

Creotech

Executing key contracts

We maintain our 12-month Hold recommendation, setting the target price at PLN 329.1 (previously PLN 333.3).

- We assess the 1Q'25 results neutrally – the company reported strong revenue growth (PLN 26 million vs. PLN 9 million a year earlier) due to the high sales in the space segment. This was mainly due to the recognition of revenues in part B1 of the Mikroglob project. The electronics manufacturing segment recorded a decline in product sales revenue to PLN 1.1 million vs. PLN 2.0 million a year earlier – the segment's operations will be phased out in accordance with the information in the annual report. Product sales revenue in the quantum systems segment recorded high growth (to PLN 2.4 million vs. PLN 1.1 million a year earlier). This allowed the company to record a positive operating and net result (PLN +1.4mn).
- We are not significantly changing our model assumptions regarding the projection of results in the coming years. The company has recently secured two key contracts in the space segment (Mikroglob + Camila), which will significantly increase revenue streams in the years '25e-'27e. We still assume that this will allow for a positive net result in '25e at the level of PLN 5mn.
- In our opinion, the current valuation of the company already reflects the above positive events and the commercial success of the Hypersat platform (we assume sales of 24 units in '28e-'30e in our base scenario), which in our view implies no significant upside to the market valuation.

Key financial information

PLN mn	2022	2023	2024	2025e	2026e	2027e	2028e
Revenues	33.6	44.0	35.6	214.2	243.4	396.6	283.3
EBITDA	-4.1	-8.6	-16.9	16.3	33.5	67.3	96.2
EBIT	-8.7	-16.9	-24.8	6.5	22.2	55.5	84.2
Net income	-7.0	-14.3	-20.5	4.8	18.6	45.7	69.3
EPS	-4.4	-6.0	-8.6	1.6	6.3	15.4	23.4
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
P/E	neg.	neg.	neg.	182.3	46.9	19.1	12.6
EV/EBITDA	neg.	neg.	neg.	48.1	23.4	11.4	8.0

Source: Creotech (22-24), Pekao Equity Research

Hold (reiterated)

Target price

PLN 329.1

Upside to TP

+11.6%

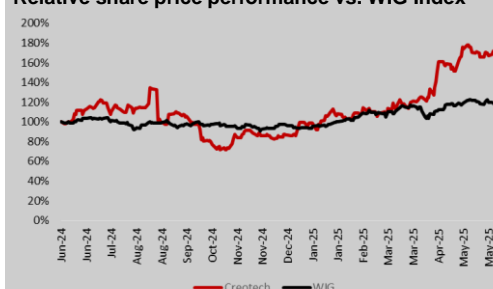
Price on 6 June 2025

PLN 295.0

ESG Rating ESG Score

**C
0.63**

Relative share price performance vs. WIG Index



UPCOMING EVENTS

1HY'25 results	26.09.25
3Q'25 results	26.10.25

STOCK DATA

Bloomberg	CRI PW
Free float (%)	46.7
Market cap (PLNmn)	842.0
No. of shares	2.9

Shareholders	PTE Allianz Polska S.A 10.0%
	ARP 9.5%

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Recent developments

Changes in the management board

On 29 May 2025, the Supervisory Board of the Company adopted a resolution to dismiss Mr Grzegorz Brona, Mr Paweł Górnicki and Mr Jacek Kosiec from the Management Board. At the same time, it appointed the following persons for a new term of office, effective as of 1 June 2025:

- 1) Mr Grzegorz Brona, entrusting him with the function of President of the Company's Management Board;
- 2) Mr Paweł Górnicki, entrusting him with the function of Vice-President of the Company's Management Board for Financial Affairs;
- 3) Mr Maciej Misiura, entrusting him with the function of Vice-President of the Management Board of the Company;
- 4) Mr Jacek Mandas, entrusting him with the function of Vice-President of the Management Board of the Company.

Approval of documentation by the Armament Agency and completion of phase C in the Mikroglob project

2.06.25 The Company received information from the Armament Agency about the approval of the final documentation C as part of the implementation of the contract for the 'Mikroglob' programme. The Company has thus completed phase C, for which it is entitled to a total remuneration of PLN 20.0 million net, including PLN 16.0 million net for the documentation delivered and PLN 4.0 million for the performance of the contract with a third party for the launch of Mikroglob satellites. The approval of the final documentation C also marks the start of phase D of the Agreement.

1Q'25 financial results

P&L (PLN m)	1Q24	2Q24	3Q24	4Q24	1Q25	Y/Y	Q/Q	Pekao	vs. Pekao	'24	'25e
Revenues	9	8	6	13	26	191%	103%	29	-12%	36	216
Operating cost	-13	-14	-14	-18	-24	91%	32%	-26	-7%	-58	-210
Other op. Income/cost	0	0	0	-2	0	-63%	-98%	0	#DZIEL/0!	0	0
EBITDA	-2	-3	-6	-6	5	-331%	-180%	5	-12%	-17	17
EBIT	-4	-5	-8	-8	1	-135%	-118%	3	-56%	-25	7
Financial Income/(Cost)	0	0	0	0	0	2240%	115%	-1	-161%	0	-1
Net income	-3	-4	-7	-6	1	-142%	-124%	2	-32%	-20	5

Source: Company, Pekao Equity Research

We assess the results neutrally – the company recorded strong revenue growth due to the high sales in the space segment. This was mainly due to the recognition of revenues in part B1 of the Mikroglob project. The electronics manufacturing segment recorded a decline in product sales revenue to PLN 1.1 million vs. PLN 2.0 million a year earlier – the segment's operations will be phased out in accordance with the information in the annual report. Product sales revenue in the quantum systems segment recorded high growth dynamics (to PLN 2.4 million vs. PLN 1.1 million a year earlier). Salary costs increased y/y to PLN 9.3 million (we assumed PLN 9.7 million) vs. PLN 6.8 million a year earlier. High CAPEX (PLN 13 million) was partly due to investments in infrastructure in Piaseczno (PLN 4.4 million) and an increase in R&D expenditure. Cash and cash equivalents increased to PLN 107 million vs. PLN 32 million at the end of last year (positive impact of the recent share issue + strong OCF = PLN 13 million).

We conducted a scenario analysis in three different cases for the commercialization of the HyperSat platform:

■ **Baseline scenario**

Mikroglob project - the budget is set at the level of PLN 452.6mn net. We assume that the realisation of the contract will be spread over the years '25e-'27e.

Camila project - the project budget is PLN 223.6mn. We assume that the realisation of the contract will be spread over the years '25e-'27e.

Orders from ESA - we assume total sales of PLN 179.9mn, recognised in '25e-'29e.

Commercial orders - we assume sales of 24 Hypersat satellite platforms in '28-'30e. We estimate total revenue on the back of this at PLN 828.4mn.

■ **Optimistic scenario**

Mikroglob project - the budget is set at the level of PLN 452.6mn net. We assume that the realisation of the contract will be spread over the years '25e-'27e.

Camila project - the project budget is PLN 223.6mn. We assume that the realisation of the contract will be spread over the years '25e-'27e.

Orders from ESA - we assume total sales of PLN 179.9mn, recognised in '25e-'29e.

Commercial orders - we assume sales of 30 Hypersat satellite platforms in '28-'30e. We estimate total revenue on the back of this at PLN 1033.6mn.

■ **Pessimistic scenario**

Mikroglob project - the budget is set at the level of PLN 452.6mn net. We assume that the realisation of the contract will be spread over the years '25e-'27e.

Camila project - the project budget is PLN 223.6mn. We assume that the realisation of the contract will be spread over the years '25e-'27e.

Orders from ESA - we assume total sales of PLN 179.9mn, recognised in '25e-'29e.

Commercial orders - we assume sales of 15 Hypersat satellite platforms in '28-'30e. We estimate total revenue on the back of this at PLN 520.6mn.

■ **USD/PLN = 3.8, EUR/PLN = 4.3.**

Valuation

Valuation method

Our valuation is based 100% on the DCF method, and a comparative valuation is presented for informational purposes only (0% weighting).

Creotech: Summary

Method	Price (PLN)	Weight (%)
12M DCF method	329.1	100%
12M peers valuation	361.2	0%
12M target price	329.1	
Current price	295.0	
Upside/downside (%)	11.6%	

Source: Pekao Equity Research.

Peer comparison

Company name	Ticker	P/S			EV/EBITDA		
		2025e	2026e	2027e	2025e	2026e	2027e
Thales SA	HO FP Equity	2.4	2.3	2.1	14.4	13.1	12.1
Planet Labs	PL US Equity	7.4	6.7	5.5	N/A	N/A	81.7
GomSpace	GOMX SS Eq	5.4	4.2	3.4	68.8	32.1	18.5
Spire Global	SPIR US Equi	4.1	3.8	3.2	N/A	N/A	25.7
Median total		4.7	4.0	3.3	41.6	22.6	22.1
Creotech Instruments		4.0	3.5	2.1	48.1	23.4	11.4
Premium/discount vs. Median		-16%	-13%	-35%	16%	4%	-49%
Implied value PLN p.s.		342.2	327.1	441.1	249.8	276.7	530.2

Source: Bloomberg, Pekao Equity Research

Valuation of the quantum segment

To our valuation of the company, we separately add a valuation of the quantum segment, the spin-off of which is expected to take place in '26e and existing shareholders are expected to receive shares in the new entity. We assume this company could generate PLN 27mn in revenue in '27e largely due to the commercialisation of the eCAUSIS project. Given the early stage of the segment's development, we apply a P/S target ratio of 5.0x to the '26e-27e revenue forecast.

	2026e	2027e
Revenues	18.6	27.4
P/S ratio	5.0	5.0
Implied value	93.1	136.8
Segment valuation	114.9	

Source: Pekao Equity Research.

The key assumptions incorporated in our DCF valuation model are as follows:

- Risk-free rate of 5.4% from 2025-30e and 4.0% in the residual period.
- Capital risk premium of 6.0% from 2025-30e and 5.0% in the residual period.
- Beta ratio of 1.1.
- A credit margin of 2.8%.
- Tax rate of 19.0%.
- Dynamic weighting of equity and debt capital in the calculation of the weighted cost of capital (WACC).
- Residual period growth rate of 2.0% - taking into account the capital reinvestment rate.
- We take into account the number of shares including the latest SPO and the implementation of the incentive programme.
- Since '26, we do not include the quantum segment in the DCF, the value of which is added separately to the final valuation.

Rating ESG

Capital Goods	E	S	G
Score	0.27	0.60	0.85
Sector weight	20%	40%	40%
Final ESG Score	0.63		
ESG Rating	C		

	score from:	to	Rating	WACC risk premium impact (% of RFR)
ESG Score	1.5	2	A	-15.00%
	1	1.5	B	-7.50%
	0.5	1	C	0%
	0	0.5	D	15.00%

WACC calculation

	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Year
Risk free rate	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	4.0%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
ESG discount/premium	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Beta	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Cost of equity	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	9.5%
Cost of debt	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	6.8%
After-tax cost of debt	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	5.5%
Equity weight	97%	97%	98%	98%	98%	98%	100%
WACC	11.8%	11.8%	11.8%	11.9%	11.9%	11.9%	9.5%

DCF valuation

(PLN mn)	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Year
Revenues	214	243	397	283	305	361	368.6
EBIT	6.5	22.2	55.5	84.2	93.5	119.9	122.3
Taxes on EBIT	-1.2	-4.2	-10.5	-16.0	-17.8	-22.8	-23.2
NOPAT	5.2	18.0	45.0	68.2	75.7	97.2	99.1
Depreciation and assets write-offs	9.8	11.3	11.8	12.0	12.2	12.4	12.4
Change in NWC	-15.4	-9.5	-23.2	8.1	-9.0	-16.1	-10.8
Capital expenditures	-24.2	-19.1	-15.1	-15.1	-15.1	-15.1	-25.2
FCFF	-24.4	0.7	18.4	73.2	63.8	78.4	75.4
<i>Terminal value growth</i>							2.0%
Terminal value							1 024.0
<i>Discount factor</i>	0.89	0.80	0.71	0.64	0.57	0.51	0.47
Discounted free cash flow	-21.9	0.5	13.2	46.8	36.5	40.0	512.7
Enterprise value	627.8						
Quantum segment	114.9						
Net debt - Dec 31 2024	-9.9						
SPO inflow	76.0						
Equity value Dec 31 2024	828.7						
Number of shares (mn)	3.0						
12M target price per share (PLN)	329.1						
Share price as of June 6th (PLN)	295.0						
<i>Upside/Downside vs. current price</i>	11.6%						

Revenues growth	502%	14%	63%	-29%	8%	18%	2.0%
EBIT margin	3.0%	9.1%	14.0%	29.7%	30.6%	33.2%	33.2%
Tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Capex/revenues	11.3%	7.8%	3.8%	5.3%	4.9%	4.2%	6.8%
Capex/depreciation	245.7%	169.1%	127.9%	125.6%	123.6%	121.7%	203.4%

Sensitivity of value to Terminal value growth & WACC

Terminal value growth/WACC		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
	7.5%	344.1	360.9	380.5	403.0	431.5	465.5	508.0
	8.5%	316.8	329.5	344.1	360.4	380.5	403.7	431.5
	9.5%	295.5	305.5	316.8	329.1	344.1	360.9	380.5
	10.5%	278.5	286.6	295.5	305.2	316.8	329.5	344.1
	11.5%	264.6	271.2	278.5	286.3	295.5	305.5	316.8

Sensitivity of value to key drivers' of company earnings

Terminal value EBIT margin/WACC		27.2%	29.2%	31.2%	33.2%	35.2%	37.2%	39.2%
	7.5%	355.4	371.2	387.1	403.0	419.0	434.9	450.9
	8.5%	317.5	331.8	346.1	360.4	374.7	388.9	403.2
	9.5%	290.4	303.3	316.3	329.1	342.0	354.8	367.7
	10.5%	270.0	281.8	293.5	305.2	316.9	328.6	340.2
	11.5%	254.1	264.9	275.6	286.3	297.0	307.7	318.3

Source: Pekao Equity Research

Scenario analysis - base scenario

	2025e	2026e	2027e	2028e	2029e	2030e
Revenues	214.2	243.4	396.6	283.3	305.1	361.3
y/y	502.4%	13.6%	63.0%	-28.6%	7.7%	18.4%
Grants	11.9	6.8	5.9	6.1	6.3	6.5
Electronic manufacturing	0.0	0.0	0.0	0.0	0.0	0.0
Science	13.6	0.0	0.0	0.0	0.0	0.0
Earth observation	0.0	2.0	2.5	3.1	3.9	4.9
Space	188.6	234.6	388.3	274.1	294.9	350.0
EBIT	6.5	22.2	55.5	84.2	93.5	119.9
EBIT margin (%)	3.0%	9.1%	14.0%	29.7%	30.6%	33.2%
Net income	4.8	18.6	45.7	69.3	78.1	100.7
TP (upside/downside)					329.1	11.6%

Scenario analysis - optimistic scenario

	2025e	2026e	2027e	2028e	2029e	2030e
Revenues	216.2	243.1	396.1	343.7	373.1	436.9
y/y	508.0%	12.4%	62.9%	-13.2%	8.6%	17.1%
Grants	11.9	6.6	5.4	5.6	5.8	6.1
Electronic manufacturing	0.0	0.0	0.0	0.0	0.0	0.0
Science	13.6	0.0	0.0	0.0	0.0	0.0
Earth observation	0.0	2.0	2.5	3.1	3.9	4.9
Space	190.6	234.6	388.3	334.9	363.3	426.0
EBIT	6.7	23.2	56.9	112.9	126.2	156.9
EBIT margin (%)	3.1%	9.5%	14.4%	32.8%	33.8%	35.9%
Net income	5.0	19.6	47.0	92.7	105.1	131.5
TP (upside/downside)					413.1	39.3%

Scenario analysis - pessimistic scenario

	2025e	2026e	2027e	2028e	2029e	2030e
Revenues	214.2	243.4	396.6	192.1	202.5	247.3
y/y	502.4%	13.6%	63.0%	-51.6%	5.4%	22.1%
Grants	11.9	6.8	5.9	6.1	6.3	6.5
Electronic manufacturing	0.0	0.0	0.0	0.0	0.0	0.0
Science	13.6	0.0	0.0	0.0	0.0	0.0
Earth observation	0.0	2.0	2.5	3.1	3.9	4.9
Space	188.6	234.6	388.3	182.9	192.3	236.0
EBIT	6.5	22.2	55.5	43.1	46.3	66.4
EBIT margin (%)	3.0%	9.1%	14.0%	22.5%	22.8%	26.8%
Net income	4.8	18.6	45.7	36.0	39.5	56.3
TP (upside/downside)					209.5	-29.0%

Źródło: Pekao Equity Research

Risk factors

Among the key risks, in our opinion, to Creotech's operations and performance, we highlight:

- **Risks associated with public grants/contacts** – a constant part of the Company's source of revenue is the activity related to research and development projects financed or co-financed by public funds, which involves the risk of reimbursement of funding. The Company is also exposed to the risk of missing or reduced orders in the event of changes in the financial policies and priorities of funding institutions, including government contracts.
- **Potential share issuances** – the company's revenues and financial performance may be subject to high volatility, and the company is currently in a period of high capital requirements due to its growth nature. Any deviation from our model assumptions, particularly the fiasco of the commercialization of the Hypersat project, could pose significant liquidity risks, resulting in the risk of shareholder dilution due to the need of raising capital.
- **Risk of losing key employees and wage pressures** – the company operates in the sector where appropriately qualified personnel is an important factor. Qualified engineering personnel requires correspondingly high salaries, which can put pressure on the cost side of the business.
- **Failure of the Hypersat commercialization process** – we base our valuation scenarios on the successful commercialization of the Hypersat project. If this project fail, we believe that the company's valuation will deviate significantly from today's capitalization, and the company's future will be in question.
- **Supply chain issues** - unstable supply chains in the electronic components market may result in significantly extended delivery times for key production materials.
- **Potential project postponements and settlements** - any postponement of projects and the settlement of their milestones can have a significant impact on the financial results achieved.

Update of forecasts

We have not significantly changed our model assumptions regarding the projection of results in the coming years. The company has recently secured two key contracts in the space segment (Mikroglob + Camila), which will significantly increase revenue streams in the '25e-'27e. We still assume that this will allow for a positive net result for the entire year at the level of PLN 5 million.

In our opinion, the current valuation of the company already reflects the above positive events and the commercial success of the Hypersat platform (we assume sales of 24 units in '28-'30e in our base scenario), which in our view implies no significant upside to the market valuation.

A summary of the changes to our forecasts is presented in the table below:

	2025e			2026e			2027e		
	Earlier	Now	change	Earlier	Now	change	Earlier	Now	change
Revenues	216.2	214.2	-0.9%	243.1	243.4	0.1%	396.1	396.6	0.1%
EBITDA	16.6	16.3	-1.7%	33.6	33.5	-0.4%	67.5	67.3	-0.4%
EBIT	6.7	6.5	-3.3%	23.2	22.2	-4.3%	56.9	55.5	-2.4%
Net income	5.0	4.8	-4.2%	19.5	18.6	-4.4%	46.9	45.7	-2.6%

Source: Pekao Equity Research

P&L (PLN mn)	2022	2023	2024	2025e	2026e	2027e	2028e
Revenues	34	44	36	214	243	397	283
Operating expenses	-42	-61	-58	-208	-221	-341	-199
Other Operating Income/Cost	-1	0	-2	0	0	0	0
EBITDA	-4	-9	-17	16	33	67	96
EBIT	-9	-17	-25	6	22	56	84
Financial Income/(Cost)	0	-1	0	-1	1	1	1
Pretax Profit	-9	-17	-25	6	23	56	86
Income Tax	2	3	5	-1	-4	-11	-16
Net Income	-7	-14	-20	5	19	46	69
Balance Sheet (PLN mn)	2022	2023	2024	2025e	2026e	2027e	2028e
Total Current Assets	45	95	55	190	203	291	302
Cash and Equivalents	26	73	32	81	81	98	170
Other Current Assets	19	22	22	109	122	193	132
Total Fixed Assets	30	77	108	122	130	133	136
Tangible Assets	7	33	33	39	39	39	39
Other Fixed Assets	23	44	74	82	90	93	97
Total Assets	75	173	162	312	333	424	438
Stockholders' Equity	48	91	71	152	170	216	285
Long Term Liabilities	14	57	62	60	58	56	54
Long -Term Debt	2	22	20	18	16	14	12
Other Long - Term liabilities	12	35	42	42	42	42	42
Short Term Liabilities	13	24	30	101	105	152	99
Short -Term Debt	1	2	2	2	2	2	2
Other Current Liabilities	12	22	27	98	102	150	97
Total Equity & Liabilities	75	173	162	312	333	424	438
Net debt	-23	-49	-10	-61	-62	-81	-156
Cash Flow (PLN m)	2022	2023	2024	2025e	2026e	2027e	2028e
Net Profit	-7	-15	-20	5	19	46	69
Depreciation and Amortisation	5	8	8	10	11	12	12
Other (incl. WC)	-5	23	-6	-15	-9	-23	8
Operating Cash Flows	-7	15	-19	-1	20	34	89
Capital Expenditures	-12	-23	-20	-24	-19	-15	-15
Other	3	1	1	0	0	0	0
Cash Flows from Investing Activities	-9	-22	-19	-24	-19	-15	-15
Dividends paid	0	0	0	0	0	0	0
Other	31	54	-4	74	-2	-2	-2
Cash Flows from Financing Activities	31	54	-4	74	-2	-2	-2
Change in Cash	14	48	-41	49	-1	17	72
Cash at the end of period	26	73	32	81	81	98	170
Y/Y growth ratios							
Revenues	1%	31%	-19%	502%	14%	63%	-29%
EBITDA	-232%	112%	96%	-197%	105%	101%	43%
EBIT	-983%	94%	47%	-126%	242%	150%	52%
Net profit	3259%	105%	43%	-123%	289%	145%	52%
Margins							
EBITDA	-12.1%	-19.6%	-47.4%	7.6%	13.7%	17.0%	33.9%
EBIT Margin	-25.9%	-38.3%	-69.9%	3.0%	9.1%	14.0%	29.7%
Net Margin	-20.9%	-32.6%	-57.5%	2.2%	7.7%	11.5%	24.4%
ROE	-14.4%	-15.7%	-28.8%	3.2%	10.9%	21.1%	24.3%

Source: Creotech data – regarding the period 2022-24, Pekao Equity Research

Key financial data

Tabela wskaźnikowa (PLN)	2022	2023	2024	2025e	2026e	2027e	2028e	2029e	2030e
EPS, GAAP	-4.4	-6.0	-8.6	1.6	6.3	15.4	23.4	26.4	34.0
Revenue	34	44	36	214	243	397	283	305	361
EBIT	-8.7	-16.9	-24.8	6.5	22.2	55.5	84.2	93.5	119.9
EBITDA	-4.1	-8.6	-16.9	16.3	33.5	67.3	96.2	105.7	132.3
Net Income, GAAP	-7.0	-14.3	-20.5	4.8	18.6	45.7	69.3	78.1	100.7
Net Debt	-23	-49	-10	-61	-62	-81	-156	-222	-304
BPS	30.6	38.4	29.8	51.2	57.5	73.0	96.4	122.7	156.7
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Return on Equity %	-14.4%	-15.7%	-28.8%	3.2%	10.9%	21.1%	24.3%	21.5%	21.7%
Return on Assets %	-9.3%	-8.3%	-12.6%	1.5%	5.6%	10.8%	15.8%	15.3%	16.5%
Depreciation	5	8	8	10	11	12	12	12	12
Amortization	0	0	0	0	0	0	0	0	0
Free Cash Flow	-19	-7	-38	-25	1	19	74	66	82
CAPEX	-12	-23	-20	-24	-19	-15	-15	-15	-15

Source: Creotech ('22-24), Pekao Equity Research

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Analyst	Position	Financial instrument	Number of instruments	Exposure (long/short)	Average transactions price	Transactions dates
Lukas Cinikas	Analyst	Creotech	n.a.	n.a.	n.a.	n.a.

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METHODS USED TO FORMULATE OUR RECOMMENDATIONS:

Our company valuations are based on two valuation methods selected from among the following: discount model, multiples-based model or asset-based valuation method.

Discount models are characterized by simultaneous and comprehensive consideration of key determinants of intrinsic value, e.g. operating cash flow, capex, cost of capital (WACC). They are theoretically appealing and provide a direct computation of intrinsic value. However, discount model valuations are highly sensitive to changes in assumptions, particularly the risk free rate and terminal growth rate. Moreover, projections cannot be stated with certainty; unforeseen future events can cause income or earnings projections to be invalid.

Multiples-based models are based on the analysis of the valuation multipliers of a given company in relation to other similar companies in the industry. Among strengths of multiplier models we can highlight their simplicity, as they are easy to compute as well as to understand. Moreover, only the key statistics for investors are chosen for valuation. On the other hand, multiples are based on historic data or near-term forecasts. Valuations based on multiples will therefore fail to capture differences in projected performance over the longer term. Finally, it may be problematic to select a suitable peer group.

Asset-based models can be used even if a company has a brief record of earnings or its future existence is uncertain. However, it may be challenging to determine market value of some assets, particularly intangibles. Additionally, asset-based models do not take into account future changes in financial results, nor do they include non-balance sheet items, such as know-how.

Valuation models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials, and on assumptions about the economy. Furthermore, market sentiment affects the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Our recommendations and target prices derived from the models might therefore change accordingly.

The investment ratings generally relate to a 12-month horizon. They are, however, also subject to market conditions and can only represent a snapshot. The ratings may in fact be achieved more quickly or slowly than expected, or need to be revised upward or downward. In the tables and charts throughout this report, we designate the years with an "E" to denote that the figures presented are forecasts and estimates.

Definition of ratings used in our publications:

We currently use a three-tier recommendation system for the stocks in our formal coverage: Buy, Hold, or Sell (see definitions below):

A **Buy** is applied when the expected total return over the next twelve months is higher than 15%.

A **Hold** is applied when the expected total return over the next twelve months is within the range of 0% to 15%.

A **Sell** is applied when the stock's expected total return over the next twelve months is negative.

We employ three further categorizations for stocks in our coverage:

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Under review: A rating and/or financial forecasts and/or target price is at the moment under revision of an analyst and the previous rating and/or financial forecasts and/or target price should not be relied on.

Not rated: We do not issue company-specific recommendations and we do not plan to issue them in the foreseeable future.

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P/E – „Price/Earnings” is the ratio of the financial instrument price to the net financial result for the issuer of the financial instrument.

P/B – „Price/Book Value” is the ratio of the price of the financial instrument to the issuer's equity capital.

EPS – „Earnings per Share”, i.e. net profit per share.

BVPS – „Book Value per Share”.

FWD – „Forward” - stands for the ratio (eg. P/E) calculated on the basis of the expected results.

DPS – „Dividend per Share”.

DY – „Dividend Yield”, a ratio calculated as dividends per share divided by the current share price.

EBIT – „Earnings Before Interest and Taxes”.

EBITDA - „Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization”.

EV/EBITDA – „Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization” is the company's market capitalization (price x number of shares) increased by the value of net financial debt and the value of minority shareholders divided by the operating result increased by the value of the company's asset depreciation.

AGM – Annual General Meeting