



Presentation of the results for the first half of 2018
September 25, 2018

Representatives



Daniel Janusz

president of the Board



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member of the Board

The most important events of the first half of 2018

The most important events of the first half of 2018

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Summary

The most important events of the first half of 2018

- The first half of 2018 brought about 45% increase in sales revenues compared to the same period last year. In addition, prospects for potential future contracts allow to assess the prospects of future periods with optimism.
- The portfolio of contracted orders for 2018-2019 is at a high level - it amounts to PLN 156.5 million and includes 37 contracts. The potential portfolio of clients waiting for EU funding and holding a building permit is constantly growing. Currently, it is at a level of about PLN 227 million.
- FEERUM consistently implements the strategy of expansion on the African market. The company commenced the implementation of an agreement signed 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 and revitalization of existing storage facilities, with a total value of USD 33.1 million (approximately 139.9 PLN million at the average NBP exchange rate of 22 December 2016). As at the date of publication of the report, the Company realized 55% of the value of the contract in the scope of supply of machinery and equipment and received a payment in the amount of PLN 11,549 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.

Project Tanzania

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FEERUM in Africa

33.1 million USD is the contract value, under which FEERUM will build five silo complexes on the territory of the United Republic of Tanzania and revitalize existing storage facilities.

In the 51 silos, it will be possible to store over 190,000 m³ of grain.

The investment is financed by the government of the Republic of Poland.



President of FEERUM S.A. Daniel Janusz and director of the African region Janusz Musialski with the Polish ambassador in Tanzania Krzysztof Buzalski / Dar es Salaam - June 2018

Project Tanzania – in progress

No.	Scope of work	Songea	Shinyanga	Dodoma	Mbozi	Makambako
1	geodetic determination of silos and accompanying infrastructure	•	•	•	•	•
2	execution of detailed geological surveys	•	•	•	•	•
3	water and sewage connection	•	•	•	•	•
4	power connection	•	•	•	•	•
5	distribution of media to concrete mixing plants and construction facilities	•	•	•	•	•
6	installation of concrete mixing plants	•	•	•	•	•
7	leveling the area for silos	•	•	•	•	•
8	social village - internal installations (water, electric, sanitary)	•	•	•	•	•
9	construction site fence	•	•	•	•	•
10	taking over the construction site	•	•	•	•	•
11	building permit	•	•	•	•	•
12	earthworks, excavations for silos	○	○	○	○	○
13	making reinforcements	○	○	○	○	○
14	commissioning of a concrete factory	•	•	•	•	•
15	leveling the area under the warehouse	•	○	not applicable	not applicable	•

Legend

•	completed
○	in progress
—	unimplemented

Summary of half year works in Tanzania

- Feerum has obtained a construction permit in all five locations. The company also took over all construction sites in June.
- In all locations, the area for the construction of silos was leveled. In each of the five locations, work has already begun on the construction of silos foundations. For this purpose, mobile concrete mixing nodes with a capacity of 15 m³ of concrete per hour were connected. In addition, there is a delivery for the construction of cement and aggregates.
- The first batch of silo reinforcement was prepared in all locations. The pouring of concrete produced in our own concrete mixing nodes started.
- In Makambako and Songea, the leveling was carried out under the warehouse. The warehouse will also be built in Shinyanga.

Over 55% of deliveries of machines and equipment are already in progress

The company purchased the necessary materials for production - galvanized steel, fasteners, gears, bearing motors, belts and tapes, reinforcing steel.

At the moment, about 60% was produced, and over 55% of installations for all locations were sent to Tanzania.

The company received a payment in the amount of 11,549 thousand USD, of which 4,971 thousand USD is an advance payment.





The ceremony of setting the cornerstone

Dodoma/ April 2018



Visits of the General Secretary of the Tanzanian Government for Agricultural Engineering

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Makambako



Songea



FEERUM supports young farmers

Agriculture can meet the challenges of
reducing youth unemployment in East
Africa

Best agribusiness practices

„ Youth involvement in agriculture is increasingly seen as a potential solution to youth unemployment, food insecurity, rural poverty and migration due to risks, by unlocking multilevel perspectives around agriculture, including processing, packaging, transport, distribution, marketing and services financial”

Christophe Bazivamo, East African Community



Already, about 30 young Tanzanian people work on every FEERUM site in Tanzania.

What does cooperation with FEERUM give them?

- Stable employment in a company with many years of experience and successes in Poland and in many European and Asian countries
- The possibility of participating in a unique project on a global scale
- Opportunity to work based on modern technological solutions alongside experienced managers

Youth in Africa

Youth represent approximately 45% (48 million) of the total population of East African partner countries (EAC). Over the next 20 years, this figure will increase to around 82 million. Properly prepared young people can increase productivity and strengthen economic growth. Employment of young people in the agri-food sector can be an important contribution to solving the problem of unemployment, food insecurity, poverty in rural areas and migration.

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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Sales revenues (thous. PLN)

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

I half of 2018

64 374 sales revenues

I half of 2017

44 371 sales revenues



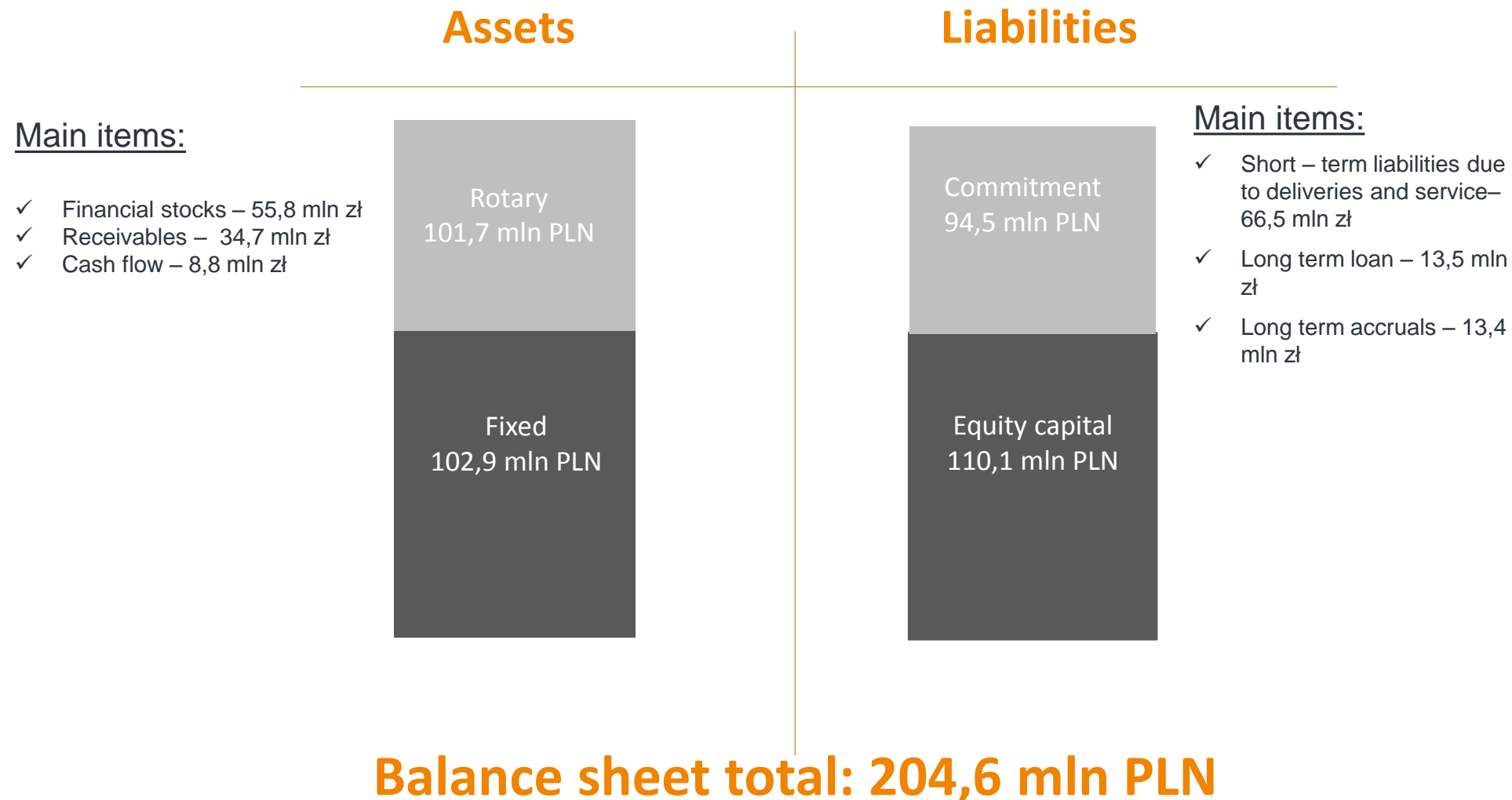
The revenue structure by sales directions

	I half 2018	I half 2017	2017
Country	16 641	30 422	55 075
Export	47 733	13 948	41 059
Ukraine	5 523	3 728	11 912
Lithuania	10 258	9 752	14 660
Romania	398	200	305
Germany	52	0	46
Tanzania	31 384		13 412
Others	119	268	723
Total	64 374	44 371	96 134

Basic financial results for the first half of 2018

	I half 2018	I half 2017	Change in thous./p.p.	Change in %
Sales revenues	64 374	44 371	20 003	45
Gross profit (loss) on sales	11 182	10 072	1 110	11
Gross margin on sales	17,9%	22,7%	-4,8 p.p.	
EBITDA	9 138	10 310	-1 172	-11,4
Profitability EBITDA	14,2%	23,2%	-9 p.p.	
Profit (loss) from operations (EBIT)	4 545	5 722	-1 177	-20,6
Profitability on operating activity	7,1%	12,9%	-5,8 p.p.	
Profit (loss) gross	6 953	5 223	1 730	33,1
Gross profit margin	10,8%	11,8%	-1 p.p.	
Net profit (loss)	6 769	4 856	1 913	39,4
Return on net sales	10,5%	10,9%	-0,4 p.p.	

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



Directions of sales development

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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 37 contracts worth approximately 156.5 million PLN with the date of completion in 2018-2019.
- 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 markets in the Baltic countries is estimated at around PLN 18 million. 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 visible in Ukraine, where apart from contracted contracts, investments worth PLN 30 million are planned and planned. In addition, the upward trend in this market should be maintained over the next 2-3 years. The company established cooperation with new partners with many years of experience in the agricultural industry, which has a promising effect on the planned sale on that market. In the reporting period, the effect of cooperation with a Ukrainian contractor translates into contracts worth about PLN 1 million, and the potential order portfolio resulting from this cooperation fluctuates around PLN 7 million.

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 commercial activities 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 thous. PLN has already been signed in the Czech Republic.
- The company is also active on the Romanian market, where it implemented its first projects; commercial activities undertaken with the participation of two intermediaries resulted in the submission of bids totaling over PLN 5 million. 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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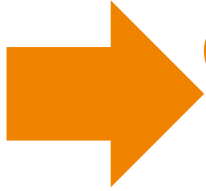
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Obtaining an important player position on the international arena

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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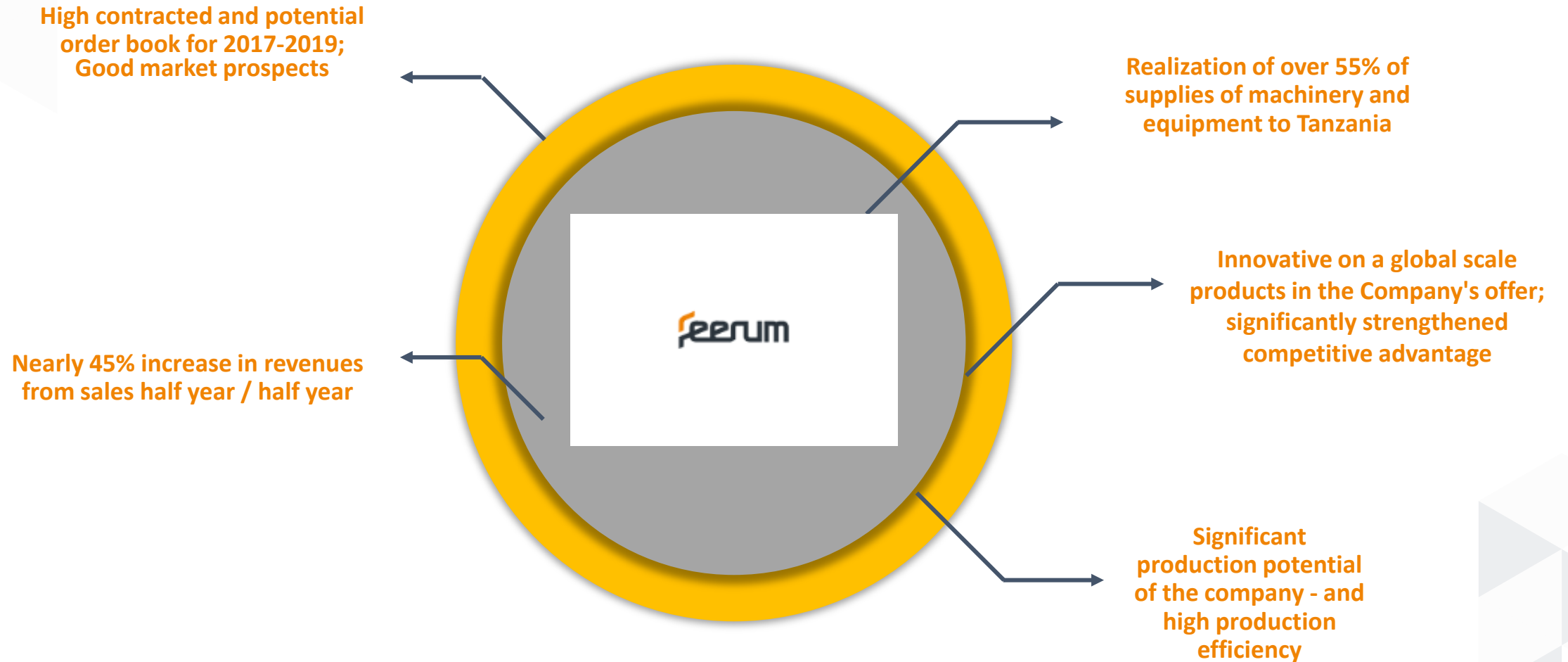
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FEERUM after the fourth quarters of 2017





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Reservation

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