam (United Republic of Tanzania) for the construction of five grain silos and storage facilities on the territory of the United Republic of Tanzania and the revitalization of existing storage facilities.
- On November 23, 2017, the Company received information about the completion of the ratification process, conducted by the Governments of the United Republic of Tanzania and the Republic of Poland, the agreement between the National Food Reserve Agency (NFRA) based in Dar es Salaam (United Republic of Tanzania) and Feerum, for the implementation of the project in Tanzania. The last element of ratification was the sending by the Ministry of Finance of the Republic of Poland to the Ministry of Finance of the United Republic of Tanzania, a written acceptance of the agreement with NFRA as amended by annex of February 13, 2017. The contract with NFRA will come into force on the fifteenth day after the day of sending the above-mentioned acceptance to the Ministry of Finance of the United Republic of Tanzania, that is on 9 December 2017.
- The financing of the above agreement comes entirely from a loan granted by the Government of the Republic of Poland to the Government of the United Republic. The first payment under the contract, in the amount of USD 4.971 million, ie almost PLN 17.5 million (according to the average exchange rate of the National Bank of Poland from November 28, 2016), will be made in the form of advance payment before the start of deliveries, i.e. probably still this year. Subsequent payments will be sent after submitting documents regarding the transport of individual silo batch.



# Project Tanzania – status



- A branch of Feerum Tanzania was registered, which obtained the necessary licenses to conduct activities in Tanzania.
- The projects of storage and drying complexes along with other infrastructure facilities were carried out for all locations, taking into account seismic and geological conditions.
- Cooperation with local construction companies and design offices was established.
- Purchase of construction equipment: excavators, telescopic loaders, trucks, which will be equipped with the Feerum Tanzania branch.
- On November 23, 2017, the intergovernmental ratification process was completed.
- The first deliveries of construction equipment and containers with equipment for the construction facilities today, November 29, 2017, enter the port of Dar es Salaam.
- Currently, contracts are signed with subcontractors of construction works and provision of services property protection, suppliers of building materials.
- At the plant in Chojnów, the production of individual elements of the above-ground part of the storage and drying facilities is in progress.
- The commencement of construction works is planned for January 15, 2018.



The African continent is increasingly counting on the international arena as a large market and potential investment market. Sub-Saharan Africa (49 countries out of 54 located on the continent) is not only an area of poverty and poverty, but also a huge potential and economic prospects. The branch of agricultural machinery and equipment is one of the most promising areas from the point of view of Poland because many countries of this continent are unsaturated markets.

In many countries agriculture is responsible for 30% of GDP, and mechanization and intensification of agricultural production is a key priority. There is also a significant percentage of the workforce employed in the agricultural sector, which accounts for up to 85% of the economically active population.

The prevailing good political climate - the so-called Economic diplomacy, especially in the case of government contracts in African countries, facilitates the strengthening of business relationships.



Economic missions organized by the Polish Chamber of Commerce (KIG), the Polish Investment and Trade Agency (PAIH), the Ministry of Foreign Affairs (Ministry of Foreign Affairs) and individually:

29 -30 November 2017 - 6th EU-Africa Business Forum (EABF)

May 2017- Ethiopia- Patron of the President of the Republic of Poland Andrzej Duda

March 2017- Rwanda

December 2016- Egypt

November 2016- Zambia

October 2016- Algeria

July 2016- Senegal

July 2016- Angola

July 2016- Kenya and Tanzania

March 2015 Ethiopia

December 2015 - Angola



# Activities aimed at the African market

In September this year we took part in the economic forum in Krynica where our representative was one of the panelists and we could share practical knowledge about the African market

In March 2017, our company also took part in the Poland Africa Business Forum organized in Warsaw



In September, the Company participated in the Polish-Nigerian economic forum in Poznan

The most important events of the third quarter of 2017

Investment program under implementation

Financial results for the first three quarters of 2017

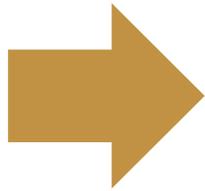
Sales development trends

Project Tanzania

**Strategy**

Summary





Obtaining an important player position on the international arena

Dynamic increase in the scale of operations

Sales on the domestic and foreign market

Modern technologies and expansion of the production base

Strengthening sales network and design department

Intensification of sales activities on foreign markets

Expansion of the production base

Investments in modern technological solutions

The most important events of the third quarter of 2017

Investment program under implementation

Financial results for the first three quarters of 2017

Sales development trends

Project Tanzania

Strategy

**Summary**



# Feerum after the third quarters of 2017



High contracted  
and the potential portfolio for  
the period 2017-2019.  
Good market prospects

Nearly 100%  
increase in sales  
revenues y/y

Intergovernmental  
ratification of the contract  
with NFRA Tanzania.  
Continuation of activities on  
the African market.



A new contract with  
the National Center for  
R&D for research and  
development under  
POIR - 2.2 million PLN  
in funding.

Innovative products on  
the global scale in the  
Company's offer.  
Significantly  
strengthened  
competitive advantage.

Significant potential  
production company  
and high production  
efficiency

Thank you for your attention



6 Okrzei Street  
59-225 Chojnów

[www.feerum.pl](http://www.feerum.pl)

This study has been prepared solely for information purposes. It does not constitute advertising or offering securities in public trading. The study uses information sources that FEERUM S.A. considers it credible and accurate, but there is no guarantee that it is comprehensive and fully reflects the facts. The study may contain statements regarding the future, which constitute investment risk or a source of uncertainty and may significantly differ from the actual results. FEERUM S.A. is not responsible for the effects of decisions taken on the basis of this study. Responsibility rests solely with those who use the study.

