

Małkowo, 06.09.2024r.

The aim of this document is to explain Rockfin business and its impact on financial performance

Rockfin business is booming and we are preparing internally our organization for increased scale of the business. The growing trend is mostly seen in compressors, FPSO and distributed energy sector, but we are also preparing our organization for hydrogen market that we believe will start in few years. We are now processing internal initiatives that will let us to meet Clients expectation and their need for increased capacity, effectiveness and quality. These initiatives include inter alia:

- investment in new workshop area (in Gorlice and Elbląg branches) increasing capacity from 11,000 sqm to ca. 20,000 sqm;
- exchange of our ERP to the newest and best in class industry standards and functionalities;
- implementation of Project Documentation Management software together with SolidWorks;
- Kaizen, Continuous Improvement and 6S programs.

We plan to end year 2024 with Revenues at 758 mPLN (ca. 176 mEUR) and with solid EBITDA at the level of 98 mPLN (ca. 22,7 mEUR). We already record the highest historically offer inquiries and signed offers. Our Backlog (signed contracts) for 2025 is 604 mPLN (ca. 140 mEUR) and total backlog is 1 184 mPLN (ca. 275 mEUR).

In March 2022 Rockfin was acquired by private equity fund from Czech – JET Investment. The new owner strategy is to grow our organic business with the focus on green energy in the next years. JET Investment is also the owner of two companies that complement and extend our offer: Tedom Group and 2JCP.

We would like to share with you some of our financial data, and to assure you, that Rockfin business is solid and healthy.

*) Numbers presented in this document are managerial accounts, and may slightly differ from the values presented in statutory financial statement.

Equity

In 12.2021 Rockfin paid 60 mPLN and 27 mPLN in 03.2022 as dividends. Dividends were paid to the previous owner of Rockfin (Tar Heel Capital) as agreed with the new owner during acquisition of Rockfin (JET Investment).

Banks (PKO BP and Santander) gave their consent on that dividend payment, and decided not to monitor covenant Equity/Assets due to the characteristic of our business.

Please be advised, that Rockfin business differs from other heavy industry businesses. Rockfin does not need high capex, as our production is on project basis and its done in workshops with only cranes and small machines and welders. We do not need an expensive production line, so we do not need to cover expensive fixed assets with high level of equity. If we did not repay dividends in 2021/2022 we would have ca. zero net debt, which is not optimal for any company and its owners. This is low capex business and that is why Banks do not monitor Equity/Assets covenant.

EBITDA performance

We have introduced many procedures related to project management and controlling of projects. We recognize every month provisions for bonuses, potential project risks and penalties as soon as the potential risk arise. Rockfin penalty/guarantee annual cost is below 0.2% of revenues, and we do provisions of that amount each year.

Revenues and receivables

Rockfin produces only products that are a subject to signed contracts (Backlog). Full value of our Inventory is connected to signed projects that will be delivered to Clients. There is no risk connected to not selling projects. Majority of our Clients are blue chip global companies (include multiple global entities of the group): General Electric, Siemens, MAN, Kawasaki, Mitsubishi, Bergen Engines, Wartsila, Howden Thomassen Compressors, Hitachi Zosen, Burckhardt Compression. There is no risk with cash collection from receivables from such big Clients.

Credits and banks

Rockfin has a financing facility provided with consortium of banks: Santander and PKO BP. Majority of our financing is in EUR at fixed interest rate and to be repayed in 5 years. We also have 135 mPLN of overdraft limit, that is extended every two years. High limit give us security for any future distortion or increase of the business.

Most of Rockfin revenues are in EUR, we have a natural hedge on credits in EUR.

We have a healthy indebtedness at the level of Net Debt / EBITDA of x1.3, and all of our bank covenants are below limits.

Rockfin also finance its projects in the way of Prepayments from clients, that are seen in balance sheet, as at 30.06.2024 there was 140 mPLN of Prepayments. These Prepayments are netted off with the future invoice for the project. Prepayments are not recognized as Revenue, it is only cash flow that impact balance sheet.

Net Working Capital (NWC)

As Working Capital we consider following items: Receivables, Short term Prepayments and Accruals (as recognized Revenue but not invoiced) and Inventory. To calculate NWC we also consider as negative values Trade Liabilities and Prepayments from Clients. NWC as at 30.06.2024 was 175 mPLN comparing to 139 mPLN at the end of 2023. Increase in NWC is mainly driven by long term packaging and nuclear contracts.

Next year's forecast

Our forecast for the next year 2025 is in preparation, but we are aiming above 100 mPLN, and we are having already signed contracts for 2025 at 604 mPLN. Our total Backlog (signed contracts) as at 30.06.2024 is over 1 184 mPLN (ca. 275 mEUR)

Performance in 2023 and 2024

Year 2023 was be the best year in the history of our company, and we expect 2024 to overbeat performance of 2023. There were no significant delays and postpones of our projects.

Financial performance (in mPLN)

	06.2023	06.2024	2023	LTM'06
Sales as per FS (incl. change of inventory) - YTD	265,2	372,6	610	717
Sales of products - YTD	241,7	332,6	575	666
EBITDA Adjusted	27,31	51,6	79	103
EBITDA Adjusted - mEUR (EUR/PLN @4.3)	6,3 mEUR	12,0 mEUR	18,3 mEUR	23,9 mEUR
Net profit - YTD	17,7	38,6	43	64
Net Debt	110,9	135,6	132,3	135,6
Net Debt / EBITDA Adj	1,6	1,3	1,7	1,3
Inventories	151	193	164	193
Trade Receivables	47	88	90	88
Short term Prepayments and Accruals	142	140	229	140
Trade Liabilities	80	105	90	105
Prepayments from Clients	161	139	239	139
Net Working Capital	95	175	139	175

*) LTM'06 – Last twelve months ended in June 2024.

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Michał Markowski

Vice President of the Board