

20 July 2009

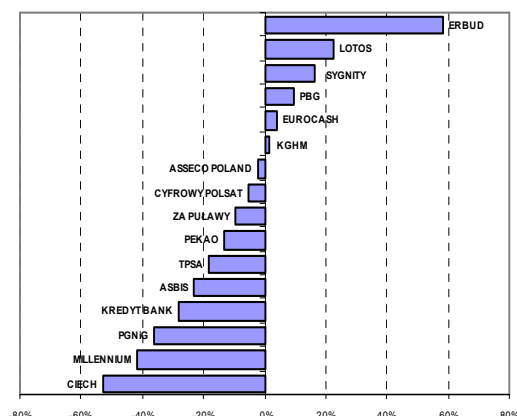
Periodic Report



## Equity Market

<b>WIG</b>	<b>31 545</b>
Average 2009E P/E	12.4
Average 2010E P/E	13.2
Avg daily trading volume (3M)	PLN 1 226m

### EPS dynamics of selected companies\*



\*calculated for: 3Q'08-2Q'09 / 2Q'08-1Q'09

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# Forecasts of Quarterly Results

## Q2 2009

**Banks.** Net income of the banks in our coverage universe will decline by over 50% y/y, remaining flat q/q. Despite the reduction in expenses (by 6% y/y), operating income before provisions will decline by 24% y/y, primarily due to the decline in revenues (-14% y/y). The cost of risk will decline only slightly vs. Q1'09 (-1.3% of total loans vs. -1.4%).

**Gas&Oil.** After the recent quarterly losses, Orlen and Lotos should report excellent earnings due to inventory revaluation and FX gains. Lotos should offset its Q1 loss. PGNiG will improve earnings q/q, but just as PKN, it will not be able to break even after H1.

**Telecommunications.** The telecoms' earnings will be similar to those posted in Q1. Netia's earnings will be depressed by restructuring expenses in the amount of ca. PLN 17m. When it releases its earnings, TPSA should announce a buyback program or an additional dividends.

**Media.** The weakness of the advertising market will affect the quality of TVN's and Agora's earnings. We believe Cyfrowy Polsat will post weaker earnings as well, due to the expensive dollar and euro, as well as long Christmas promotions. WSiP, in turn, should post good results.

**IT.** We expect a y/y earnings improvement at AB and Sygnity, although in the latter case this will be due to one-offs. Asseco Poland will also show an improvement in operating earnings. Action's performance will be weaker. Asbis should record a profit, while Komputronik will most likely find itself in the red.

**Commodities.** Thanks to high commodity prices, mining companies will record very good earnings in Q2, which in the case of KGHM will be further boosted by Polkomtel dividends. After H1, Bogdanka's earnings will approach the Management's FY guidance.

**Construction.** General contractors will see very good earnings (due to the combination of lower costs and fixed contract prices). A deterioration will be seen in the case of smaller companies that have exposure to industry and deliver building shells. Companies that perform finishing work will once again see good earnings (this situation will change next year).

**Developers.** The application of IAS 18 accounting will result in flat earnings growth in Q2'09. We recommend an asset-based approach.

**Retail.** After a weak Q1'09, Emperia should show an improvement, although by and large due to real-estate sales. As usual, Eurocash should not disappoint, recording a y/y profit improvement in the range of 10-20%.

## Financial Sector



### Banks

Analyst:  
Marta Jeżewska

## BZ WBK

FY09E P/E 30.4  
FY10E P/E 23.6  
FY09E P/BV 1.5  
FY10E P/BV 1.4

### Accumulate

Current price  
Target price  
PLN 103.5  
PLN 102.0

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Net interest income	356	401	-11.3%	718	777	-7.6%	1515	1635	-7.3%
Net fee income	326	363	-10.3%	640	713	-10.1%	1192	1390	-14.2%
NIM	2.4%	3.5%	-	2.6%	3.6%	-	2.7%	3.3%	-
Income f. bank oper.	799	875	-8.7%	1524	1621	-5.9%	2868	3190	-10.1%
Operating expenses	-398	-434	-8.4%	-805	-835	-3.6%	-1646	-1655	-0.5%
Operating income*	410	453	-9.5%	736	808	-8.9%	1263	1576	-19.9%
Provisions	-158	-14	1040.4%	-319	-20	1507.6%	-898	-365	146.4%
Pre-tax income	252	439	-42.6%	414	788	-47.5%	365	1211	-69.9%
Net income	193	324	-40.5%	312	568	-45.0%	248	855	-71.0%

\* before provisions

### Solid Q2'09 earnings in a tough environment

BZ WBK will be among the banks that improve their earnings on Q1'09. Net income will be boosted by dividends from companies from the AVIVA group (PLN 68m, with PLN 55m estimated contribution to net income), but even without it net profit will amount PLN 137m (vs. PLN 119m in Q1'09). Thanks to its exposure to equity markets, the Bank will see an improvement in its fee income (PLN 326m vs. PLN 314m in Q1'09). Interest income is under pressure, but its rate of decline will be much lower than in Q1'09 (higher 3M WIBOR towards the end of the quarter, new APRs on deposits, ongoing margin adjustments on corporate loans). Q2'09 will also be good for financial market income, which will add to the Bank's trading income. We expect further savings and reduction in costs both year-on-year (by the staggering 8%) and quarter-on-quarter (by 2%), thanks to, inter alia, downsizing carried out in Q1'09 (by 285 employees) and the freeze on salaries. Non-payroll operating expenses should remain under control. As a result, comparable operating income before provisions (excluding dividends) will increase by 5% q/q. We also expect credit risk charges to be slightly lower than in Q1'09, as the problem of corporate F/X options abates. Provisions can, however, go up in the future.



### Banks

Analyst:  
Marta Jeżewska

## Handlowy

FY09E P/E 20.4  
FY10E P/E 15.6  
FY09E P/BV 1.1  
FY10E P/BV 1.1

### Sell

Current price  
Target price  
PLN 51.0  
PLN 40.9

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Net interest income	380	325	17.1%	771	647	19.1%	1 467	1 366	7.4%
Net fee income	130	164	-20.4%	255	330	-22.6%	528	619	-14.7%
NIM	3.4%	3.4%	-	3.6%	3.4%	-	3.4%	3.4%	-
Income f. bank oper.	586	586	0.0%	1 162	1 225	-5.1%	2 290	2 313	-1.0%
Operating expenses	-372	-382	-2.5%	-746	-792	-5.8%	-1 463	-1 496	-2.2%
Operating income*	232	230	0.9%	452	476	-5.0%	895	910	-1.7%
Provisions	-137	-16	762.0%	-290	-36	705.6%	-483	-153	215.6%
Pre-tax income	94	214	-55.9%	161	441	-63.5%	411	759	-45.8%
Net income	69	170	-59.6%	115	350	-67.2%	327	600	-45.6%

\* before provisions

### Cost of risk weighs operating earnings down

The Bank has sustained its policies in deposits (offering attractive rates on a selective basis), which will lead to a slight q/q decline in interest income. It is also clear, however, that the Bank is taking advantage of its liquid balance sheet. Starting from Q4'08, the Bank has been recording very high interest income every quarter, much above its interest income from the previous year. Thanks to improved situation in the stock market, fee income trends will reverse –we expect q/q growth, for the first time in 18 months. Lower FX options write-offs (with more of them recognized in provisions) and favorable financial-market conditions will allow the Bank to record a good trading income. Cost-control and savings programs will keep expense growth in check. In terms of operating income, Bank Handlowy will resist the trend towards declining profitability that pervades the banking sector. Credit risk charges will continue to depress earnings; we reiterate our fairly high expectations as regards provisions (-PLN 137m vs. -PLN 152m in Q1'09, i.e. cost of credit risk at 4%). Net income will decline considerably y/y (by almost 60%). Earnings will be better than in the previous quarter, when FX write offs had a strong negative impact. The results will be less impressive than ING BSK's excellent earnings.


**Banks**

Analyst:  
Marta Jeżewska

# ING BSK

## Hold

FY09E P/E 27.8  
FY10E P/E 13.7  
FY09E P/BV 1.2  
FY10E P/BV 1.1

Current price  
Target price  
PLN 410.0  
PLN 313.0

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Net interest income	341	288	18.5%	651	551	18.1%	1 218	1 152	5.7%
Net fee income	217	215	0.8%	421	423	-0.4%	819	890	-8.0%
NIM	2.0%	1.9%	-	1.9%	1.8%	-	1.9%	1.9%	-
Income f. bank oper.	636	619	2.7%	1 186	1 183	0.2%	2 188	2 060	6.2%
Operating expenses	-385	-385	0.0%	-747	-750	-0.4%	-1 463	-1 507	-2.9%
Operating income*	258	222	16.5%	453	425	6.7%	752	580	29.6%
Provisions	-103	59	-	-206	58	-	-556	-66	747.6%
Pre-tax income	165	295	-44.0%	268	509	-47.3%	241	563	-57.1%
Net income	132	234	-43.5%	213	407	-47.8%	192	445	-57.0%

\* before provisions

### Taking advantage of the liquid balance sheet

We expect good results in Q2'09. The Bank will diverge from the trends observed at other banks thanks to interest income and the fact that its cost of credit risk will have been kept in check. Having a considerable surplus of deposits over loans, the Bank made significant cuts in its retail deposit APRs; on April 15, it cut the interest rate on its flagship OKO account to 3.5%. We expect that this will lead to an outflow of funds, but ING BSK can afford this. At the same time, we expect to see the first effects of revisions to corporate loan pricing (new sales at higher margins, successive changes in the pricing of revolving loans). Despite the expected decline in its deposits volumes, the Bank was able to further expand its loan portfolio (loans/deposits at 73% after Q1'09), although this will slow down as the zloty appreciates. The cost of risk will remain in check, but we do expect higher provisions (cost of risk of -1.5%) due to further charges on FX derivatives (we expect more and more of such losses to be recognized with provisions as the instruments mature). Net income will approach PLN 132m, i.e. over 60% more than in Q1'09 (PLN 81m).


**Banks**

Analyst:  
Marta Jeżewska

# Kredyt Bank

## Sell

FY09E P/E 175.0  
FY10E P/E 37.3  
FY09E P/BV 0.7  
FY10E P/BV 0.7

Current price  
Target price  
PLN 6.8  
PLN 4.1

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Net interest income	253	250	1.0%	500	493	1.3%	971	1 060	-8.4%
Net fee income	74	73	1.4%	146	144	1.8%	300	293	2.4%
NIM	2.4%	3.4%	-	2.5%	3.5%	-	2.6%	3.2%	-
Income f. bank oper.	379	377	0.5%	772	736	4.8%	1 466	1 586	-7.6%
Operating expenses	-264	-288	-8.4%	-534	-536	-0.4%	-1 047	-1 105	-5.2%
Operating income*	128	97	32.7%	266	221	20.0%	468	531	-11.8%
Provisions	-115	-9	1186.5%	-299	-33	806.1%	-455	-108	320.3%
Pre-tax income	13	88	-84.9%	-34	187	-	14	421	-96.8%
Net income	10	70	-85.3%	-26	145	-	11	325	-96.8%

\* before provisions

### Improvement after the tough Q1'09

Thanks to lower expenses and lower provisions, the Bank will be in the black (PLN 10m), thereby reducing the loss seen in Q1'09. We expect strong operating income before provisions (PLN 128m), thanks to steady revenues (year-on-year). The significant decline in net interest margin will have an impact on profits, but this will be offset by the expansion in volumes (assets +40%, loans +50%). We also believe that last year's fee income was very weak, much below the potential stemming from the number of branches and clients; we therefore expect an improvement in this line as well. With expenses reduced, the Bank will see its third-highest operating income before provisions in three years. The key factor affecting profits will be provisions. Loans sold through Żagiel to non-clients will continue to generate high write-offs. However, given the revisions to lending policies and lower sales volumes, stabilization can be expected in this area. We do not expect high provisions for mortgages. There will be a clear deterioration vs. Q1'09 as far as corporate loan provisions are concerned (we project cost of risk at 1.9%). According to our forecast, the Bank will not be able to fully offset the loss recorded in Q1'09, but it will generate a net profit of PLN 10m that will partially reverse the PLN 36m loss seen in Q1'09. We reiterate that the Bank will not be in the red in FY2009 as a whole.


**Banks**

Analyst:  
Marta Jeżewska

# Millennium

## Sell

FY09E P/E 127.5    FY09E P/BV 0.8  
FY10E P/E 24.5    FY10E P/BV 0.8

**Current price**    **PLN 2.7**  
**Target price**    **PLN 1.8**

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Net interest income	119	238	-49.8%	247	461	-46.3%	661	981	-32.6%
Net fee income	115	114	1.0%	241	249	-3.2%	467	472	-1.0%
NIM	1.0%	2.8%	-	1.0%	2.8%	-	1.4%	2.5%	-
Income f. bank oper.	345	479	-28.0%	742	917	-19.1%	1 495	1 827	-18.2%
Operating expenses	-270	-300	-10.0%	-528	-575	-8.2%	-1035	-1192	-13.2%
Operating income*	79	185	-57.4%	221	355	-37.6%	482	657	-26.7%
Provisions	-78	-25	208.7%	-208	-37	464.2%	-459	-135	239.6%
Pre-tax income	0	159	-99.8%	14	318	-95.7%	23	522	-95.6%
Net income	0	125	-99.8%	12	252	-95.1%	18	413	-95.6%

*\* before provisions*

### A quarter without profit

This will be Bank Millennium's toughest quarter. We expect it will record no net income due to continuing decline in interest income (as a consequence of its active participation in the war for savings), decline in fee income (lower proceeds from insurance sales vs. Q1'09) and slightly lower trading income. As a result, Q2'09 may be this year's revenue low point. At the same time, the Bank will not be able to keep its expenses as low as in Q1'09 (-PLN 258m); in Q2'09, it will not be able to reverse accrued bonuses, fewer branches will be closed (net impact of the final stage of branch expansion and the closing of the least profitable branches) and promotional expenses will increase (the Bank launched a deposit-acquisition campaign in May). We therefore expect operating income before provisions to decline by 45% vs. Q1'09 and by 57% vs. Q2'08. Unfortunately, despite the fact that the problem of client FX derivatives is abating, the cost of credit risk will remain at an elevated level; we project 86bps, i.e. the same level as in Q1'09 excluding write-offs on options (in that quarter, total provisions amounted to 1.48% of net loans). The weaker operating income will be wholly consumed by provisions.


**Banks**

Analyst:  
Marta Jeżewska

# Pekao

## Accumulate

FY09E P/E 20.1    FY09E P/BV 1.8  
FY10E P/E 15.2    FY10E P/BV 1.6

**Current price**    **PLN 120.7**  
**Target price**    **PLN 133.2**

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Net interest income	888	1142	-22.3%	1797	2265	-20.6%	3792	4509	-15.9%
Net fee income	527	619	-14.9%	1055	1230	-14.2%	2201	2342	-6.0%
NIM	2.7%	3.8%	-	2.7%	3.7%	-	2.8%	3.5%	-
Income f. bank oper.	1624	2006	-19.0%	3318	3847	-13.7%	6686	7578	-11.8%
Operating expenses	-944	-964	-2.1%	-1869	-1894	-1.3%	-3693	-3788	-2.5%
Operating income*	700	1062	-34.1%	1489	2474	-39.8%	3127	4535	-31.1%
Provisions	-168	-72	135.4%	-260	-122	113.6%	-1238	-294	321.6%
Pre-tax income	546	1021	-46.6%	1257	2420	-48.1%	1963	4346	-54.8%
Net income	439	830	-47.1%	1005	1967	-48.9%	1577	3528	-55.3%

*\* before provisions*

### Neutral earnings

Pekao's earnings will decline by over 22% vs. Q1'09, driven by revenues, which will be lower than in Q2'08. They will decline due to the shrinking interest income (due to the war for savings and lower volumes); fee income will be flat q/q (lower transaction volumes, slightly higher equity market revenues) and trading income will decline (in Q1'09, the Bank recorded a profit on a property sale). We expect that expenses will be kept in check (they will decline y/y due to the high base, as Q2'08 was the last quarter of IT systems integration, and they will increase q/q, as expenses provided for in the annual budget are actually incurred, salaries are revised due to inflation and fewer employees depart). The Bank has prepared a cost-cutting program, but we believe it will not be necessary to implement it in the current situation. Provisions will have a negative impact on earnings as well (we project -PLN 168m, 0.8% of net loans), but this will not surprise the market. It will represent an increase on Q2'08 and Q1'09, but the level remains low. We believe that the Bank will find it increasingly hard to keep its provisions at such a low level. Were it able to do so, it would indicate asset quality management well above industry standard.



## Banks

Analyst:  
Marta Jeżewska

# PKO BP

## Accumulate

FY09E P/E 19.9    FY09E P/BV 1.9  
FY10E P/E 17.6    FY10E P/BV 1.7

**Current price** **PLN 28.6**  
**Target price** **PLN 30.2**

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Net interest income	1125	1487	-24.4%	2318	2 914	-20.5%	5 057	6 127	-17.5%
Net fee income	588	581	1.2%	1138	1 172	-2.9%	2 336	2 412	-3.1%
NIM	3.2%	5.1%	-	3.4%	5.2%	-	3.6%	5.0%	
Income f. bank oper.	2034	2306	-11.8%	4132	4 404	-6.2%	7 993	9 097	-12.1%
Operating expenses	-1119	-1062	5.3%	-2200	-2 010	9.5%	-4 325	-4 296	0.7%
Operating income*	961	1297	-26.0%	2024	2 511	-19.4%	3 872	5 092	-24.0%
Provisions	-381	-150	154.1%	-755	-177	327.1%	-2 100	-1 130	85.8%
Pre-tax income	580	1161	-50.1%	1275	2 351	-45.8%	1 788	3 977	-55.1%
Net income	467	897	-47.9%	1008	1 849	-45.5%	1 437	3 121	-54.0%

\* before provisions

### No major surprises

The continuing pressure on interest margin (acquisition of new funds at a higher cost will lead to a higher share in the deposit market but it will also support the downward trend in interest income) and the slightly lower income from financial market operations will lead to a q/q decline in revenues. This will be offset, however, by improved fee income thanks to changes made to the schedule of fees and commissions. Revenues will decline vs. Q2'08, mostly because of the decline in interest income, although there will be a positive development as well as fee income stops to decline (both q/q and y/y). As far as expenses are concerned, we expect an increase both vs. Q1'09 and Q2'09, but this growth will be slower than in the previous quarter. We expect high provisions again. The Management keeps reiterating that the situation in Ukraine is difficult, and the Bank will see elevated risk in consumer and small enterprise loans as well. We expect net income to contract almost by half vs. last year. After H1'09, the Bank's net income will amount to PLN 1bn. It is possible that the cost of credit risk will increase further in the ensuing quarters.

## Oil and Gas



### Chemicals

Analyst:  
Kamil Kliszczyk

## Ciech

### Accumulate

FY09E P/E 11.5 FY09E EV/EBITDA 4.7  
FY10E P/E 8.2 FY10E EV/EBITDA 4.3

Current price PLN 29.0  
Target price PLN 31.8

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	923.8	1 028.7	-10.2%	1 894.6	2 057.3	-7.9%	3 795.4	3 781.3	0.4%
EBITDA	109.7	123.5	-11.2%	236.4	327.1	-27.7%	476.8	459.7	3.7%
margin	11.9%	12.0%	-	12.5%	15.9%	-	12.6%	12.2%	-
EBIT	47.5	68.5	-30.6%	112.1	219.7	-49.0%	228.5	256.4	-10.9%
Pre-tax profit	18.5	38.3	-51.6%	70.4	187.2	-62.4%	95.1	95.8	-0.7%
Net profit	13.7	23.5	-41.5%	45.7	135.5	-66.3%	70.4	44.5	58.2%

### Solid earnings despite delay in cavern sale

In Q2'09 Ciech should show solid operating earnings, despite the fact that it has failed to recognize proceeds from the sale of the caverns this quarter (the PLN 30m gain will appear on the books in Q3'09). The key earnings driver will be the Soda segment, where, despite the somewhat weaker volumes, the Company should sustain high margins thanks to domestic prices (locked in earlier) and the further declines in coke and gas prices (in Germany), as well as the expected improvement in efficiency at the Romanian plant. Operating earnings in the segment should amount to PLN 48.4m vs. PLN 52.6m a year earlier. In the Organic segment, the apparent improvement in the demand for TDI and the final launch of all additional capacity (with quarterly capacity at 20 thousand tons vs. 14 thousand tons in Q1'09) should improve efficiency of this business line (at the start of the year, Ciech was only able to meet its contractual obligations by buying TDI from competitors, due to its own production problems). With processing margins still low, it will not be able to break even, but we expect the EBIT loss to be lower q/q (-PLN 11.8m vs. -PLN 17.3m). The Agrochemical segment will record a seasonal decline in earnings, producing an EBIT of PLN 7.8m vs. PLN 24.9m in Q1'09. We expect finance losses of PLN 30m, of which -PLN 10m will be due to F/X losses (net impact of a loss on the loan to the German subsidiary vs. gains on the revaluation of EUR-denominated loans and hedging). All in all, Ciech should record a consolidated net profit of ca. PLN 13.7m.



### Oil and Gas

Analyst:  
Kamil Kliszczyk

## Lotos

### Buy

FY09E P/E 7.3 FY09E EV/EBITDA 10.6  
FY10E P/E 5.4 FY10E EV/EBITDA 8.3

Current price PLN 21.6  
Target price PLN 26.4

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	3 035.7	4 217.9	-28.0%	5 752.4	7 779.4	-26.1%	12 469.8	16 294.7	-23.5%
EBITDA	222.1	461.6	-51.9%	297.1	638.2	-53.4%	746.0	169.2	340.9%
margin	7.3%	10.9%	-	5.2%	8.2%	-	6.0%	1.0%	-
EBIT	133.9	381.8	-64.9%	135.6	480.4	-71.8%	339.9	-145.8	-
Pre-tax profit	884.1	521.2	69.6%	94.3	872.9	-89.2%	427.6	-504.2	-
Net profit	713.0	396.5	79.8%	54.0	665.9	-91.9%	335.5	-453.9	-

### Inventory revaluation, high finance gains

We expect excellent earnings in Q2'09 that, as per the recent proclamations by the Management, will more than offset the loss seen in Q1'09; all in all, Lotos will close H1 with a PLN 54m net profit. This excellent result, however, will be primarily a consequence of FX gains on currency loans (+PLN 427m), FX hedging (+PLN 100m on USD/PLN and +120m on EUR/USD) and interest rate hedges (thanks to the shift in forward curves on its swaps the Company should record a gain of ca. PLN 60m). Despite the decline in spot crack spreads, we do not expect losses on crack spread hedging, as in our view the forward market has already discounted the decline in refining profitability in Q4'08 and Q1'09. As for individual segments, we expect ca. PLN 130m in refining EBIT vs. PLN 336m a year earlier, which will be a consequence of a macroeconomic deterioration (margin plus Urals/Brent spread) and the costs of maintenance downtime (which may be higher than in Q1 due to accumulated payments). The y/y decline would be even higher were it not for the expected LIFO gains (PLN 240m vs. PLN 211m a year ago). In Upstream, we expect a small profit of PLN 4m vs. PLN 49m a year ago, the decline being of course a consequence of the decrease in crude oil prices and of lower output.





## Oil and Gas

# PGNiG

## Reduce

Analyst:

Kamil Kliszcz

FY09E P/E\* 18.7

FY10E P/E\* 13.6

FY09E EV/EBITDA\* 6.9

FY10E EV/EBITDA\* 5.4

Current price

PLN 3.91

Target price

PLN 3.58

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	3 782.5	3 929.2	-3.7%	10 161.4	9 259.6	9.7%	19 207.3	18 432.0	4.2%
EBITDA	598.2	665.0	-10.0%	510.6	1 931.7	-73.6%	2 930.7	2 264.9	29.4%
margin	15.8%	16.9%	-	5.0%	20.9%	-	15.3%	5.0%	-
EBIT	210.8	293.6	-28.2%	-246.4	1 210.3	-120.4%	1 384.6	839.9	64.9%
Pre-tax profit	234.2	392.4	-40.3%	-199.6	1 369.9	-114.6%	1 363.6	974.6	39.9%
Net profit	189.7	280.3	-32.3%	-209.1	1 059.6	-119.7%	1 104.5	904.6	22.1%

\*adjusted for the value of EuRoPolGaz, transfer asset leasing and Norwegian deposits.

### Much lower Trade& Storage loss

We believe that after the high losses seen in the two preceding quarters, PGNiG will be back in the black in Q2'09, although we will still see a considerable y/y decline, mostly due to the projected loss in Trade&Storage (-PLN 62m vs. over PLN 117m profit in Q2'08, assuming a 12% decline in sales volumes and the continuation of the decline in domestic gas extraction, by 4%). According to our estimates, the spread on imported gas has remained negative at ca. -PLN 150/thousand m3 (a year ago, unit loss on Russian gas was very small). In Distribution, we expect a y/y improvement (PLN 24m vs. -PLN 14m), due to higher network tariffs (tariffs were hiked as of June 2009, plus, comparative base in Q2'08 was artificially low with the higher prices coming into force in April). Profits could increase even more (we estimate the increase in revenues at over PLN 50m), were it not for higher D&A charges and lower volumes. Consolidated EBIT will also be boosted by Upstream, where we expect an operating profit close to PLN 260m (vs. PLN 170m a year earlier, although this was adjusted to PLN 260m in the annual report due for operating hedging gains). The y/y improvement should be due to the low base in Q2'08 (when provisions for unsuccessful drilling were recognized in the amount of PLN 66m) and the slightly higher volumes of petroleum sales after the traditional downtime on one of the deposits was moved to Q3'09. We do not expect significant changes in financial activities vs. preceding quarters; all in all, PGNiG's net income in Q2'09 can be estimated at PLN 190m.



## Oil and Gas

# PKN Orlen

## Buy

Analyst:

Kamil Kliszcz

FY09E P/E 6.9

FY10E P/E 6.3

FY09E EV/EBITDA 3.8

FY10E EV/EBITDA 3.7

Current price

PLN 26.1


Target price

PLN 40.1

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	14 701.9	22 090.0	-33.4%	29 403.7	40 028.2	-26.5%	65 818.0	79 535.0	-17.2%
EBITDA	1 416.5	2 253.3	-37.1%	1 747.0	3 405.6	-48.7%	4 855.3	887.6	447.0%
margin	9.6%	10.2%	-	5.9%	8.5%	-	7.4%	1.1%	-
EBIT	730.5	1 646.0	-55.6%	410.0	2 211.4	-81.5%	2 164.5	-1 603.8	-
Pre-tax profit	944.5	2 048.0	-53.9%	-326.9	2 928.2	-	2 025.6	-2 915.9	-
Net profit	761.9	1 668.0	-54.3%	-333.0	2 366.9	-	1 608.7	-2 505.7	-


### Unfavorable macroeconomic environment, downtime vs. LIFO and FX gains

According to our estimates, in Q2'09 Orlen will record a substantial y/y decline in consolidated income (by 55%). In terms of individual segments, the biggest decline will be seen in Refining (PLN 831m vs. PLN 1.4bn a year earlier), which will be a consequence of the deterioration in the macroeconomic environment (ca. -PLN 350m), increase in D&A charges (PLN 70m) and the cost of maintenance downtime on the reforming installation and the HDS line. This quarter's LIFO effect should be close to last year's, at PLN 830m. In Retail, the decline in the network revitalization expenses should offset the decline in retail margin; Orlen will record a profit of PLN 112m vs. PLN 109m a year earlier. In Petrochemicals, while we expect a q/q earnings improvement (slight increase in margins), we are still projecting an operating loss of PLN 107m due to the cost of repairs at Unipetrol and the June failure of the Plock olefin line. In Chemicals, taking into account the seasonal decline in volumes and the downtime on the PVC line, we project an EBIT of PLN 45m vs. PLN 73m a year ago. We estimate unattributed costs at PLN 150m vs. PLN 52m a year earlier (the comparative base was artificially lowered by the recognition of PLN 80m in damages). We expect higher interest charges and high FX gains from the revaluation of EUR-denominated loans (PLN 300m). All in all, we expect Orlen to generate PLN 762m in net income.

<div>  <div> <b>Chemicals</b> </div> <div> <b>Police</b> </div> <div> <b>Sell</b> </div> </div>									
Analyst:		FY09E P/E		-	FY09E EV/EBITDA		-	Current price	
Kamil Kliszc		FY10E P/E		75.2	FY10E EV/EBITDA		5.8	Target price	
								PLN 6.7	
								PLN 5.8	
(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	550.6	779.2	-29.3%	1 068.6	1 486.3	-28.1%	1 993.3	2 403.6	-17.1%
EBITDA	1.3	154.7	-	-64.7	319.9	-	-40.2	230.1	-
margin	0.2%	19.9%	-	-6.06%	21.53%	-	-2.02%	9.57%	-
EBIT	-19.4	138.2	-	-106.2	288.1	-	-122.7	164.0	-
Pre-tax profit	13.5	147.1	-90.8%	-156.0	302.4	-	-140.8	41.2	-
Net profit	10.9	122.2	-91.1%	-163.6	252.8	-	-140.8	28.7	-

### Improvement quarter on quarter, but still in the red operationally

Police's Q2'09 earnings should reflect the improvement in fertilizer sales volumes, as signaled by the Management (we expect 11% q/q improvement), which will improve revenues q/q and, more importantly, give a boost to profitability. In Q1'09, the Company worked at lower capacity, aggressively selling out stockpiled products, manufactured when the raw materials were more expensive. This time, stockpiles should account for a lower proportion of total sales, which means that fixed expenses will be covered to a greater extent. This is the reason why we project a considerable reduction in operating loss vs. Q1'09 (-PLN 19m vs. -PLN 87m). At the bottom line, the Company should see a profit of almost PLN 11m, due to EUR/PLN hedging gains (we estimate them at PLN 32m).

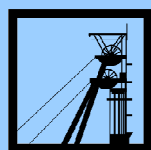
<div>  <div> <b>Chemicals</b> </div> <div> <b>ZA Puławy</b> </div> <div> <b>Hold</b> </div> </div>									
Analyst:		FY09E P/E		6.1	FY09E EV/EBITDA		2.4	Current price	
Kamil Kliszc		FY10E P/E		12.4	FY10E EV/EBITDA		6.6	Target price	
								PLN 82.7	
								PLN 82.7	
(PLN m)	Q4 08/09F	Q4 07/08	change	2008/2009F	2007/2008F	change	2009/2010F	2008/2009F	change
Revenue	548.9	662.3	-17.1%	2 396.5	2 503.5	-4.3%	2 148.2	2 396.5	-10.4%
EBITDA	34.5	103.9	-66.8%	435.1	432.8	0.5%	173.8	435.1	-60.1%
margin	6.3%	15.7%	-	18.2%	17.3%	-	8.1%	18.2%	-
EBIT	16.9	83.4	-79.8%	366.7	358.7	2.2%	102.7	366.7	-72.0%
Pre-tax profit	63.9	94.2	-32.1%	282.8	401.4	-29.5%	157.6	282.8	-44.3%
Net profit	51.1	75.5	-32.3%	228.1	330.8	-31.1%	127.7	228.1	-44.0%

### Lower fertilizer prices vs. hedging gains

In Q4'08/09, we saw clear declines in the benchmark prices of fertilizers in EUR (-31% q/q for ammonium nitrate, -12% for UAN and -6% for urea). Unlike in Q1'09, this decline was not offset by the depreciation of the zloty, as the downward trend on the PLN was reversed. These unfavorable macroeconomic changes will be reflected by ZAP's earnings, despite the fact that the Company did not cut prices in Poland until June, and domestic sales account for 70% of total revenues in the segment. In case of chemicals, we expect full capacity utilization in caprolactam, with margins declining slightly q/q (due to the relation of its price to the price of benzene); we expect melamine volumes to be at a level similar to that seen in the previous quarter (CUR at 60%). As usual, we recognize employee benefits provisions at the EBIT level; this year, they may be much higher than in the previous years (lower staff rotation, higher average salary), amounting to PLN 18m. As a result, operating income will be just PLN 16.9m. It will be boosted, however, by finance gains (interest on cash holdings and FX hedges, for a total of ca. PLN 47m). As a result, the Company will record a ca. PLN 51.1m net profit. We would like to point out, however, that earnings may deteriorate significantly in the ensuing quarters as by then they will fully reflect the situation in the global market for fertilizers.



## Coal Mining



### Coal Mining

Analyst:  
Michał Marczak

# LW Bogdanka

## Accumulate

FY09E P/E 11.9    FY09E EV/EBITDA 5.1  
FY10E P/E 14.5    FY10E EV/EBITDA 5.5


**Current price**    **PLN 60.6**  
**Target price**    **PLN 64.5**

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	278.3						1 116.1	1 033.3	8.0%
EBITDA	133.2						373.0	339.6	9.8%
margin	47.8%						33.4%	32.9%	-
EBIT	94.3						217.6	203.5	7.0%
Pre-tax profit	94.8						223.9	201.9	10.9%
Net profit	74.9						172.9	156.0	10.8%

### Close to Management's guidance


Until now, the Company has not published quarterly reports. For this reason, the table does not include Q2 2008 earnings and semi-annual earnings. The average price of the Company's coal was ca. PLN 230/t in Q2 2009, which, assuming sales volumes of 1.15m tons, entails revenues of PLN 264.5m. We estimate other revenues (clinker, transportation, scrap sales) at PLN 14m. We estimate unit cost of coal extraction and processing at PLN 160/t, inclusive of the growing expenses on the preparation of the new coal field. The Company will not recognize a one-off cost of a PLN 36m payment to employees due to its WSE listing (this expense will come in Q3'09).

## Telecommunications

<div>  <div> <b>Telco</b> </div> <div> <b>Netia</b> </div> <div> <b>Buy</b> </div> </div>									
Analyst:		FY09E P/E		FY09E EV/EBITDA		Current price		PLN 3.8	
Michał Marczak		FY10E P/E		FY10E EV/EBITDA		Target price		PLN 3.8	
(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	370.0	243.5	52.0%	745.7	481.0	55.0%	1 503.1	1 121.2	34.1%
EBITDA	54.7	30.3	80.4%	124.6	64.1	94.3%	234.0	170.6	37.1%
margin	14.8%	12.4%	-	16.7%	13.3%	-	15.6%	15.2%	-
EBIT	-18.6	-33.2	44.1%	-21.6	-62.3	65.3%	-23.4	-99.7	76.5%
Pre-tax profit	-16.3	314.6	-	-23.2	261.2	-	-9.3	231.9	-
Net profit	-15.1	314.6	-	-21.5	259.3	-	-9.9	230.6	-

### Restructuring costs weigh EBITDA down

We expect Netia's revenues in Q2 2009 to be close to the Q1 level, which entails over 50% y/y increase (mostly as a consequence of the Tele2 Polska takeover, and, to a lesser extent, local internet provider acquisitions). As the economic situation deteriorates, we expect slower subscriber growth, mostly due to increased churn in retail voice. EBITDA will be negatively impacted by the cost of restructuring under the Profit program (which includes layoffs affecting 130 employees, announced for Q2'09). The FY cost of the Profit program is estimated at PLN 25m, of which PLN 1.6m was incurred already in Q1'09. In Q2'09, we project PLN 17m on this account. This means that in the ensuing quarters, the benefits of the program should more than offset its costs (a net gain of ca. PLN 10m).

<div>  <div> <b>Telco</b> </div> <div> <b>TP SA</b> </div> <div> <b>Accumulate</b> </div> </div>									
Analyst:		FY09E P/E		FY09E EV/EBITDA		Current price		PLN 15.4	
Michał Marczak		FY10E P/E		FY10E EV/EBITDA		Target price		PLN 20.3	
(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	4 248.7	4 520.0	-6.0%	8 560.7	9 047.0	-5.4%	17 284.2	18 165.0	-4.8%
EBITDA	1 648.7	2 078.0	-20.7%	3 318.7	4 094.0	-18.9%	7 012.1	7 630.0	-8.1%
margin	38.8%	46.0%	-	38.8%	45.3%	-	40.6%	42.0%	-
EBIT	598.7	984.0	-39.2%	1 208.7	1 933.0	-37.5%	2 888.2	3 313.0	-12.8%
Pre-tax profit	448.7	900.0	-50.2%	859.7	1 723.0	-50.1%	2 286.8	2 593.0	-11.8%
Net profit	358.9	698.0	-48.6%	686.9	1 379.0	-50.2%	1 850.3	2 188.0	-15.4%

### No improvement

Just as in the preceding quarter, Q2'09 earnings will reflect the disadvantageous situation in mobile telephony, due in particular to Play's aggressive pricing policies. The decline in mobile termination rates will reduce revenues and, to a lesser extent, EBITDA (in fact, in case of fixed telephony the effect may be positive during the transition, i.e. while the F2M rates are adjusted). We forecast a 11% y/y decline for Centertel's revenues. In case of telephony, we expect a 5% y/y decline, and in case of data transmission, 9% growth (as cheap promotions expire and subscribers start to pay the full price for broadband access; also an increase in ARPU). We do not project a significant increase in reserves, which might be the case next quarter as more customers pay their bills late. The Company will not publish details of its cost cutting plans on occasion of earnings release. We do expect, however, that it will sweeten the investors' life with a decision on a buyback or additional dividends. PLN 500-700m might be spent on this purpose.

## Media



### Media

Analyst:  
Michał Marczak

## Agora

### Buy

				FY09E P/E 11.1		FY09E EV/EBITDA 4.3	<b>Current price</b>	<b>PLN 14.9</b>	
				FY10E P/E 7.9		FY10E EV/EBITDA 3.3	<b>Target price</b>	<b>PLN 35.6</b>	
(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	284.9	343.7	-17.1%	559.3	657.1	-14.9%	1203.2	1277.7	-5.8%
EBITDA	28.3	50.6	-44.0%	54.1	93.0	-41.8%	130.0	128.4	1.2%
margin	9.9%	14.7%	-	9.7%	14.2%	-	10.8%	10.0%	-
EBIT	7.3	30.2	-75.8%	13.0	52.8	-75.4%	44.6	128.4	-65.3%
Pre-tax profit	8.0	29.2	-72.6%	14.3	55.0	-74.0%	52.7	47.9	10.0%
Net profit	6.4	21.5	-70.0%	7.5	40.2	-81.2%	42.7	23.3	83.3%

### Earnings continue to slide

We expect that the second quarter, which has been exceedingly difficult for the advertising market, will lead to weak earnings at Agora. We expect a 28% decline in advertising revenue across the Group, driven by the newspaper segment, which will record a 38% drop. AMS will see a much deeper reduction in advertising revenue than before (we believe -20% is likely). The decline in magazines and the radio will be a only a little less profound. Online advertising, in turn, should sustain growth. We expect that the January increase in the price of *Gazeta Wyborcza* should contain the decline in copy-sales revenues, bringing PLN 52m on this account. In case of book collections, we do not expect last year's scenario (a dramatic plunge in revenues) to be repeated; this year, proceeds of. ca. PLN 24m can be expected.

The depreciation of the euro and the decline in circulation should help the Company achieve further cost savings (which will be partially cancelled by the higher cost of book collections), while Q1'09 layoffs should lead to a slight y/y reduction in payroll expenses (after a nearly 10% increase in Q1). A clear reduction in payroll costs cannot be expected before Q3'09, however. All in all, the Company will record an operating profit of PLN 7.3m and net income of PLN 6.4m.



### Media

Analyst:  
Piotr Grzybowski


## Cyfrowy Polsat Hold

				FY09E P/E 15.7		FY09E EV/EBITDA 11.5	<b>Current price</b>	<b>PLN 17.35</b>	
				FY10E P/E 12.2		FY10E EV/EBITDA 8.9	<b>Target price</b>	<b>PLN 14.55</b>	
(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	335.8	277.3	21.1%	672.7	526.0	27.9%	1351.4	1136.3	18.9%
EBITDA	92.0	103.9	-11.5%	185.6	192.6	-3.6%	389.9	347.8	12.1%
margin	27.4%	37.5%	-	27.6%	36.6%	-	28.9%	30.6%	-
EBIT	82.4	99.4	-17.1%	167.7	182.9	-8.3%	361.0	324.3	11.3%
Pre-tax profit	81.4	99.1	-17.9%	171.3	178.7	-4.2%	365.7	333.7	9.6%
Net profit	65.4	79.8	-18.0%	138.1	143.9	-4.0%	296.2	269.8	9.8%

### Negative impact of F/X rates continues


In Q2'09, just as in Q1'09, margins will continue to be depressed by disadvantageous F/X rates. Moreover, compared to Q1'09, there will be no payments from Nagravision in the amount of nearly PLN 8m (it was in Q1'09 that the last installment came). We assume that just as in Q1'09, the Company's revenues will include the change in set-top box inventories, but this will be earnings-neutral as a similar amount will be included in expenses. We expect provisions for receivables to approach the Q1'09 value (PLN 8m) and the IT systems expenditures to be lower. Signal-transmission costs will increase after an additional transponder was leased as of May. The net increase in the number of subscribers should be lower than a year ago at ca. 45,000, with churn at a lower level than last quarter. Operating profit will be slightly lower than in Q1'09.

At the finance level attention should be paid to hedges, which will lead to losses due to the appreciation of the zloty. Their scale should be limited, however (ca. 1.5m), as most contracts will have been amortized. Net income should amount to ca. PLN 65.4m.

<div>  <div> <b>Media</b>  Analyst:  Piotr Grzybowski </div> <div> <b>TVN</b>  FY09E P/E 17.1  FY10E P/E 21.8 </div> <div> FY09E EV/EBITDA 11.4  FY10E EV/EBITDA 11.2 </div> <div> <b>Hold</b>  Current price <b>PLN 11.3</b>  Target price <b>PLN 10.0</b> </div> </div>									
(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	619.6	549.6	12.7%	1054.8	951.2	10.9%	2166.4	1897.3	14.2%
EBITDA	136.3	246.9	-44.8%	337.8	373.7	-9.6%	505.3	711.4	-29.0%
margin	22.0%	44.9%	-	32.0%	39.3%	-	23.3%	37.5%	-
EBIT	94.3	227.4	-58.5%	268.7	335.6	-19.9%	347.7	631.9	-45.0%
Pre-tax profit	132.7	254.8	-47.9%	89.4	336.1	-73.4%	203.0	447.6	-54.6%
Net profit	125.0	207.6	-39.8%	95.9	271.0	-64.6%	230.6	363.7	-36.6%

### Advertising breakdown will weigh earnings down

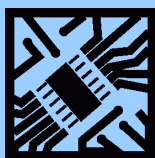
We believe TVN's earnings will decline considerably in Q2'09, due to the breakdown of the advertising market. We expect advertising revenue to contract by 15%, primarily due to weak earnings at TVN and TVN24, whose revenues will fall by 18%, which will not be offset by the decent results seen at TVN Style and in the online segment. The decline in advertising revenue should be partially offset, however, by the increase in content-licensing revenues. The consolidation of ITI Neovision should bring ca. PLN 115m in additional revenue, and a PLN 27m charge against EBITDA. As for the expenses incurred by the "old" TVN Group, we do not expect the impact of the early start to the season of reruns (by 2 weeks) to be strong enough to reduce the rate of expense growth vs. Q1'09; in addition, payroll expenses will increase. As a result, operating income will decline by almost 60%, to PLN 94.3m. At the finance level, in addition to higher interest payments (ca. PLN 48m), the Company will recognize gains from the revaluation of FX debt: senior notes, n's debt and the amount conditionally owned to ITI on account of the purchase of the controlling stake in n. As a result, the Company will recognize finance gains of PLN 32m. Minority loss in ITI Neovision will be ca. PLN 18m; as a result, net income attributable to TVN's shareholders will be PLN 125.0m.

<div>  <div> <b>Media</b>  Analyst:  Piotr Grzybowski </div> <div> <b>WSiP</b>  FY09E P/E 11.5  FY10E P/E 10.7 </div> <div> FY09E EV/EBITDA 7.8  FY10E EV/EBITDA 7.2 </div> <div> <b>Buy</b>  Current price <b>PLN 15.0</b>  Target price <b>PLN 18.9</b> </div> </div>									
(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	60.3	52.1	15.8%	74.8	60.8	23.0%	190.6	198.8	-4.1%
EBITDA	20.1	18.5	8.6%	9.1	8.2	10.9%	42.6	52.0	-18.0%
margin	33.3%	35.5%	-	12.2%	13.5%	-	22.3%	26.1%	-
EBIT	18.8	17.6	6.9%	6.6	6.5	0.7%	38.3	48.3	-20.7%
Pre-tax profit	19.3	17.9	7.4%	7.3	7.8	-7.3%	40.2	50.6	-20.6%
Net profit	18.3	17.2	6.4%	5.9	6.1	-4.0%	32.4	40.5	-19.9%

### Earnings to improve despite promotional expenses


We expect WSiP to post excellent Q2'09 earnings, as the trend towards higher sales, observed already in Q1'09, continues. We expect consolidated sales to exceed PLN 60m. Gross margin should be slightly higher as well. SG&A will once again reflect the impact of higher promotional expenses due to the introduction of new syllabi, but this effect will be much less prominent as these expenses will be somewhat lower and the scale of core operations will be much greater than in the first quarter. All in all, we expect the Company to record an EBITDA of over PLN 20m. With small finance gains, this should translate into a net income of PLN 18.3m.

# IT

<div>  <b>IT</b> </div> <div> <b>AB</b> </div> <div> <b>Buy</b> </div>									
Analyst: Piotr Grzybowski		FY09E P/E	5.3	FY09E EV/EBITDA	3.9	<b>Current price</b>		<b>PLN 9.00</b>	
		FY10E P/E	10.1	FY10E EV/EBITDA	8.3	<b>Target price</b>		<b>PLN 10.31</b>	
(PLN m)	4Q08/09	4Q07/08	change	2008/09F	2007/08	change	2009/10F	2008/09F	change
Revenue	560.0	543.0	3.1%	2911.4	3012.2	-3.3%	2867.4	2911.4	-1.5%
EBITDA	9.0	5.7	56.4%	88.3	39.5	123.5%	40.2	88.3	-54.5%
margin	1.6%	1.1%	-	3.0%	1.3%	-	1.4%	3.0%	-
EBIT	7.5	4.3	74.7%	82.9	35.2	135.6%	34.7	82.9	-58.1%
Pre-tax profit	2.5	1.8	40.1%	38.3	22.2	72.3%	17.6	38.3	-54.2%
Net profit	2.0	0.9	133.2%	27.2	16.1	68.8%	14.2	27.2	-47.7%

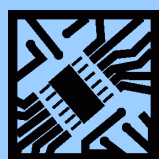
## Another strong quarter

We expect AB to report healthy financial results for its fiscal fourth quarter. The main earnings driver in the period was AB's Czech subsidiary ATC, which is consistently working toward becoming the local market leader. ATC's increasing market share offsets the downtrend in Czech IT expenditure, and helps maintain revenue growth for the entire AB Group. An amended hedging strategy, combined with increasing contributions from the high-margin Czech market, should keep gross margins high, albeit lower than the margins recorded last year. AB's earnings for fiscal Q4 will be affected by a changed approach to inventory accounting adopted by ATC, which will depress EBIT by an estimated PLN 1.5m. Assuming that FX differences had no major impact on the quarter's financial gains, AB should report a net income approximating PLN 2m.

<div>  <b>IT</b> </div> <div> <b>Action</b> </div> <div> <b>Hold</b> </div>									
Analyst: Piotr Grzybowski		FY09E P/E	14.0	FY09E EV/EBITDA	9.1	<b>Current price</b>		<b>PLN 12.8</b>	
		FY10E P/E	10.6	FY10E EV/EBITDA	7.7	<b>Target price</b>		<b>PLN 12.3</b>	
(PLN m)	4Q08/09F	4Q07/08	change	2008/09F	2007/08	change	2009/10F	2008/09F	change
Revenue	395.3	582.0	-32.1%	3180.5	2343.4	35.7%	2195.2	3180.5	-31.0%
EBITDA	7.3	13.8	-47.0%	56.9	65.3	-12.8%	43.3	56.9	-23.9%
margin	1.8%	2.4%	-	1.8%	2.8%	-	2.0%	1.8%	-
EBIT	5.3	13.8	-61.6%	43.9	57.3	-23.4%	34.4	43.9	-21.7%
Pre-tax profit	4.3	11.3	-62.1%	34.8	51.1	-31.9%	27.6	34.8	-20.7%
Net profit	3.5	8.5	-58.5%	25.3	33.8	-25.2%	20.8	25.3	-17.6%

## Weak Q209 outlook

Action's fiscal fourth quarter lasts until 31 July, and it seems that the Q4 earnings season this year will be much less successful than a year ago. The main reason behind this year's weakness is a lack of government contracts which added PLN 100m to revenues, and generated ample margins last year. Adjusted for this effect, the year-on-year slippage in sales is still expected to be stronger than in preceding quarters. The gross margin will contract by an estimated 9.1%. Other operating income will approximate PLN 1.5m thanks to foreign-currency debt hedging. All in all, Action's earnings for the 2008/2009 fiscal fourth quarter will come in at PLN 3.5m vs. PLN 8m posted a year ago.



IT

# ASBIS

Buy

Analyst:  
Piotr Grzybowski

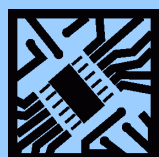
FY09E P/E -  
FY10E P/E 7.4  
FY09E EV/EBITDA 5.1  
FY10E EV/EBITDA 3.8

Current price **PLN 1.85**  
Target price **PLN 2.16**

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	251.6	344.7	-27.0%	489.5	704.8	-30.6%	1239.0	1495.3	-17.1%
EBITDA	2.7	5.2	-47.5%	-1.2	14.7	-	10.1	18.2	-44.2%
margin	1.1%	1.5%	-	-0.2%	2.1%	-	0.8%	1.2%	-
EBIT	2.0	4.5	-54.9%	-2.5	13.4	-	7.3	15.3	-52.6%
Pre-tax profit	0.2	2.9	-93.6%	-6.0	10.7	-	-1.4	7.1	-
Net profit	0.2	1.7	-90.6%	-6.0	7.4	-	-1.2	4.0	-

## Asbis expected to declare a profit

After a disastrous first quarter, Asbis fared much better in Q209. By hedging itself against foreign-exchange risks, the company missed out on profit opportunities arising from the dollar's depreciation in the period. Even so, we predict that Asbis managed to improve margins compared to the first quarter, and to achieve profit in spite of a year-on-year decline in revenues. We think that the bottom-line figure will be boosted by restructuring effects, which should bring about US \$0.5m in savings.



IT

# Asseco Poland

Buy

Analyst:  
Piotr Grzybowski

FY09E P/E 13.4  
FY10E P/E 12.0  
FY09E EV/EBITDA 7.5  
FY10E EV/EBITDA 6.6

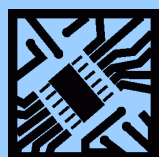
Current price **PLN 53.5**  
Target price **PLN 67.4**

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	752.0	753.7	-0.2%	1462.0	1168.3	25.1%	3023.5	2786.6	8.5%
EBITDA	156.8	154.2	1.7%	298.4	245.1	21.7%	597.2	591.8	0.9%
margin	20.8%	20.5%	-	20.4%	21.0%	-	19.8%	21.2%	-
EBIT	127.7	120.6	5.9%	242.2	199.8	21.2%	492.1	494.3	-0.4%
Pre-tax profit	132.0	147.4	-10.4%	236.6	224.5	5.4%	485.5	493.2	-1.6%
Net profit	93.4	100.8	-7.4%	168.4	151.8	10.9%	309.6	321.6	-3.7%

## Asseco improves EBIT

According to CEO Adam Góral, Asseco will report a stronger EBIT in Q209, thanks mainly to better gross margins (34.0% vs. 32.0% a year earlier) achieved on major projects. Revenues are expected to remain flat in spite of the full consolidation of subsidiaries Pexim and Antegra, and in spite of favorable FX trends. We estimate that Q209 EBIT will approximate PLN 127.7m, compared to PLN 120.6m posted in Q208. Second-quarter finance operations will miss the considerable dilution gains recognized last year, but will display higher dividends received from subsidiaries. Taking into account reduced debt and flat FX differences, we expect Asseco to post a finance gain of about PLN 5m, and a bottom-line profit of PLN 93.4m.





IT

# Komputronik

Hold

Analyst:  
Piotr Grzybowski

FY09E P/E 22.1  
FY10E P/E 9.5

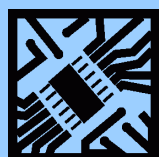
FY09E EV/EBITDA 14.1  
FY10E EV/EBITDA 6.9

Current price **PLN 11.00**  
Target price **PLN 10.48**

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	172.0	160.0	7.5%	358.0	310.0	15.5%	848.0	757.9	11.9%
EBITDA	0.1	4.3	-96.8%	2.7	7.8	-64.9%	10.5	15.4	-31.4%
margin	0.1%	2.7%	-	0.8%	2.5%	-	1.2%	2.0%	-
EBIT	-1.3	3.0	-	-0.1	5.7	-	4.9	10.2	-52.5%
Pre-tax profit	-1.7	1.5	-	-0.6	4.2	-	2.4	6.2	-61.1%
Net profit	-0.5	0.7	-	0.7	2.7	-72.4%	4.1	5.6	-27,5%

## A challenging quarter

The second quarter is seasonally a weak sales period for Komputronik, and, this year, seasonal effects were underpinned by a deteriorated macroeconomic environment, the continued restructuring of Karen, and recognition of a stock warrant reserve. We think that the surge in sales recently reported by the parent company stems from the fact that Komputronik replaced all of Karen's old suppliers. This will lead to a modest, 7.5% increase in consolidated revenues. The consolidation of Karen's accounts is expected to depress second-quarter EBIT by some PLN 3m. The warrant reserve recognized by the parent is estimated at PLN 1.3m. All told, Komputronik is expected to report an EBIT loss of PLN 1.3m and a net loss of PLN 0.5m for Q209.



IT

# Sygnity

Buy

Analyst:  
Piotr Grzybowski

FY09E P/E 59.6  
FY10E P/E 34.3

FY09E EV/EBITDA 3.5  
FY10E EV/EBITDA 3.5


Current price **PLN 18.0**  
Target price **PLN 25.3**

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	204.0	295.4	-30.9%	344.4	506.7	-32.0%	838.2	995.7	-15.8%
EBITDA	12.4	11.4	9.2%	6.1	-1.4	-	51.1	56.6	-9.6%
margin	6.1%	3.9%	-	1.8%	-0.3%	-	6.1%	5.7%	-
EBIT	2.6	0.3	653.9%	-13.5	-24.5	44.9%	12.1	11.5	5.3%
Pre-tax profit	1.2	-1.0	-	-16.8	-26.1	35.5%	5.3	2.8	88.6%
Net profit	1.0	-1.1	-	-16.3	-27.4	40.6%	4.3	-1.5	-

## Asset sales bring EBIT into positive territory


We expect Sygnity to report an operating profit in Q209, built mainly on one-time gains from property sales and the divestment of outsourcing subsidiary Web In, which will add some PLN 9.5m to the period's EBIT result. Revenues are expected to fall by a smaller year-on-year margin than in the first quarter, and the widening in the gross margin will be less impressive than in the prior quarter. SG&A expenses will decrease by an estimated PLN 4m vs. Q208, resulting in an EBIT of approximately PLN 2.6m, and a bottom-line income of ca. PLN 1m.

## Metals

<div>  <div> <b>Metals</b>  Analyst:  Michał Marczak </div> <div> <b>Kęty</b>  FY09E P/E 12.2  FY10E P/E 10.9 </div> <div> <b>Buy</b>  FY09E EV/EBITDA 6.4  FY10E EV/EBITDA 5.7 </div> <div> <b>Current price</b>  <b>Target price</b> </div> <div> <b>PLN 85.7</b>  <b>PLN 109.4</b> </div> </div>									
(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	270.2	302.9	-10.8%	496.1	587.1	-15.5%	982.3	1 183.5	-17.0%
EBITDA	50.4	47.6	5.8%	96.4	95.7	0.7%	170.3	190.2	-10.5%
margin	18.6%	15.7%	-	19.4%	16.3%	-	17.3%	16.1%	-
EBIT	34.2	32.8	4.5%	64.3	66.2	-2.8%	108.1	128.3	-15.8%
Pre-tax profit	26.4	27.4	-3.6%	30.8	49.3	-37.5%	74.0	74.0	0.0%
Net profit	21.7	21.4	1.1%	24.4	38.6	-36.7%	64.4	63.4	1.7%

### Kęty regains momentum

Our second-quarter estimates are in line with Kęty's July earnings guidance. The Extruded Products Segment (EPS) remained the weakest performer in Q209, with a 35% year-on-year drop in revenues which cannot be solely attributed to falling aluminum prices (-49% y/y) that were largely offset by the zloty's weakness against the dollar (-50%). On the upside, orders for extruded products are picking up, and we predict that their volume increased by over 20% compared to the first quarter, and that they will continue to increase on the back of growing demand from auto manufacturers and construction firms (the peak sales season in the segment is the third quarter). The segment of Aluminum Systems did much better in Q209 (sales down 3% y/y), mostly thanks to orders acquired back when the construction industry was booming. The segment of Flexible Packaging saw a 10% year-on-year revenue growth. Kęty's earnings for the second quarter will be affected by finance operations, which included a PLN 9m hedging loss, a PLN 5m gain on mark-to-market valuation of credit, and interest expenses in the amount of PLN 4m.

<div>  <div> <b>Metals</b>  Analyst:  Michał Marczak </div> <div> <b>KGHM</b>  FY09E P/E 7.4  FY10E P/E 7.1 </div> <div> <b>Reduce</b>  FY09E EV/EBITDA 4.9  FY10E EV/EBITDA 4.4 </div> <div> <b>Current price</b>  <b>Target price</b> </div> <div> <b>PLN 75.9</b>  <b>PLN 54.9</b> </div> </div>									
(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	2 647.5	3 028.6	-12.6%	5 024.6	6 030.9	-16.7%	9 730.5	11 302.9	-13.9%
EBITDA	905.9	1 142.8	-20.7%	1 835.1	2 426.4	-24.4%	2 732.0	4 077.7	-33.0%
margin	34.2%	37.7%	-	36.5%	40.2%	-	28.1%	36.1%	-
EBIT	773.0	1 027.0	-24.7%	1 569.3	2 194.5	-28.5%	2 200.5	3 596.4	-38.8%
Pre-tax profit	1 085.5	1 018.5	6.6%	1 869.1	2 176.7	-14.1%	2 525.4	3 553.6	-28.9%
Net profit	879.3	832.5	5.6%	1 507.1	1 814.7	-16.9%	2 038.7	2 910.4	-30.0%

### Higher costs, high copper prices

Macroeconomic conditions were favorable for KGHM in the second quarter of 2009. Average LME copper prices compared to the first quarter were up 37%, or 29.6% after adjustment for PLN/USD exchange trends. For silver, the q/q price increase was 8.7% and 2.8, respectively. We assume in our Q209 estimates that KGHM sold 125,000 tons of copper in the period (33,000 tons were hedged), including a 22KT output derived from scrap, and 290 tons of silver. We further predict a 15.8% quarter-on-quarter increase in unit costs (to PLN 11 308 per ton), driven by higher salary costs (as a result of an increased annual-bonus reserve), higher costs of preparation (suppliers, seasonal trends), and higher costs of production caused by rising prices of scrap copper. Finally, KGHM will recognize a PLN 313m dividend gain from Polkomtel.

## Construction



### Construction

Analyst:  
Maciej Stokłosa

## Budimex

Hold

FY09E P/E 10.8 FY09E EV/EBITDA 8.0  
FY10E P/E 13.7 FY10E EV/EBITDA 9.7  
Current price PLN 63.5  
Target price PLN 65.8

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	811.0	836.2	-3.0%	1458.8	1489.3	-2.0%	3451.0	3350.0	3.0%
EBITDA	70.0	45.6	53.6%	100.9	62.0	62.9%	207.3	134.2	54.5%
margin	8.6%	5.4%	-	6.9%	4.2%	-	6.0%	4.0%	-
EBIT	64.5	40.7	58.5%	89.9	52.4	71.5%	184.4	112.2	64.4%
Pre-tax profit	60.2	42.7	41.1%	98.4	62.2	58.1%	185.8	139.5	33.3%
Net profit	48.8	30.4	60.6%	78.5	45.9	71.1%	150.5	104.7	43.7%

### MtM gains, FX differences contribute to strong Q209 results

We expect Budimex to report a slight year-on-year slippage in Q2 revenues because of weather factors which hindered construction this year. A second-quarter gross margin of approximately 10.4% will be somewhat lower than our full-year estimate because of a small number of homes completed in the period. SG&A expenses will remain flat versus the first quarter at ca. PLN 35.4m, and other operating expenses will approximate PLN 7.5m. EBIT will be boosted by mark-to-market gains on derivatives, amounting to PLN 23m. We expect Budimex to recognize a net finance loss for the second quarter because of a significant FX loss of some PLN 5.6m.

According to our estimations, exclusive of the derivatives and FX valuation effects, Budimex's Q209 net income figures to PLN 34.6m. We did not take into account the influence of foreign exchange rates on gross margins. Budimex will also have to account for the change in the EUR/PLN exchange rate from 4.7 at 31 March to PLN 4.47 at 30 June '09.



### Construction

Analyst:  
Maciej Stokłosa

## Elektrobudowa

Hold

FY09E P/E 14.4 FY09E EV/EBITDA 9.7  
FY10E P/E 13.6 FY10E EV/EBITDA 9.4  
Current price PLN 160.0  
Target price PLN 162.7

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	176.3	204.8	-13.9%	299.0	374.4	-20.1%	819.9	811.0	1.1%
EBITDA	17.8	23.0	-22.6%	32.8	33.0	-0.7%	71.1	79.0	-10.1%
margin	10.1%	11.2%	-	11.0%	8.8%	-	8.7%	9.7%	-
EBIT	15.4	17.0	-9.5%	27.9	29.7	-5.9%	61.6	71.3	-13.6%
Pre-tax profit	15.2	17.6	-13.7%	27.9	31.1	-10.3%	65.1	74.5	-12.7%
Net profit	12.3	14.4	-14.6%	21.8	25.4	-14.0%	52.7	60.3	-12.6%

### Return of seasonal earnings patterns

We predict that Elektrobudowa experienced profitability patterns in Q209 similar to those observed prior to 2008, including a year-on-year decline in revenues which should not be viewed as an indication of what is to be expected on a full-year basis. Note further that the revenue decline occurred against a high base of Q208, when Elektrobudowa completed and recognized revenues from a major contract. A Q209 gross margin of an estimated 10.6% will be higher than the first-quarter margin of 9.9% thanks to increased utilization of the company's own building capacity (with the added benefit of lower contractor fees). Our estimates do not factor in FX trends. All in all, Elektrobudowa's profits for Q209 will be below year-ago levels.



## Construction

Analyst:  
Maciej Stokłosa

# Erbud

## Reduce

FY09E P/E 14.1 FY09E EV/EBITDA 7.6  
FY10E P/E 16.0 FY10E EV/EBITDA 8.7

Current price PLN 39.5  
Target price PLN 35.0

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	222.0	266.1	-16.6%	384.4	498.2	-22.9%	865.0	1046.1	-17.3%
EBITDA	17.0	11.7	45.1%	35.2	25.0	40.4%	49.0	67.1	-27.0%
margin	7.7%	4.4%	-	9.1%	5.0%	-	5.7%	6.4%	-
EBIT	15.4	9.7	59.6%	32.0	22.6	41.3%	42.6	60.8	-29.9%
Pre-tax profit	14.9	8.6	73.8%	33.0	21.1	56.7%	44.6	14.3	211.8%
Net profit	11.8	5.2	128.8%	24.2	15.7	54.1%	35.1	9.3	278.3%

### Another good quarter

After a successful first quarter, we expect Erbud's Q209 results to be equally strong, with the gross margin at 13% and the EBIT margin at 7% (vs. 19.8% and 11.8% respectively reported in Q109). Revenues from domestic construction contracts are expected to approximate PLN 120m, and produce a gross margin of 11.5% (vs. 22.5% in Q109), and they will be generated partly by contracts signed before 2009, and partly by more recent assignments. Revenues from international construction operations are estimated at PLN 55m, with the gross margin at 13.5%. All in all, Erbud's construction business will report a slight decline in sales versus Q109, and comparable quarter-on-quarter profitability. Road development revenues will reach PLN 28m, producing a gross margin of 13%, and real-estate revenues of PLN 19m will carry a gross margin of 22%. Note that these predictions do not factor in any one-offs.

Note that the Q208 comparable base is low due to a lack of construction-contract completions in the period.



## Construction

Analyst:  
Maciej Stokłosa

# Mostostal Warszawa Accumulate

FY09E P/E 11.6 FY09E EV/EBITDA 6.0  
FY10E P/E 13.2 FY10E EV/EBITDA 6.9

Current price PLN 61.0  
Target price PLN 65.6

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	684.5	522.2	31.1%	1255.3	938.3	33.8%	2711.1	2154.2	25.9%
EBITDA	47.1	27.1	73.7%	109.1	41.0	166.0%	167.3	136.3	22.8%
margin	6.9%	5.2%	-	8.7%	4.4%	-	6.2%	6.3%	-
EBIT	40.5	21.9	84.5%	95.8	30.9	209.9%	143.5	113.4	26.6%
Pre-tax profit	45.3	22.7	99.5%	83.8	55.3	51.5%	154.3	116.0	33.0%
Net profit	31.3	21.1	48.3%	58.2	39.3	48.2%	105.3	75.5	39.4%

### Revenues, profits soar

We expect that Mostostal Warszawa (MW) will report a 30% surge in consolidated revenues in Q209, driven by contracts acquired in 2008. Standalone top-line growth will be even more impressive at 39.3%, with revenues reaching PLN 430.5m; subsidiary revenues will be an estimated PLN 42m for Mostostal Plock, PLN 67m for Remak, and a combined PLN 145m for others. The Q209 gross margin will reach 10% on both a standalone and consolidated basis, displaying a decline versus the first-quarter figure of 13% (which was achieved thanks to a significant increase in the EUR/PLN exchange rate). As far as subsidiary gross margins are concerned, they are expected to reach 12% at Mostostal Plock, 11.5% at Remak, and 8.5% at the other subsidiaries. While we do not foresee any major one-offs, we assume that other net operating expenses will approximate PLN 5m due to allowances and impairment of receivables, derivatives revaluation will add PLN 2.5m to other net finance expenses.



## Construction

Analyst:  
Maciej Stokłosa

# PBG

## Reduce

FY09E P/E	15.0	FY09E EV/EBITDA	10.0	Current price	PLN 220.0
FY10E P/E	13.2	FY10E EV/EBITDA	8.1	Target price	PLN 201.6

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	696.5	506.3	37.6%	1045.6	826.8	26.5%	2902.0	2089.3	38.9%
EBITDA	80.8	62.1	30.2%	127.3	104.7	21.6%	360.1	270.3	33.2%
margin	11.6%	12.3%	-	12.2%	12.7%	-	12.4%	12.9%	-
EBIT	69.1	51.5	34.2%	103.9	84.9	22.3%	313.4	223.4	40.3%
Pre-tax profit	56.1	45.3	23.6%	81.3	68.8	18.2%	275.8	213.5	29.2%
Net profit	41.2	26.4	56.2%	64.4	50.0	28.9%	196.4	158.0	24.3%

### Lower EBIT offset by one-offs

PBG is expected to report a 37.6% year-on-year revenue growth to nearly PLN 700m, generated on contracts acquired in 2008. The second-quarter gross margin will be lower than in preceding quarters at 13.0% (vs. 17.3% in Q109). Our estimates do not factor in possible one-time events related to contract reserves.

PBG will record a PLN 9m one-time gain in Q209 from an appraisal of an office development site in Poznań, which subsidiary Hydrobudowa 9 is set to sell to PBG Dom. Net finance income is expected to total PLN 13m after a PLN 21m charge stemming from net interest expenses. Adjusted for minority interests of ca. PLN 4.2m, the Q209 bottom-line profit will approximate PLN 41.2m (or PLN 33.8m after adjustment for the one-time property gain).



## Construction

Analyst:  
Maciej Stokłosa

# Polimex Mostostal Accumulate

FY09E P/E	11.0	FY09E EV/EBITDA	6.8	Current price	PLN 3.6
FY10E P/E	13.2	FY10E EV/EBITDA	6.9	Target price	PLN 3.8

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	1150.0	1111.4	3.5%	2032.0	1996.7	1.8%	4909.0	4301.7	14.1%
EBITDA	94.3	72.7	29.8%	176.0	141.7	24.2%	332.5	298.5	11.4%
margin	8.2%	6.5%	-	8.7%	7.1%	-	6.8%	6.9%	-
EBIT	74.9	54.5	37.3%	137.1	107.8	27.2%	251.2	228.1	10.1%
Pre-tax profit	49.1	42.5	15.6%	100.4	85.5	17.4%	204.5	158.9	28.7%
Net profit	33.5	27.9	19.9%	67.7	58.7	15.3%	155.7	120.1	29.6%

### FX losses weigh on Q209 results

We expect to see a year-on-year slippage in Polimex's Q209 revenues in spite of a much larger contract backlog and a full-year sales forecast exceeding last year's figure. The weak revenue growth was caused mainly by unfavorable weather conditions which hampered road-construction work in northern Poland. We expect that the second-quarter gross margin will reach 11.6%, COGS will approximate PLN 56.5m (vs. PLN 53.9m reported in Q109), and other operating expenses will hover around PLN 2m. Losses stemming from EUR/PLN exchange rate trends will be charged against net finance expenses. Mark-to-market gains on derivatives will be an estimated PLN 8.9m, but will be offset by FX losses which totaled a staggering PLN 20.9m (vs. a gain in excess of PLN 30m in Q109). All told, Polimex should report a Q209 net profit of PLN 33.5m.

Adjusted for the effects of derivatives- and FX valuation, Polimex's Q209 net income figures to PLN 41.7m. We did not take into account the influence of foreign exchange rates on gross margins. Polimex will also have to account for the change in the EUR/PLN exchange rate from 4.7 at 31 March to PLN 4.47 at 30 June '09.



## Construction

Analyst:  
Maciej Stokłosa

# Rafako

Buy

FY09E P/E 16.7 FY09E EV/EBITDA 6.0  
FY10E P/E 15.4 FY10E EV/EBITDA 5.7

Current price **PLN 9.1**  
Target price **PLN 8.7**

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	255.7	301.9	-15.3%	465.4	577.7	-19.4%	1062.0	1125.6	-5.6%
EBITDA	14.3	16.0	-10.5%	42.2	26.1	61.4%	68.4	76.1	-10.1%
margin	5.6%	5.3%	-	9.1%	4.5%	-	6.4%	6.8%	-
EBIT	10.8	12.2	-11.2%	35.1	18.8	86.6%	52.6	60.8	-13.4%
Pre-tax profit	15.5	6.1	153.1%	28.5	10.1	181.2%	50.3	48.9	3.0%
Net profit	11.9	4.1	189.2%	20.7	6.3	226.7%	37.8	-11.6	425.7%

### Good Q209 results enhanced by EUR/PLN trends

Rafako will probably see a ca. 15% year-on-year drop in revenues caused by the bankruptcy of subsidiary Elwo. Going forward, quarterly revenues are expected to grow at a rate faster than 10%. Our Q209 gross margin estimate, which does not factor in the effects of possible contract price renegotiations, is 10.85%. SG&A expenses will decline to about PLN 14.7m from PLN 13.0m in Q109, and other operating expenses will be slightly over PLN 2m. After a PLN 7.6m mark-to-market gain on derivatives and a PLN 3.15m loss on FX differences, Rafako's Q209 bottom-line profit will approximate PLN 11.9m.

Adjusted for the effects of derivatives- and FX valuation, Rafako's Q209 net income figures to PLN 8.3m. We did not take into account the influence of foreign exchange rates on gross margins. Rafako will also have to account for the change in the EUR/PLN exchange rate from 4.7 at 31 March to PLN 4.47 at 30 June '09.



## Construction

Analyst:  
Maciej Stokłosa

# Trakcja Polska

Buy

FY09E P/E 9.3 FY09E EV/EBITDA 4.6  
FY10E P/E 11.1 FY10E EV/EBITDA 4.9

Current price **PLN 3.8**  
Target price **PLN 4.9**

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	231.0	214.3	7.8%	333.9	330.3	1.1%	879.4	794.6	10.7%
EBITDA	30.5	22.2	37.4%	30.8	31.3	-1.6%	83.3	60.9	36.8%
margin	13.2%	10.4%	-	9.2%	9.5%	-	9.5%	7.7%	-
EBIT	28.2	20.3	39.3%	26.3	27.5	-4.3%	66.9	53.0	26.2%
Pre-tax profit	28.9	21.6	34.0%	31.5	28.8	9.6%	80.2	68.0	18.0%
Net profit	23.3	17.9	30.4%	25.3	23.7	6.9%	65.0	54.7	18.8%

### Second quarter results boosted by MtM gains

Trakcja Polska (TP) is expected to report a 7.8% year-on-year increase in revenues, but, after adjustment for mark-to-market gains on derivatives which are recognized as top-line contributor, the growth rate falls to 2%. Q209 gross margin will be booked as 15.1% (the adjusted value is 10.8% vs. 11.3% posted in Q109). SG&A expenses will be similar to last year's figure of PLN 6.3m. We do not expect to see any major one-time items in Q209 accounts, and predict that TP's bottom-line profit for the quarter will approximate PLN 23.3m (or PLN 14.3m after adjustment for the MtM gains).

The rejection of TP's bid on a lucrative track modernization contract ("LCS Ciechanów") did not affect our full-year earnings forecast, except for slightly lowered revenues. We believe that the railroad developer is able to add around PLN 15m-worth of new contracts to its 2009 order backlog. TP's first-half earnings results represent just 40% of our full-year estimates, but this is normal in the construction industry.




**Construction**

Analyst:  
Maciej Stokłosa

# Ulma Construccio

**Hold**

FY09E P/E	47.4	FY09E EV/EBITDA	4.8	<b>Current price</b>	<b>PLN 42.8</b>
FY10E P/E	23.0	FY10E EV/EBITDA	4.2	<b>Target price</b>	<b>PLN 40.2</b>

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	45.0	60.8	-26.0%	85.3	126.0	-32.3%	182.3	241.5	-24.5%
EBITDA	20.0	25.5	-21.6%	35.5	55.7	-36.2%	72.9	103.4	-29.5%
margin	44.3%	41.8%	-	41.7%	44.2%	-	40.0%	42.8%	-
EBIT	3.5	9.9	-64.8%	2.6	26.4	-90.0%	17.8	40.9	-56.4%
Pre-tax profit	0.5	7.5	-92.8%	-3.1	22.2	-113.9%	6.2	30.5	-79.7%
Net profit	0.4	6.2	-92.9%	-2.8	18.2	-115.2%	4.7	25.9	-81.6%

**Q209 earnings near zero, Ulma books large operating inflows**

Ulma's second-quarter profit will come close to zero on weak revenues and a fixed cost base. Sales for the quarter will be down because of lower rental prices and lower asset turnover caused by a hiatus in building construction. SG&A expenses will be similar to last year's, and we do not anticipate any major one-offs. On the upside, even with zero profit, Ulma generated impressive, PLN 17m operating cash inflows in the second quarter of 2009.

We are convinced that, after the toughest year in history, Ulma will improve its earnings performance in coming years. As for 2009, we expect that the situation will improve enough in coming months to allow the company to declare a small profit at the end of the year. The pickup will be fueled by savings generated by Ulma's own new distribution centers, and the expected launch of infrastructure development projects. Operating cash flows are also expected to be strong in coming months, although a tangible growth in earnings will not materialize before 2011.


**Construction**

Analyst:  
Maciej Stokłosa

# Unibep

**Hold**

FY09E P/E	9.0	FY09E EV/EBITDA	6.6	<b>Current price</b>	<b>PLN 4.8</b>
FY10E P/E	13.1	FY10E EV/EBITDA	6.9	<b>Target price</b>	<b>PLN 5.3</b>

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	100.7	166.9	-39.7%	175.4	286.7	-38.8%	545.7	503.9	8.3%
EBITDA	4.8	9.8	-51.3%	9.9	27.1	-63.5%	28.1	33.4	-15.9%
margin	4.7%	5.9%	-	5.6%	9.4%	-	5.1%	6.6%	-
EBIT	4.2	9.4	-55.8%	8.6	26.2	-67.1%	23.6	31.8	-25.5%
Pre-tax profit	4.4	9.3	-52.4%	10.1	17.0	-40.7%	22.4	36.4	-38.4%
Net profit	3.6	7.0	-49.1%	7.2	13.3	-45.8%	18.1	27.6	-34.5%

**Revenues plummet against record Q208 base**

We expect a 40% drop in Q209 revenues over the same period a year ago, which was a record quarter for Unibep (quarterly revenues in 2008 were as follows: PLN 119.8m in Q1, PLN 166.9m in Q2, PLN 115.3m in Q3, PLN 101.8m in Q4). The huge sales slump can be attributed to a lack of success in contract acquisition in the second half of 2008, and a major housing project which the company canceled. The Q209 gross margin is estimated at 9.7%.

Construction projects at home will generate a revenue of PLN 72.6m and a gross margin of 9.9% (two-thirds of the contracts completed in Q209 were old ones which can yield savings, and the rest were more recent orders carrying lower margins). International contracts are expected to produce a revenue of PLN 11.5m and a gross margin of 6.1%. Revenues from real-estate development will approximate PLN 14m, with the gross margin at 11.8%, and other lines will add PLN 2.5m to total revenues, at a gross margin of 8%.

Q209 general expenses will be an estimated PLN 9.8m (up from PLN 8.1m in Q109). Without major one-offs occurring in the period, the bottom-line income will approximate PLN 3.6m (vs. PLN 2.6m in Q109). Weak second-quarter revenues did not impact our full-year estimates for Unibep as we are confident that the company will acquire new construction contracts in coming months.

## Real-Estate Developers



### Residential Development

Analyst:  
Maciej Stokłosa

## Dom Development Sell

FY09E P/E 7.1 FY09E EV/EBITDA 6.2 **Current price** PLN 34.8  
FY10E P/E 25.9 FY10E EV/EBITDA 18.8 **Target price** PLN 24.1

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	170.5	268.0	-36.4%	361.2	455.5	-20.7%	639.1	698.2	-8.5%
EBITDA	40.2	83.9	-52.1%	94.3	137.1	-31.2%	138.1	168.1	-17.9%
margin	23.6%	31.3%	-	26.1%	30.1%	-	21.6%	24.1%	-
EBIT	39.5	83.3	-52.6%	93.0	136.0	-31.6%	135.7	165.7	-18.1%
Pre-tax profit	42.6	85.6	-50.2%	94.4	142.1	-33.6%	149.5	173.0	-13.6%
Net profit	34.5	68.7	-49.8%	76.1	114.1	-33.3%	121.1	136.9	-11.6%

### Q209 results driven by 'old' contracts

Dom Development (DD) will report good earnings results for the second quarter, but not better than the results posted in the first quarter. We predict that DD completed an estimated 36 affordable units in the "Olimpia 2" development, 163 units in the "Olbrachta 1 and 2" complexes, 207 units in the "Regaty 1 and 2" projects, and 31 units in the "Derby 18" complex in Q209. The first quarter saw the company sell many more upscale apartments. We predict that the second-quarter gross margin will approximate 34.1% after a decline from the 40% reported in Q109. We expect a continued reduction in management expenses to PLN 12.5m from PLN 15.2m in Q1, and in selling expenses (q/q decrease to PLN 6m from PLN 7.5m). We do not expect to see any major one-offs in the Q209 accounts.



### Residential Development

Analyst:  
Maciej Stokłosa

## J.W. Construction Reduce

FY09E P/E 3.7 FY09E EV/EBITDA 4.3 **Current price** PLN 12.7  
FY10E P/E 4.6 FY10E EV/EBITDA 3.4 **Target price** PLN 9.7

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	285.2	266.5	7.0%	525.8	386.1	36.2%	965.8	721.4	33.9%
EBITDA	69.6	48.9	42.2%	123.8	81.8	51.4%	253.3	158.5	59.8%
margin	24.4%	18.4%	-	23.6%	21.2%	-	26.2%	22.0%	-
EBIT	65.8	44.3	48.7%	116.3	71.9	61.8%	232.8	141.1	64.9%
Pre-tax profit	59.7	38.8	53.8%	104.2	62.7	66.3%	232.6	125.3	85.6%
Net profit	48.3	31.8	51.9%	83.8	50.9	64.5%	188.4	100.9	86.7%

### Q/Q growth on accelerated home completions

J.W. Construction (JWC) will report a quarter-on-quarter improvement Q209 in revenues thanks to a larger number of homes (we estimate 800) completed in the period. The key revenue contributors were two housing developments in Warsaw: "Osiedle Lazurowa" (45% units are complete) and "Osada Wiślana" (29% completed units). The second-quarter gross margin will reach an estimated 27.6%, topping the first-quarter result of 26%. General expenses will display a quarter-on-quarter increase from PLN 10.9m to PLN 12.2m. We do not anticipate any major one-offs. All told, JWC is expected to report a Q209 net profit of PLN 48.3m versus PLN 35.5m posted in Q109.


**Residential  
Development**

Analyst:  
Maciej Stokłosa

# Polnord

## Accumulate

FY09E P/E	6.7	FY09E EV/EBITDA	9.5	<b>Current price</b>	<b>PLN 30.3</b>
FY10E P/E	52.3	FY10E EV/EBITDA	47.4	<b>Target price</b>	<b>PLN 35.2</b>

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenue	35.7	91.0	-60.8%	58.2	204.9	-71.6%	381.5	391.1	-2.4%
EBITDA	7.5	25.1	-70.3%	24.6	67.1	-63.3%	112.9	108.7	3.9%
margin	20.9%	27.6%	-	42.3%	32.8%	-	29.6%	27.8%	-
EBIT	6.9	24.6	-71.8%	23.6	66.2	-64.4%	110.9	106.7	3.9%
Pre-tax profit	4.9	25.5	-80.6%	20.6	66.3	-69.0%	116.2	100.2	16.0%
Net profit	3.9	20.8	-81.5%	15.8	52.0	-69.7%	94.1	77.8	20.9%

### More home completions

We estimate that Polnord completed about 100 dwellings in the second quarter of 2009, or 70 after adjustment for joint-venture interests (a 45% q/q increase from 48 units), plus a number of units in a project in Novosibirsk, Russia. As a result, we predict a 59% quarter-on-quarter surge in revenues. The two key revenue-driving projects in the period were probably "Ostoja II and III" in Warsaw (which are about 70% complete). The gross margin is expected to shrink slightly versus Q109, from 31% to 28.6%, because of a larger number of low-margin dwellings in the pipeline (we refer mainly to the "Ostoja III" development). Back in 2008, Prokom's partner in the joint venture, Fadesa Polnord, signed a package sale deal on the project, with the price quoted in euros. After the EUR/PLN rate took a downward turn, Fadesa hedged the contract with FX derivatives in August 2008, leading to a shrinkage in the margin achievable on the project. Polnord's accounting policy provides for recognition of hedging gains and losses at the time of sale (hedge accounting). We expect Polnord's management expenses to remain high at ca. PLN 13.9m (this will include a severance package paid to the company's former VP), and selling expenses to reach PLN 1.5m. Major one-time events in the quarter included a PLN 13m valuation of an investment in an office building project ordered by Pol-Aqua, made in accordance with IAS 40.

## Retail



### Retail

Analyst:  
Kamil Kliszcz

# Emperia Holding Buy

FY09E P/E	9.5	FY09E EV/EBITDA	5.9	<b>Current price</b>	<b>PLN 57.9</b>
FY10E P/E	8.6	FY10E EV/EBITDA	5.2	<b>Target price</b>	<b>PLN 70.3</b>

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenues	1 322.2	1 336.5	-1.1%	2 608.7	2 626.5	-0.7%	5 668.9	5 263.1	7.7%
EBITDA	45.5	43.4	5.0%	73.5	79.1	-7.0%	194.2	152.3	27.5%
margin	3.4%	3.2%	-	2.8%	2.9%	-	3.4%	2.9%	-
EBIT	30.2	30.7	-1.6%	43.5	54.3	-19.8%	128.8	94.9	35.7%
Pre-tax profit	25.0	28.2	-11.3%	34.6	48.5	-28.7%	113.6	79.1	43.7%
Net profit	18.5	22.1	-16.2%	21.1	35.6	-40.7%	92.0	60.1	53.2%

### Emperia to report Q/Q improvement in EBIT, property gains

We expect Emperia's Q209 Wholesale EBITDA margin to climb to 2.4% from 1.2% reported in Q109, thanks to a streamlined pricing policy (the company made errors in customer bonus calculations in Q1), and a diminishing impact on earnings of new distribution centers. Wholesale revenues are expected to slip vs. Q208 as a result of elimination of loss-making customers and sub-wholesalers. In Retail, we expect the EBITDA margin to stay flat on quarter, while profits will be higher on stronger year-on-year revenues. Emperia's second-quarter results were strongly supported by "other" operations, which included a PLN 16m property sale, the effects of which were partly "eaten" by a minor loss which Emperia probably incurred on the divestment of subsidiary Arsenal (-PLN 2-3m). The consolidated Q209 EBIT is expected to be similar to the EBIT reported in Q208. Assuming a higher effective tax rate (the consolidation of distribution subsidiaries under one tax identification number has been finalized this month), Emperia's second-quarter net income will approximate PLN 18.5m.



### Retail

Analyst:  
Kamil Kliszcz

# Eurocash

## Hold


FY09E P/E	13.5	FY09E EV/EBITDA	7.2	<b>Current price</b>	<b>PLN 10.9</b>
FY10E P/E	12.1	FY10E EV/EBITDA	6.5	<b>Target price</b>	<b>PLN 9.9</b>

(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenues	1 694.1	1 569.3	8.0%	3 180.7	2 795.8	13.8%	7 399.4	6 129.7	20.7%
EBITDA	47.1	41.2	14.3%	74.8	63.9	17.1%	186.2	158.5	17.5%
margin	2.8%	2.6%	-	2.4%	2.3%	-	2.5%	2.6%	-
EBIT	35.1	31.0	13.2%	51.0	44.3	15.2%	127.3	115.5	10.2%
Pre-tax profit	32.6	29.1	12.2%	46.1	41.2	11.9%	127.1	94.7	34.2%
Net profit	26.4	23.2	14.0%	36.9	32.3	14.5%	105.1	78.5	33.9%

### Slower sales generate solid profits

We expect to see a quarter-on-quarter slowdown in Eurocash's consolidated Q209 revenue (+8% vs. +21%) against a low base (McLane sales were not yet consolidated in Q108), and as a result of a restructuring made in the company's tobacco customer base, and a decline in the sales volumes generated by KDWT. The "traditional wholesale" business (cash&carry + *Delikatesy Centrum* chain) will report a steady 20% y/y increase in revenues, but customer-acquisition initiatives will have brought the Q209 gross margins down. EBITDA margins will be flat in the traditional wholesale segment and higher in case of KDWT and McLane, and the consolidated Q209 operating profit will amount to PLN 35m. With no new financial gains or losses expected to be booked in Q209 accounts, Eurocash's second-quarter net profit should approximate PLN 26m (+14% y/y).

## Others

		<b>Mondi</b>					<b>Accumulate</b>		
<b>Paper</b>		Analyst: Michał Marczak		FY09E P/E 29.8 FY10E P/E 11.4	FY09E EV/EBITDA 11.3 FY10E EV/EBITDA 6.4	<b>Current price</b> <b>Target price</b>	<b>PLN 46.5</b> <b>PLN 57.4</b>		
(PLN m)	2Q2009F	2Q2008	change	1H2009F	1H2008	change	2009F	2008	change
Revenues	270.5	314.3	-13.9%	586.9	694.8	-15.5%	1 310.5	1 406.3	-6.8%
EBITDA	41.5	50.0	-17.1%	78.4	144.7	-45.8%	266.0	305.5	-13.0%
margin	15.3%	15.9%	-	13.4%	20.8%	-	20.3%	21.7%	-
EBIT	15.0	22.8	-34.3%	25.8	90.1	-71.4%	118.7	194.7	-39.0%
Pre-tax profit	3.0	29.0	-89.8%	-1.3	102.7	-101.2%	93.9	174.7	-46.2%
Net profit	2.4	23.5	-89.6%	-1.4	83.0	-101.6%	78.1	141.2	-44.7%

### Paper prices continue to drop

The average zloty price of kraftliner was a staggering 12% lower in Q209 than in the preceding quarter, and the quarter-on-quarter slump in case of testliner and fluting was even more dramatic at 17%. Overall, we expect that the average price of Mondi's product mix (assuming a continued shift in demand from kraftliner to testliner) fell 14.7% from the prices quoted in the first quarter. Our estimates are based on the assumption that Q209 sales volumes were similar to the preceding quarter, as were feedstock prices (waste paper, wood). Falling prices of paper directly impacted Mondi's operating margins, which did not offer much potential for cost-cutting anyway. Finally, Q209 saw a considerable quarter-on-quarter decrease in hedging losses, from PLN 64m to PLN 16m.

### Report publication dates

Company	Standalone 2Q2009	Consolidated 2Q2009	Consolidated 2H2009
AB	31.08.09	31.08.09	
ACTION	14.09.09*	14.09.09	
AGORA	13.08.09	13.08.09	27.08.09
ASBIS	12.08.09	12.08.09	12.08.09
ASSECO POLAND	14.08.09	14.08.09	31.08.09
BUDIMEX			31.08.09
BZWBK			05.08.09
CIECH			31.08.09
CYFROWY POLSAT			20.08.09
DOM DEVELOPMENT			25.08.09
ELEKTROBUDOWA			31.08.09
EMPERIA HOLDING			31.08.09
ERBUD			31.08.09
EUROCASH			31.08.09
HANDLOWY			31.08.09
ING BSK	12.08.09	12.08.09	30.09.09
J.W. CONSTRUCTION			31.08.09
KĘTY	30.07.09	30.07.09	25.09.09
KGHM	14.08.09	14.08.09	28.08.09
KOMPUTRONIK			31.08.09
KREDYT BANK	06.08.09	06.08.09	28.08.09
LOTOS			31.08.09
LW BOGDANKA			31.08.09
MILLENNIUM			31.08.09
MONDI			28.08.09
MOSTOSTAL WARSZAWA			31.08.09
NETIA	06.08.09	06.08.09	06.08.09
NOBLE BANK	14.08.09	14.08.09	31.10.09
PBG			31.08.09
PEKAO			04.08.09
PGNiG			31.08.09
PKN ORLEN			27.08.09
PKO BP			27.08.09
POLICE			27.08.09
POLIMEX MOSTOSTAL			28.08.09
POLNORD			28.08.09
RAFAKO			31.08.09
SYGNITY			31.08.09
TELEKOMUNIKACJA POLSKA			29.07.09
TRAKCJA POLSKA			31.08.09
TVN	13.08.09	13.08.09	13.08.09
ULMA CONSTRUCCION POLSKA	14.08.09	14.08.09	31.08.09
UNIBEP	13.08.09	13.08.09	25.09.09
WSiP			31.08.09
ZA PUŁAWY			03.09.09**

Source: Companies

\* Quarterly report - Q4 2009; \*\* Report for H1 2008/2009



**Current ratings by BRE Bank Securities S.A.**

Company	Rating	Target price	Date issued
AB	Buy	10.31	2009-04-30
ACTION	Hold	12.30	2009-07-03
AGORA	Buy	35.60	2008-11-14
ASBIS	Buy	2.16	2009-04-30
ASSECO POLAND	Buy	67.40	2009-05-27
BUDIMEX	Hold	65.80	2009-05-11
BZWBK	Accumulate	102.00	2009-06-30
CIECH	Accumulate	31.80	2009-07-03
CYFROWY POLSAT	Hold	14.55	2009-05-29
DOM DEVELOPMENT	Sell	24.10	2009-06-15
ELEKTROBUDOWA	Hold	162.70	2009-06-04
EMPERIA HOLDING	Buy	70.30	2008-11-28
ERBUD	Reduce	35.00	2009-06-04
EUROCASH	Hold	9.90	2009-05-06
HANDLOWY	Sell	40.90	2009-05-07
ING BSK	Hold	313.00	2009-05-15
J.W. CONSTRUCTION	Reduce	9.70	2009-06-15
KĘTY	Buy	109.40	2008-08-04
KGHM	Reduce	54.90	2009-06-08
KOMPUTRONIK	Hold	10.48	2009-05-29
KREDYT BANK	Sell	4.10	2009-03-05
LOTOS	Buy	26.40	2009-05-28
LW BOGDANKA	Accumulate	64.50	2009-07-02
MILLENNIUM	Sell	1.80	2009-05-12
MONDI	Accumulate	57.40	2009-07-10
MOSTOSTAL WARSZAWA	Accumulate	65.60	2009-06-04
NETIA	Buy	3.80	2008-11-14
NOBLE BANK	Suspended		2009-01-29
PBG	Reduce	201.60	2009-06-04
PEKAO	Accumulate	133.20	2009-05-13
PGNiG	Reduce	3.58	2009-05-14
PKN ORLEN	Buy	40.10	2009-06-02
PKO BP	Accumulate	30.20	2009-06-09
POLICE	Sell	5.80	2009-06-04
POLIMEX MOSTOSTAL	Accumulate	3.80	2009-05-25
POLNORD	Accumulate	35.20	2009-07-03
RAFAKO	Buy	8.70	2009-05-14
SYGNITY	Buy	25.30	2009-05-27
TELEKOMUNIKACJA POLSKA	Accumulate	20.30	2009-04-30
TRAKCJA POLSKA	Buy	4.90	2009-05-18
TVN	Hold	10.00	2009-07-01
ULMA CONSTRUCCION POLSKA	Hold	40.20	2009-07-03
UNIBEP	Hold	5.30	2009-05-26
WSiP	Buy	18.90	2008-12-09
ZA PUŁAWY	Hold	82.70	2009-05-28

**Ratings issued in July**

Company	Rating	Target price	Date issued
ACTION	Hold	12.30	2009-07-03
BZWBK	Accumulate	102.00	2009-06-30
CIECH	Accumulate	31.80	2009-07-03
LW BOGDANKA	Accumulate	64.50	2009-07-02
MONDI	Accumulate	57.40	2009-07-10
POLNORD	Accumulate	35.20	2009-07-03
TVN	Hold	10.00	2009-07-01
ULMA CONSTRUCCION POLSKA	Hold	40.20	2009-07-03

**Ratings Statistics**

All						Issuers for which BRE Bank Securities S.A. has rendered services				
Statistic	Sell	Reduce	Hold	Accumulate	Buy	Sell	Reduce	Hold	Accumulate	Buy
count	5	5	11	10	13	0	2	4	6	3
% of total	11.4%	11.4%	25.0%	22.7%	29.5%	0.0%	13.3%	26.7%	40.0%	20.0%

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**List of abbreviations and ratios contained in the report.**

**EV** – net debt + market value (EV – economic value)

**EBIT** – Earnings Before Interest and Taxes

**EBITDA** – EBIT + Depreciation and Amortisation

**PBA** – Profit on Banking Activity

**P/CE** – price to earnings with amortisation

**MC/S** – market capitalisation to sales

**EBIT/EV** – operating profit to economic value

**P/E** – (Price/Earnings) – price divided by annual net profit per share

**ROE** – (Return on Equity) – annual net profit divided by average equity

**P/BV** – (Price/Book Value) – price divided by book value per share

**Net debt** – credits + debt papers + interest bearing loans – cash and cash equivalents

**EBITDA margin** – EBITDA/Sales

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A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:

**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.

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