

Presentation of the results for the third quarter of 2016
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president of the Board



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The most important events of the third quarters of 2016

The investment program in implementation

Financial results for the third quarter of 2016

Directions of sales development

Strategy

Summary

- Financial results for the third quarter of 2016 lower than in the same period last year mainly due to the shift of the period of awarding EU funding from ARiMR.
- The high portfolio of potential orders allows us to look optimistically at the outlook for the period 2017-2018.
- Continuation of sales activities on Western European markets, projects launched on the Romanian market, increased involvement in Lithuania, active and effective commercial activity in Ukraine, expected contracts on the Moldavian, German, Austrian and Czech markets, intensive marketing and first offers in the Federation Russian and Kazakhstan
- Efficient use of the ERP Impuls integrated enterprise management system together with a platform for design and construction based on Solidworks results in high production readiness and a significantly enhanced competitive advantage.
- Impact of final payments from EU subsidies. The company received co-financing in the total amount of over PLN 25 million
 - 2013 year – 6,5 mln PLN,
 - 2014 year – 7,8 mln PLN,
 - 2015 year – 9,5 mln PLN,
 - 2016 year - 1,2 mln PLN.

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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 3,0 million.
Financed was planned with own funds .

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
- Other works R&D

- purchase of machinery and equipment
- modernization of the production hall

3,0

planned expenditures

3,0

1,25

expenditures incurred

0,42

1,25

own resources

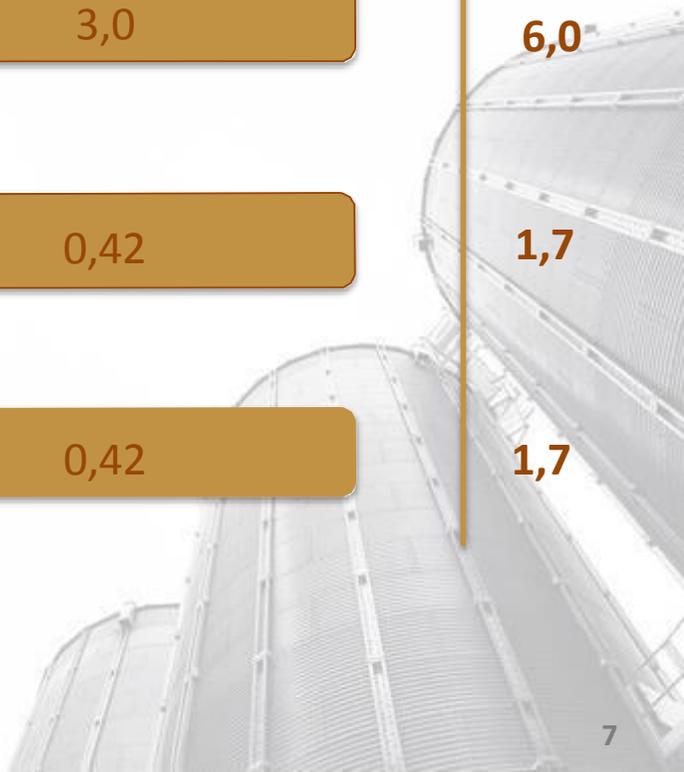
0,42

mIn PLN

6,0

1,7

1,7





- A new layout of machines in connection with the expansion and modernization of the production plant
- Improving the production planning system - organizational changes



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%.

We introduced grain cleaning machines based on contract production for FEERUM by a foreign supplier. The action allowed to achieve purchase savings of up to 40%.

Production of fasteners used in the chemical anchoring technique was launched. This action enabled the reduction of purchase costs for this assortment at the level of 70% per annum.

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.

Introduced butyl seals for screw connections, establishing direct cooperation with producers. The purchase costs were reduced by 30%, excluding the expanded distribution grid. Applied technology translates directly into increased tightness of screw connections and reduced service costs.

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

A "grain cooling aggregate" has been added to the offer - it is an innovative product on offer, created as part of cooperation with a cooperator. The development of our own solution made it possible to significantly reduce the purchase costs of ready-made solutions functioning on the market and to reach the customer with an attractive, technically and priced product.

Changes in the range of used drives - significant changes have been achieved, ie OEM production - products dedicated to the needs of FEERUM S.A., standardization of used drives, financial savings at the level of 35-45%.

The development of foreign suppliers market in the field of screw connection production for FEERUM. As a result, the purchase cost was reduced by 30-40%.

Automation of the production process of flanges for fittings - investment in additional tools for the eccentric press enabled switching the production of the flanges to an automated continuous process. As a result, the production sockets (burners) were relieved and free production capacity was obtained for the implementation of additional orders. In addition, the automated flange production process guarantees a significant reduction in time consumption, minimization of post-production waste and guarantees product quality repeatability.

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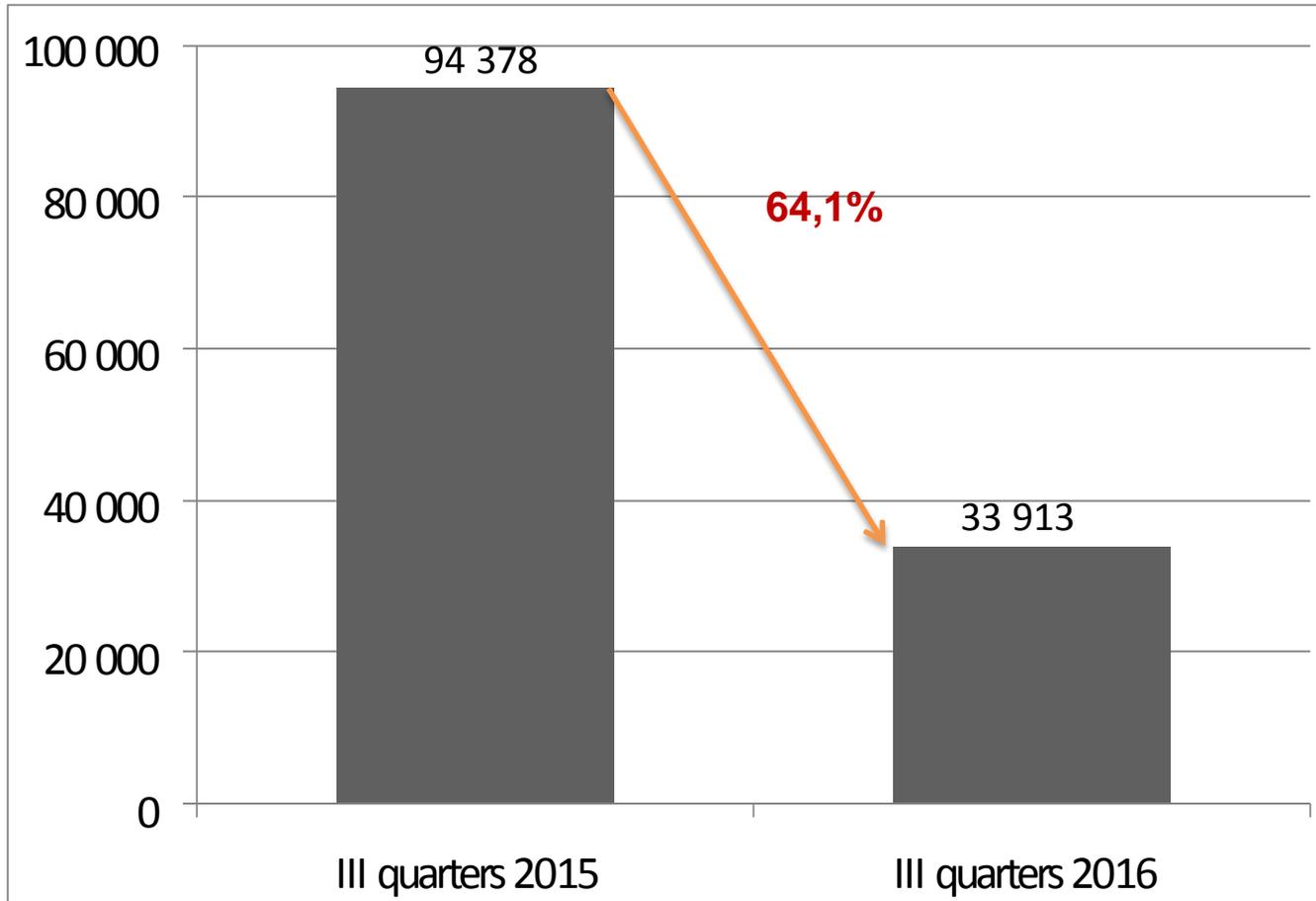
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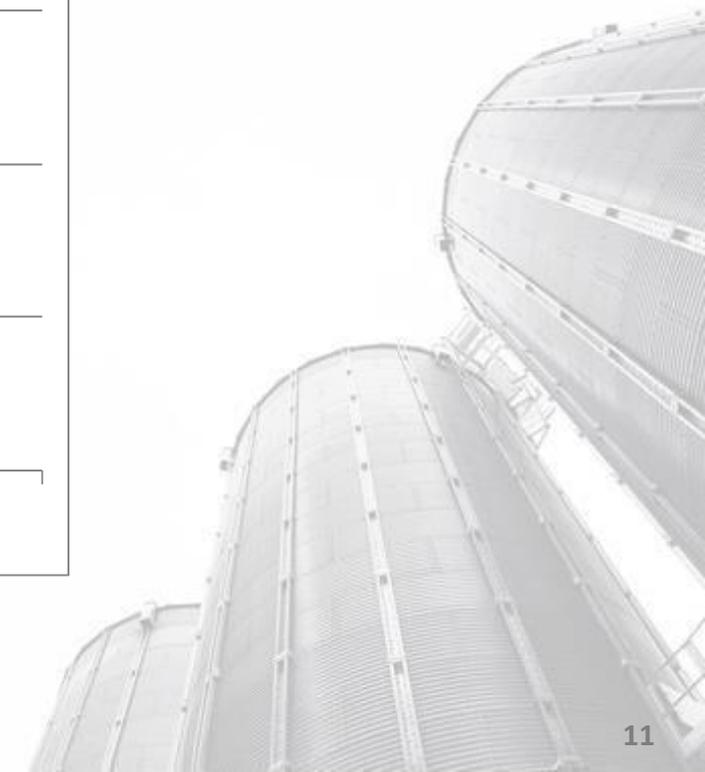
Summary



(thous. PLN)



The decrease in sales revenues was mainly due to the shift in the period of granting EU subsidies from the Agency for Restructuring and Modernization of Agriculture to key clients of the Company.



Geographical structure of revenues

thous. zł	III quarters 2016	III quarters 2015	change (thous. zł)	change (%)
Poland	25 275	79 270	- 53 995	- 68,1%
Export	8 638	15 108	- 6 470	- 42,8%
Total	33 913	94 378	- 60 465	- 64,1%

Basic financial results for the third quarter of 2016



thous. PLN	III quarters 2016	III quarters 2015	change (thous. zł)	change (%)
Sales revenues	33 913	94 378	- 60 465	- 64,1 %
Gross profit from sales	3 384	17 449	- 14 065	- 80,6 %
Gross margin on sales	10,0%	18,5%	-	-
EBITDA	5 238	14 876	- 9 639	- 64,8 %
EBITDA profitability	15,4%	15,8%	-	-
Operating profit (EBIT)	- 1 926	9 911	- 11 837	- 119,4%
Profitability on operating activity	- 5,7%	10,5%	-	-
Gross profit	-1 953	9 850	- 11 803	- 119,8%
Gross profit margin	-5,8%	10,4%	-	-
Net profit	-1 603	9 189	- 10 792	- 117,4%
Return on net sales	-4,7%	9,7%	-	-

Balance sheet structure as of September 30, 2016

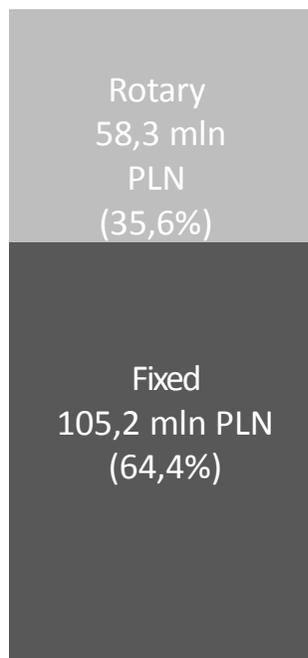


Assets

Liabilities

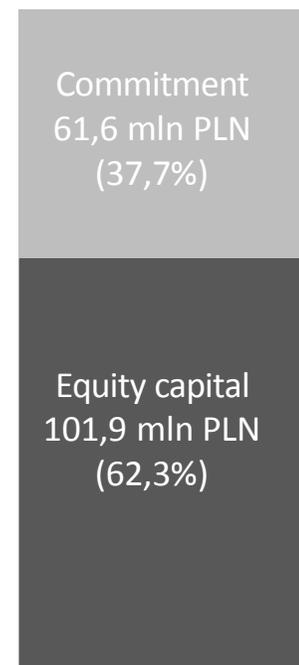
Main items:

- ✓ Financial stocks – 39,4 mln
- ✓ Receivables – 10,4 mln
- ✓ Cash flow – 7,3 mln



Main items:

- ✓ Short-term liabilities due to deliveries and service – 8,7 mln
- ✓ Long-term loan – 13,7
- ✓ Long-term accruals – 18,6 mln



Balance sheet total: 163,5 mln PLN

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- The company is observing a further increase in the demand for elevators, both on the domestic and foreign markets.
- The current order portfolio includes 24 contracts with a delivery deadline of 2016/2017 with a value of approximately PLN 38.4 million. The Company has assessed the reduced level of the contracted portfolio as temporary due to the shifted period
- Income of EU funding from ARiMR for key clients.
- Market research as natural directions of expansion is indicated by international markets, mainly Central and Eastern European countries, with particular emphasis on the Czech Republic, Slovakia and Romania.
- The government program for Moldova is optimistic. Numerous inquiries and tender offers lead to intensive work in this market. Bearing in mind the cooperation between our countries, as well as the existing contracts and contracts with local clients, we estimate the value of pre-approved projects at around PLN 30 million.
- Activity on the Romanian market made it possible to start the implementation of the first projects, while the undertaken trade activities resulted in the submission of further offers totaling PLN 23 million. Here, as in Poland, a significant part of the investment is correlated with subsidies from the EU budget - procedural.
- Deepening operations on the eastern markets, the Company is involved in tenders in Lithuania and other Baltic countries. We estimate the potential of this market at around PLN 12m.
- The increase of involvement in Ukraine, where at the moment beyond the contracted contracts, an investment project of approximately PLN 25 million is planned and planned. The upward trend of this market should be maintained over the next 2-3 years.
- Intensified marketing work in the Russian Federation and Kazakhstan, where through effective participation in exhibitions, agricultural fairs, as well as in thematic conferences organized by the governments of both countries, a product offer was presented, resulted in the signing of the first agency agreement with the dealer. It made it possible to submit initial commercial offers at the level of PLN 10 million.
- Cooperation with an enterprise in Germany was established, thanks to which the Company expanded the possibilities of reaching potential clients along with securing the dealership and agency sale. The potential of this market for the upcoming six months is estimated at around PLN 15 million.
- We also observe very high interest from customers from the Austrian, Czech and non-European markets.

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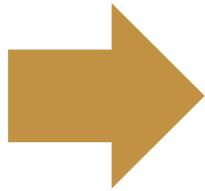
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Obtaining an important player position on the international arena

Dynamic increase in the scale of operations

Sales 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

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High potential portfolio for the period 2017/2018

Significant production potential of the company. High readiness and efficiency of operations

Prestigious awards confirming the innovation of the business.



Received EU subsidies with a total value of over PLN 25 million

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

Good market perspective

Thank you for your attention



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