Summary of 2023 financial results by Polimex Mostostal

05/09/2024



Polimex Mostostal Capital Group presents its annual financial results. The operating revenue of the Polimex Mostostal Capital Group after 12 months of 2023 amounted to PLN 3,014 million compared to PLN 3,784 million in 2022. EBITDA of the Capital Group amounted in 2023 PLN -73 million and is lower by PLN 280 million compared to the result in 2022.

The Capital Group's net result in 2023 of PLN -123 million (-4.1%) is PLN 254 million lower than the result in 2022.

Selected financial data 2023 in PLN million

In PLN million	2022	2023
OPERATING REVENUE	3,784	**3,014**
OPERATING PROFIT	167	**-117**
EBITDA	207	**- 73**
NET INCOME	131	**- 123**

"We summarised the 12 months of the past year and today we would like to present the financial results for 2023. Following a thorough analysis of the implemented projects, taking into account all the risks, in an environment of all-around inflation, changes in the prices of materials and services, we generated PLN 3,014 million of operating revenue in the companies of the Polimex Mostostal Capital Group.

The decreased performance levels in 2023 were influenced by a number of both internal and external factors, most significantly the consequences of the war beyond our eastern border, on contracts already priced before the Russian Federation attacked Ukraine. In 2023, the biggest challenge was the negotiation of deadlines and valorisation of ongoing contracts (extraordinary price increases, wage increases and perturbations still persisting after the pandemic). The unstable situation on the construction materials market, the increase in service prices and the shortage of skilled labour affected our results in 2023.

However, it should be noted that the negative 2023 EBIDTA level, resulting from the factors indicated above, is practically entirely attributable to the performance of the Power segment, which in turn is related to the overestimation of the budgeted costs relating to the Czechnica project – PLN 102 million, as well as the Dolna Odra project – PLN 124 million.

We are launching a new offering on the market, which will ultimately lead to the creation of a separate business segment. In cooperation with our partner TEDOM GROUP (joint venture) from the Czech Republic, we have launched Polimex Energo, a company supporting the energy transition in Poland.

As a result of the Polimex Energo co-operation model, the customer will be provided with a new, efficient CHP unit and, throughout the co-operation period, Polimex Energo will supply them with heat at a lower price than if they produced it on their own in an in-house gas boiler.

In practice, this means that the customer, without investing a single zloty, will have a new CHP unit installed in their company or heating plant and will enjoy three main benefits: cheaper heat than they are able to generate on their own, a stable income from the lease of the land where the unit is installed, and more effective heating system without the need for capital expenditure.

We have the opportunity to participate in unique projects. In July 2023, we signed the largest contract in the history of Polimex Mostostal, Naftoremont-Naftobudowa and KTI Poland S.A. Olefiny III with ORLEN S.A., which includes the

performance of works in the oil & gas sector for the task entitled: “PACKAGE K-003 of the OSBL expansion package for the Olefins plant”. The value allocated to the Polimex Mostostal Group is PLN 3,430 million.

At the end of September 2023, we concluded the contract as a Consortium: Polimex Mostostal (as leader of the Consortium) and AB Industry S.A. (as a partner of the Consortium) with Orlen Południe S.A. for the implementation of a modern rapeseed oil pressing plant project in Kętrzyn, in the Warmińsko-Mazurskie Voivodeship, with a net value of PLN 547.2 million and EUR 32.3 million, of which the Company is entitled to PLN 386.2 million net and EUR 32.3 million net.

In January this year, we signed an agreement, tendered in 2023, with the PGE Group and Ørsted for an offshore project to build the onshore infrastructure required to derive power from the Baltica 2 project – one of two phases of the Baltica Offshore Wind Farm for PLN 849.0 million, which is an important milestone for PxM CG's contribution to offshore projects in Poland and a start point for further such projects.

We went through the selection process organised by the US big player Westinghouse and Mostostal Siedlce, a company from the Polimex Mostostal Capital Group, was selected to build Poland's first nuclear power plant.

From a long-term perspective, new projects give us the opportunity to increase the unique competence of our personnel and, above all, the economic value of the company. I can assure you that we are constantly and consistently striving to maintain the stability of our organisation, mitigate risks and, above all, achieve the best possible economic performance." **- said Krzysztof Figat, President of the Management Board of Polimex Mostostal S.A.**

"Our aim is to focus on all projects that can provide the Company with stable, satisfactory revenues and equally satisfactory margins, while maintaining high service quality. We intend to achieve this goal by, among other things, further effective diversification of our order portfolio, which at the end of December 2023 amounted to more than PLN 9 billion (a record value in recent years, in 2023 the order portfolio is 73% higher than that reported at the end of 2022).

It should be noted that at the end of 2023, for the first time the largest share (46%) of the Group's order portfolio is attributable to projects from the Oil, Chemicals and Gas segment (nominally PLN 4.1 billion) ahead of the previous leader, i.e. the Power segment (37%, i.e. PLN 3.4 million nominally), which is a

deliberate path towards diversification of revenues and satisfactory margins.

Another sector significantly increasing the portfolio is the Industrial Construction segment – almost double the 2022 result (up from PLN 372 million to PLN 685 million) – by signing, among others, contracts for the construction of the LOT AMS hangar in Rzeszów-Jasionka (PLN 0.2 billion), the BREMBO production plant in Dąbrowa Górnicza (PLN 0.2 billion) or the Museum Collection Warehouse in Lesznowola (PLN 0.1 billion).

We would like to draw attention to the further increase in technical competence and the consolidation of companies segmented around strategic projects, as a result of which executive companies will be handling larger scopes of work on these projects.

Despite the continued difficult situation beyond our eastern border, foreign sales revenue amounted to PLN 809 million and accounted for 27% of the total revenue of the Capital Group. In 2022, it was a share of 19%.

Net debt remains at a safe negative level, the change (2022 is PLN -715 million, currently PLN -277 million) is a natural consequence of the disposal of cash in order to meet the planned key projects (financing their implementation), which confirms that the situation of the Group is stable in terms of liquidity." **– added Maciej Korniluk, Vice-President of the Management Board.**

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