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# Industrials Update: May 2018

## Industrials, Poland

Analyst: Jakub Szkopek +48 22 438 24 03

### Industrials

- **MSCI's Industrials World and Europe indices** have logged monthly gains of 4% and 1.7%, respectively, in May, and at the current levels they are trading at small premiums to their historical 3-year P/E and EV/EBITDA averages.
- At this stage of the **2018 Q1 earnings season**, 50% of Polish industrial companies have reported **improvement** over the year-ago financials, and the same percentage posted **worsened profits**. At the same time, the ratio of **beats to misses** looks good so far at 36% to 21%, with the **biggest positive** surprises delivered by **Cognor, Famur, Impexmetal, Pfeiderer, and Tarczyński**, and the biggest **disappointments** posted by **Boryszew, Elemental, and Ergis**.
- The **second-quarter** earnings season is set to look better relative to a low year-ago comparable base, when a staggering 56% of companies reported year-over-year profit falls, with only a few delivering positive surprises.
- Our **best bets** for June among Polish **mid caps** are **Amica (AMC)**, which trades at attractive multiples ahead of a second-quarter rebound, and **Famur (FMF)**, poised to report sustained growth in the coming quarters supported by upward price adjustments in new contracts. Our top **smaller picks** include **Cognor (COG)**, which is about to finalize a financing deal with banks to replace expensive debt, and **Pozbud (POZ)**, trading at 4x 2019E P/E.
- The **worst bets** include **Ursus (URS)**, which booked weak Q1 results and reports high debt, and **Mangata (MGT)**, trading at premiums to the sector even as its profits come under pressure from increasing costs of materials and labor.
- We have **raised our 2018 EBITDA forecast for Tarczyński by 15%** to account for strong first-quarter earnings and an even better second-quarter outlook.
- **Polish industrial stocks** are currently trading at **11.2x 2018E P/E** and **7.0x EV/EBITDA**. The zloty's recent depreciation versus the euro and the US dollar, and favorable 2018 Q2 base effects, make the sector more attractive than a month ago, but investors should be selective when identifying investment opportunities among Polish industrials.
- **TOP PICKS:**  
**OVERWEIGHT** AMC, FMF, COG, POZ  
**UNDERWEIGHT** MGT

### Chemicals

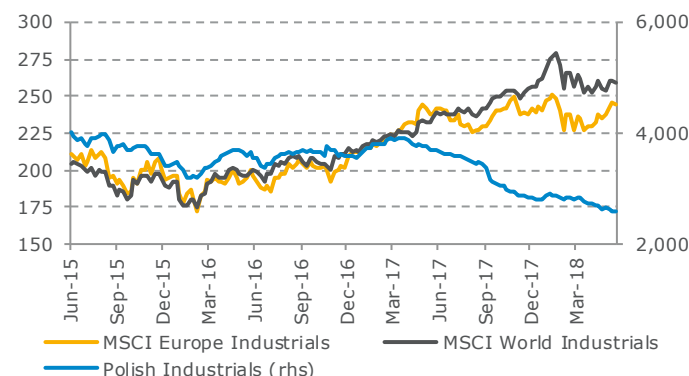
- **MSCI's Europe and World Chemicals** indices are currently valued on a level with their 3-year P/E and EV/EBITDA ratios after a sideways drift in the past month. At the same time, the Warsaw Stock Exchange's **WIG-Chemicals** index has shifted downward on the back of the **pullback** logged by its largest component stock, **Grupa Azoty (ATT)**, with a 50% weighting.
- **ATT** still has **downside risk** in our view stemming from **further earnings shrinkage** expected in Q2 and Q3 2018, coupled with planned capital investment set to bring **FCF** in the next four years into the **negative** territory.
- **Ciech (CIE)** remains our top chemical pick for June, with its **2018 dividend yield** potentially going as high as **12.5%**, and with better 2018 FY earnings prospects accompanied by attractive trading multiples.
- **TOP PICKS:**  
**OVERWEIGHT** CIE

### MoM\* and YTD Price Change

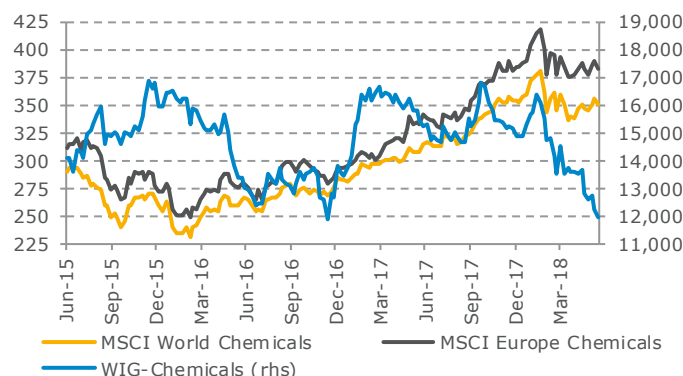
Industrials	MoM	YTD
Gorenje	+92.3%	+125%
Bumeh	+17.9%	+6%
Mercor	+11.2%	-0%
Kernel	+9.1%	+11%
Odlewnie	+8.1%	+6%
Orzeł Biały	+7.6%	+8%
ZPUE	+6.6%	-13%
Sanok	+6.4%	-23%
Lentex	+6.3%	+2%
Apator	+5.3%	-4%
Famur	+5.1%	+0%
Ergis	-8.6%	-35%
Astarta	-9.1%	-19%
Selena FM	-9.7%	-25%
Elemental	-10.1%	-58%
Ceramika NG	-14.2%	-37%
Stelmet	-14.7%	-11%
Vistal	-16.0%	-40%
Otmuchów	-17.0%	-28%
Mangata	-18.0%	-36%
Feerum	-21.2%	-32%
Lena	-22.6%	-22%
WDX	-26.5%	-14%
Chemicals	MoM	YTD
Ciech	+5.7%	+3%
Krakchemia	+3.7%	-19%
Mercator	+3.2%	+5%
PCC Rokita	+1.9%	+16%
ZA Puławy	+0.0%	+2%
Police	-8.3%	-15%
Polwax	-10.9%	-29%
Azoty	-16.7%	-38%
WIGCHEM	-7.7%	-22%
WIG	-2.9%	-9%

\*Apr. 26 - May 29

### Polish Industrials vs. MSCI Index



### WIG-Chemicals vs. MSCI Index



## Industrial Stock Key Metrics and Ratings

Company	Weight		Current price	MoM change	P/E			EV/EBITDA			DYield			P/(BV-goodwill)			'18E ND /EBITDA
	current	change			2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	
Alumetal	N	-	55.90	+2.4%	12.0	11.1	12.1	9.0	9.0	9.0	5.2%	5.2%	4.5%	1.7	1.6	1.5	1.3
Amica	OW	-	121.80	-1.3%	6.5	6.8	7.3	5.3	5.3	4.9	4.5%	2.5%	4.4%	1.3	1.1	1.0	0.9
Apator	N	-	26.00	+5.3%	21.4	14.3	14.9	8.2	8.2	8.3	4.6%	3.7%	5.6%	2.7	2.5	2.3	0.8
Boryszew	N	-	8.20	-7.6%	11.4	10.3	9.9	6.9	6.9	6.4	0.0%	0.0%	2.0%	1.8	1.5	1.4	1.5
Elemental	N	-	0.98	-10.1%	6.7	3.9	3.4	4.2	4.2	3.8	0.0%	0.0%	0.0%	0.9	0.7	0.6	1.5
Ergis	N	-	3.71	-8.6%	6.9	8.3	7.8	6.0	6.0	5.6	5.4%	5.4%	4.1%	0.8	0.7	0.7	3.3
Famur	OW	-	6.20	+5.1%	71.5	17.8	13.8	8.6	8.6	7.4	0.0%	0.0%	1.9%	2.9	2.5	2.2	0.3
Forte	N	-	52.20	+3.0%	16.1	22.3	14.2	14.2	14.2	10.9	0.4%	0.0%	3.8%	2.0	1.9	2.1	4.7
Kemel	N	-	52.40	+9.1%	6.4	11.3	5.9	7.2	7.2	4.8	1.8%	1.7%	2.7%	1.1	1.1	1.0	2.3
Kęty	N	-	355.00	+1.1%	14.3	12.3	12.5	8.8	8.8	8.7	8.5%	6.8%	6.5%	2.5	2.4	2.3	1.6
Kruszwica	N	-	71.80	+2.6%	40.6	19.6	20.1	11.7	11.7	11.6	3.3%	1.8%	3.8%	2.6	2.4	2.3	-0.7
Mangata (Zetkama)	UW	-	92.80	-18.0%	15.1	12.5	12.2	7.6	7.6	7.3	5.6%	5.0%	4.8%	1.6	1.5	1.5	0.8
Pfleiderer Group	OW	-	37.40	+0.3%	33.1	15.6	14.0	6.3	6.3	5.9	2.9%	2.9%	4.4%	3.3	3.0	2.8	2.2
Pozbud	OW	-	3.75	+0.0%	13.2	6.8	3.8	6.0	6.0	2.7	0.0%	5.0%	7.4%	0.6	0.6	0.5	1.9
Stelmet	OW	-	12.80	-14.7%	19.4	9.0	6.2	6.3	6.3	4.5	0.0%	0.0%	5.6%	0.9	0.8	0.7	1.8
Tarczyński	N	►	14.50	-7.5%	7.0	7.8	10.8	5.5	5.5	6.1	4.5%	0.0%	4.8%	0.9	0.9	0.9	2.9
<b>Median</b>					<b>13.7</b>	<b>11.2</b>	<b>11.5</b>	<b>7.0</b>	<b>7.0</b>	<b>6.3</b>	<b>3.1%</b>	<b>2.2%</b>	<b>4.4%</b>	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>1.6</b>

## Historical Earnings and Forward Estimates

(PLN m)	Revenue			EBITDA			Net Profit		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Alumetal	1,456.2	1,633.1	1,653.0	97.0	110.0	108.9	70.7	76.9	70.1
Amica	2,645.6	2,733.8	2,785.2	187.9	214.7	224.8	146.3	139.8	130.0
Apator	883.2	824.5	845.0	102.0	124.7	122.2	42.6	63.8	61.4
Boryszew	6,290.3	6,501.4	6,457.8	469.2	482.5	485.3	173.0	190.6	198.1
Elemental	1,394.9	1,450.3	1,524.0	62.2	70.0	77.3	24.8	42.4	48.7
Ergis	749.6	793.5	833.1	56.3	52.7	55.8	20.7	17.2	18.2
Famur	1,459.6	2,059.0	2,176.7	306.5	438.7	481.2	48.5	200.7	257.5
Forte	1,096.2	1,148.7	1,183.1	125.6	130.4	172.4	77.0	55.5	87.6
Kemel (USD m)	2,168.9	2,565.0	2,918.9	319.2	236.3	338.0	178.6	107.0	202.9
Kęty	2,642.6	3,074.5	3,026.2	421.2	467.4	479.5	236.4	274.0	270.9
Kruszwica	2,547.5	2,433.4	2,362.1	80.0	134.0	134.1	40.7	84.1	82.2
Mangata (Zetkama)	617.5	673.9	689.5	82.7	93.6	95.7	41.1	49.6	51.0
Pfleiderer Group (EUR m)	1,006.4	1,065.3	1,105.7	120.0	135.7	143.2	17.1	37.0	41.6
Pozbud	126.1	189.7	377.2	16.6	25.4	38.7	7.6	14.8	26.3
Stelmet	538.1	592.0	657.6	57.6	84.3	105.4	19.4	41.8	60.7
Tarczyński	732.8	761.0	799.5	65.5	63.4	55.1	23.4	21.2	15.3

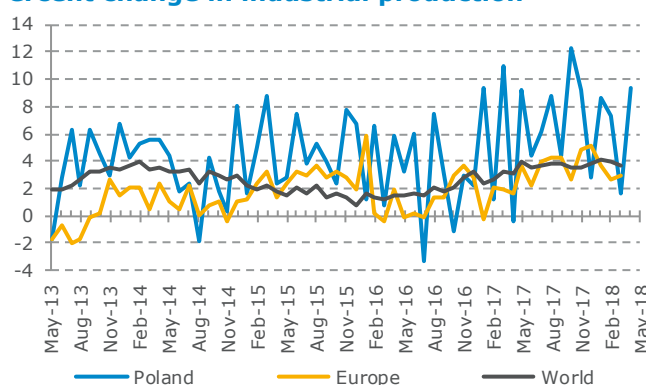
## Quarterly Results vs. Our Expectations

Company	Q1'16		Q2'16		Q3'16		Q4'16		Q1'17		Q2'17		Q3'17		Q4'17	
	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.	vs.
	mDM	Q1'15	mDM	Q2'15	mDM	Q3'15	mDM	Q4'15	mDM	Q1'16	mDM	Q2'16	mDM	Q3'16	mDM	Q4'16
Alumetal	+	+	-	-	0	-	-	-	0	-	+	-	0	+	0	+
Amica	0	+	0	+	-	0	0	-	0	0	-	-	+	-	n/a	n/a
Apator	+	+	-	-	0	+	0	+	-	-	0	+	-	-	0	-
Boryszew	+	+	+	+	-	-	+	+	-	+	+	+	-	+	-	-
Elemental	+	+	0	+	+	+	0	+	-	-	0	-	-	-	-	-
Ergis	-	-	+	+	0	+	+	+	0	0	-	0	-	-	-	-
Famur	+	+	0	+	+	+	n/a	+	-	0	0	+	+	+	+	+
Forte	+	+	0	+	0	+	0	-	0	-	-	-	-	-	0	-
Kemel	-	-	+	+	-	-	-	-	-	-	-	-	-	-	0	-
Kęty	+	+	0	+	0	+	0	+	0	+	0	+	-	+	0	+
Kruszwica	-	0	+	-	+	+	-	0	-	0	0	0	-	+	+	+
Mangata (Zetkama)	+	+	-	+	+	-	0	0	-	-	-	0	-	+	+	+
Pfleiderer Group	0	0	+	+	-	0	-	+	-	-	0	+	-	+	+	+
Pozbud	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	0	+	+	0	-
Stelmet	n/a	n/a	-	-	0	-	-	-	0	-	-	+	+	+	n/a	n/a
Tarczyński	-	-	-	-	+	-	0	0	0	+	+	+	+	+	+	+

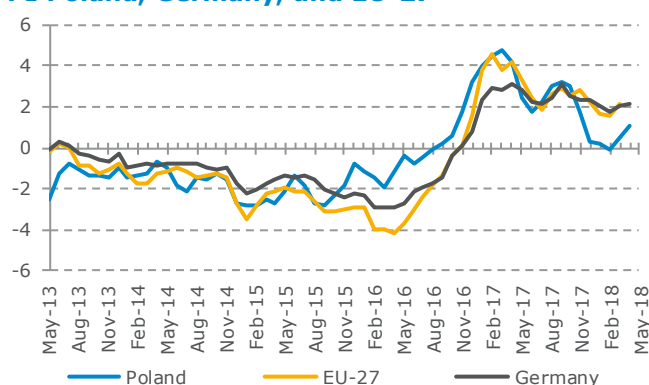
Source: Dom Maklerski mBanku; OW – overweight, N – neutral, UW – underweight

## EU & Poland Statistics on Industrial Production

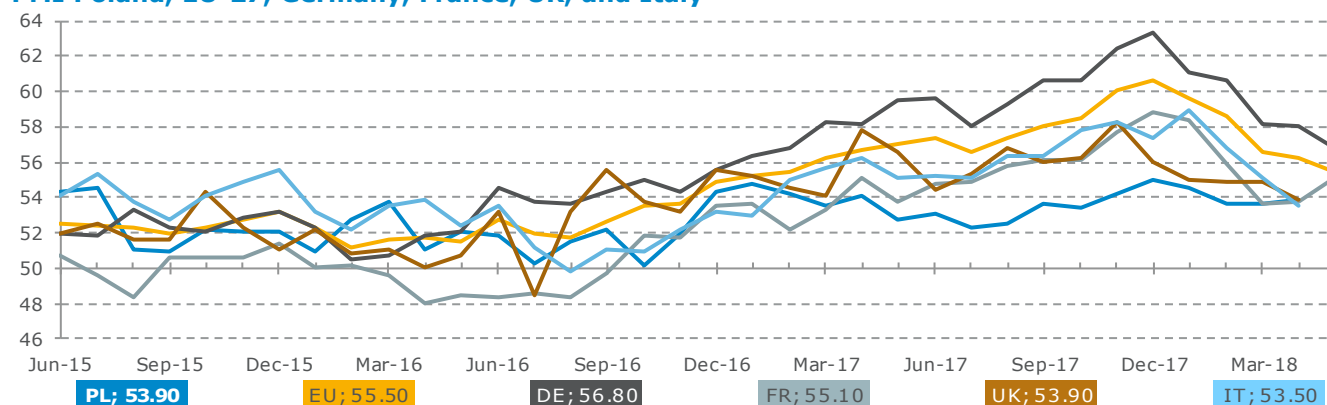
### Percent change in industrial production



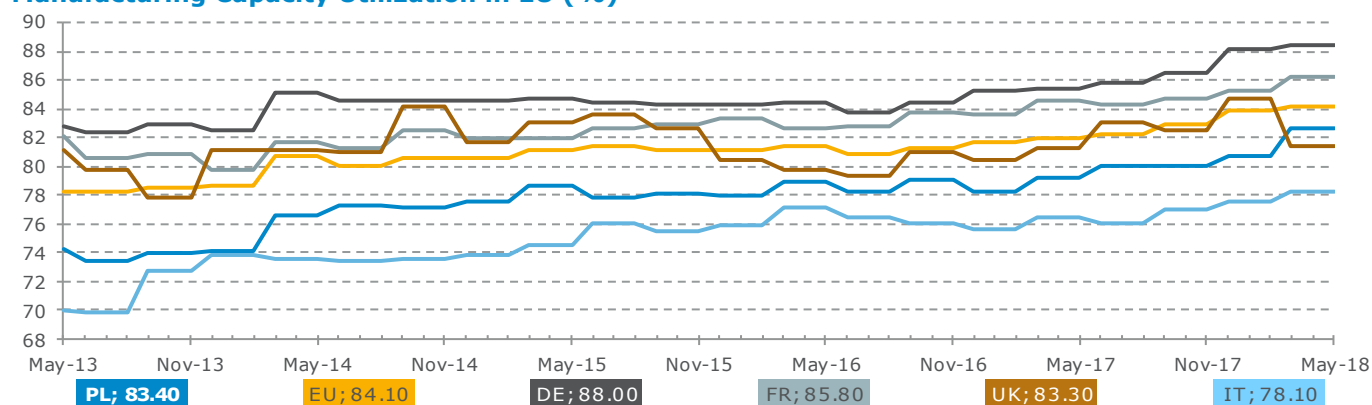
### PPI Poland, Germany, and EU-27



### PMI Poland, EU-27, Germany, France, UK, and Italy

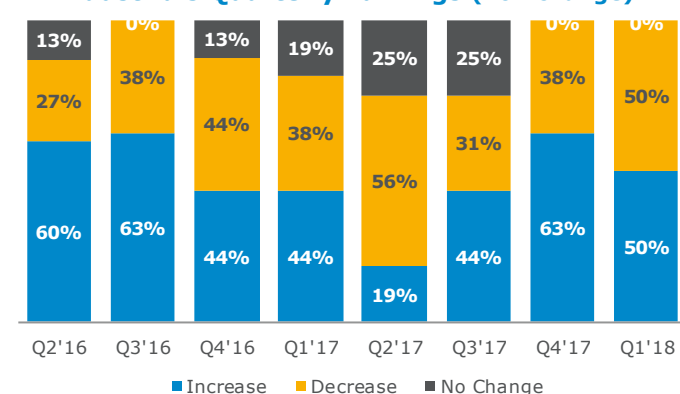


### Manufacturing Capacity Utilization in EU (%)



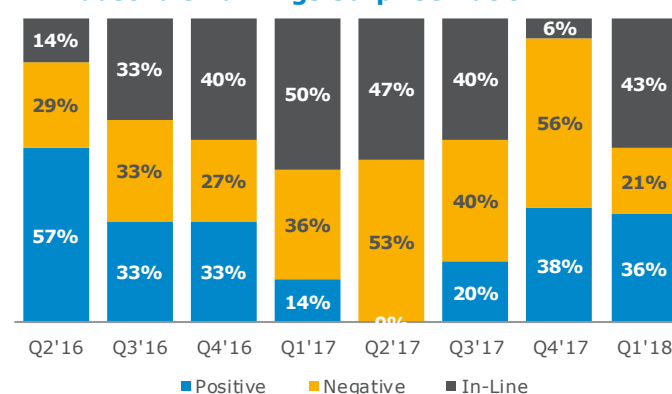
Source: Bloomberg

### PL Industrials Quarterly Earnings (YoY change)

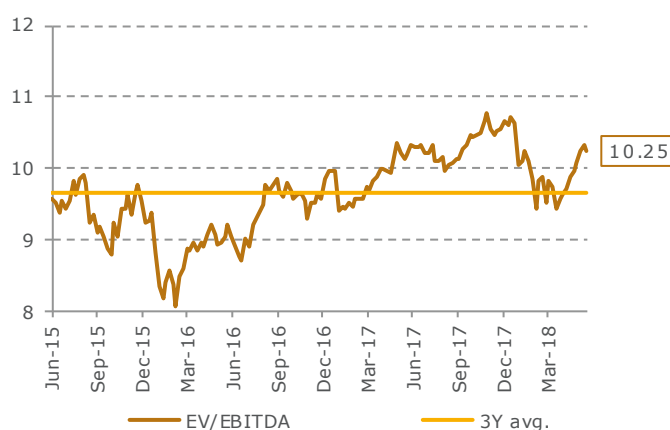
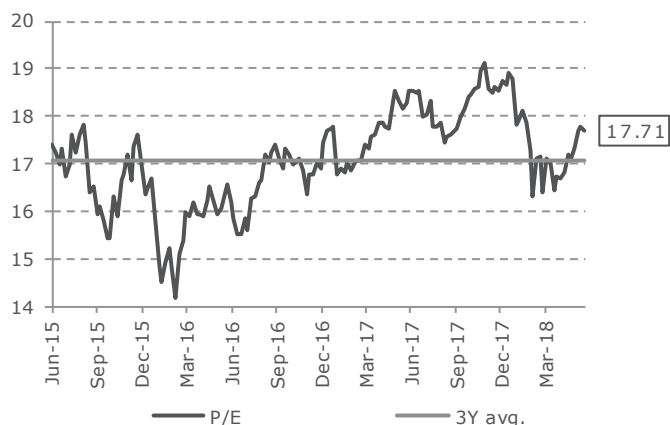


Source: Dom Maklerski mBanku

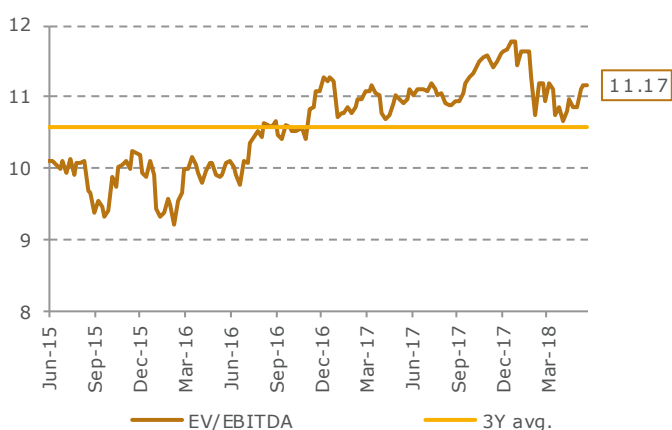
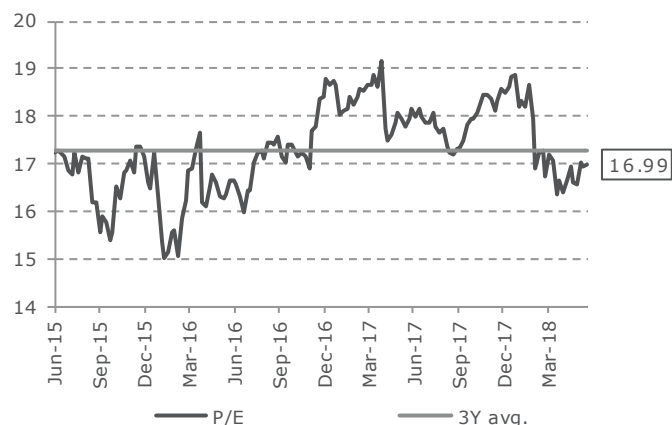
### PL Industrials Earnings Surprise Ratio



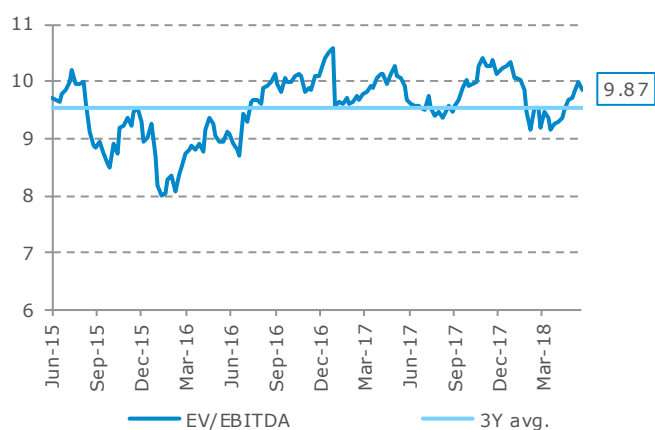
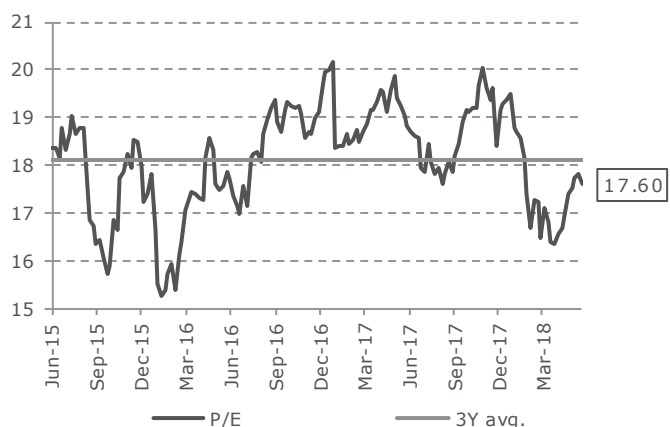
### MSCI Europe Industrials P/E & EV/EBITDA



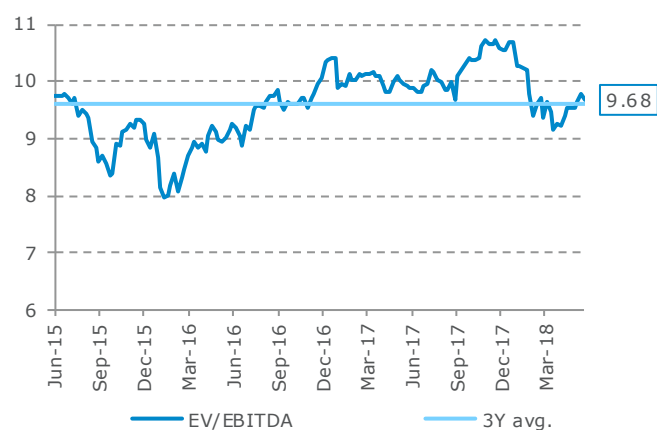
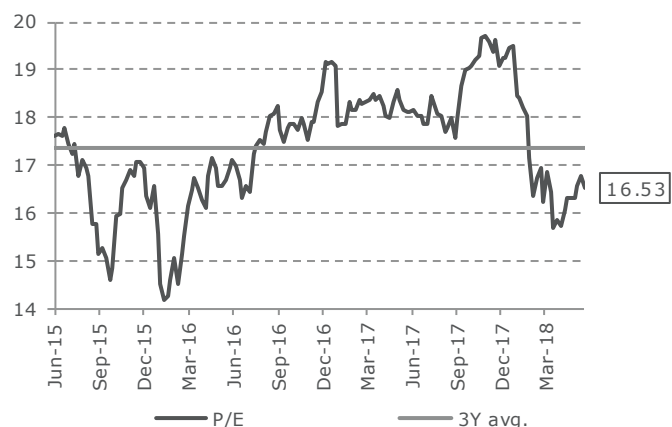
### MSCI World Industrials P/E & EV/EBITDA



### MSCI Europe Chemicals P/E & EV/EBITDA



### MSCI World Chemicals P/E & EV/EBITDA

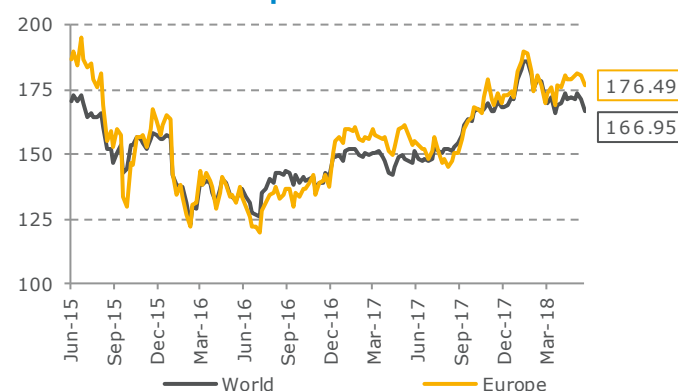


Source: Bloomberg

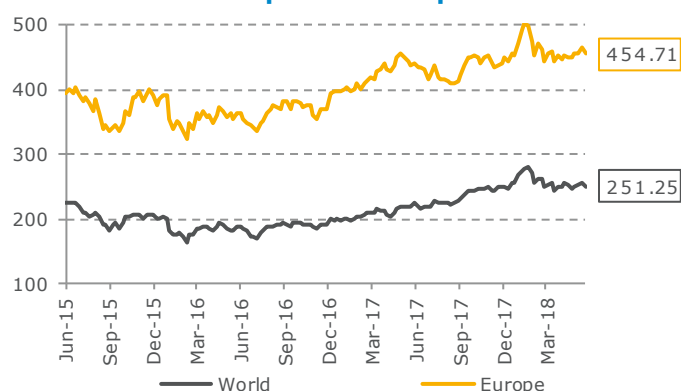
## Valuation of Automotive Suppliers

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
AC SA	ACG PW	40.70	+1.8%	12.9	12.0	11.3	8.6	8.0	7.7	2.1	1.9	1.8	6.1%	6.7%	6.9%
Alumetal*	AML PW	55.90	+2.4%	12.0	11.1	12.1	10.1	9.0	9.0	0.7	0.6	0.6	5.2%	5.2%	4.5%
American Axle & Man.	AXL US	15.66	-1.6%	4.9	4.2	4.5	5.6	4.4	4.4	0.9	0.8	0.8	-	-	-
Autoliv	ALIV SS	1285.0	+5.0%	25.2	21.1	17.6	12.8	9.0	7.9	1.3	1.1	1.1	1.7%	1.8%	2.0%
BorgWamer	BWA US	48.48	+2.3%	23.2	11.0	10.2	8.2	6.7	6.3	1.2	1.1	1.1	1.2%	1.4%	1.4%
Boryszew*	BRS PW	8.20	-7.6%	11.4	10.3	9.9	7.4	6.9	6.4	0.6	0.5	0.5	0.0%	0.0%	2.0%
Brembo	BRE IM	11.92	-0.9%	14.7	14.0	13.0	9.2	8.4	7.8	1.7	1.6	1.5	1.8%	1.9%	2.2%
Dana Holding	DAN US	22.55	+2.1%	29.5	7.6	6.8	6.5	4.8	4.5	0.7	0.6	0.6	1.1%	1.4%	1.4%
Delphi Automotive	DLPH US	50.16	-5.0%	15.6	10.1	9.3	9.0	6.9	6.5	1.2	1.1	1.1	-	1.4%	1.4%
Denso	6902 JT	5382	-9.7%	16.5	13.4	13.4	7.2	6.2	6.0	0.9	0.8	0.8	2.2%	2.5%	2.5%
Eaton Corporation	ETN US	76.94	+7.0%	11.5	14.7	13.4	11.9	10.5	9.9	2.0	1.9	1.8	3.1%	3.4%	3.6%
Faurecia	EO FP	72.20	+6.0%	16.2	13.4	12.1	5.7	5.2	4.8	0.6	0.6	0.5	1.5%	1.8%	2.1%
Iochpe-Maxion	MYPK3 BZ	22.81	-18.6%	100+	16.1	10.7	7.1	5.8	5.2	0.8	0.7	0.7	0.8%	2.1%	3.3%
Grupa Kęty*	KTY PW	355.00	+1.1%	14.3	12.3	12.5	9.4	8.8	8.7	1.5	1.3	1.4	8.5%	6.8%	6.5%
Kongsberg Automotive	KOA NO	11.10	+19.2%	-	10.2	6.6	10.3	5.8	4.8	0.7	0.6	0.6	-	-	4.3%
Le Belier	BELI FP	56.60	-1.6%	15.3	11.5	10.6	7.3	6.4	6.0	1.1	1.0	1.0	2.1%	2.3%	2.5%
Leoni	LEO GY	52.60	-8.7%	11.8	11.3	9.8	6.3	5.6	5.0	0.4	0.4	0.4	2.6%	2.8%	3.2%
Magna International	MGA US	63.29	+8.3%	10.7	9.0	8.2	6.2	5.7	5.5	0.7	0.6	0.6	1.7%	1.9%	2.1%
Plastic Omnium	POM FP	39.73	+3.3%	13.8	12.9	11.4	7.8	6.9	6.2	1.0	1.0	0.9	1.7%	1.8%	2.1%
Polytec Holding	PYT AV	13.20	+1.0%	7.6	7.6	7.3	5.5	5.3	5.1	0.7	0.7	0.6	3.4%	3.6%	3.9%
Progress-Werk	PWO GY	42.20	+5.7%	13.1	9.3	7.9	4.4	4.1	3.7	0.5	0.4	0.4	3.9%	4.1%	4.4%
Sanok	SNK PW	35.00	+6.4%	11.7	11.4	10.3	6.6	6.1	5.4	1.0	0.9	0.8	9.4%	7.0%	7.4%
Stabilus	STM GY	82.90	+9.6%	25.8	20.5	19.1	12.8	11.8	10.9	2.5	2.4	2.2	-	1.2%	1.3%
Superior Industries	SUP US	17.20	+9.6%	-	100+	21.8	13.7	6.4	6.0	1.1	0.8	0.8	2.6%	-	-
Tower International	TOWR US	28.70	+8.3%	12.4	6.9	6.9	4.7	3.9	3.8	0.5	0.4	0.4	1.6%	1.1%	1.1%
Valeo	FR FP	54.36	+3.6%	14.6	12.8	11.1	6.6	5.9	5.3	0.8	0.8	0.7	2.3%	2.5%	2.9%
WABCO Holdings	WBC US	122.37	+1.7%	16.3	15.8	14.5	12.5	10.0	9.5	2.0	1.7	1.6	-	-	-
<b>Median</b>				<b>14.0</b>	<b>11.5</b>	<b>10.7</b>	<b>7.4</b>	<b>6.4</b>	<b>6.0</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>2.2%</b>	<b>2.1%</b>	<b>2.5%</b>

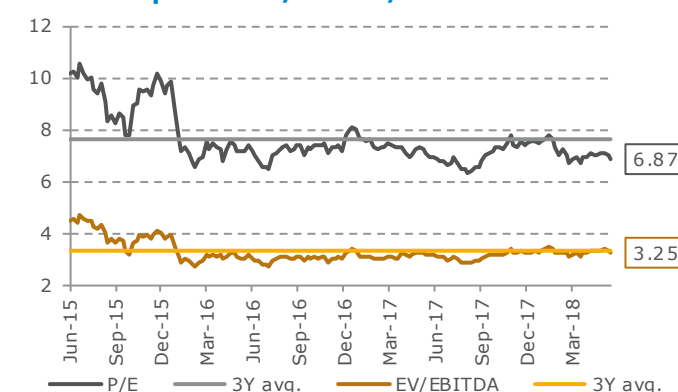
## MSCI World &amp; Europe Auto Index



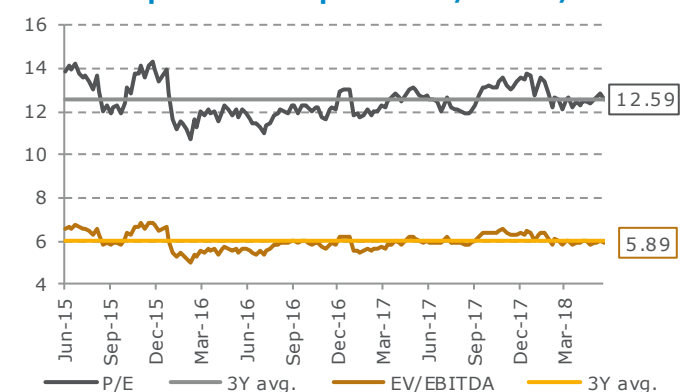
## MSCI World &amp; Europe Auto Components Index



## MSCI Europe Auto P/E &amp; EV/EBITDA

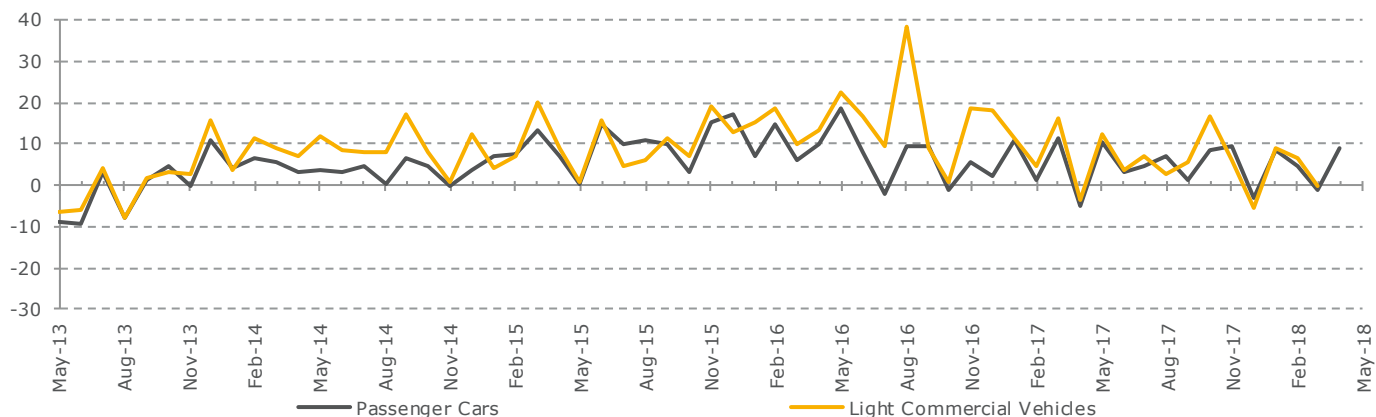


## MSCI Europe Auto Components P/E &amp; EV/EBITDA

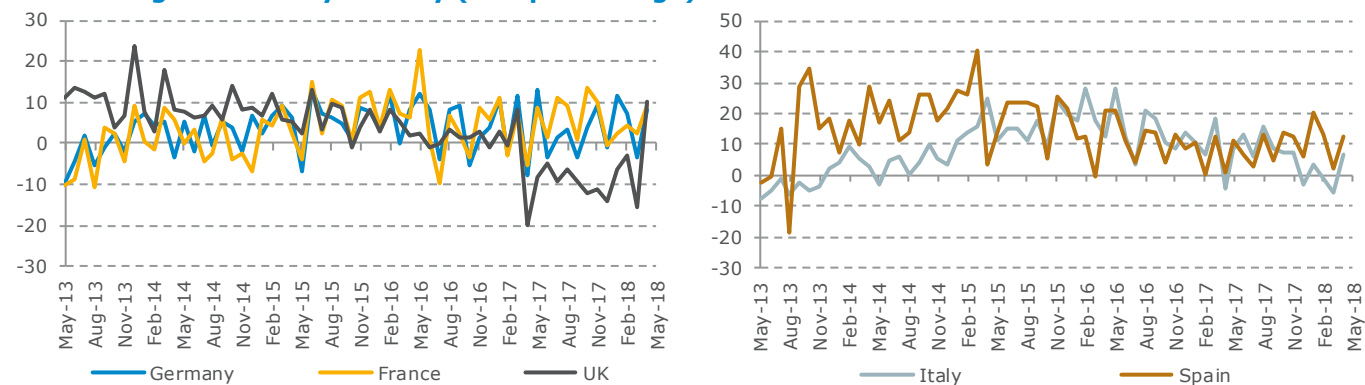


Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk

## Total EU New Car Registrations (YoY pct. change)



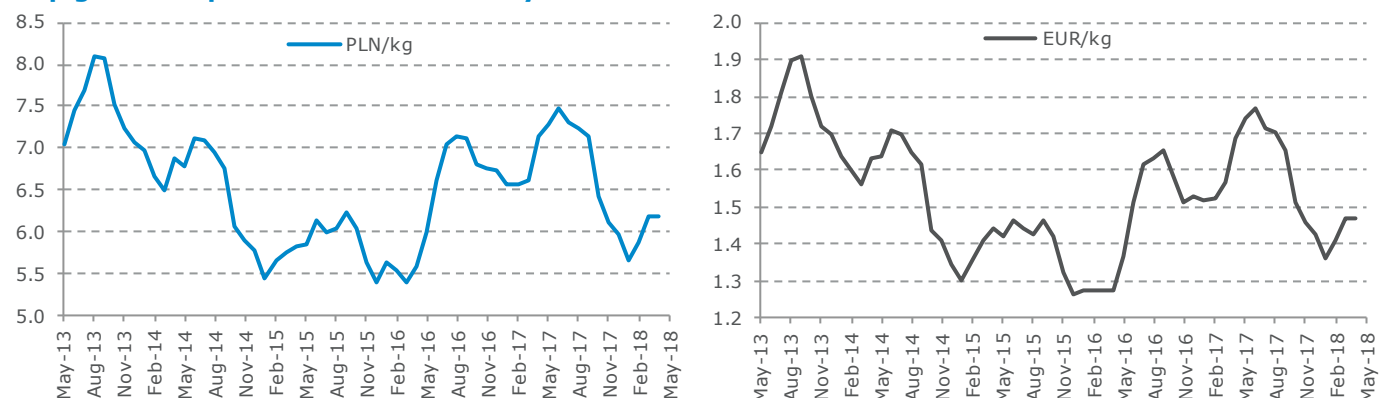
## New car registrations by country (YoY pct. change)



## Food Producer Valuations

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Atria	ATRAV FH	11.38	+16.9%	12.4	10.9	9.4	6.9	6.3	5.9	0.4	0.4	0.4	4.4%	4.8%	5.5%
Colian	COL PW	3.89	-0.4%	-	19.5	19.5	7.5	7.0	6.7	0.6	0.6	0.6	-	-	-
Cranswick	CWK LN	33.70	-13.0%	25.2	23.5	22.5	15.7	13.9	12.9	1.4	1.2	1.1	1.3%	1.5%	1.6%
Hkscan	HKSAV FH	3.04	-0.9%	-	-	27.6	16.9	9.6	6.5	0.3	0.3	0.3	3.0%	3.0%	3.5%
JBS	JBSS3 BZ	9.14	+14.2%	48.4	7.7	6.9	6.5	5.1	5.0	0.4	0.4	0.4	0.5%	2.2%	4.3%
Marfrig Global Foods	MRFG3 BZ	8.09	-15.6%	-	100+	10.5	7.4	5.7	4.6	0.6	0.5	0.4	-	0.6%	2.0%
Tarczyński*	TAR PW	14.50	-7.5%	7.0	7.8	10.8	5.2	5.5	6.1	0.5	0.5	0.4	4.5%	0.0%	4.8%
Tyson Foods	TSN US	70.39	-9.2%	14.5	10.8	10.3	10.3	8.7	8.5	1.0	0.9	0.9	2.6%	1.7%	1.9%
Wawel	WWL PW	972.0	-9.2%	12.9	15.6	15.0	11.0	9.2	8.3	2.2	1.9	1.8	3.3%	3.1%	3.6%
<b>Median</b>				<b>13.7</b>	<b>10.9</b>	<b>10.8</b>	<b>7.5</b>	<b>7.0</b>	<b>6.5</b>	<b>0.6</b>	<b>0.5</b>	<b>0.4</b>	<b>3.0%</b>	<b>1.9%</b>	<b>3.5%</b>

## EU pig carcass prices in euros and zlotys



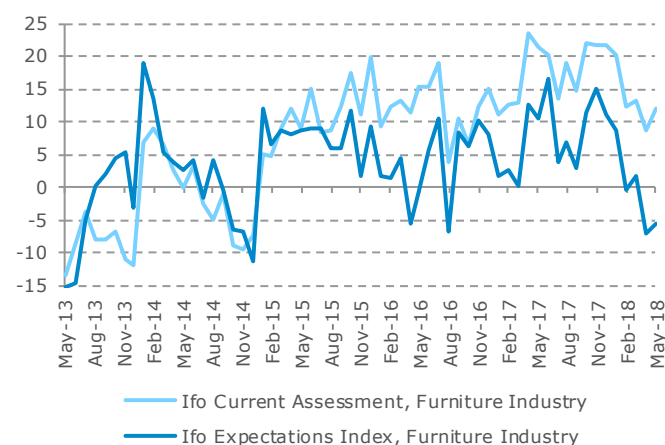
Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk



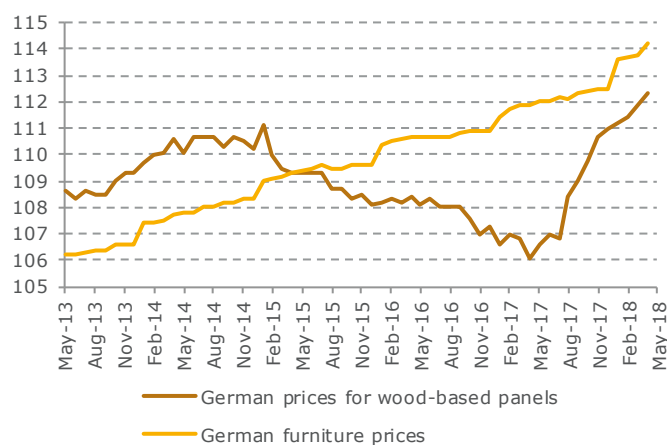
## Valuation of Woodworking Companies and Furniture Producers

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Arbonia AG	ARBN SW	17.74	-10.7%	26.1	30.6	22.3	9.9	10.8	9.3	1.0	1.0	0.9	-	0.8%	1.5%
Canfor Corporation	CFP CN	32.77	+5.0%	12.5	10.3	10.9	5.7	5.1	5.6	1.0	0.9	0.9	-	-	0.2%
Duratex	DTEX3 BZ	9.75	-10.4%	36.4	20.2	14.7	9.1	9.0	7.7	2.2	2.0	1.8	0.9%	1.1%	2.4%
Evergreen Fiberboard	EVF MK	0.44	+1.4%	8.1	9.9	8.5	3.7	3.5	3.3	0.5	0.5	0.5	-	2.5%	3.0%
Forte*	FTE PW	52.20	+3.0%	16.1	22.3	14.2	14.0	14.2	10.9	1.6	1.6	1.6	0.4%	0.0%	3.8%
Greenply Industries	MTLM IN	267.75	-12.9%	26.0	23.6	19.9	16.8	16.1	12.9	2.5	2.4	2.0	0.2%	0.3%	0.3%
Herman Miller	MLHR US	32.85	+6.2%	15.9	14.7	12.5	8.2	7.9	7.3	0.9	0.9	0.8	2.1%	2.2%	2.3%
Hooker Furniture	HOFT US	38.35	-0.5%	17.5	11.9	10.5	10.0	-	-	0.8	0.8	0.7	1.1%	-	-
Hyundai Livart	079430 KS	22400	+7.9%	10.4	9.3	8.0	7.0	5.5	4.7	0.5	0.3	0.3	0.4%	0.4%	0.4%
Interfor Corporation	IFP CN	25.81	+6.6%	18.6	13.0	12.7	7.3	5.9	5.8	1.0	0.9	0.9	-	-	-
Inwido	INWI SS	74.70	+24.6%	14.9	8.3	8.1	10.7	8.7	8.0	1.2	1.1	1.1	4.7%	6.1%	6.6%
Louisiana-Pacific Corp.	LPX US	29.21	+0.5%	10.8	10.3	10.6	5.8	5.5	5.8	1.4	1.3	1.2	-	1.8%	1.9%
Nobia	NOBI SS	74.45	+8.4%	12.4	12.2	11.9	7.7	7.3	7.2	1.0	0.9	0.9	4.7%	5.9%	5.3%
Norbord	OSB CN	54.43	-11.3%	8.6	9.4	10.8	6.1	5.6	6.3	1.8	1.7	1.7	3.6%	4.7%	4.2%
Okamura	7994 JT	1679	+12.6%	22.3	18.5	17.0	10.8	10.3	-	0.8	0.8	0.7	1.4%	1.5%	1.7%
Pfleiderer Group*	PFL PW	37.40	+0.3%	33.1	15.6	14.0	6.8	6.3	5.9	0.8	0.8	0.8	2.9%	2.9%	4.4%
Rayonier	RYN US	38.37	-0.4%	32.8	52.3	51.2	17.4	20.6	19.9	7.3	7.7	7.5	2.6%	2.6%	2.6%
Steinhoff Intl Hold.	SNH GR	0.09	-3.0%	0.3	0.3	0.2	3.3	2.9	2.6	0.4	0.4	0.3	100%+	100%+	100%+
Stelmet*	STL PW	12.80	-14.7%	19.4	9.0	6.2	9.7	6.3	4.5	1.0	0.9	0.7	0.0%	0.0%	5.6%
Suofeiyi Home	002572 CH	34.31	+7.9%	35.0	25.7	19.1	23.3	17.0	13.0	5.1	3.7	2.8	1.3%	1.6%	2.1%
Surteco	SUR GR	27.15	+29.3%	16.1	12.7	11.2	7.9	6.9	6.5	0.9	0.9	0.9	2.9%	3.3%	4.2%
Vanachai Group	VNG TB	9.20	+1.7%	14.4	10.5	9.7	9.6	-	-	1.6	-	-	1.6%	-	-
Median				16.1	12.4	11.5	8.7	7.1	6.5	1.0	0.9	0.9	1.5%	1.8%	2.5%

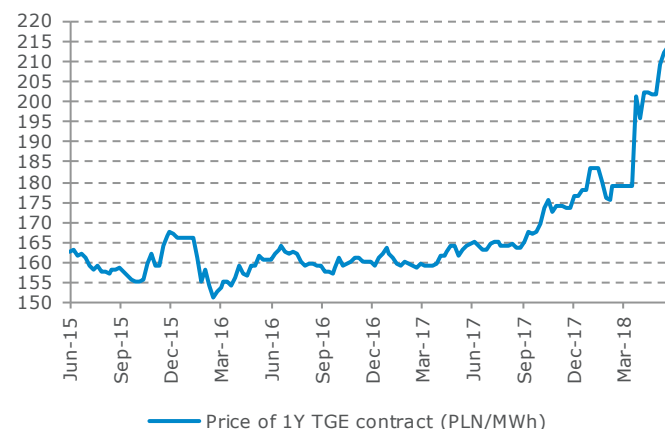
## Ifo Business Climate Index – Furniture Industry



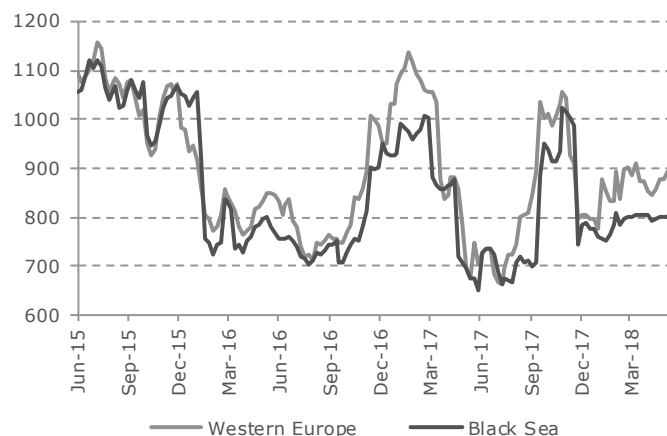
## Wood panel and furniture index (DE) (2010=100)



## Polish electricity prices



## Urea prices (PLN/t)

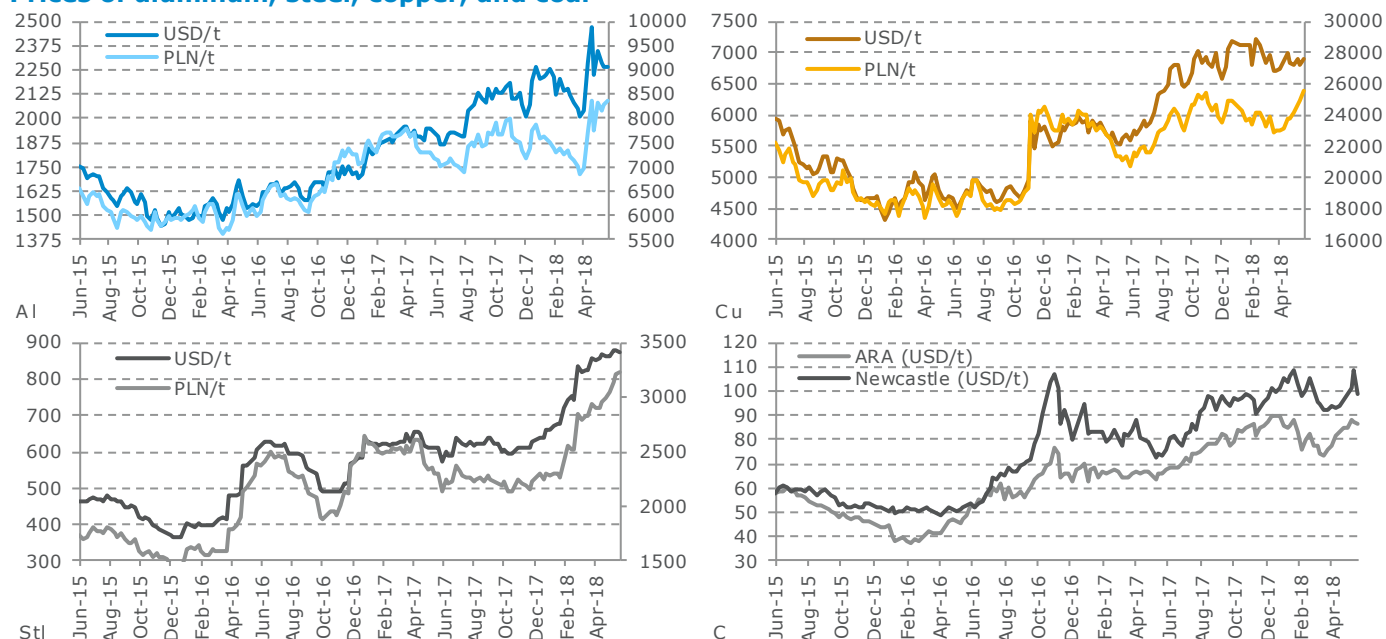


Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk

## Valuation of Equipment & Machinery Producers

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
<b>Appliance Manufacturers</b>															
Amica*	AMC PW	121.80	-1.3%	6.5	6.8	7.3	6.2	5.3	4.9	0.4	0.4	0.4	4.5%	2.5%	4.4%
Arcelik	ARCLK TI	17.16	+2.9%	13.8	10.5	8.2	9.0	7.2	6.0	0.8	0.7	0.6	3.5%	3.8%	5.1%
De'Longhi	DLG IM	23.34	-10.7%	19.6	18.8	17.1	10.8	9.9	9.2	1.6	1.6	1.5	4.3%	3.5%	3.8%
Electrolux	ELUXB SS	221.30	-10.4%	11.1	12.0	10.8	6.1	6.3	5.7	0.6	0.6	0.5	3.4%	4.0%	4.3%
Gorenje	GRVG SV	11.80	-1.2%	100+	59.0	39.3	9.1	8.2	8.0	0.5	0.5	0.5	-	-	-
SEB	SK FP	155.50	-1.8%	20.6	17.9	15.9	13.0	11.3	10.3	1.5	1.5	1.4	1.3%	1.5%	1.7%
Whirlpool Corporation	WHR US	149.99	-5.3%	31.4	9.6	8.6	9.2	7.3	6.8	0.8	0.8	0.7	2.9%	3.1%	3.4%
<b>Median</b>				<b>16.7</b>	<b>12.0</b>	<b>10.8</b>	<b>9.1</b>	<b>7.3</b>	<b>6.8</b>	<b>0.8</b>	<b>0.7</b>	<b>0.6</b>	<b>3.4%</b>	<b>3.3%</b>	<b>4.0%</b>
<b>Mining Equipment Manufacturers</b>															
Atlas Copco	ATCOA SS	361.55	+8.5%	26.3	22.8	20.7	14.4	14.7	13.8	3.7	4.0	3.7	1.9%	2.1%	2.3%
Caterpillar	CAT US	153.62	-6.4%	100+	14.2	12.9	12.8	8.9	7.8	2.0	1.7	1.6	2.0%	2.1%	2.1%
Duro Felguera	MDF SM	0.28	-0.7%	-	28.0	-	-	-	-	0.5	0.6	0.6	-	7.1%	9.6%
Famur*	FMF PW	6.20	+5.1%	71.5	17.8	13.8	12.3	8.6	7.4	2.6	1.8	1.6	0.0%	0.0%	1.9%
Komatsu	6301 JP	3625.00	-7.6%	30.1	18.0	13.9	15.3	11.3	8.7	2.4	1.7	1.6	1.6%	2.1%	2.7%
Sandvik	SAND SS	158.20	+13.9%	15.0	16.5	15.4	9.3	9.6	9.5	2.4	2.2	2.1	2.2%	2.5%	2.7%
<b>Median</b>				<b>28.2</b>	<b>17.9</b>	<b>13.9</b>	<b>12.8</b>	<b>9.6</b>	<b>8.7</b>	<b>2.4</b>	<b>1.8</b>	<b>1.6</b>	<b>1.9%</b>	<b>2.1%</b>	<b>2.5%</b>
<b>Metals</b>															
Aichi Steel	5482 JT	4480.0	-3.9%	17.3	11.8	13.6	6.0	4.6	4.2	0.5	0.5	0.5	2.2%	2.2%	2.2%
AK Steel	AKS US	4.42	-8.5%	100+	6.5	5.4	8.1	6.6	6.3	0.6	0.6	0.5	-	-	-
Alcoa	AA US	47.30	+12.6%	40.1	10.6	10.9	5.7	3.6	4.0	1.0	0.8	0.9	-	-	0.1%
Bluescope Steel	BSL AU	17.11	-2.7%	13.7	12.7	10.8	7.3	6.4	5.9	1.0	0.9	0.9	0.5%	0.8%	1.0%
Constellium	CSTM US	11.95	+9.5%	-	17.6	9.3	6.9	7.2	6.7	0.7	0.6	0.6	-	-	-
Elemental*	EMT PW	0.98	-10.1%	6.7	3.9	3.4	5.2	4.2	3.8	0.2	0.2	0.2	0.0%	0.0%	0.0%
Grupa Kęty*	KTY PW	355.00	+1.1%	14.3	12.3	12.5	9.4	8.8	8.7	1.5	1.3	1.4	8.5%	6.8%	6.5%
Kaiser Aluminum	KALU US	107.16	-3.6%	40.1	16.4	14.0	10.2	9.5	8.4	1.4	1.3	1.2	1.9%	2.1%	2.2%
Konsorcjum Stali	KST PW	29.30	+19.2%	4.2	-	-	5.1	-	-	0.2	-	-	-	-	-
Mangata (Zetkama)*	MGT PW	92.80	-18.0%	15.1	12.5	12.2	8.8	7.6	7.3	1.2	1.1	1.0	5.6%	5.0%	4.8%
Nyrstar	NYR BB	5.045	-11.3%	10.3	58.7	8.4	4.9	5.1	4.1	0.5	0.4	0.4	-	-	-
Reliance Steel & Alu	RS US	92.64	-6.6%	11.0	10.9	11.6	9.8	7.6	8.0	0.9	0.8	0.8	1.9%	2.2%	2.2%
Sanyo Special	5481 JT	2824.0	-11.5%	11.7	11.2	11.4	6.0	5.9	5.5	0.9	0.8	0.7	2.2%	2.5%	2.7%
Stalprodukt	STP PW	451.00	-	9.9	8.0	7.2	4.9	4.1	3.9	0.7	0.6	0.6	0.7%	0.6%	4.8%
Stalprofil	STF PW	12.90	-6.5%	10.8	8.6	-	8.3	7.5	-	0.4	0.3	-	1.4%	-	-
Steel Dynamics	STLD US	48.66	-28.5%	14.4	10.2	10.9	9.3	6.6	7.0	1.3	1.1	1.2	1.3%	1.5%	1.6%
<b>Median</b>				<b>12.7</b>	<b>11.2</b>	<b>10.9</b>	<b>7.1</b>	<b>6.6</b>	<b>6.1</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>1.9%</b>	<b>2.1%</b>	<b>2.2%</b>

## Prices of aluminum, steel, copper, and coal



Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk



## Valuation of Chemical Producers

Stock	Ticker	Current price	MoM change	P/E			EV/EBITDA			EV/Sales			DYield		
				2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Soda Ash Producers															
Akzo Nobel	AKZA NA	76.04	+3.6%	23.0	26.4	23.9	15.6	19.0	16.5	2.3	2.3	2.2	3.3%	3.2%	3.3%
BASF	BAS GY	85.28	-1.8%	12.9	13.0	12.1	7.3	7.0	6.7	1.4	1.3	1.3	3.6%	3.8%	3.9%
Bayer	BAYN GY	98.84	+4.3%	11.8	14.9	13.3	10.1	9.5	8.8	2.5	2.5	2.4	2.8%	2.9%	3.1%
Ciech*	CIE PW	59.50	+5.7%	8.0	7.9	8.2	4.8	4.8	4.9	1.1	1.0	1.0	0.0%	3.8%	7.0%
Ciner Resources	CINR US	25.36	+8.4%	12.2	11.3	11.3	6.1	5.6	5.5	1.4	1.4	1.4	9.0%	9.0%	9.0%
Huntsman	HUN US	32.32	+8.4%	12.1	10.3	9.8	9.0	7.2	6.9	1.1	1.2	1.1	1.5%	1.8%	1.8%
Soda Sanayii	SODA TI	5.41	+9.8%	7.4	8.1	7.6	6.8	6.6	5.5	1.7	1.7	1.5	3.9%	7.8%	8.9%
Solvay	SOLB BB	116.60	+85.3%	11.4	14.4	12.9	8.5	8.1	7.6	1.6	1.7	1.6	3.1%	3.2%	3.2%
Tata Chemicals	TTCH IN	725.00	+0.9%	18.6	15.5	14.8	10.1	10.0	9.3	1.8	1.9	1.9	1.5%	1.7%	1.6%
Tessenderlo Chemie	TESB BB	33.35	+0.3%	56.5	15.3	13.2	8.2	8.0	6.9	0.9	0.9	0.9	-	-	-
Tronox	TROX US	18.13	-1.4%	-	17.5	14.1	14.1	8.2	6.0	2.7	2.2	1.8	1.0%	1.0%	1.0%
Wacker Chemie	WCH GY	145.55	+0.2%	8.3	20.3	17.5	8.4	7.1	6.7	1.6	1.6	1.5	3.1%	2.6%	3.0%
Median				12.1	14.6	13.1	8.5	7.6	6.8	1.6	1.6	1.5	3.1%	3.2%	3.2%
Fertilizer Producers															
Acron	AKRN RX	4320	-1.2%	12.7	11.2	9.5	8.6	8.2	7.6	2.7	2.6	2.5	7.4%	7.1%	7.5%
Agrium	AGU US	115.00	+0.0%	51.3	19.2	17.1	12.7	10.2	9.5	1.5	1.4	1.4	3.0%	3.1%	3.1%
CF Industries Holdings	CF US	41.17	+0.0%	26.9	42.4	23.0	14.9	12.6	10.4	4.0	3.8	3.5	2.9%	2.9%	2.9%
Grupa Azoty*	ATT PW	43.30	-16.7%	9.4	14.4	14.8	4.4	5.4	5.9	0.5	0.6	0.7	1.8%	2.8%	2.1%
Israel Chemicals	ICL IT	16.35	+3.4%	16.2	13.6	12.3	8.0	7.4	7.1	1.5	1.5	1.4	3.1%	15.4%	8.0%
Mosaic	MOS US	27.83	+0.3%	-	19.4	15.2	13.6	8.8	8.0	2.1	1.7	1.6	1.3%	0.4%	0.4%
PhosAgro	PHOR RX	2347	+0.0%	12.0	9.9	9.7	8.2	6.2	6.1	2.3	2.1	2.0	4.9%	5.5%	5.9%
Potash Corp of Saskat	POT US	20.65	+2.4%	52.9	29.5	23.3	24.1	13.4	11.8	5.4	5.1	4.8	1.9%	2.1%	2.2%
Uralkali	URKA RX	104.55	+0.9%	5.7	5.1	5.2	5.7	5.3	5.3	3.0	2.8	2.8	-	-	-
Yara International	YAR NO	340.70	+2.3%	23.6	100+	96.5	12.1	67.3	52.0	1.3	9.3	8.4	1.9%	0.3%	0.5%
ZA Pulawy	ZAP PW	100.00	+0.0%	7.4	11.1	8.0	2.8	3.7	2.9	0.4	0.4	0.4	8.6%	7.1%	8.7%
ZCh Police	PCE PW	17.70	-8.3%	12.2	29.5	14.0	7.3	9.6	6.9	0.6	0.8	0.7	-	3.0%	2.8%
Median				12.7	14.4	14.4	8.4	8.5	7.3	1.8	1.9	1.8	3.0%	3.0%	2.9%
Synthetic Rubber Producers															
Apar Industries	APR IN	718.10	-8.2%	15.7	17.9	12.8	6.9	7.2	5.8	0.6	0.5	0.5	1.4%	1.3%	1.6%
Asahi Kasei	3407 JT	1470.0	+10.5%	17.9	12.6	13.4	8.3	7.2	7.2	1.2	1.1	1.0	1.6%	2.0%	2.2%
BASF	BAS GY	85.28	-1.8%	12.9	13.0	12.1	7.3	7.0	6.7	1.4	1.3	1.3	3.6%	3.8%	3.9%
Grand Pacific Petro	1312 TT	31.45	-2.6%	8.6	8.2	7.6	6.8	6.5	6.5	1.2	1.2	1.2	3.2%	3.7%	4.0%
Kumho Petrochemical	011780 KS	104500	-4.4%	13.7	9.2	8.8	9.6	6.9	6.7	0.9	0.8	0.8	1.0%	1.3%	1.3%
LANXESS	LXS GY	67.96	-0.4%	71.5	17.1	14.7	9.1	9.8	9.0	1.0	1.4	1.4	1.2%	1.5%	1.6%
Trinseo	TSE US	72.55	+2.3%	9.7	8.0	7.5	6.0	5.8	5.7	0.9	0.9	0.8	1.9%	2.1%	4.2%
TSRC Corp	2103 TT	30.55	-6.4%	28.8	19.2	15.2	14.6	10.7	9.4	1.0	0.9	0.9	3.1%	4.8%	5.6%
Ube Industries	4208 JT	3330.0	-10.9%	14.6	10.9	10.4	7.5	6.1	6.1	0.8	0.8	0.7	1.8%	1.9%	2.1%
ZEON	4205 JT	1414.0	-8.2%	13.6	24.2	10.6	6.5	5.8	5.4	1.2	1.0	1.0	1.1%	1.2%	1.4%
Median				14.1	12.8	11.4	7.4	7.0	6.6	1.0	1.0	0.9	1.7%	1.9%	2.2%

Source: Bloomberg, Dom Maklerski mBanku for companies with an asterisk

**EV** – net debt + market value (EV – economic value)  
**EBIT** – Earnings Before Interest and Taxes  
**EBITDA** – EBIT + Depreciation and Amortisation  
**EBIT/EV** – operating profit to economic value  
**EBITDA/EV** – EBIT + Depreciation and Amortisation to economic value  
**P/E** – (Price/Earnings) – price divided by annual net profit per share  
**P/BV** – (Price/Book Value) – price divided by book value per share  
**Net debt** – credits + debt papers + interest bearing loans – cash and cash equivalents  
**MCap** – current market capitalization  
**Monthly price change (MoM price change)** – change in the price of a stock since the date of the previous publication or in the course of the past month

**OVERWEIGHT (OW)** – a rating which indicates that we expect a stock to outperform the broad market  
**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with the broad market  
**UNDERWEIGHT (UW)** – a rating which indicates that we expect the stock to underperform the broad market

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**BUY** – we expect that the rate of return from an investment will be at least 15%  
**ACCUMULATE** – we expect that the rate of return from an investment will range from 5% to 15%  
**HOLD** – we expect that the rate of return from an investment will range from -5% to +5%  
**REDUCE** – we expect that the rate of return from an investment will range from -5% to -15%  
**SELL** – we expect that an investment will bear a loss greater than 15%  
Recommendations are updated at least once every nine months.

mBank S.A. with its registered office in Warsaw at Senatorska 18 renders brokerage services in the form of derived organisational unit—Brokerage Office which uses name Dom Maklerski mBanku.

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The production of new recommendations was completed on May 30, 2018, 8:50 AM.  
New recommendations were first disseminated on May 30, 2018, 8:50 AM.

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Asseco Poland provides IT services to mBank S.A.

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**DCF** – acknowledged as the most methodologically correct method of valuation; it consists in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.

**Relative** – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

**NAV** – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

mBank issued the following investment recommendations for the companies in the 12 months prior to this publication

#### Alumetal

<b>Rating</b>	<b>neutral</b>
Rating date	2017-07-31
Target price (PLN)	-
Price on rating day	46.99

#### Amica

<b>Rating</b>	<b>overweight</b>
Rating date	2018-01-05
Target price (PLN)	-
Price on rating day	130.00

#### Apator

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>
Rating date	2018-02-28	2017-07-31
Target price (PLN)	-	-
Price on rating day	24.00	31.29

#### Boryszew

<b>Rating</b>	<b>neutral</b>
Rating date	2017-11-30
Target price (PLN)	-
Price on rating day	9.85

#### Ciech

<b>Rating</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>
Rating date	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2017-10-02	2017-09-01	2017-06-02
Target price (PLN)	89.71	85.40	85.87	90.13	79.54	77.07	82.00
Price on rating day	55.00	57.00	55.90	61.25	65.16	62.73	69.69

#### Elemental

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>
Rating date	2018-04-27	2017-08-31
Target price (PLN)	-	-
Price on rating day	1.09	2.55

#### Ergis

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>
Rating date	2018-04-27	2018-01-29
Target price (PLN)	-	-
Price on rating day	4.06	4.77

#### Famur

<b>Rating</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>
Rating date	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-09-01	2017-07-20
Target price (PLN)	6.95	7.06	7.28	7.29	7.24	6.84	6.95
Price on rating day	5.94	6.04	6.10	6.20	6.18	5.81	5.84

#### Forte

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	<b>underweight</b>
Rating date	2018-04-27	2018-02-02	2018-01-29	2017-08-31
Target price (PLN)	-	-	-	-
Price on rating day	50.70	43.00	49.10	74.02

#### Grupa Azoty

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>buy</b>	<b>accumulate</b>	<b>buy</b>
Rating date	2018-05-25	2018-05-09	2018-03-05	2018-02-02	2018-01-05	2017-12-01	2017-10-02	2017-09-01	2017-08-02	2017-07-03	2017-06-23	2017-06-02
Target price (PLN)	44.40	60.99	67.13	73.42	73.64	78.52	80.77	69.60	74.30	74.30	74.30	73.90
Price on rating day	42.60	51.10	56.55	72.00	74.40	71.30	79.80	68.90	72.08	63.30	67.50	63.01

#### Kernel

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>accumulate</b>	<b>accumulate</b>	<b>accumulate</b>	<b>accumulate</b>
Rating date	2018-05-09	2018-03-05	2018-02-02	2017-12-01	2017-11-03	2017-09-01	2017-06-02
Target price (PLN)	53.04	53.46	53.47	57.20	58.70	71.74	73.90
Price on rating day	50.80	48.80	50.90	47.51	48.25	60.70	68.33

#### Grupa Kęty

<b>Rating</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>	<b>hold</b>
Rating date	2018-05-09	2018-04-06	2018-03-05	2018-02-02	2018-01-05	2017-09-01
Target price (PLN)	363.01	357.21	379.66	391.41	390.72	414.09
Price on rating day	353.00	346.00	352.50	385.00	408.00	402.10

#### Kruszwica

<b>Rating</b>	<b>neutral</b>
Rating date	2017-03-29
Target price (PLN)	-
Price on rating day	63.50

mBank issued the following investment recommendations for the companies in the 12 months prior to this publication

#### **Mangata**

<b>Rating</b>	<b>underweight</b>
Rating date	2018-03-29
Target price (PLN)	-
Price on rating day	95.60

#### **Pfleiderer Group**

<b>Rating</b>	<b>overweight</b>	<b>overweight</b>
Rating date	2018-04-27	2017-11-08
Target price (PLN)	-	-
Price on rating day	37.30	36.65

#### **Pozbud**

<b>Rating</b>	<b>overweight</b>
Rating date	2017-11-13
Target price (PLN)	-
Price on rating day	2.98

#### **Stelmet**

<b>Rating</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>	<b>buy</b>
Rating date	2018-05-09	2018-03-05	2018-02-02	2017-09-01	2017-07-17
Target price (PLN)	26.48	27.72	28.37	28.94	30.50
Price on rating day	14.75	17.15	19.20	22.20	22.51

#### **Tarczyński**

<b>Rating</b>	<b>neutral</b>	<b>neutral</b>	<b>overweight</b>	<b>neutral</b>
Rating date	2018-05-30	2018-01-29	2017-11-20	2017-05-31
Target price (PLN)	-	-	-	-
Price on rating day	14.50	13.05	11.00	11.20

## Dom Maklerski mBanku

Senatorska 18  
00-082 Warszawa  
<http://www.mbank.pl/>

## Research Department

**Kamil Kliszczyk**

director  
+48 22 438 24 02  
[kamil.klisczyk@mbank.pl](mailto:kamil.klisczyk@mbank.pl)  
energy, power generation

**Jakub Szkopek**

+48 22 438 24 03  
[jakub.szkopek@mbank.pl](mailto:jakub.szkopek@mbank.pl)  
industrials, chemicals, metals

**Piotr Bogusz**

+48 22 438 24 08  
[piotr.bogusz@mbank.pl](mailto:piotr.bogusz@mbank.pl)  
retail

**Michał Marczak**

+48 22 438 24 01  
[michal.marczak@mbank.pl](mailto:michal.marczak@mbank.pl)  
strategy

**Paweł Szpigel**

+48 22 438 24 06  
[pawel.szpigel@mbank.pl](mailto:pawel.szpigel@mbank.pl)  
media, IT, telco

**Michał Konarski**

+48 22 438 24 05  
[michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)  
banks, financials

**Piotr Zybala**

+48 22 438 24 04  
[piotr.zybala@mbank.pl](mailto:piotr.zybala@mbank.pl)  
construction, real-estate development

## Sales and Trading

### Traders

**Piotr Gawron**

director  
+48 22 697 48 95  
[piotr.gawron@mbank.pl](mailto:piotr.gawron@mbank.pl)

**Anna Łagowska**

+48 22 697 48 25  
[anna.lagowska@mbank.pl](mailto:anna.lagowska@mbank.pl)

**Jędrzej Łukomski**

+48 22 697 49 85  
[jedrzej.lukomski@mbank.pl](mailto:jedrzej.lukomski@mbank.pl)

**Andrzej Sychowski**

+48 22 697 48 46  
[andrzej.sychowski@mbank.pl](mailto:andrzej.sychowski@mbank.pl)

**Krzysztof Bodek**

+48 22 697 48 89  
[krzysztof.bodek@mbank.pl](mailto:krzysztof.bodek@mbank.pl)

**Adam Prokop**

+48 22 697 47 90  
[adam.prokop@mbank.pl](mailto:adam.prokop@mbank.pl)

**Tomasz Galanciak**

+48 22 697 49 68  
[tomasz.galanciak@mbank.pl](mailto:tomasz.galanciak@mbank.pl)

**Tomasz Jakubiec**

+48 22 697 47 31  
[tomasz.jakubiec@mbank.pl](mailto:tomasz.jakubiec@mbank.pl)

**Szymon Kubka, CFA, PRM**

+48 22 697 48 54  
[szymon.kubka@mbank.pl](mailto:szymon.kubka@mbank.pl)

**Magdalena Bernacik**

+48 22 697 47 35  
[magdalena.bernacik@mbank.pl](mailto:magdalena.bernacik@mbank.pl)

## Sales, Foreign Markets

**Marzena Łempicka-Wilim**

deputy director  
+48 22 697 48 82  
[marzena.lempicka@mbank.pl](mailto:marzena.lempicka@mbank.pl)

**Bartosz Orzechowski**

+48 22 697 48 47  
[bartosz.orzechowski@mbank.pl](mailto:bartosz.orzechowski@mbank.pl)

## Private Broker

**Kamil Szymański**

director, active sales  
+48 22 697 47 06  
[kamil.szymanski@mbank.pl](mailto:kamil.szymanski@mbank.pl)

**Jarosław Banasiak**

deputy director, active sales  
+48 22 697 48 70  
[jaroslaw.banasiak@mbank.pl](mailto:jaroslaw.banasiak@mbank.pl)