

Presentation of the results for 2016
May 12, 2017





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The most important events of 2016

Investment program under implementation

2016 financial results

Directions of sales development

Project Tanzania

Strategy

Summary

- 2016 fully used to optimize processes in the company, streamlining operations, both at the level of construction, design of storage and drying facilities, as well as production and logistics. Currently, thanks to the investment outlays incurred in the years 2013-2016 for an innovative machine park and an integrated IT system, it is possible to implement individual contracts with a significantly larger scale than before.
- The financial results of 2016 were lower in relation to the previous year mainly due to the shift of the period of awarding EU funding from ARiMR. However, despite relatively low sales revenues, we recorded a positive result at the level of gross profit on sales.
- A very good portfolio of orders contracted at PLN 194.1 million and a high portfolio of potential orders allow us to look optimistically at the years 2017-2018.
- The first step in implementing the strategy related to the Company's expansion on the African market was successful. An agreement was signed 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 revitalization of existing storage facilities with a total value of USD 33.1 million (around 139, PLN 9 million).
- 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 Kazakh.
- Impact of final payments from EU subsidies. The company received co-financing in the total amount of over PLN 25 million: 2013 - 6.5 million PLN, 2014 - 7.8 million PLN, 2015 - 9.5 million PLN, 2016 - 1.2 million 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 is planned from own resources.

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

3,0

planned expenditures

3,0

1,37

expenditures incurred

0,41

1,37

own resources

0,41

mIn PLN

6,0

1,8

1,8



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



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.

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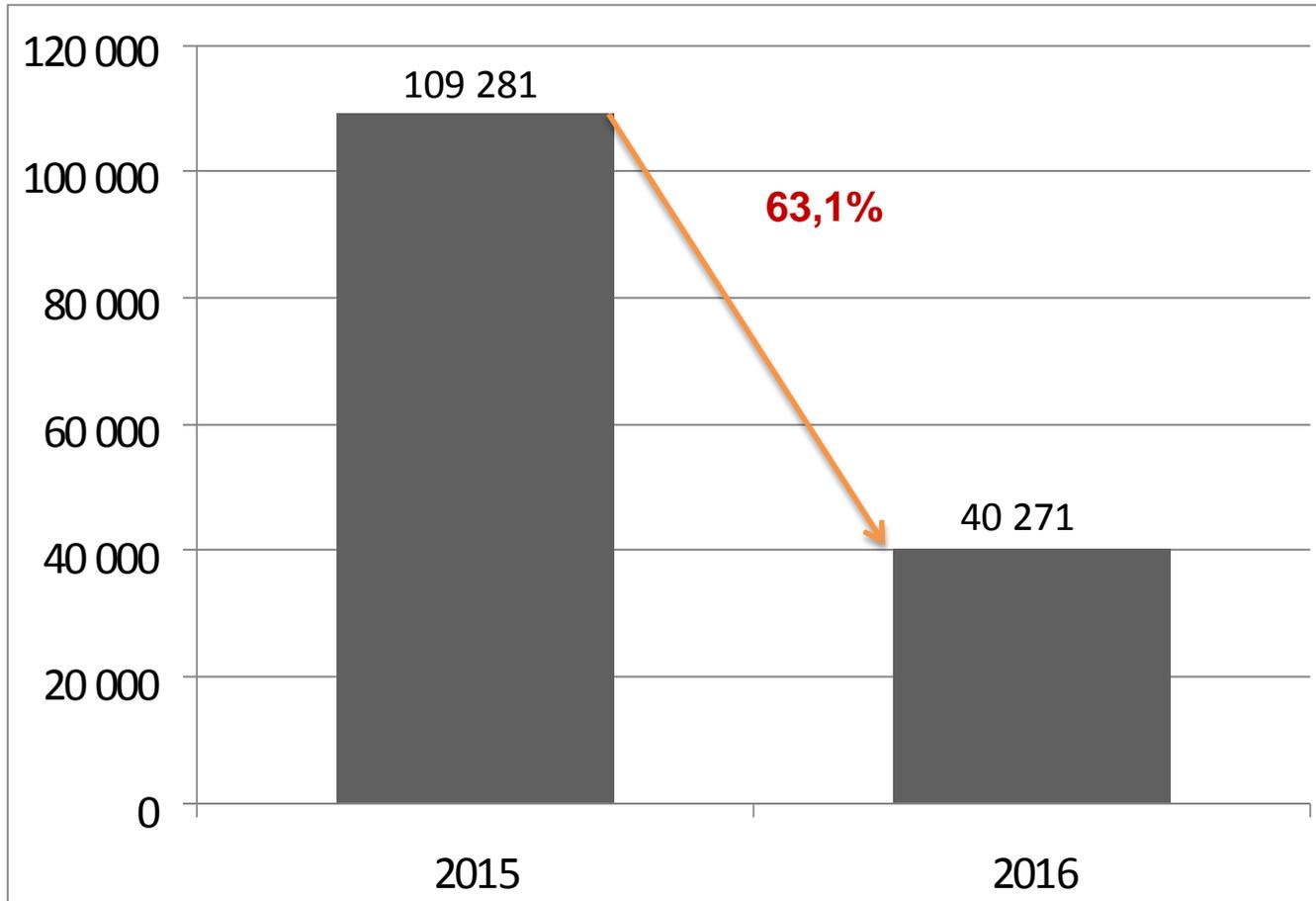
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(thous. PLN)

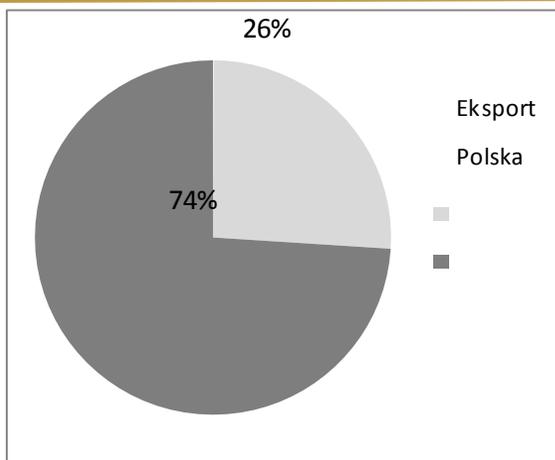


The drop in sales revenues was mainly due to the shift in the period of granting EU subsidies from the Agency for Restructuring and Modernization of Agriculture for key clients.

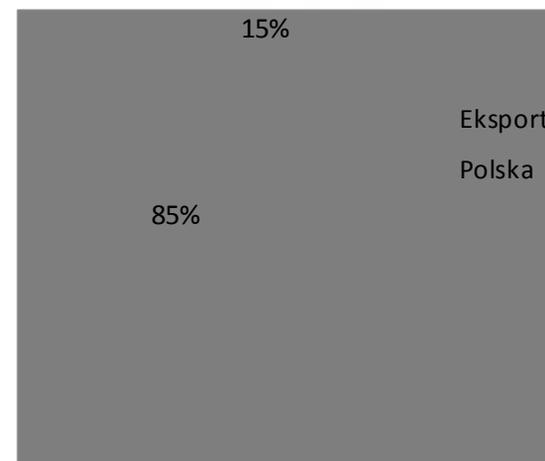
Geographical structure of revenues

thous. PLN	2016	2015
Poland	29 794	92 687
Export	10 477	16 594
Total	40 271	109 281

2016



2015



Basic financial results for 2016



<i>Thous. PLN</i>	2016	2015
Sales revenues	40 271	109 281
Gross profit on sales	2 769	19 107
Gross margin on sales	6,9%	17,5%
EBITDA	4 343	16 502
Profitability EBITDA	10,8%	15,1%
Operational profit (EBIT)	- 5 147	9 444
Profitability on operating activity	- 12,8%	8,6%
Gross profit	-5 030	9 310
Gross profit margin	-12,5%	8,5%
Net profit	-4 631	8 885
Return on net sales	-11,5%	8,1%

The structure of the balance sheet as at 31 December 2016

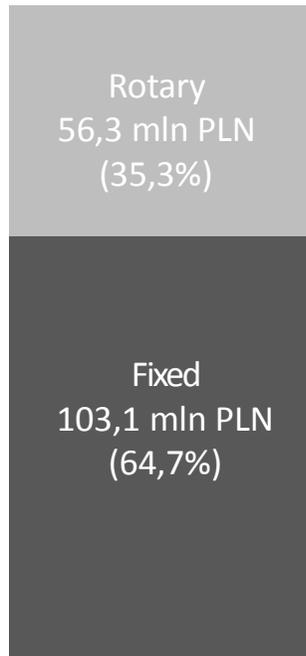


Assets

Liabilities

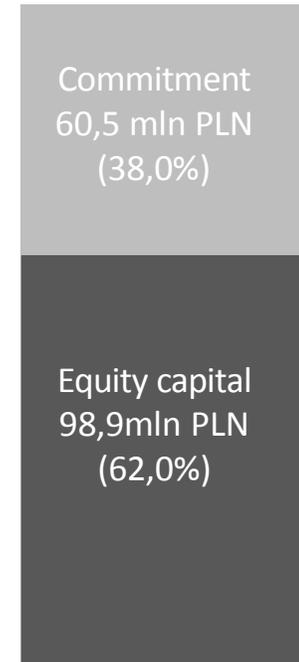
Main items:

- ✓ Financial stocks – 46,3 mln
- ✓ Receivables – 8,4 mln
- ✓ Cash flow – 0,8 mln



Main items:

- ✓ Short-term liabilities due to delivers and service – 6,0 mln
- ✓ Long - term loan – 13,4
- ✓ Long – term accruals – 17,9 mln



Balance sheet total: 159,4 mln PLN

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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 order portfolio includes 29 contracts with completion dates in 2017/2018 with a value of approximately PLN 194.1 million.
- Market research as natural directions of expansion is indicated by international markets, mainly Central European countries Eastern Europe, 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 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.
- We have established cooperation with a company in Germany, thanks to which we have expanded the possibility of reaching potential clients along with securing a 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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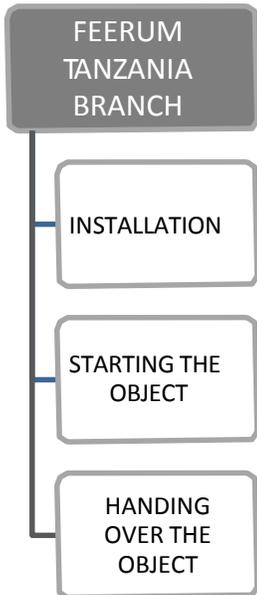


- On December 22, 2016, the Company signed a contract with the National Food Reserve Agency based in Dar es Salaam (United Republic of Tanzania) for the construction of five grain silos and storage facilities on the territory of the United Republic of Tanzania and the revitalization of existing storage facilities.
- The total value of the contract is USD 33.1 million (ie PLN 139.9 million at the average exchange rate of the National Bank of Poland as of December 22, 2016). Pursuant to the Agreement, the Company is obliged to carry out grain silos, produce designed silos, transport silos to the locations specified in the agreement located in the territory of the United Republic of Tanzania, assembly and start-up of silos, provide warranty service, conduct staff training in the use of silos, construction of storage facilities and revitalization of existing storage facilities belonging to the contractor. Payments for Polish entrepreneurs, after the positive acceptance of contracts, will be made by the Government of the Republic Polish represented by the Minister of Finance.
- Implementation of the subject of the Agreement, in accordance with its provisions, in relation to a given location will take place within 18 months of obtaining all necessary approvals and permits, which according to Tanzanian law are necessary to build grain silos and storage facilities and revitalize existing storage facilities belonging to the Ordering Party.
- Signing the contract in Tanzania is the first step in implementing the strategy related to the Company's expansion on the African market.
- Agriculture in South-East Africa is the dominant sector of the economy. On average, 70% of the population works in agriculture, which accounts for about 1/3 of GDP. This region has a high production potential due to the convenient location and the prevailing climate. Agricultural production can be doubled or even tripled. Due to the large food losses reaching even 30-40%, resulting from incorrect post-harvest practices and the lack of warehouses for storing, for example, maize grains, this market may be an attractive recipient of the Group's products.
- The most important steps to be taken are training for farmers in the field of post-harvest techniques, promotion of modern grain collection and storage technologies, construction of grain elevators to reduce losses and training for operators. It will also have a positive impact on reducing the poverty level, which is still a serious problem in Africa and will secure significant food reserves.

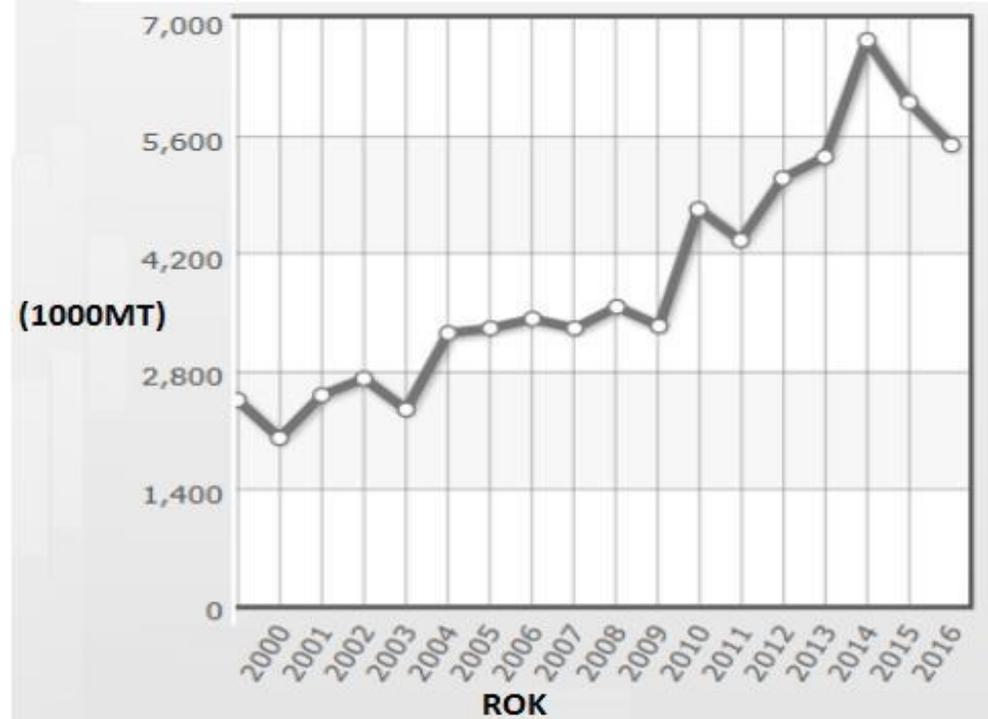
Project Tanzania – stages of implementation



FEERUM S.A.



ROK	PRODUKCJA	JEDN. POMIARU	ZMIANA
2000	2000	(1000 MT)	-18.37 %
2001	2500	(1000 MT)	25.00 %
2002	2700	(1000 MT)	8.00 %
2003	2320	(1000 MT)	-14.07 %
2004	3230	(1000 MT)	39.22 %
2005	3300	(1000 MT)	2.17 %
2006	3423	(1000 MT)	3.73 %
2007	3302	(1000 MT)	-3.53 %
2008	3556	(1000 MT)	7.69 %
2009	3326	(1000 MT)	-6.47 %
2010	4733	(1000 MT)	42.30 %
2011	4341	(1000 MT)	-8.28 %
2012	5104	(1000 MT)	17.58 %
2013	5356	(1000 MT)	4.94 %
2014	6737	(1000 MT)	25.78 %
2015	6000	(1000 MT)	-10.94 %
2016	5500	(1000 MT)	-8.33 %



Tanzania – corn production

The map below shows the production of corn in specific regions of Tanzania

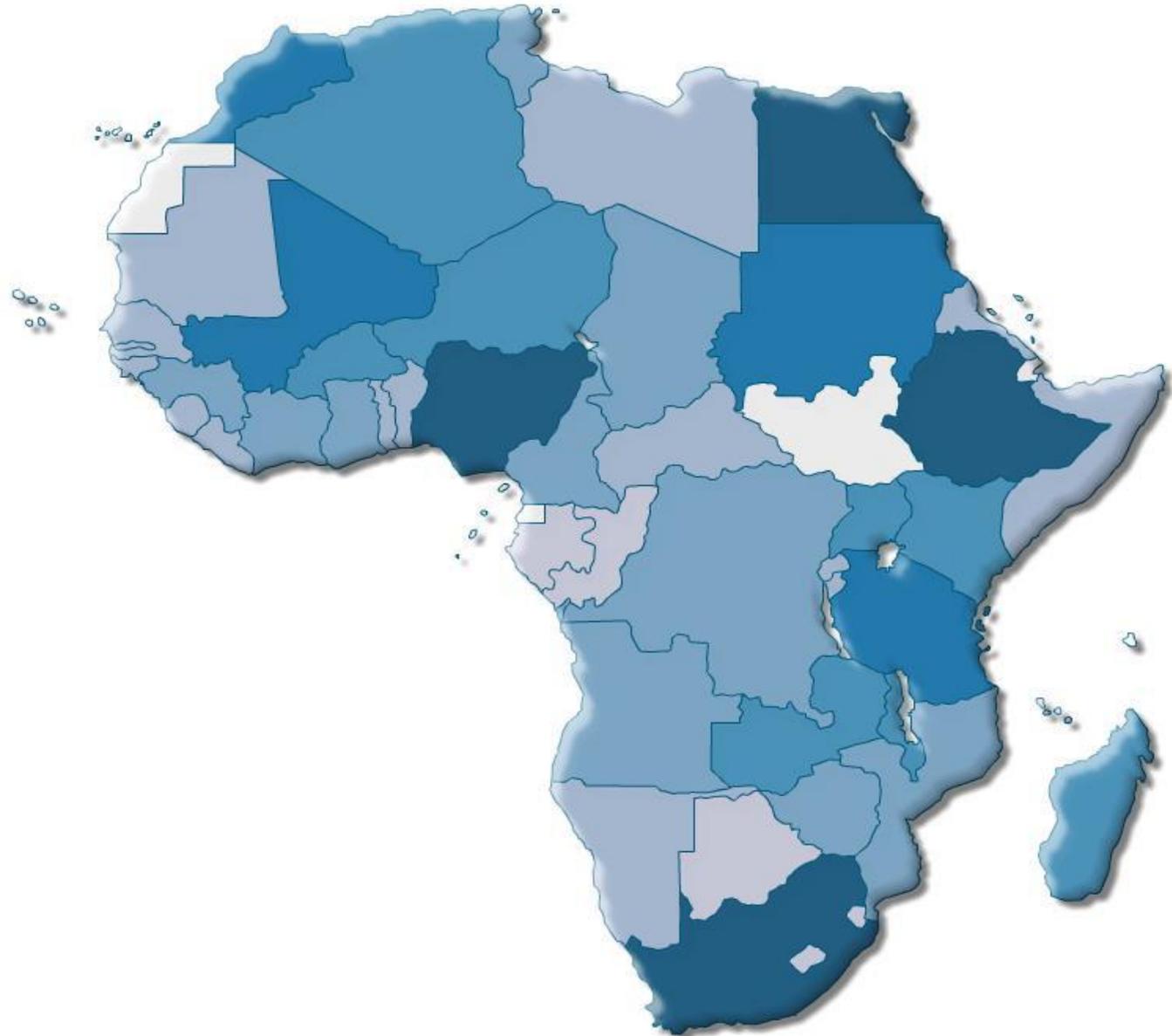
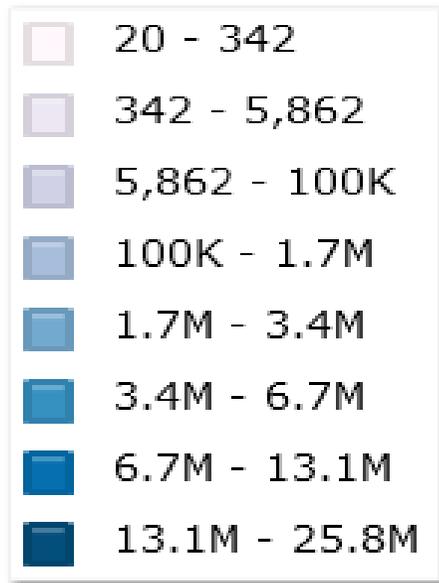


- The African continent is increasingly counting on the international arena as a large market and potential investment market. Sub-Saharan Africa (49 countries out of 54 located on the continent) is not only an area of poverty and poverty, but also a huge potential and economic prospects.
- The machine and equipment industry 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 the key priority of this sector is to increase the productivity of agricultural production. A large percentage of the workforce employed in the agricultural sector is also significant - up to 85% of economically active people.
- 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.



Africa - total cereal production

The map shows cereal production in Africa in individual countries (MT)



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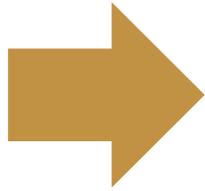
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Obtaining an important player position on the international arena

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 contracted and potential portfolio for the period 2017/2018

Significant production potential of the company and high production efficiency

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 prospects. First successes on the African market.

Thank you for your attention



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