

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program 3.0.

429/2023/AR

July 19, 2023

| Company | LT fundamental recommendation | 12M EFV (PLN) | ST market-relative bias | Analyst |
|---------------|-------------------------------|---------------|-------------------------|------------------|
| Grodno | Buy | 17.3 | Neutral | Maciej Wewiórski |

Event: Preliminary FY22/23 financial results release.

Yesterday, after the market close, Grodno released preliminary figures for FY22/23 which generally turned to be below our expectations. Even though revenues are a tad higher than we forecasted, a considerable decline of 4Q22/23 profitability disappointed us with the EBITDA margin reaching merely 1.2% vs 4.1% expected by us, 5.3% and 4.1% in 4Q21/22 and 3Q22/23, respectively.

Grodno, 4Q22/23 financial results

| IFRS cons. (PLN million) | 4Q22/23 | 4Q21/22 | yoy chg | 4Q22/23E (DM BOŚ SA) | Results vs DM BOŚ SA forecasts | 1-4Q 22/23 | 1-4Q21/22 | yoy chg |
|--------------------------|---------|---------|---------|-------------------------|-----------------------------------|------------|-----------|---------|
| Sales | 297.5 | 318.7 | -7% | 267.2 | ↑ | 1,228.5 | 1,196.0 | 3% |
| EBITDA | 3.5 | 17.0 | -80% | 11.0 | ↓ | 42.5 | 63.8 | -33% |
| EBITDA margin | 1.2% | 5.3% | - | 4.1% | ↓ | 3.5% | 5.3% | - |
| EBIT | 1.1 | 15.1 | -93% | 8.7 | ↓ | 34.0 | 56.7 | -40% |
| EBIT margin | 0.4% | 4.7% | - | 3.2% | ↓ | 2.8% | 4.7% | - |
| NI | -0.1 | 11.2 | -n.m. | 6.2 | ↓ | 22.3 | 43.8 | -49% |
| Net margin | 0.0% | 3.5% | - | 2.3% | ↓ | 1.8% | 3.7% | - |

Source: Company, DM BOŚ SA estimates

In a press release Grodno explained that a deterioration of FY22/23 financials mainly stemmed from rising operating and financial costs. High inflation and strong competition pressure with the slowdown on the construction and electrical engineering markets affected the Company's results as well.

We will revise our financial forecasts after the release of the Company annual statement (scheduled on July 26).

Expected impact: Negative.

The report is not a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest.