



Presentation of results for the third quarter of 2018
December 5, 2018

Representatives



Daniel Janusz

president of the Board



Piotr Wielesik

Member of the Board

Presentation plan

The most important events of the third quarter of 2018

Sales development trends

FEERUM in Ukraine

Project Tanzania

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Foreign markets

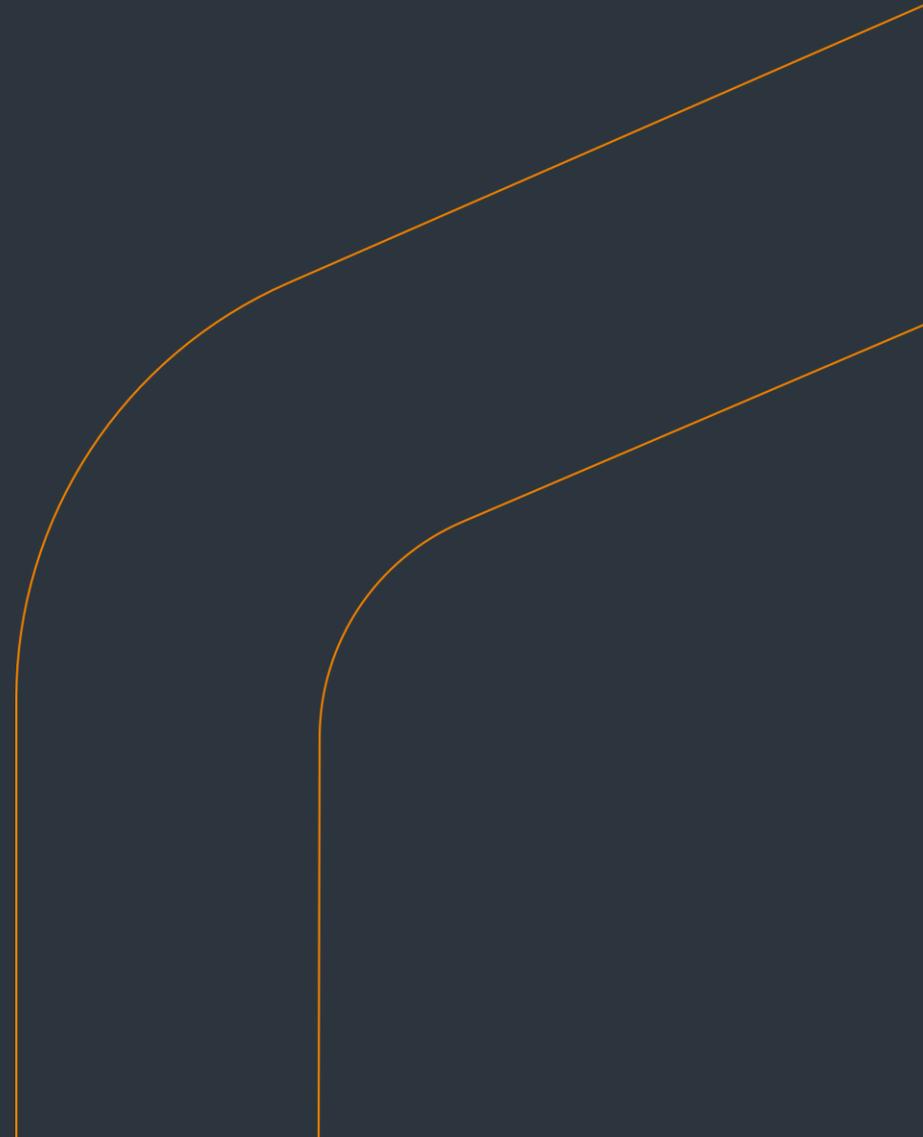
Strategy

Summary

The most important events of the third quarter of 2018

- After three quarters of 2018, sales revenues increased by nearly 49% (y/y). In addition, prospects for potential future contracts allow you to assess future periods with optimism.
- The portfolio of contracted contracts for 2018-2020 is at a high level - it is approximately **PLN 351.9 million** and includes **34 contracts**. The potential portfolio of clients waiting for EU funding and holding a building permit is currently at a level of approximately **PLN 39.9 million**. In turn, the portfolio with the deadline for completion in 2019-2020 includes projects with a total value of over **PLN 185.2 million**.
- The company signed two large (conditional) agreements with the Ukrainian company EPICENTR K LLC for the sale of cereal silo complexes with a total value of nearly **EUR 50 million (PLN 209.8 million)**. The implementation of contracts will mean a significant increase in the company's results.
- FEERUM strengthens its position on the African market. The company is consistently implementing a contract signed with the National Food Reserve Agency with a total value of USD 33.1 million (approximately PLN 139.9 million according to the average exchange rate of the National Bank of Poland as at December 22, 2016). As of the date of publication of the report, the Company realized 60% of the value of the contract in the scope of supply of machinery and equipment and received a payment in the amount of **13 485 thousand USD**, including an advance payment in the amount of PLN 4,971 thousand USD.
- Sales activities on Western European markets are continued, engagement in Lithuania is growing, and active and effective trading activities in Ukraine are also being carried out. Projects on the Romanian market have been launched, there are intensive marketing works and first offers in the Russian Federation and Kazakhstan.

FEERUM in Ukraine



Ukrainian contracts

Client

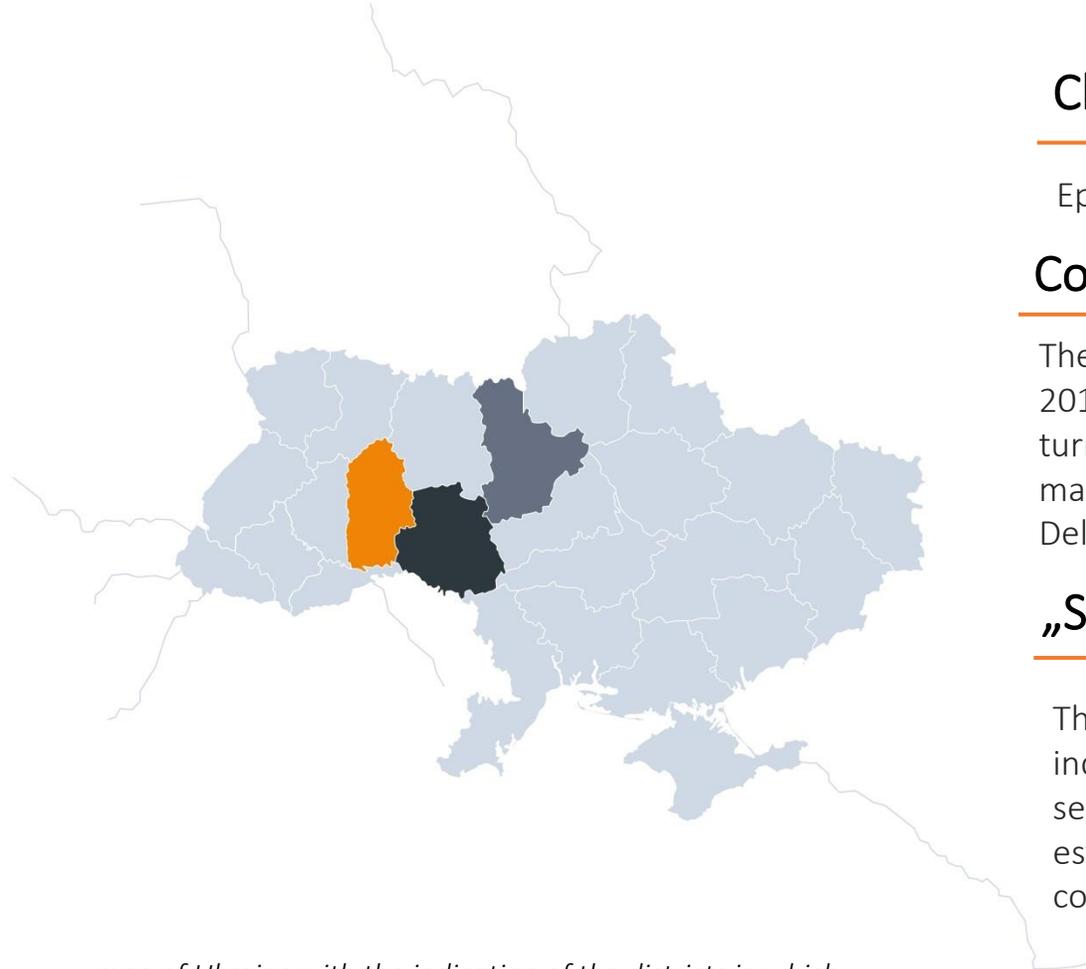
Epicentr K LLC

Condition for the implementation of contracts

The contracts are conditional. According to the agreement, from March to October 2019, 100% of the first large contract (35.6 million euros) is to be completed. In turn, from August to December 2019, 80% of the second, smaller contract will be made, and by the end of February 2020, the remaining 20% (EUR 13.3 million). Deliveries will be effected in western Ukraine.

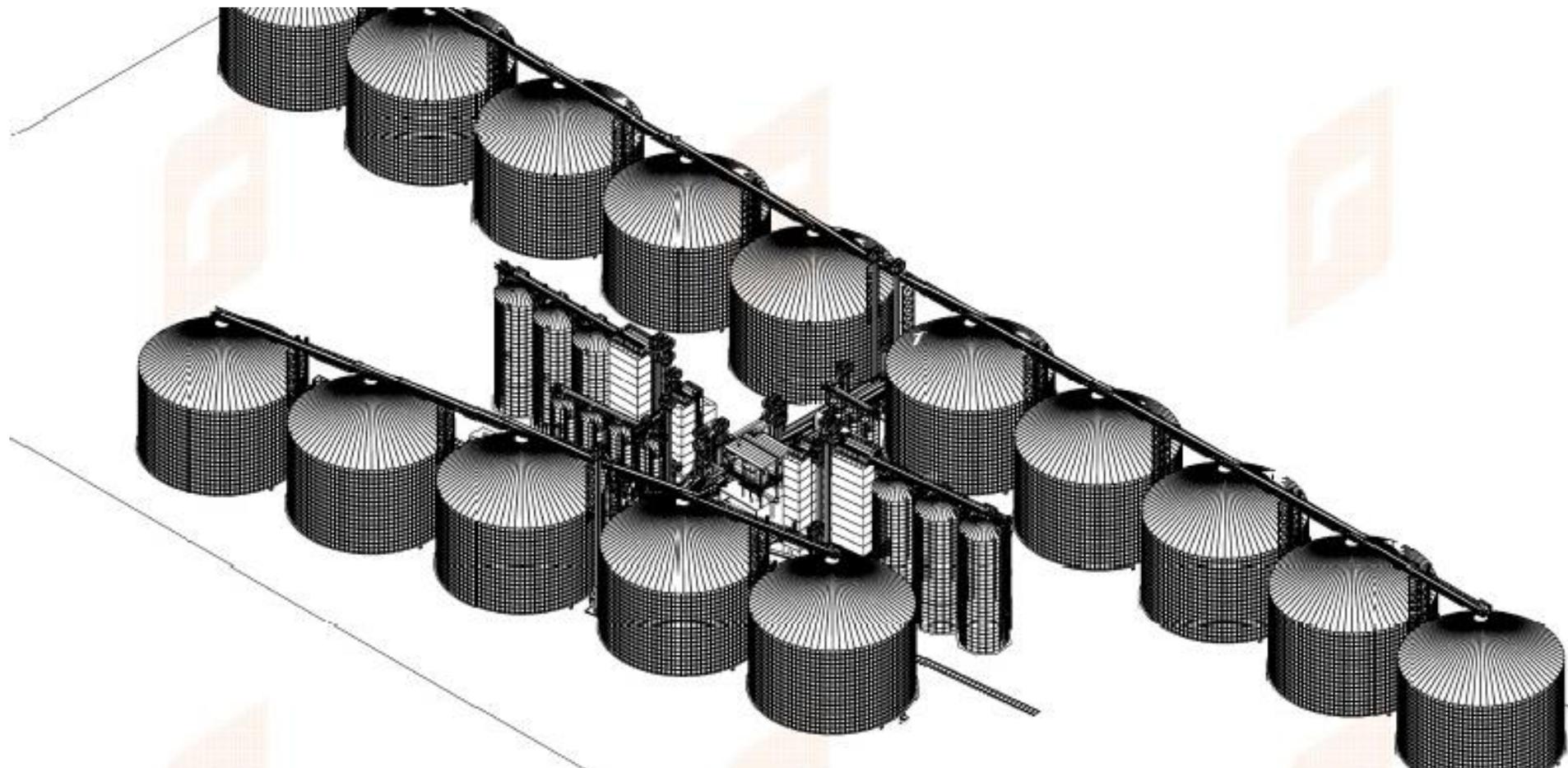
„Supplier's credit”

The contract will be financed in the so-called "Supplier's credit". In the event of an indisputable amount receivable, FEERUM has the right to sell it at a discount to a selected bank or financial institution. The Ukrainian contractor undertook to establish a pledge on silo elements and a mortgage on put into service silo complexes as collateral for KUKA or another entity purchasing receivables.



map of Ukraine with the indication of the districts in which investments are planned

One of the objects to be built in Ukraine



The concept of the object in force on November 27, 2018.

KUKE letter of intent



“

We are very advanced in conversations with KUKE regarding the insurance of receivables. On the day of signing the contracts, we received a letter of intent confirming the intention of KUKE to insure our receivables in the dates provided for in the contracts

Daniel Janusz, FEERUM JSC.

”

KUKE maintains an insurance policy towards Ukraine



<https://www.kuke.com.pl/aktualnosci/kuke-utrzymuje-dotychczasowa-polityke-ubezpieczeniowa-wobec-ukrainy,95.html>

27.11.2018

„KUKE ensures the security of trade and the possibility of granting bank loans for investment projects. We constantly adjust our risk assessment policy to the dynamically changing situation. Analyzing our own experience as well as the experiences of our clients, we also pay special attention to the payment morale of local businesses.”

Project Tanzania

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FEERUM in Africa

We obtained a VAT exemption for suppliers

So far, we have received payments in the amount of 13 485 thousand USD, of which PLN 4,971 thousand USD is an advance payment



- **33.1 million USD** - the total value of the contract with NFRA
- we will build complexes with a total capacity of **190,000 m³ of grain**
- at the moment, about **80%** was produced, and about **60%** of the entire installation was sent to Tanzania for all locations
- the goods were sent in **230 containers** by sea



Songea – construction site

Works carried out in the third quarter of the year in Tanzania

- In the third quarter of 2018 preparatory work was completed in all five locations. As soon as possible, earthworks and construction works were also started for silos and storage halls consisting in leveling the ground and making excavations for foundations.
- In three locations, about 80% of excavations were performed by the end of September. In the largest object - Songea - foundations for six silos were dug (from 12 planned). The stabilization process of foundations was started on some of the objects.
- Where, in addition to silos, storage halls (Makambako, Songea and Shinyanga) will also be built, the leveling of the land has been carried out.
- Silo reinforcements are already prepared on all objects. Concrete produced in our own concrete mixing plants is used for building and pouring foundations.



Construction of silos

Foundations with a base taking into account the conditions of the seismic zone



Own concrete production

We pour concrete of our own production on every construction site. We purchased mobile concrete mixing plants with efficiency 20m³ concrete per hour

Construction sites are regularly controlled by representatives of the Tanzanian government and NFRA



general director of NFRA



secretary general for agricultural engineering

A visit of farmers from the Songea region and journalists from Tanzania at FEERUM



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Sales revenues (thous. PLN)

The result for the year 2017 - 96 134 thous. PLN

III quarter of 2018

100 657 sales revenues

III quarter of 2017

67 515 sales revenues



The revenue structure by sales directions

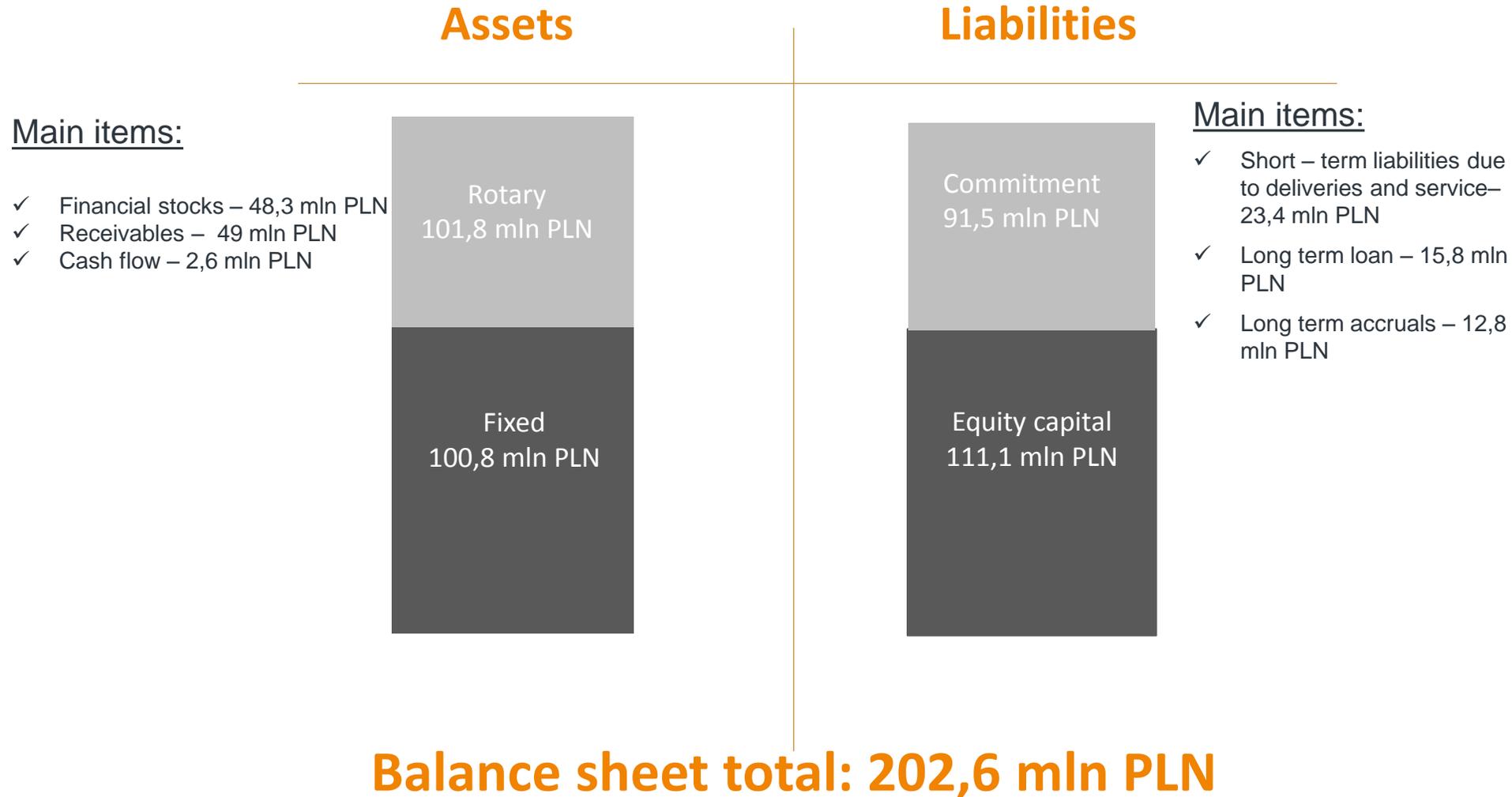
	From 01.01 to 30.09.2018	From 01.01 to 30.09.2017	2017
Country	30 234	43 027	55 075
Export	70 423	24 488	41 059
Ukraine	8 498	9 141	11 912
Lithuania	13 499	14 050	14 660
Romania	410	305	305
Germany	249		46
Tanzania	47 083		13 412
Others	684	993	723
Total	100 657	67 515	96 134

mIn PLN	I-III Q 2018	Share in sales	I-III Q 2017	Share in sales
Poland	30,2	30%	43	63,7%
Export	70,4	70%	24,5	36,3%

Podstawowe wyniki finansowe za III kwartał 2018 roku

thous. PLN	I-III Q 2018	I-III Q 2017	Change	2017 year
Sales revenues	100 657	67 515	49%	96 134
Gross profit from sales	15 770	14 039	12,3%	16 832
Profit from operating activities (EBIT)	6 372	7 322	- 13%	6 462
EBITDA	12 661	14 071	- 10%	15 440
Gross profit	8 337	6 543	27,4%	4 592
Net profit	7 817	6 084	28,5%	4 469

The structure of the balance sheet as at September 30, 2018



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.

Foreign markets

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Foreign markets

- The company is observing constant demand for elevators, both on the domestic market and abroad.
- The current order portfolio includes **34 contracts** with a value of approximately **PLN 351.9 million** with a maturity date of 2018-2020.
- The Company showed the highest activity abroad on the European North-Eastern markets, which translates into a growing number of orders from this direction.
- Currently, FEERUM competes in tenders in Lithuania, Latvia and Estonia, where the implementation of investments, similarly to Poland, is in correlation with EU subsidies. The potential of the Baltic states' markets is estimated at around **PLN 20 m**. This year, the Company has launched several storage and drying facilities in these countries, which guarantees and strengthens its position on local markets.
- A significant increase in involvement is observed in Ukraine, which significantly increased the portfolio of contracted contracts. On November 27, 2018, the group signed two (conditional) agreements with Epicentr K LLC with its registered office in Kiev for a total value of over **PLN 209 million**. In addition to the contracted contracts, investments of approximately **PLN 30 million** are planned and planned. The upward trend of this market should be maintained over the next 2-3 years. At the turn of the year 2017/2018, the Group concluded a contract with a new trading partner representing it in Ukraine. The effect of this cooperation is, among others the aforementioned contracts included as at the date of publication of the report.

Foreign markets - cont.

- The company maintains and develops commercial activities in the Russian Federation and Kazakhstan, where it intensified marketing through participation in exhibitions, agricultural fairs and 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 trade in Russia. The first quantifiable effects of the cooperation are commercial offers at the level of **PLN 15 million**, of which about **PLN 3 million** relates to Kazakhstan.
- The countries of Central and Eastern Europe, including the Czech Republic and Slovakia, are also considered as target foreign markets. The first contract worth **601,000 PLN** is already being implemented in the Czech Republic.
- The company is also active on the Romanian and Hungarian market, where it implemented the first projects. Commercial activities undertaken with the participation of two intermediaries resulted in submitting bids totaling over **PLN 5 million**, as well as entering into a contract for the amount of **77,000 euro**. In Romania, as in other EU countries, a significant part of investments is correlated with subsidies from the European Union budget.

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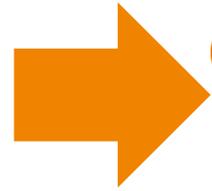
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Obtaining an important player position on the international arena

Dynamic increase in the scale of operations

Sales to the domestic market and foreign markets

Strengthening sales network and design department

Intensification of sales activities on foreign markets

Modern technologies and expansion of the production base

Expansion of the production base

Investments in modern technological solutions

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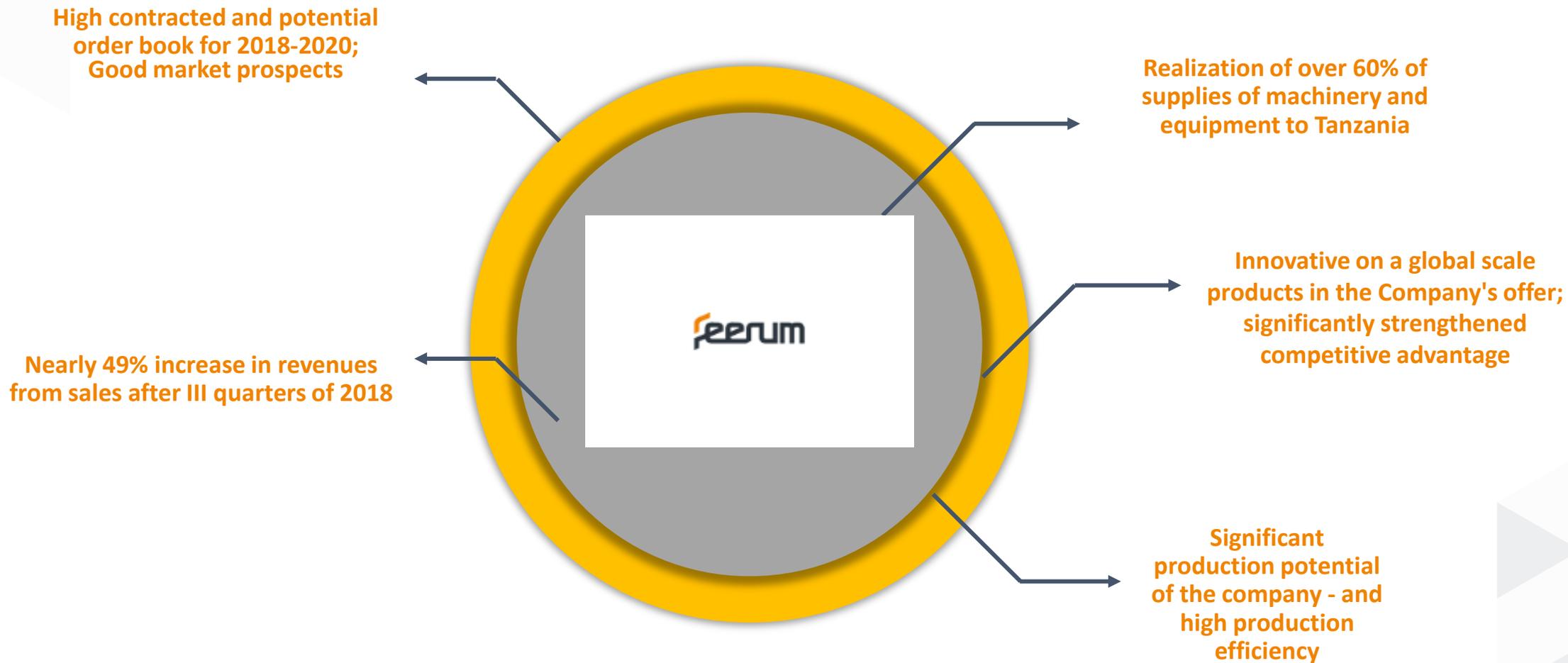
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FEERUM after the three quarters of 2018





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Reservation

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