mercor®

PRESENTATION FY 2018/19 RESULTS

Board members

Krzysztof Krempeć
CEO

Jakub Lipiński
First Vice President of the Board,
Chief Financial Officer

1. MERCOR S.A. Group

- **8** production plants
- Subsidiaries on **8** European markets
- Diversified offer – **4** product divisions
- Sales on **4** continents
- Presence in over **40** countries worldwide

Market environment

MARKET	MERCOR
Strong economy in Poland and Europe.	Growing value of contracts, exploitation of the group's strong product-line and geographical diversification.
Continuing high number of development projects, particularly in large-scale construction (a key market for the group's operations).	Growing sales across all the company's main operating divisions.
Unstable political situation in Russia and Ukraine.	Production in Russia: good level of orders, further prestigious contracts; Ukraine—marginal share in revenue.
Shortage of workers on the Polish market.	Limited direct impact—shortage of workforce in general construction, resulting in postponement of product deliveries.
New market regulations (Poland, Europe) stressing safety and energy efficiency of buildings.	Regulations fostering the group's operations—excellent market prospects for all divisions, including new products from the company

Key events in the Group

- Fourth year in a row of double-digit sales growth
- Growing importance of smaller sales markets (Czechia, Slovakia, Hungary, Romania)
- Review of strategic options
- Further investments, expansion of product portfolio

Financial results

4.

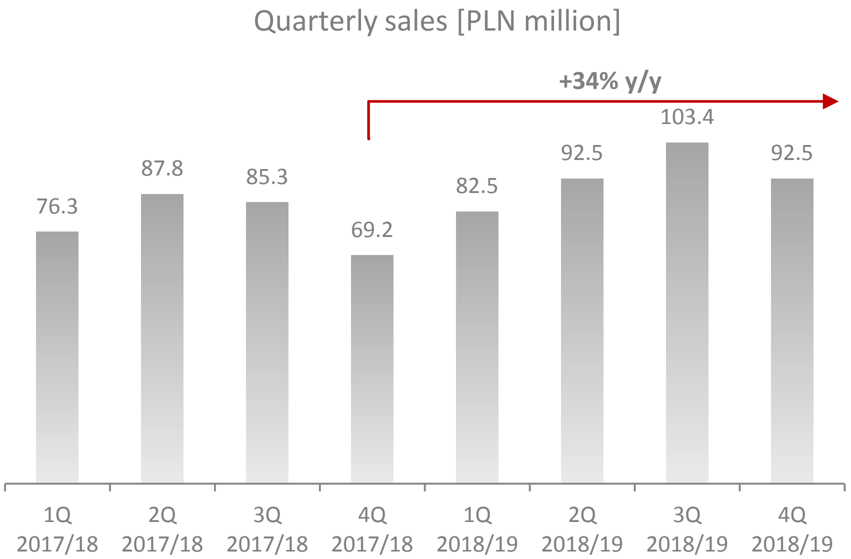
2018/19 – key figures

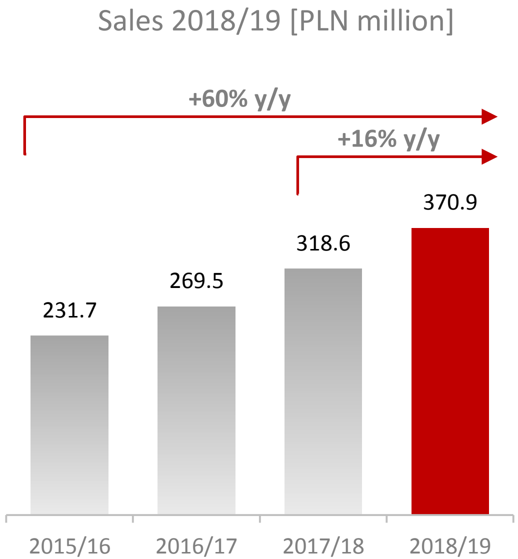
KEY CAPEX	ORDERS	REVENUE
PLN 12m	+14%	+16%
	PLN 378.0 m	PLN 370.9 m

EBITDA	EBIT	NET PROFIT
+28%	+36%	+30%
PLN 35.1 m	PLN 25.0 m	PLN 15.3 m

** Net profit on continuing operations. Net profit including discontinued operations was: PLN 14.8 m*

4. Group sales - strong geographical and product diversification

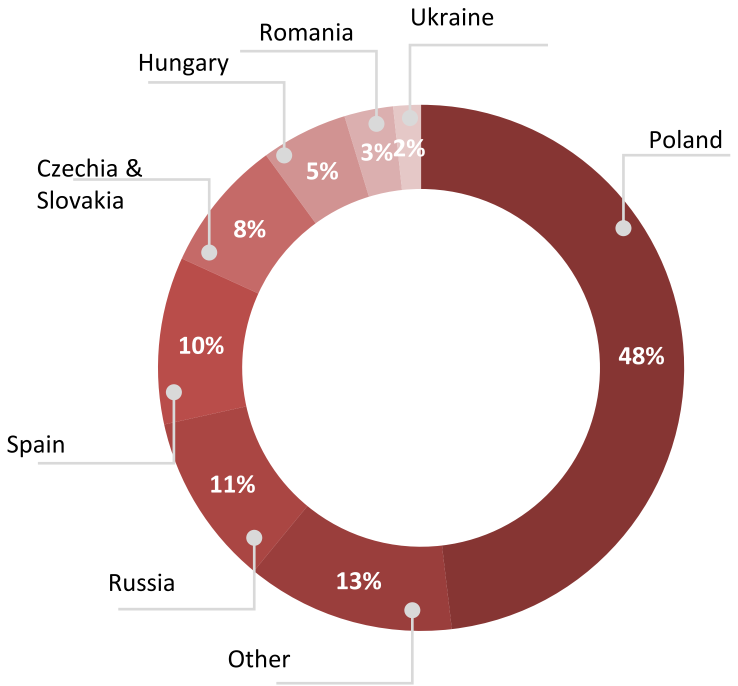




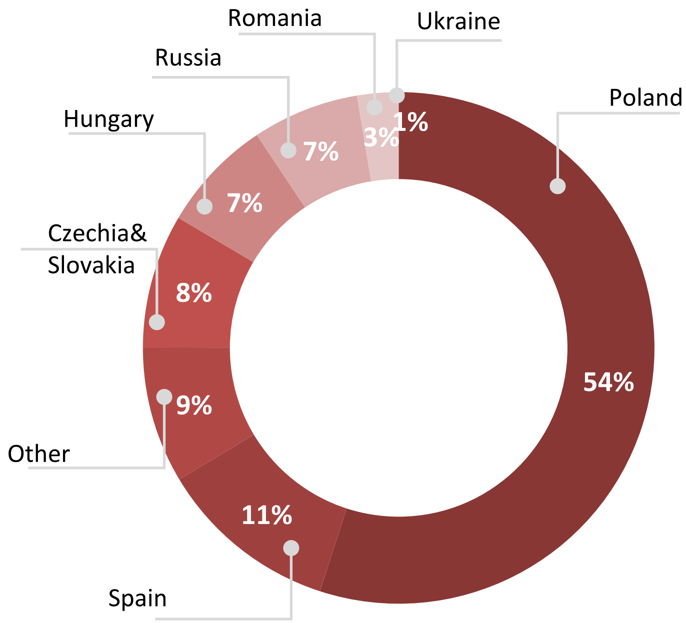
- Double-digit growth in scale of operations for the fourth year in a row
- Strong sales dynamic in all quarters
- Significantly higher revenue dynamics in Poland (+32%)
- Growth in foreign sales of 2% y/y
- Decline in revenue in Russia offset by growth on other markets, diversification of the group
- Growth in sales on most of the group's home markets and across all product divisions

4. Sales of Group on specific markets

Share of Group sales on specific markets in 2017/18 [PLN million]



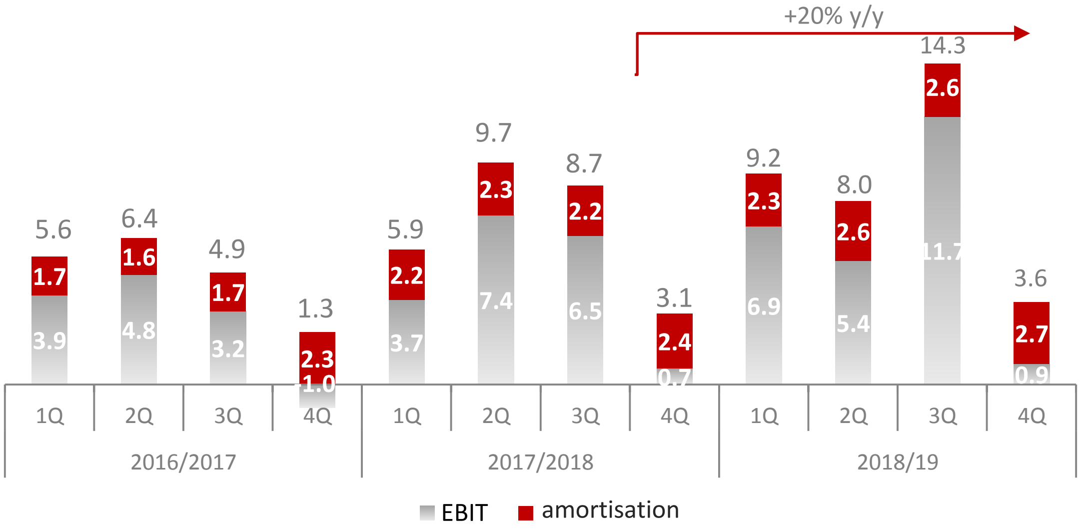
Share of Group sales on specific markets in 2018/19 [PLN million]



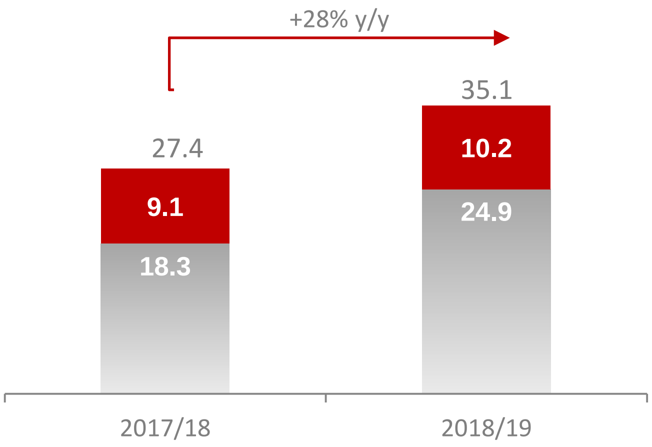
- Exploitation of the group's strong competitive advantage—diversification of products and geography—in response to declining sales in Russia
- Exploitation of strong economy in Poland and on European markets

4. Group results

Quarterly EBITDA [PLN million]



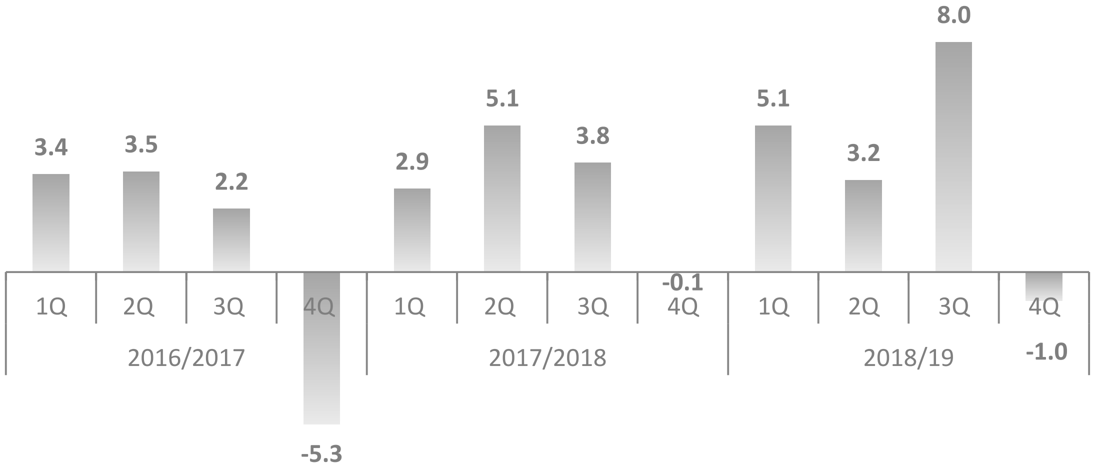
EBITDA 2018/19 [PLN million]



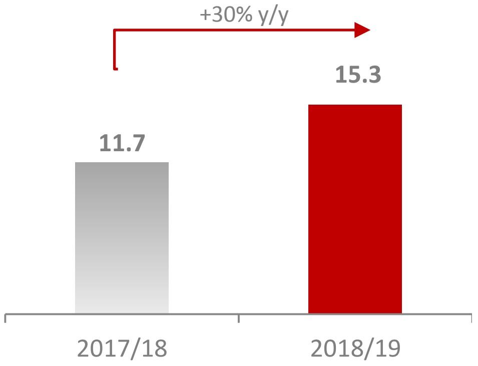
- Steadily growing EBITDA y/y
- Growth in value of amortization as a result among other factors of investments in production (c. PLN 50 million in the last three years)

4. Group results

Quarterly net profit [PLN million]



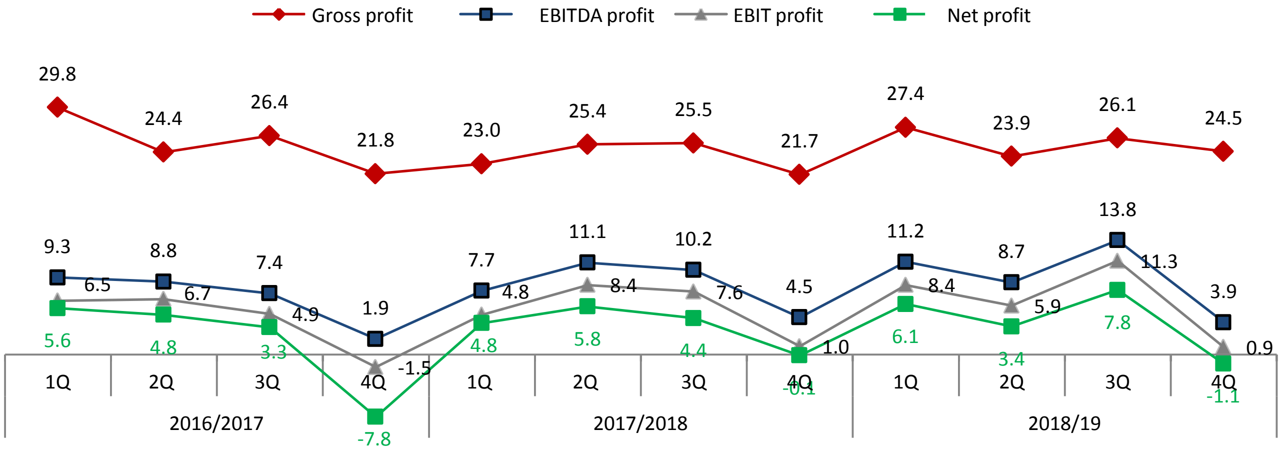
Quarterly net profit 2018/19 [PLN million]



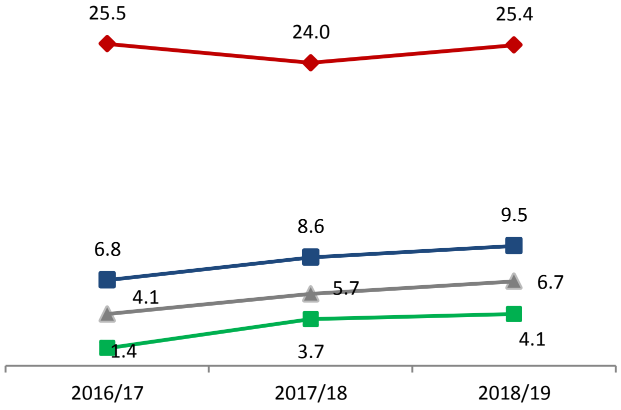
- Along with growing scale of operations, growth in margins at all levels
- Effect of financial leveraging
- 30% growth in profit on continuing operations (profit up 34% including discontinued operations)
- In the seasonally weaker 4th quarter, a loss (PLN 1.0 million) resulting mainly from the annual revaluation of trading assets (Mercor-Proof and Mercor S.A.)

Good profitability at all levels

Quarterly profitability [%]



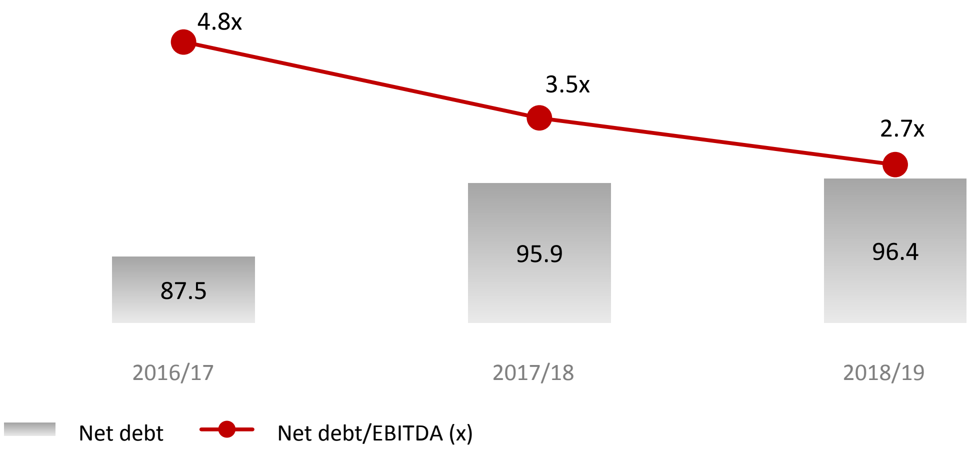
Profitability 2018/19 [%]



- Improved margins (in value and percentage-wise) in FY 2018/19 at all levels
- Good dynamics in EBIT margins, although lower than gross margins, due to the impact of costs connected with maintaining commercial structures
- Growth in margins as a result of completing a growing number of high-margin projects, taking advantage of the strong economy
- Continually expanding portfolio of products, new product lines, enabling a favourable product mix

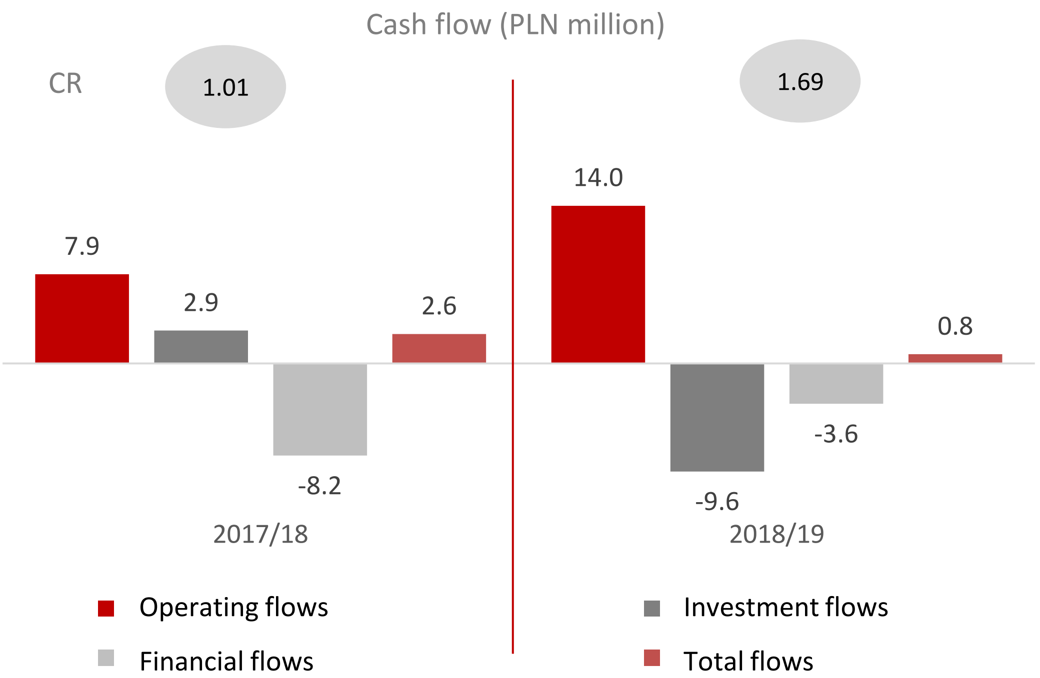
4. Net debt and net debt / EBITDA ratio

Net debt and net debt / EBITDA ratio [PLN million]



- Stable level of debt
- Decline in financial costs y/y (by nearly 20%) despite growth in debt
- Declining net debt/EBITDA ratio
- Key capex (mainly R&D) incurred by the group in FY 2018/19: PLN 12 million.

Improving liquidity



- Positive cash flows from operating activity improved the group's financial liquidity
- Liquidity factor improved from 1.01 to 1.69

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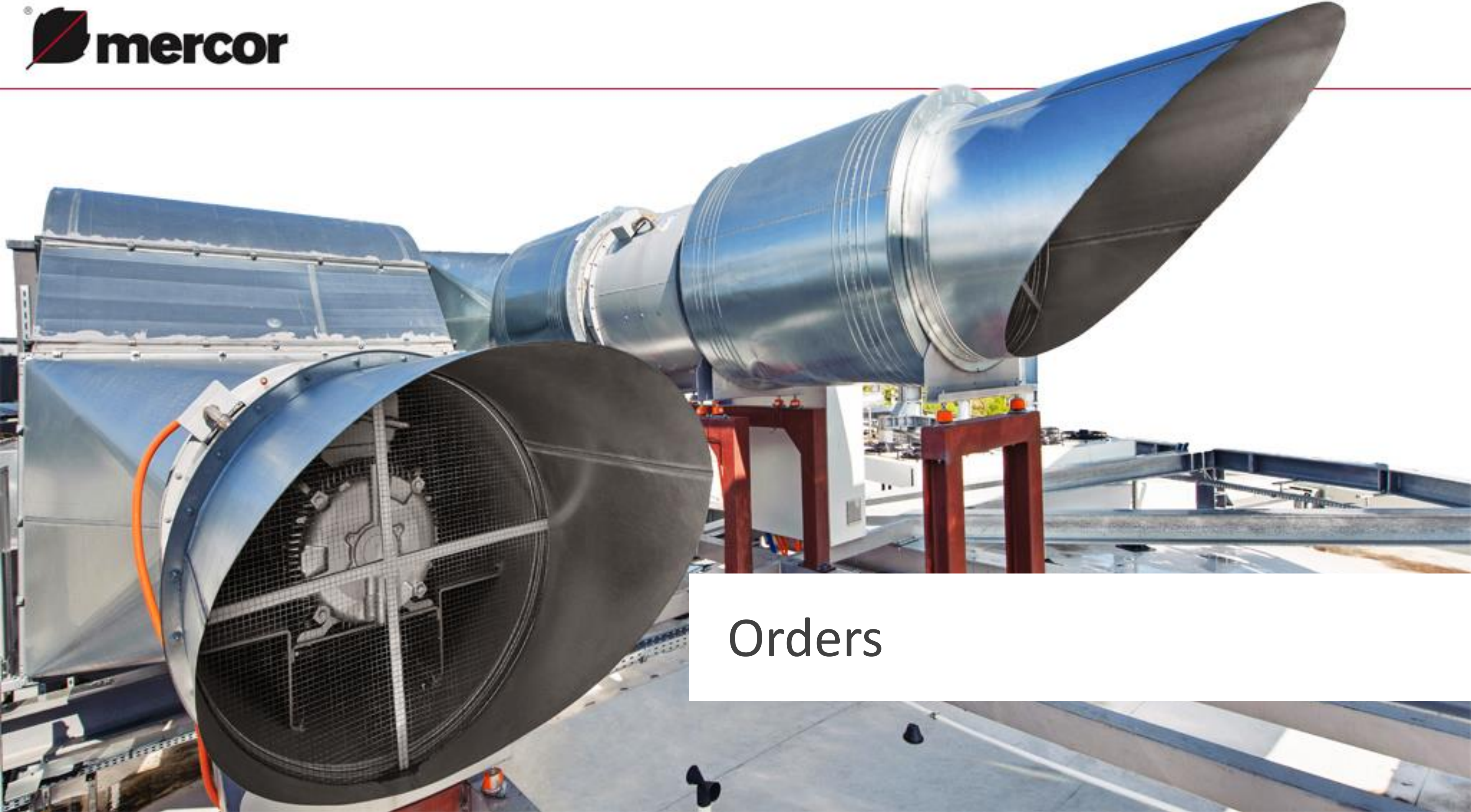
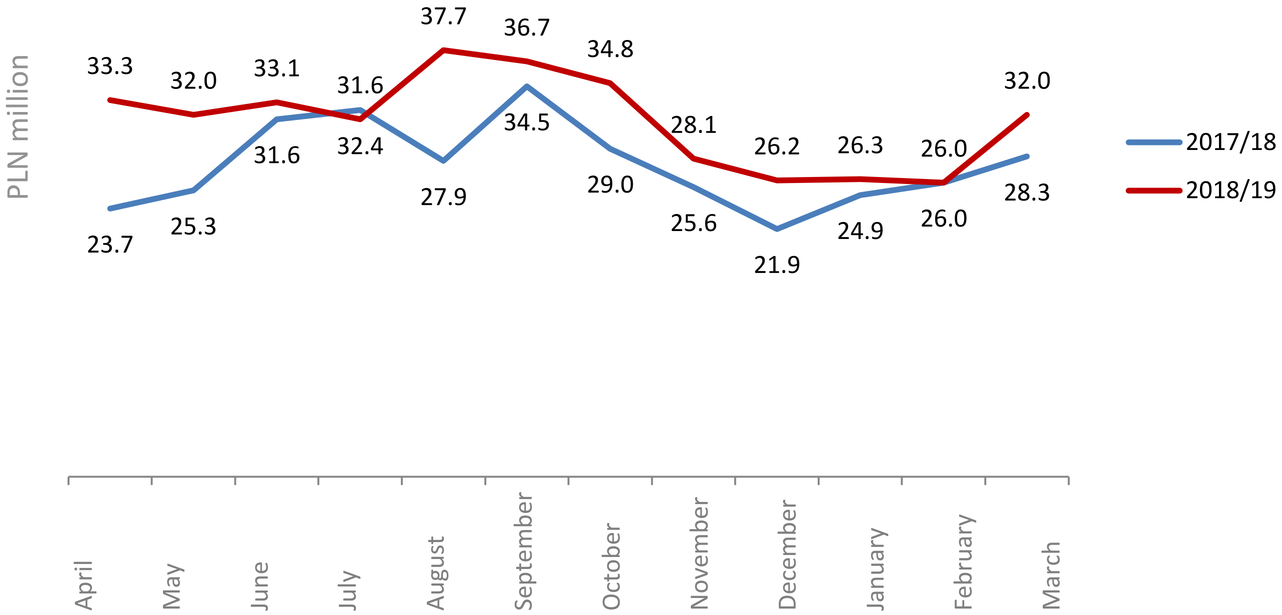


Orders

3. Two-digit increase in orders y/y



- Steadily growing portfolio of orders, natural monthly fluctuations in value of orders won
- Continuation of growing dynamic of orders despite high base the year before
- 14% growth (to PLN 378 million) in value of orders in FY 2018/19
- Short order completion time (average of about 2–3 months)
- Performance of contracts at current prices for materials

Examples of orders acquired in 2018/19

Amazon (Gliwice, Sosnowiec), Poland, fire ventilation and smoke exhaust systems

Auchan warehouses and shopping centres, Spain, smoke exhaust systems

Al Rayyan Road Tunnel, Doha, Qatar, anti-fire construction protections

Faurecia plant, Hlohovec, Slovakia, smoke exhaust systems

Puskás Aréna stadium, Budapest, Hungary, fire ventilation and smoke exhaust systems

Kronospan plant, Russia, smoke exhaust systems

Summary

5. Market opportunities and challenges

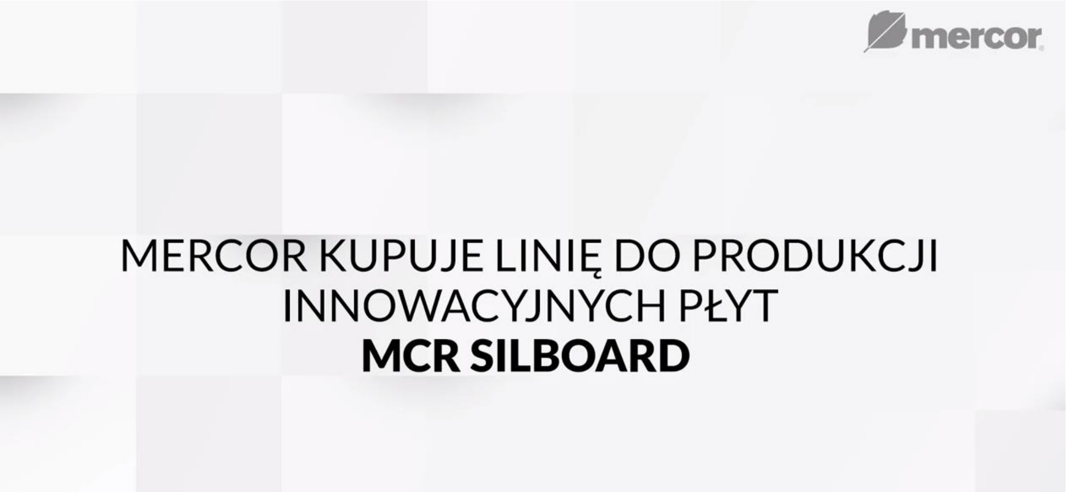
OPPORTUNITIES

- Solid portfolio of orders
- Control of costs with growing scale of operations
- Competitive conditions for employment, low turnover among group staff
- Fire protection regulations encouraging demand for the group’s products, including new product lines
- Growth in sales of innovative mcr Silboard, purchase of complete production line with installation underway
- Strong economy, growing number of construction projects in Poland
- Strong economy in Europe

CHALLENGES

- Unstable political situation in Russia and Ukraine
- Uncertain legal and political environment in Poland
- Need for funding for further investments, exploitation of the group’s full potential
- Problems of the construction industry (debt, shortage of workforce, low liquidity)

The strategic direction of development - mcr Silboard



http://bit.ly/mcrSilboard

5. Grupa Mercor

- One of the **leaders of the European market** for passive fire protection systems
- The Group offers comprehensive solutions in four segments of the market for passive fire protection systems:
  - **Smoke and heat exhaust systems and roof lighting** – the business of the smoke exhaust division is conducted at all of the Group's companies, primarily MERCOR S.A., Mercor-PROOF and Tecresa. Production is conducted in Cieplewo and Gdańsk (Poland) and Tula near Moscow (Russia).
  - **Fire ventilation systems** – the business of the fire ventilation division is conducted primarily at MERCOR S.A., Mercor Romania, Mercor Czech Republic, Mercor Slovakia, and Mercor Ukraine. Production is conducted in Cieplewo (Poland).
  - **Building structure fire protections** – the business of this division is conducted primarily at MERCOR S.A., Tecresa, Mercor-PROOF, and Mercor Dunamenti Tűzvédelem. Production is conducted in Madrid (Spain), Göd (Hungary), and Mirosław (Poland).
  - **Fire partitions** – this business was relaunched, in a new business model, from April 2017. Production of these systems is handled by the tech company DFM Doors (Opole, Poland). Sale of fire doors under the DFM brand has been launched.
- The Group has operating subsidiaries in **8** European markets and **8** production plants in **5** countries in Europe.
- The Group employs about **750** people.

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