



**Presentation of the results for the first quarter of 2018**  
**May 30, 2018**

## Representatives



**Daniel Janusz**

president of the board



**Piotr Wielesik**

member of the board

# The most important events of the first quarter of 2018

The most important events of the first quarter of 2018

Directions of sales development

Project Tanzania

Financial results for the first quarter of 2018

Foreign markets

Strategy

Summary

# The most important events of the first quarter of 2018

- On the level of financial results, the first quarter of 2018 brought nearly 41% increase in sales revenues compared to the same period last year. In addition, potential future contracts allow optimism to assess perspectives of subsequent periods.
- In the analyzed quarter, the Company executed orders for drying and warehousing facilities in Poland for a total amount of PLN 5.9 million.
- The portfolio of contracted orders for 2017-2019 remains at a high level - it amounts to PLN 132.9 million and includes 39 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 approximately PLN 258 million.
- FEERUM consistently implements the strategy of expansion on the African market. The company started the contract with the National Food Reserve Agency based in Dar es Salaam (United Republic of Tanzania) with a total value of USD 33.1 million (about PLN 139.9 million) for the construction of five grain silo and storage facility complexes and revitalization of existing facilities warehouse. As at the date of publication of the report, the Company realized 48% of the contract value (in the scope of delivery of machinery and equipment) and received an advance payment of 15% of the contract value.
- Sales activities on Western European markets are continued, engagement in Lithuania is growing, and active and effective commercial activity in Ukraine. 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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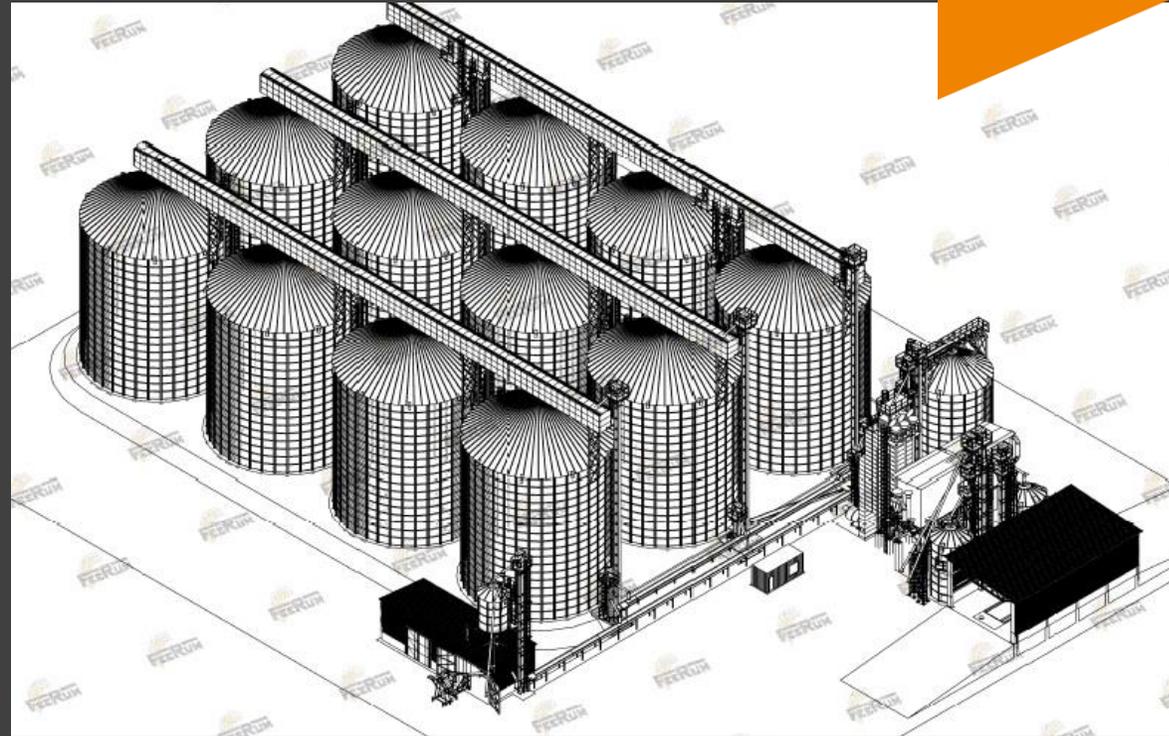
Summary

# FEERUM in Africa

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

In total, in the 51 silos, it will be possible to store over 190,000 m<sup>3</sup> of grain.

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



# Project Tanzania - advanced works

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	●	–	●	●	●

Legend	
●	completed
○	In progress
–	unimplemented

# Six months of work

- The branch of the company, FEERUM Tanzania Branch, is registered and operated in accordance with Tanzanian law. He obtained all the licenses and permits required for the implementation of the silo construction project. The branch is managed by a local manager who is supervised on-site by the Director of African Markets and his deputy. Current matters regarding all locations are run by two site managers with the support of a local design office. At the beginning of April, 15 employees from Poland came to the Tanzanian branch, who have extensive experience in working on such construction sites.
- Permits and acquisitions. Design work was completed in February. Construction projects have been submitted to offices in Tanzania. We currently have building permits for four locations. After May 23, 2018, we took over construction sites in these locations.

## Detailed geological surveys



# Preparatory work

- Immediately after the completion of the gating of the squares, we began foundation works for containers, which will provide social and office facilities (35 pieces). In all locations it was necessary to make an electrical connection and build a distribution station for the existing network. Water installation was carried out in three locations. In Songei, a water pump was installed for the existing well, in Makambako 400 m connection was made, in Mbozi it was necessary to drill a deep well. Thus, all media for construction were provided.



# Preparatory work



## We have completed over 48% of deliveries in the field of machinery and equipment complexes

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

At the moment, about 60% has been produced, and more than 48% of all installations for Tanzania have been sent to all locations.

We received an advance payment of 4 900 \$ to this port, which is 15% of the contract value.



# Unloading containers



# Elements of complexes on construction sites



# Connection of concrete plants



## Setting containers for residential and office purposes



# Container finishing for residential and office purposes



# Container roofing



## Leveling of land



# Transfer of construction sites



**NFRA**

**SITE HANDING OVER CERTIFICATE**

<b>Project Title:</b> Proposed Design, Supply, Construction, Test and Commission of Silo Complexes, Warehouses and Rehabilitation of Existing Facilities for National Food Reserve Agency - plot number (.....) lot (01) at Songea	<b>Contract No:</b> AE 054/2015/2016/HQ/W/19
<b>Employer:</b> National Food Reserve Agency, P. O Box 1050, DODOMA - TANZANIA	<b>Contractor:</b> M/s FEERUM S.A, Ul. Okrzei 6, 59-225 CHOJNÓW - POLAND

In accordance with terms and conditions of the contract for the project mentioned above we hereby certify that

i. **Clause 155.C.C** By signing the Site Handing over Certificate, the Contractor assumes that the site is ready to commence execution of works that is including delivery of goods, the construction of silo and warehouse complexes and rehabilitation of existing facilities as the case may be

ii. **Clause 15.C.C** Intended Completion date for each lot shall be within eighteen (18) months from the Start Date  
The **Start Date** shall be on 06/06/2018 And **Completion Date** shall be on 05/12/2019

Signed by or on behalf of the Client,  
**By:**  
Name: Eng. NZOBONALIRA JS Signature/Stamp [Signature]  
Designation: PROJECT COORDINATOR Date 23/05/2018  
*ZONAL MANAGER NATIONAL FOOD RESERVE AGENCY P.O. Box 1515 DODOMA*

Signed by or on behalf of the Contractor,  
**By:**  
Name: Eng. DEMIGUSZ STARCZEWSKI Signature/Stamp [Signature]  
Designation: CONSTR. DIRECTOR Date 23/05/2018  
*WOLKA AGRO P.O. Box 7727 (2)*

Distribution:  Employer  Contractor  Project Manager

Songea

UNITED REPUBLIC OF TANZANIA  
MINISTRY OF AGRICULTURE  
NATIONAL FOOD RESERVE AGENCY

**NFRA**

**SITE HANDING OVER CERTIFICATE**

<b>Project Title:</b> Proposed Design, Supply, Construction, Test and Commission of Silo Complexes, Warehouses and Rehabilitation of Existing Facilities for National Food Reserve Agency - plot number (6.3) lot (07) at Dodoma	<b>Contract No:</b> AE 054/2015/2016/HQ/W/19
<b>Employer:</b> National Food Reserve Agency, P. O Box 1050, DODOMA - TANZANIA	<b>Contractor:</b> M/s FEERUM S.A, Ul. Okrzei 6, 59-225 CHOJNÓW - POLAND

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ii. **Clause 15.C.C** Intended Completion date for each lot shall be within eighteen (18) months from the Start Date  
The **Start Date** shall be on 12/06/2018 And **Completion Date** shall be on 11/12/2019

Signed by or on behalf of the Client,  
**By:**  
Name: Eng. NZOBONALIRA JS Signature/Stamp [Signature]  
Designation: PROJECT COORDINATOR Date 28/05/2018  
*ZONAL MANAGER NATIONAL FOOD RESERVE AGENCY P.O. Box 1515 DODOMA*

Signed by or on behalf of the Contractor,  
**By:**  
Name: Eng. DEMIGUSZ STARCZEWSKI Signature/Stamp [Signature]  
Designation: CONSTR. DIRECTOR Date 28/05/2018  
*WOLKA AGRO P.O. Box 7727 (2)*

Distribution:  Employer  Contractor  Project Manager

Dodoma

# Transfer of construction sites cont.

**SITE HANDING OVER CERTIFICATE**

<b>Project Title:</b> Proposed Design, Supply, Construction, Test and Commission of Silo Complexes, Warehouses and Rehabilitation of Existing Facilities for National Food Reserve Agency - plot number (19) lot (02) at Makambako	<b>Contract No:</b> AE 054/2015/2016/HQ/W/19
<b>Employer:</b> National Food Reserve Agency, P. O Box 1050, DODOMA - TANZANIA	<b>Contractor:</b> M/s FEERUM S.A, Ul. Okrzei 6, 59-225 CHOJNÓW - POLAND

In accordance with terms and conditions of the contract for the project mentioned above we hereby certify that

i. **Clause 155.C.C** By signing the Site Handing over Certificate, the Contractor assumes that the site is ready to commence execution of works that is including delivery of goods, the construction of silo and warehouse complexes and rehabilitation of existing facilities as the case may be

ii. **Clause 15.C.C** Intended Completion date for each lot shall be within eighteen (18) months from the Start Date  
The **Start Date** shall be on 08/16/2018 And **Completion Date** shall be on 07/12/2019.

Signed by or on behalf of the Client,  
**By:** Name: Eng NZOBONALIGA I.J Signature/Stamp  
Designation: PROJECT COORDINATOR Date: 24/05/2018

Signed by or on behalf of the Contractor,  
**By:** Name: ENG DENIENGE STARCZEWSKI Signature/Stamp  
Date: 24/05/2018



**Makambako**

**SITE HANDING OVER CERTIFICATE**

<b>Project Title:</b> Proposed Design, Supply, Construction, Test and Commission of Silo Complexes, Warehouses and Rehabilitation of Existing Facilities for National Food Reserve Agency - plot number (19) lot (02) at Mbozi	<b>Contract No:</b> AE 054/2015/2016/HQ/W/19
<b>Employer:</b> National Food Reserve Agency, P. O Box 1050, DODOMA - TANZANIA	<b>Contractor:</b> M/s FEERUM S.A, Ul. Okrzei 6, 59-225 CHOJNÓW - POLAND

In accordance with terms and conditions of the contract for the project mentioned above we hereby certify that

i. **Clause 155.C.C** By signing the Site Handing over Certificate, the Contractor assumes that the site is ready to commence execution of works that is including delivery of goods, the construction of silo and warehouse complexes and rehabilitation of existing facilities as the case may be

ii. **Clause 15.C.C** Intended Completion date for each lot shall be within eighteen (18) months from the Start Date  
The **Start Date** shall be on 10/06/2018 And **Completion Date** shall be on 09/12/2019.

Signed by or on behalf of the Client,  
**By:** Name: Eng NZOBONALIGA I.J Signature/Stamp  
Designation: PROJECT COORDINATOR Date: 25/05/2018

Signed by or on behalf of the Contractor,  
**By:** Name: ENG DENIENGE STARCZEWSKI Signature/Stamp  
Designation: CONSTR. DIRECTOR Date: 25/05/2018

**Mbozi**

# Project Tanzania – timeline

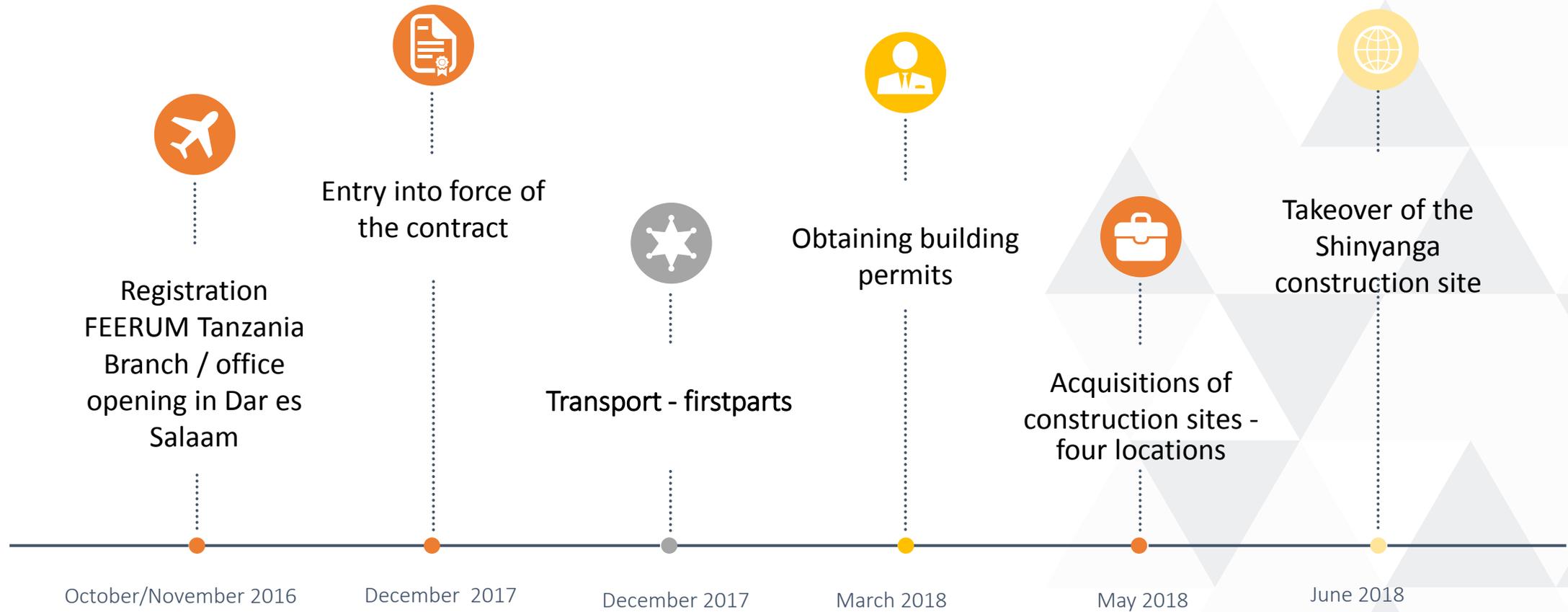
Most important dates



Tender  
June 2016



# Tanzania Project Timeline



Termination of the contract

2019



# Africa - production of cereals present and forecast

Forecasted increase in demand for cereals - by 2050

country	population in 2010 (mln)	population in 2050 (mln)	demand for grain in 2050 (as% of 2010)	actual yield of maize (2003 - 2012; t / h)	area of arable fields (2010; Mha)	growth of arable fields (2004 - 2013; Mha)
Burkina Faso	15,6	43	304	1.5	5.8	1.6
Ghana	24,3	50	372	1.7	4.6	0.7
Mali	13,8	45	365	1.9	6.4	1.4
Niger	15,8	72	508	0.8	15.2	1.8
Nigeria	159,6	399	314	1.6	33.0	-1.0
Ethiopia	87	188	237	2.2	14.6	2.8
Kenya	41,2	96	346	1.9	5.5	0.5
Tanzania	44,9	137	381	1.2	11.9	4.0
Uganda	34	102	396	1.6	6.7	1.0
Zambia	13,2	43	519	2.3	3.5	0.8
total	450,2	1 175	335	1.9	107.0	13.6

- Currently, 40% of food produced in Africa is wasted due to poor harvesting and storage methods.
- Demand for grain on this continent will increase by 2050 by over 330%.
- In Africa, the yield per ha of maize cultivation amounts to an average of 1.7 tonnes. In Poland, we achieve a result of 10/13 tonnes.

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.

# Financial results for the first quarter of 2018

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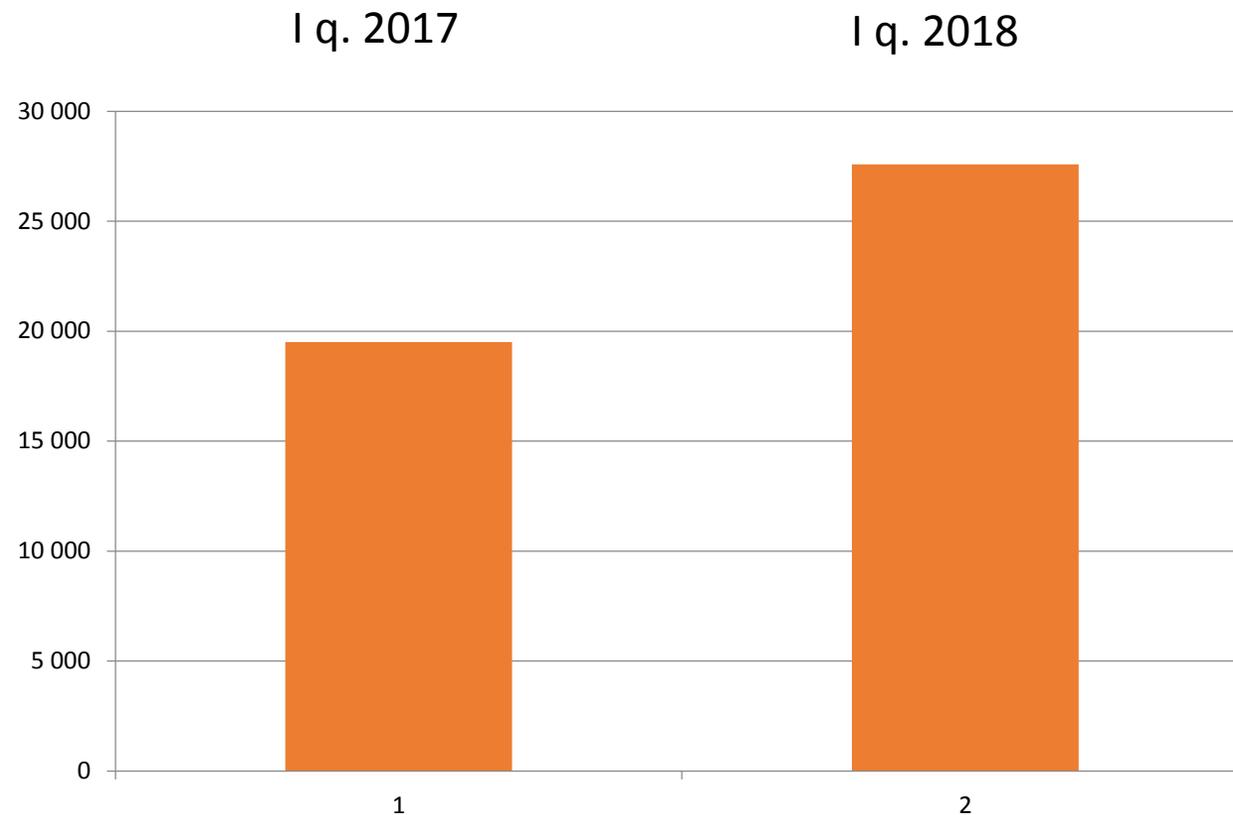
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# Sales revenues (PLN thous.)



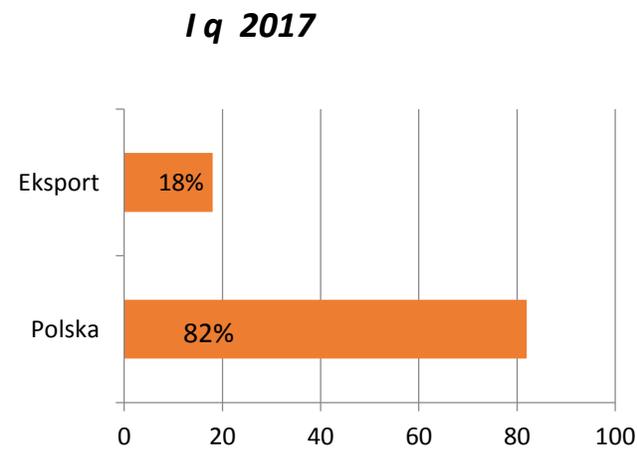
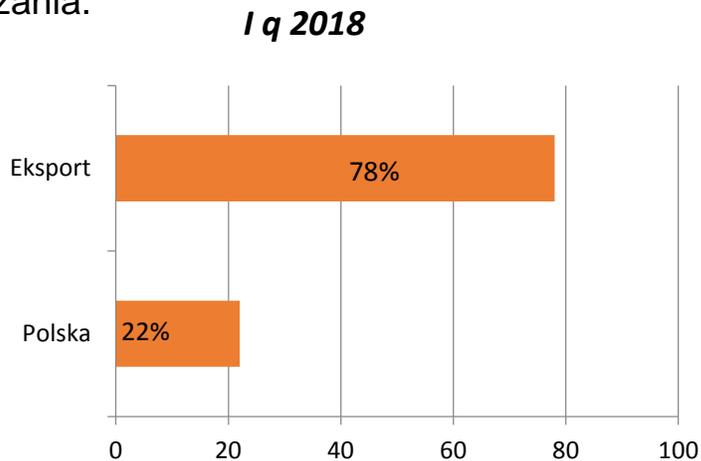
The increase in revenues from sales was mainly due to the granting of EU subsidies from the Agency for Restructuring and Modernization of Agriculture to key clients

# The revenue structure by sales directions

## Geographical structure of revenues

	I q 2018	I q 2017	change in thous.	change in %
Polska	6,0	16,0	-10	-62,5
Exsport	21,6	3,5	18	517,1
Total	27,6	19,5	8	41,5

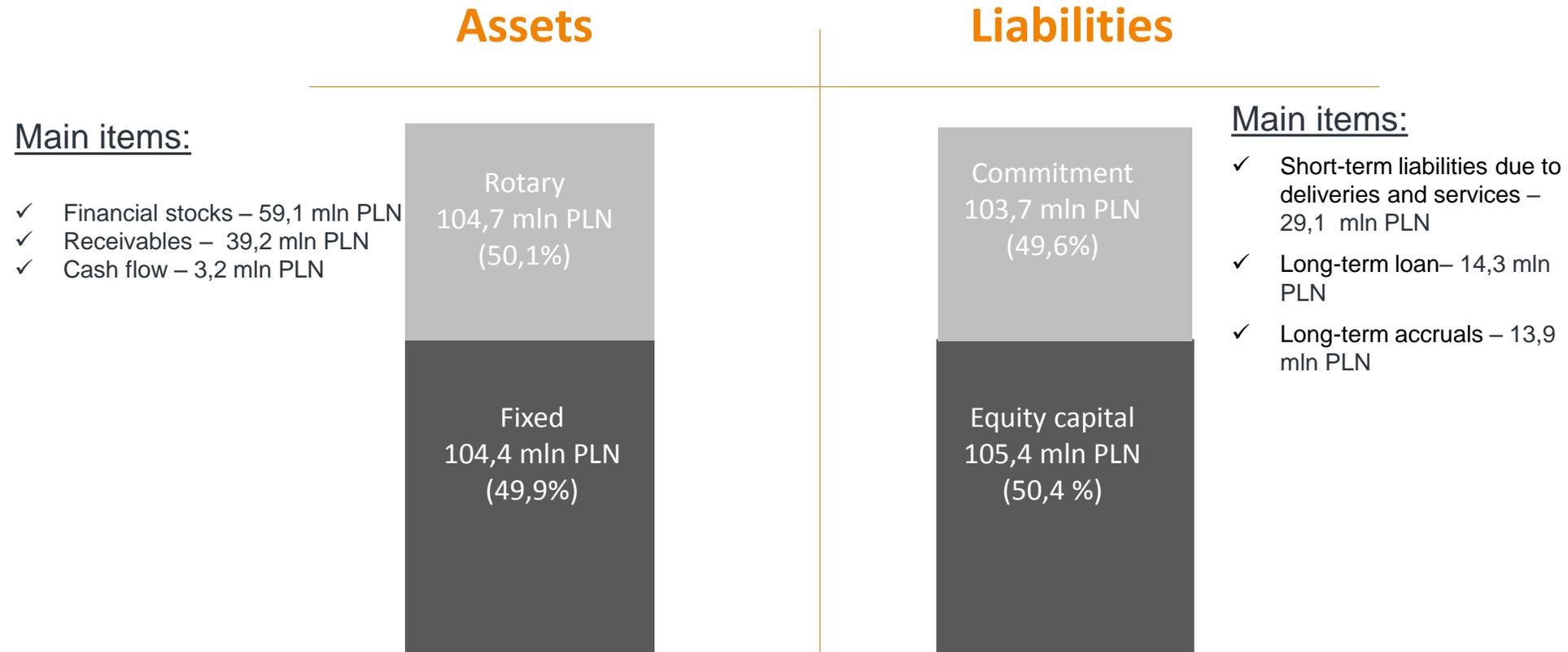
➤ The export growth was mainly driven by sales on Eastern European markets (Ukrainian and Lithuanian) and in Tanzania.



# The basic financial results for the first quarter of 2018

thous. PLN	I q. 2018	I q. 2017	change in thous.	change in %
Sales revenues	27 583	19 507	8 076	41%
Gross profit from sales	4 946	4 503	443	9,8%
Gross margin on sales	17,9	23		- 5,1 p.p.
EBITDA	7 159	4 343	2 816	64,8%
EBITDA profitability	26,0	22		4 p.p
Operating profit (EBIT)	2 553	2 378	175	7,4%
Profitability on operating activity	9,3	12		-2,7 p.p.
Gross profit	2 082	2 314	-232	-10%
Gross profit margin	7,5	12		-4,5 p.p.
Net profit	2 082	2 039	43	2,1%
Return on net sales	7,5	10		-2,5 p.p.

# The structure of the balance sheet as at 31 March 2018



Balance sheet total: PLN 209.2 million

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## Foreign markets

- The company observes a constant demand for elevators, both on the domestic market and abroad.
- The current order portfolio includes 39 contracts worth approximately PLN 132.9 million with the completion date 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 market potential of the Baltic countries is estimated at around PLN 25 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 exposure is observed in Ukraine, where at the moment, apart from contracted agreements, 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 has 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.

# Foreign markets

- We are active on the Romanian market, where we have already completed the first projects. The commercial activities undertaken with the participation of two intermediaries resulted in the submission of bids totaling over PLN 5 million. As in other EU countries, a significant part of the investment here is correlated with subsidies from the European Union budget.
- Trade activities in the Russian Federation and Kazakhstan are still being maintained and developed. We intensified marketing work 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 measurable effects of cooperation are commercial offers, which value is PLN 15 million.
- As the foreign target markets for new products, the countries of Central and Eastern Europe are also effectively analyzed, with an emphasis on the Czech Republic and Slovakia. The first tangible effects have already appeared on the Czech market, where the first contract was signed.

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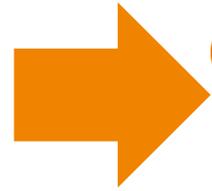
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# Strategy



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

# Strategy

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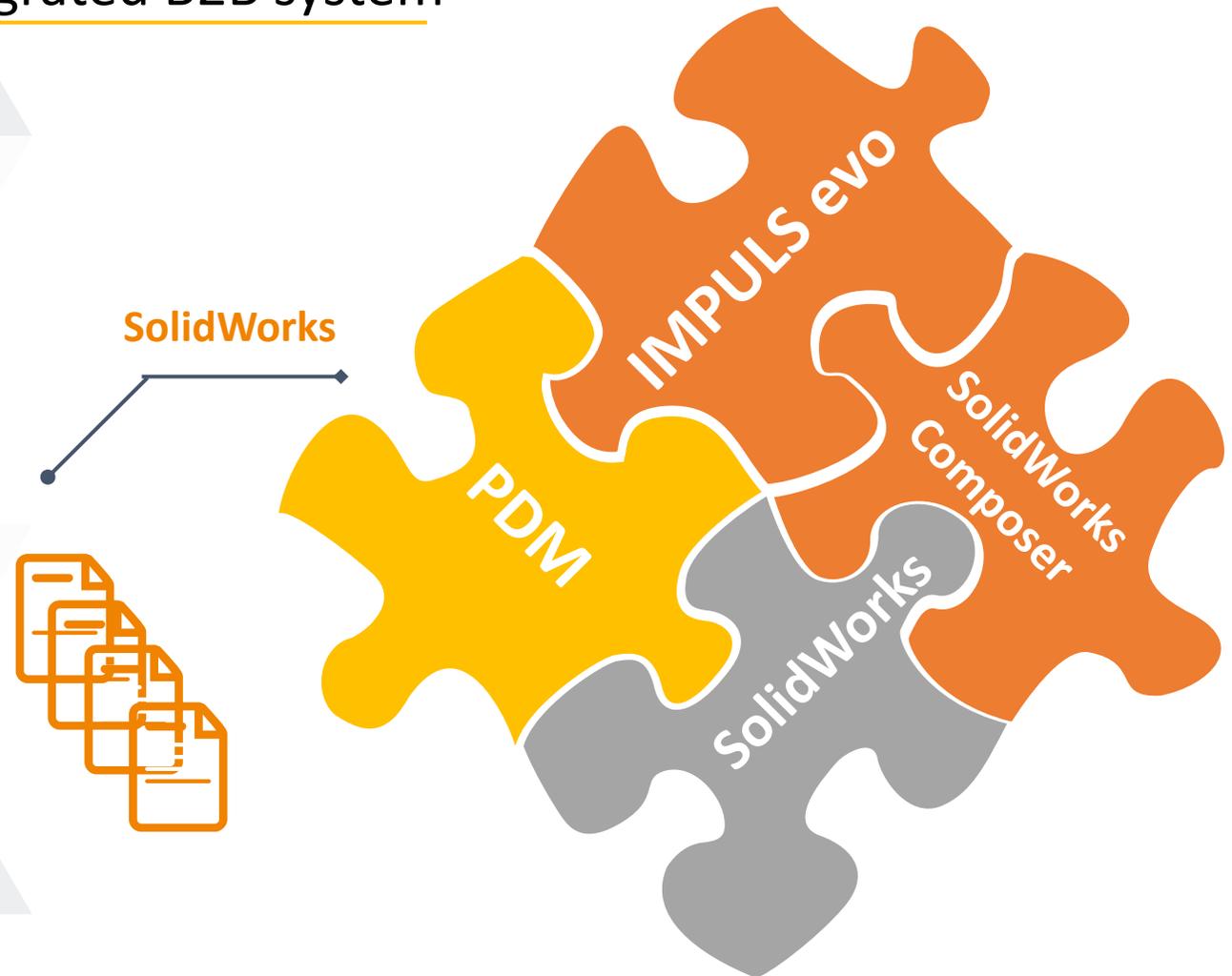
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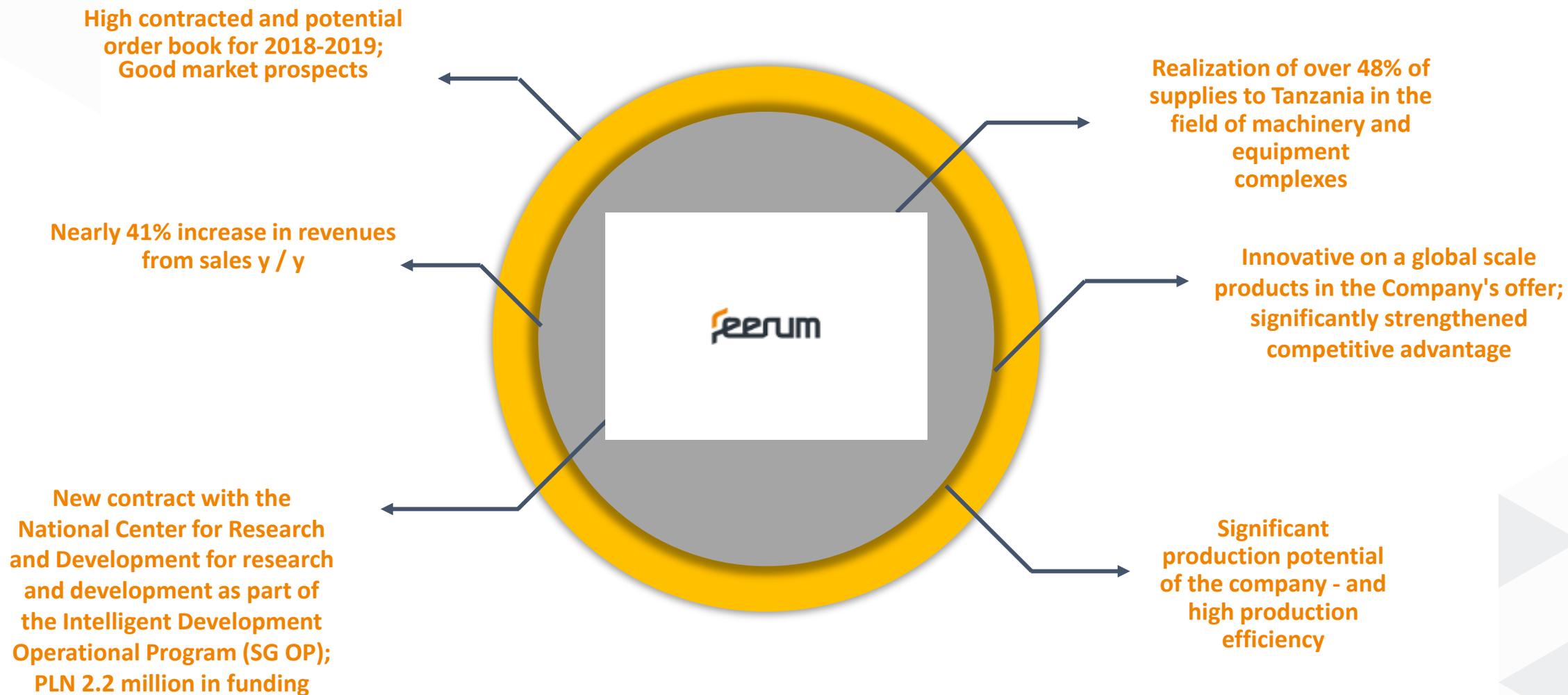
## Improving the production process - the idea of Industry 4.0 integrated B2B system

Thanks to the use of a uniform software plane  
SolidWorks and IMPULS ERP are possible:

- ◆ Full integration of the construction stage, machinery and equipment as well as the design of facilities
- ◆ Integration with the ERP Impuls system
- ◆ File version management (revision of documentation) throughout the entire research and development work, i.e. no need to synchronize Inventor files, Iron Cad, Auto Cad
- ◆ Managing documentation related to design, such as: e-mails, calculation, text and photo documentation closely related to research and development



# FEERUM after the first quarter of 2018





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# Reservation

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