2 February 2010

Periodic Report

BRE Bank Securities

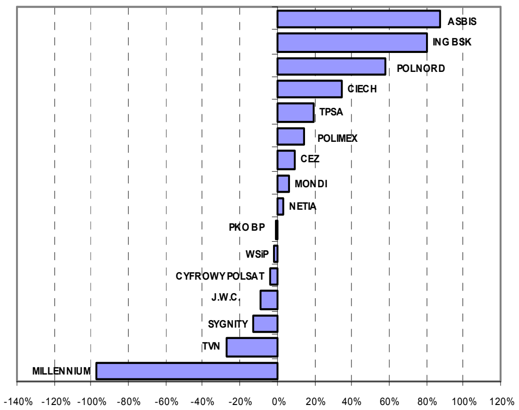
Forecasts of Quarterly Results

Q4 2009

Equity Market

WIG	**39 737**
Average 2009E P/E	15.0
Average 2010E P/E	13.6
Avg dialy trading volume (3M)	PLN 1 386m

EPS growth for selected companies*



**calculated for 1Q'09-4Q'09 / 4Q'08-3Q'09*

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Banks. We expect a 15% quarter-on-quarter drop in the overall Q409 net income generated by the banks in our coverage universe, due mainly to increased loan-loss provisions (+42% Q/Q). We are certain that upcoming consensus estimates will also reflect expectations of a deterioration in the financial sector's Q409 earnings. That said, fourth-quarter performance is not indicative of future earnings potential.

Gas & Oil. We expect gas monopoly PGNiG to report better-than-expected Q409 results thanks to a positive price spread between imported and domestic gas, and due to a seasonal increase in sales volumes. The fourth-quarter results of both oil refiners in our coverage were under pressure from low margins, but we expect higher-quality earnings from PKN Orlen.

Power Utilities. CEZ is expected to report year-on-year profit growth thanks to a lack of unplanned downtime and positive effects of a MOL stock option. PGE's Q409 EBIT will show a year-on-year expansion by over 25%, owed to higher electricity prices and low comparable bases for the results of the Wholesale and Distribution segments.

Telecoms. We expect Polish telecoms to report flat quarter-on-quarter earnings for Q409. TPSA's profits will reflect the first positive effects of cost-cutting measures, but the subscriber base will not have expanded much. In case of Netia, a rapidly expanded subscriber base affected Q409 EBITDA.

Media. We expect a solid Q409 showing from Agora, while TVN's profits will be weighed down by high eurobond rollover costs and earn-out revaluation losses. Cyfrowy Polsat's 2009 Q4 results should be similar to 2008 Q4 levels. WSiP's fourth-quarter performance brought it closer to meeting the 2009 earnings targets.

IT. Most IT companies (integrators as well as hardware distributors) experienced a seasonal upswing in sales in Q4 2009. AB and Asbis are expected to report higher year-on-year profits, while Sygnity will probably miss its H209 EBIT target of PLN 20m.

Commodities. Commodity producers benefitted from favorable prices in Q4 2009, the effects of which, however, will be offset by high additional reserves recognized by KGHM and LW Bogdanka. KGHM's fourth-quarter profits will be lifted by advance dividends from Polkomtel.

Construction. We do not expect any major surprises in the 2009 fourth-quarter results of Polish construction firms, which will be based mostly on old contracts. We expect Mostostal Warszawa to report strong Q409 results in spite of a lost stadium contract, and we predict that Unibep and Polimex will report quarter-on-quarter profit growth.

Real-Estate Developers. The 2009 fourth-quarter results of real-estate developers will depend on how many flats they sold during the period. When considering the future outlook for these firms, investors should focus on the earnings potential of new projects scheduled to start this year.

Retailers. Eurocash and Emperia are expected to report growth in their Q409 EBIT results by 18% and 22% respectively, thanks to single-digit sales growth achieved in the period. The improvement is already priced in their stocks.

Banks

BZ WBK

Hold

Banks

Analyst: Marta Jeżewska

FY09E P/E 15.9	FY09E P/BV 2.2	**Current price**	**PLN 176.5**
FY10E P/E 14.7	FY10E P/BV 1.9	**Target price**	**PLN 195.4**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	433	428	1.1%	1 563	1 635	-4.4%	1 761	1 563	12.7%
Net fee income	364	333	9.1%	1 358	1 390	-2.3%	1 517	1 358	11.7%
NIM	3.1%	3.2%	-	2.7%	3.3%	-	3.0%	2.7%	-
Income f. bank oper.	861	765	12.5%	3 249	3 190	1.9%	3 468	3 249	6.7%
Operating expenses	-463	-392	18.0%	-1 651	-1 655	-0.2%	-1 736	-1 651	5.1%
Operating income*	405	381	6.4%	1 618	1 576	2.7%	1 752	1 618	8.3%
Provisions	-168	-301	-44.1%	-549	-365	50.6%	-552	-549	0.5%
Pre-tax income	237	80	195.0%	1 069	1 211	-11.7%	1 200	1 069	12.2%
Net income	172	41	320.4%	812	855	-5.1%	876	812	7.8%

** before provisions*

All in all, a very successful year

The low base of comparison from Q4'08 makes a considerable y/y improvement possible, but we do expect a considerable drop from PLN 264m earned in Q3'09 (-35% q/q), due to higher expenses (+21% q/q, PLN 80m) and loan-loss provisions (PLN 168m vs. PLN 98m). The growth in expenses will be fueled by increase in personnel costs (resulting in the need to create additional reserves for employee bonuses) and a seasonal spike in non-personnel expenses (as remaining funds budgeted for 2009 are spent). In addition, after the release of Q3'09 earnings the Bank's CEO said quite unambiguously that its costs of risk will amount to ca. PLN 550m, increasing due to the seasonal review of the loan portfolio. The FY2009 profit of PLN 812m (-5% y/y) will be a good achievement, considering the tough macroeconomic environment. We are most upbeat about revenues, where we expect the positive momentum in interest income to be sustained. However, given our limited expectations for 2010 (with revenues increasing by 4% y/y), our outlook on the bank will not change even if this result is slightly lower.

Getin

Buy

Banks

Analyst: Marta Jeżewska

FY09E P/E 23.7	FY09E P/BV 1.7	**Current price**	**PLN 9.05**
FY10E P/E 15.2	FY10E P/BV 1.5	**Target price**	**PLN 10.2**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income**	266	270	-1.4%	970	808	20.1%	1 115	970	15.0%
Net fee income	106	46	132.2%	429	242	77.4%	498	429	16.1%
NIM	3.0%	3.7%		2.9%	3.2%		3.1%	2.9%	
Income f. bank oper.	491	521	-5.8%	2 079	2 030	2.4%	2 160	2 079	3.9%
Operating expenses	-216	-220	-2.0%	-862	-787	9.6%	-948	-862	10.0%
Operating income*	267	265	0.5%	1 186	1 080	9.8%	1 174	1 186	-1.0%
Provisions	-194	-162	19.8%	-786	-379	107.2%	-559	-786	-28.8%
Pre-tax income	73	100	-27.1%	400	701	-42.9%	615	400	53.7%
Net income	42	65	-36.1%	271	509	-46.7%	424	271	56.1%

** before provisions, **change in the presentation of interest income; data for Q4'08 and FY08 are not comparable*

Top line better, provisions continue to weigh earnings down

The change in data presentation methodology makes comparisons difficult (the data for Q1-Q3 2008 have been transformed already, but not for Q4'08). We expect net interest income to increase by 4% q/q (comparable data), as the interest margin gradually recovers (especially at Noble Bank). We also expect stable improvement in fee income ("work on the existing client base", which brought about additional fee income in the preceding quarters of the year, will be replaced by increased sales of investment products at Getin Bank, among other things). We expect credit risk charges to remain high (PLN 194m vs. PLN 178m in Q3'09 and PLN 188m average for Q4'08—Q3'09). We believe Getin Bank's retail provisions will remain a problem for two more quarters.

We expect a net profit of PLN 42m (vs. PLN 46m a quarter before), but, in contrast to the preceding quarter, we expect an improvement at the pre-tax level (PLN 73m vs. PLN 59m in Q3'09). The high net income in Q3'09 was driven by positive effective tax rate. For Q4'09, we expect an effective tax rate of 19%; if it is lower, our outlook on Getin Holding will not change.

Banks

Handlowy

Buy

Analyst: Marta Jeżewska

FY09E P/E 16.9 FY09E P/BV 1.6
FY10E P/E 14.8 FY10E P/BV 1.5

Current price PLN 74.0
Target price PLN 90.3

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	375	384	-2.3%	1 525	1 366	11.7%	1 579	1 525	3.5%
Net fee income	152	139	9.2%	557	619	-10.1%	620	557	11.4%
NIM	3.9%	3.9%	-	3.7%	3.4%	-	3.9%	3.7%	-
Income f. bank oper.	625	438	42.7%	2 435	2 313	5.3%	2 512	2 435	3.2%
Operating expenses	-350	-336	4.0%	-1 403	-1 496	-6.2%	-1 431	-1 403	2.0%
Operating income*	311	139	124.1%	1 215	910	33.6%	1 152	1 215	-5.2%
Provisions	-92	-94	-2.9%	-480	-153	213.6%	-323	-480	-32.6%
Pre-tax income	219	45	382.0%	735	759	-3.1%	829	735	12.7%
Net income	171	35	392.7%	574	600	-4.5%	654	574	14.0%

** before provisions*

Final quarter of a good year

We will see increasing pressure on interest income, stemming from low lending levels in the preceding quarters and pressure on bond valuations. We believe Bank Handlowy will improve its interest income less than its peers (+3.5% y/y vs. +15% y/y forecasted for the market), despite the expected 7% increase in assets. This will slow down the growth of income from banking operations (we forecast PLN 625m vs. PLN 622m in Q3’09). We expect provisions to increase to PLN 92m from PLN 55m in the third quarter. Earnings may also be impacted by other factors, such as the buyout of Lehman Brothers bonds from clients (the bank is offering 60% of their nominal value), which may require additional provisions. The Bank’s fourth-quarter earnings have little impact on our attitude to Bank Handlowy. Excluding a tax refund, 2009 saw the highest operating earnings before provisions (ca. PLN 1.1bn vs. the previous record of PLN 0.99bn in 2007). Due to such a high base of comparison, our growth forecast in this area is very moderate (-5% y/y, +4% y/y excluding the Q3'09 tax refund). Improvement in earnings in FY2010 will be a consequence of lower provisions. Despite our conservatism, our forecast for FY2010 entails the third-highest profit in the history of the bank (PLN 654m vs. PLN 826m in 2008 and PLN 657m in 2007).

Banks

ING BSK

Accumulate

Analyst: Marta Jeżewska

FY09E P/E 14.6 FY09E P/BV 1.9
FY10E P/E 12.8 FY10E P/BV 1.6

Current price PLN 700.0
Target price PLN 811.6

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	395	304	29.9%	1 467	1 152	27.3%	1 645	1 467	12.1%
Net fee income	253	239	5.7%	937	890	5.3%	1 016	937	8.5%
NIM	2.4%	1.8%	-	2.2%	1.9%	-	2.4%	2.2%	-
Income f. bank oper.	696	272	155.8%	2 601	2 060	26.3%	2 826	2 601	8.6%
Operating expenses	-406	-355	14.6%	-1 545	-1 507	2.5%	-1 640	-1 545	6.1%
Operating income*	293	-44	-	1 076	580	85.4%	1 205	1 076	12.0%
Provisions	-113	-116	-2.6%	-343	-66	-	-365	-343	6.2%
Pre-tax income	190	-151	-	779	563	38.3%	889	779	14.1%
Net income	149	-129	-	623	445	39.8%	711	623	14.1%

** before provisions*

Weaker quarter to close a good year

The limited potential for improvement in operating income following the excellent Q3’09 (we forecast a drop from PLN 301m to PLN 293m in Q4’09), combined with the considerable increase in loan-loss provisions (from PLN 54m to PLN 113m) will bring about a decline in profit (from PLN 211m to PLN 149m). In the fourth quarter, just as at the other banks, we will see loan portfolio reviews and additional provisions (annual audit). Since 2009 was a very good year for ING BSK anyway (with a 40% increase in earnings, slightly under 9% when the Q4’08 loss on bond valuation is excluded), the Bank may attempt to maximize its provisions, which will have no impact on its provisioning in 2010 and on our long-term forecasts. We expect the net interest margin to be flat q/q; the Bank has remained an active lender, but it may start to feel squeezed by the interest on bonds. In the two preceding quarters, interest income was the key factor driving revenue growth; with the upside potential in this area temporarily depleted, we expect revenues to stabilize. We might also see a seasonal spike in expenses (good earnings might lead to higher provisions for employee bonuses, plus the fourth quarter is the period when many year-long projects get finalized).

Kredyt Bank

Banks

Analyst: Marta Jeżewska

Accumulate

FY09E P/E 89.3 | FY09E P/BV 1.4 | **Current price PLN 13.8**
FY10E P/E 22.6 | FY10E P/BV 1.3 | **Target price PLN 15.3**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	265	292	-9.3%	1 052	1 060	-0.8%	1 137	1 052	8.1%
Net fee income	88	73	20.3%	316	293	7.9%	376	316	18.7%
NIM	2.7%	3.2%	-	2.7%	3.2%	-	2.8%	2.7%	-
Income f. bank oper.	393	417	-5.7%	1 542	1 586	-2.8%	1 649	1 542	6.9%
Operating expenses	-249	-300	-16.8%	-1 013	-1 105	-8.3%	-1 016	-1 013	0.4%
Operating income*	447	127	251.1%	893	531	68.1%	712	893	-20.3%
Provisions	-413	-38	982.3%	-842	-108	678.5%	-505	-842	-40.1%
Pre-tax income	34	88	-61.0%	52	421	-87.5%	207	52	295.4%
Net income	27	65	-57.5%	42	325	-87.1%	166	42	295.4%

** before provisions*

One-off profit to cover loan losses

Were it not for the proceeds of the divestment of the financial intermediary Żagiel (PLN 350m in revenues, estimated PLN 230m in net income and PLN 284m in operating income), the review of the consumer finance portfolio would have put the Bank in the red not just in Q4'09, but in FY2009 as well. Still, looking at operating income before provisions, 2009 was a good year: excluding the gains from the sale of Żagiel, it will figure to PLN 609m, which is 15% higher than in 2008. In Q4'09 we expect PLN 163m in recurrent operating income before provisions (vs. PLN 172m in Q3'09). Despite the q/q decline, this is still 28% more than in Q4'08. Such good earnings make it possible to carry out a thorough review of the loan portfolio, which we believe the Bank will take advantage of. We expect loan-loss provisions amounting to PLN 413m, including PLN 320m in the retail segment (mostly consumer loans, overall costs of credit risk at ca. 7%, including mortgages), with the reminder being allocated to corporate loans (provisions/gross loans at ca. 4%). Provisions in the amount of PLN 413m is over 6% of net loans, which we believe makes it possible to be moderately optimistic as far as 2010 earnings are concerned.

Millennium

Banks

Analyst: Marta Jeżewska

Hold

FY09E P/E n/a | FY09E P/BV 1.3 | **Current price PLN 4.22**
FY10E P/E 47.5 | FY10E P/BV 1.3 | **Target price PLN 4.33**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	198	269	-26.3%	685	1181	-42.0%	916	685	33.8%
Net fee income	130	110	17.7%	484	472	2.6%	535	484	10.4%
NIM	1.8%	2.5%	-	1.5%	3.0%	-	1.9%	1.5%	-
Income f. bank oper.	351	408	-14.0%	1 381	1 827	-24.4%	1 634	1 381	18.3%
Operating expenses	-267	-315	-15.0%	-1 050	-1 192	-11.9%	-1 088	-1 050	3.7%
Operating income*	92	99	-6.9%	346	657	-47.3%	562	346	62.1%
Provisions	-82	-52	58.4%	-427	-135	216.1%	-429	-427	0.3%
Pre-tax income	10	47	-79.5%	-74	522	-	133	-74	-
Net income	6	36	-82.4%	-60	413	-	108	-60	-

** before provisions*

Provisions still put pressure on earnings

The effort to keep expenses in check (+2% q/q), combined with the observed revival in income (+14% q/q) will bear fruit. We expect considerable q/q improvement in operating earnings before provisions (from PLN 52m to PLN 94m), but this is still 7% less than in Q4'08 (when earnings were weighed down by provisions related to F/X options), and we can still see the huge gap vs. earnings generated prior to the "war for deposits" (average operating income before provisions in Q1-Q3'08 was PLN 186m). A rebound in operating income hinges on revenues, where we see the greatest potential for interest income.

The additional provisions for corporate loans in Q3'09 will most likely reduce provisioning in this area in the ensuing quarters, but we believe total provisions will remain high due to limited provisioning in the retail segment in Q1-Q3 2009 (PLN 52m vs. PLN 292m in the corporate segment).

Banks

Pekao

Hold

Analyst: Marta Jeżewska

FY09E P/E 18.5 FY10E P/E 16.4

FY09E P/BV 2.4 FY10E P/BV 2.3

Current price **PLN 169.0**
Target price **PLN 181.5**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	1 018	1 109	-8.2%	3 846	4 509	-14.7%	4 446	3 846	15.6%
Net fee income	617	553	11.5%	2 293	2 342	-2.1%	2 576	2 293	12.3%
NIM	3.2%	3.4%	-	2.9%	3.5%	-	3.2%	2.9%	-
Income f. bank oper.	1 834	1 870	-1.9%	7 119	7 578	-6.1%	7 688	7 119	8.0%
Operating expenses	-966	-949	1.7%	-3 733	-3 788	-1.4%	-3 821	-3 733	2.4%
Operating income*	899	996	-9.7%	3 485	4 535	-23.2%	3 967	3 485	13.8%
Provisions	-180	-134	33.7%	-575	-294	95.6%	-700	-575	21.8%
Pre-tax income	736	874	-15.8%	2 967	4 346	-31.7%	3 340	2 967	12.6%
Net income	594	719	-17.4%	2 394	3 528	-32.1%	2 696	2 394	12.6%

** before provisions*

Earnings stable at the end of the year

We are expecting PLN 594m in net income in Q4'09 vs. PLN 620m a quarter earlier. This slight q/q drop will be a consequence of loan-loss provisions. As far as operating income before provisions is concerned, we expect it to be flat vs. Q3'09 (PLN 899m vs. PLN 901m). We expect costs of risk at 90bps (vs. 74bps a quarter earlier), and at 93bps in FY2009, in line with the Management's earlier declarations. We expect the positive momentum in interest income to be sustained (+5% q/q). Still, in FY2009 it will turn out to be the key factor underpinning the decline in revenues (-15% y/y). Our FY forecast assumes that fee income will be basically flat y/y (-2%), while trading income will be much higher y/y (+34%). We believe that expenses will increase vs. Q3'09 (from PLN 897m to PLN 966m), for seasonal reasons. We remain pleased with FY effects of cost-cutting measures (-1.4% y/y).

Banks

PKO BP

Hold

Analyst: Marta Jeżewska

FY09E P/E 21.1 FY10E P/E 16.5

FY09E P/BV 2.4 FY10E P/BV 2.3

Current price **PLN 39.0**
Target price **PLN 39.6**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	1 408	1 621	-13.2%	5 042	6 127	-17.7%	6 022	5 042	19.4%
Net fee income	720	645	11.6%	2 593	2 412	7.5%	2 910	2 593	12.2%
NIM	3.8%	5.1%	-	3.5%	5.0%	-	3.8%	3.5%	-
Income f. bank oper.	2 247	2 348	-4.3%	8 568	9 097	-5.8%	9 383	8 568	9.5%
Operating expenses	-1 179	-1 240	-4.9%	-4 283	-4 296	-0.3%	-4 419	-4 283	3.2%
Operating income*	1 138	1 215	-6.4%	4 574	5 092	-10.2%	5 266	4 574	15.1%
Provisions	-485	-702	-31.0%	-1 613	-1 130	42.7%	-1 515	-1 613	-6.1%
Pre-tax income	651	509	28.0%	2 961	3 977	-25.6%	3 751	2 961	26.7%
Net income	525	368	42.6%	2 314	3 121	-25.9%	2 961	2 314	28.0%

** before provisions*

Closing the year with high provisions

Just as in the case of Pekao, we expect a q/q improvement in provisions vs. the preceding quarter (+6% q/q), which does not alter the fact that this is where income declined the most in the year as a whole (-18%). Despite the seasonal spike in expenses (+15% q/q), the FY trend will remain good (flat y/y). With such a significant increase in expenses, operating income before provisions will decline slightly vs. the excellent Q3'09 (PLN 1138m vs. PLN 1177m). Loan-loss provisions remain a problem. The final months of a year are the time to review provisions. We expect them to figure to PLN 485m (vs. PLN 376m on average in Q1-Q3 2009). As a result, net profit will be 18% lower than in Q3'09, when the Bank performed the best in the sector. On the other hand, a year ago net profit was much lower in the fourth quarter, at PLN 368m (the Bank reviewed its provisions in the annual report, increasing them to PLN 702m).

Fuels, Energy, Chemicals

CEZ — Utilities — Hold

Analyst: Kamil Kliszcz

FY09E P/E	9.2	FY09E EV/EBITDA	6.8	Current price	PLN 142.8
FY10E P/E	10.5	FY10E EV/EBITDA	7.1	Target price	PLN 140.6

(CZK m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	50 034.5	49 817.0	0.4%	188 635.5	181 638.0	3.9%	181 819.4	188 635.5	-3.6%
EBITDA	19 442.5	18 392.0	5.7%	90 450.5	87 253.0	3.7%	86 657.0	90 450.5	-4.2%
margin	38.9%	36.9%	-	47.9%	48.0%	-	47.7%	47.9%	-
EBIT	12 933.5	11 963.0	8.1%	67 420.5	65 163.0	3.5%	61 535.3	67 420.5	-8.7%
Pre-tax profit	13 332.0	8 163.0	63.3%	68 242.0	60 716.0	12.4%	59 173.4	68 242.0	-13.3%
Net profit	10 429.5	5 625.0	85.4%	54 150.5	46 510.0	16.4%	47 079.2	54 150.5	-13.1%

Much better than a year ago

In Q4'09, CEZ should see a considerable y/y improvement in earnings, mostly at the bottom line, but in operating earnings as well. We believe EBIT will grow thanks to the Generation segment, whose profits should be over CZK 1bn higher. Such an improvement stems from the fact 1 TWh increase in energy production at nuclear power plants (as a reminder, a year ago the unplanned downtime at Temelin cost the Company ca. CZK 2bn). Earnings in this are could have been even higher, in fact, had it not been for the declining spot prices of energy (ca. 5-6% vs. Q3'09) and costs related to the wind farms being opened in Romania (ca. CZK 300m per quarter). In case of the Distribution segment, we expect a slight decline in profits, as the losses of the Albanian distribution subsidiary are consolidated while volumes continue to decline (by ca. 3% y/y in Q4'09 vs. -7% y/y in Q3'09). EBITDA in the Mining segment, on the other hand, should remain more or less flat vs. last year (lower volumes off-set by higher prices). We expect a seasonal drop in earnings from other operations, just as in the past. All in all, CEZ should improve its earnings at the EBIT level by ca. 8% y/y. At the bottom line, however, growth will be much faster thanks to the con-solidation of the new Turkish subsidiaries (SEDAS and Akaneeri) and the German MIBRAG mine under the equity method (ca. CZK 0.5bn altogether). CEZ will also see finance gains stemming from the option for MOL shares (+CZK 0.6bn vs. ca. -CZK 3bn a year ago).

Ciech — Chemicals — Hold

Analyst: Kamil Kliszcz

FY09E P/E	-	FY09E EV/EBITDA	6.8	Current price	PLN 30.86
FY10E P/E	21.4	FY10E EV/EBITDA	6.7	Target price	PLN 39.90

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	834.9	811.1	2.9%	3 560.1	3 781.3	-5.9%	3 810.0	3 560.1	7.0%
EBITDA	62.8	40.8	53.8%	372.8	459.7	-18.9%	413.4	372.8	10.9%
margin	7.5%	5.0%	-	10.5%	12.2%	-	10.9%	10.5%	-
EBIT	7.0	-6.0	-	147.3	256.4	-42.5%	210.0	147.3	42.5%
Pre-tax profit	-26.0	-50.8	-	-22.1	95.8	-	86.7	-22.1	-
Net profit	-21.1	-45.4	-	-45.9	44.5	-	70.3	-45.9	-

Significant improvement in the Organic segment

In Q4'09, the Organic segment should once again surprise on the upside, thanks to the improvement in margins on nearly all product groups. The cost-price spread on TDI, i.e. the core product that accounts for 40-50% of the profits in the division, in-creased by the whooping 29% (in PLN, estimated). With volumes also expected to be higher, as well as a slight improvement in profitability in the case of epoxy resins and EPI, the EBIT of the organic segment in Q4'09 can be estimated at -PLN 2m vs. -PLN 40m a year earlier and -PLN 18m in Q3'09. In case of the Soda segment, we expect the operating profit to fall by ca. PLN 7m q/q to PLN 27m, due to the possibility that some of the profits from the sale of caverns will not be recognized until Q1'10. The situation in the Agrochemical division still looks weak, with low sales volumes and low margins, combined with the seasonal lack of revenues from pesticides; as a result, the EBIT loss in the segment may increase (-PLN 20m vs. –PLN 15m in Q3'09). All in all, consolidated operating earnings should figure to PLN 7m, but due to finance losses (interest on loans, F/X losses), the Company will once again be in the red. Let us point out that as far as financial activities are concerned, Ciech could make a bookkeeping change with respect to hedge accounting, which could boost the bottom line; our forecasts do not take this possibility into account.

Oil and Gas

Lotos

Reduce

Analyst: Kamil Kliszcz

FY09E P/E	4.7	FY09E EV/EBITDA	10.5	**Current price**	**PLN 27.66**
FY10E P/E	9.2	FY10E EV/EBITDA	11.6	**Target price**	**PLN 26.60**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	4 262.5	3 772.7	13.0%	14 559.0	16 294.7	-10.7%	18 048.2	14 559.0	24.0%
EBITDA	163.0	-581.7	-	720.3	169.2	325.7%	777.0	720.3	7.9%
margin	3.8%	-15.4%	-	4.9%	4.7%	-	4.3%	4.9%	-
EBIT	90.0	-661.1	-	428.0	-145.8	-	439.5	428.0	2.7%
Pre-tax profit	127.0	-1 112.7	-	981.6	-504.2	-	484.7	981.6	-50.6%
Net profit	102.9	-903.8	-	762.6	-453.9	-	392.1	762.6	-48.6%

Margin on previously extracted petroleum, LIFO effect

We believe Lotos's earnings for Q4'09 will confirm our suspicion that the excellent result of the refining segment in Q3'09 is not replicable and that it was not a sign of a structural improvement in the Company's profitability (operating F/X differences, strong market for asphalts). Due to low crack spreads and low Urals-Brent pricing differential, the fourth quarter operating EBIT of PLN 38m will be supported primarily by a positive LIFO effect (ca. PLN 83m vs. PLN 86m in Q3'09 and -PLN 893m in Q4'08). Despite the Management's prior statements to the contrary, we do not believe Lotos was able to increase throughput thanks to the new CDU installation, due to the low crack spreads on individual products. Towards the end of the year, Lotos should recognize margin on crude oil extracted by Petrobaltic, which remained by and large unprocessed in the initial three quarters of the year. As a result, the EBIT in Upstream could approach PLN 45.8m (assuming throughput of 95,000 of crude oil from the Baltic shelf). We also expect positive contribution from Retail, but due to the seasonal slump in volumes, it will only provide ca. PLN 6m (vs. PLN 17m in Q3'09). All in all, the consolidated EBIT should approach PLN 90m. The Company should record finance gains of ca. PLN 37m, mostly thanks to the revaluation of F/X loans (PLN 55m).

Utilities

PGE

Buy

Analyst: Kamil Kliszcz

FY09E P/E	11.9	FY09E EV/EBITDA	5.6	**Current price**	**PLN 23.35**
FY10E P/E	12.4	FY10E EV/EBITDA	5.7	**Target price**	**PLN 27.49**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	6 511.9	5 688.8	14.5%	22 382.3	20 597.8	8.7%	22 036.6	22 382.3	-1.5%
EBITDA	1 995.8	1 693.3	17.9%	7 958.9	5 846.9	36.1%	7 788.4	7 958.9	-2.1%
margin	30.6%	29.8%	-	35.6%	28.4%	-	35.3%	35.6%	-
EBIT	1 283.9	1 023.5	25.5%	5 309.7	3 262.3	62.8%	5 010.8	5 309.7	-5.6%
Pre-tax profit	1 348.4	877.1	34.9%	5 364.3	3 169.5	64.0%	5 072.8	5 199.3	-2.4%
Net profit	860.9	512.6	54.9%	3 382.8	1 920.2	72.7%	3 256.3	3 316.2	-1.8%

Year-on-year improvement, many one-offs in the base of comparison

PGE's operating earnings for Q4'09 should be much higher than in the same period in 2008, although due to several one-offs, the rate of growth will vary significantly between the individual segments. In case of the core area, i.e. energy production and mining, we expect the EBIT to fall from -PLN 1.3bn in Q4'08 to PLN 0.9bn. Let us point out, however, that the result for 2008 was distorted by the reversal of a remediation reserve at KWB Bełchatów (PLN 530m). In addition, last year PGE recognized as much as PLN 530m in compensation for long-term contracts; in Q4'09, we expect only PLN 300m. Adjusted for these one-offs, the EBIT would increase by nearly PLN 400m y/y thanks to higher energy prices. Quarter-on-quarter, the EBIT will increase by ca. PLN 160m thanks to a seasonal spike in volumes and higher revenues from "yellow" (cogeneration) certificates. In Distribution, we estimate the EBIT at PLN 124m vs. PLN 60m in Q3'09 and -PLN 152m in Q4'08 (which is when actuarial reserves for a total of PLN 200m were recognized). In turn, the profit on wholesale trade should approach ca. PLN 52m vs. –PLN 192m a year earlier, although in this case as well the comparative base was lowered by the PLN 271m provision for the legal dispute with Atel. Just as in the preceding quarters, we expect good results in Retail, where we forecast an EBIT of PLN 111m. All in all, PGE's consolidated EBIT should approach PLN 1.2bn. As for financing activities, the only difference vs. the preceding quarters of 2009 should be additional interest income from IPO gains, which were recognized on the books in December.

PGNiG

Oil and Gas — **Accumulate**

Analyst: Kamil Kliszcz

FY09E P/E	26.9	FY09E EV/EBITDA	5.4	**Current price**	**PLN 3.79**
FY10E P/E	11.5	FY10E EV/EBITDA	5.7	**Target price**	**PLN 4.11**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	5 112.6	5 520.0	-7.4%	18 774.1	18 432.0	1.9%	18 794.6	18 774.1	0.1%
EBITDA	1 505.3	-236.9	-	2 430.3	2 264.9	7.3%	4 109.7	2 430.3	69.1%
margin	29.4%	-4.3%	-	12.9%	12.3%	-	21.9%	12.9%	-
EBIT	1 135.9	-602.9	-	951.5	839.9	13.3%	2 391.9	951.5	151.4%
Pre-tax profit	1 135.9	-586.9	-	1 049.0	974.6	7.6%	2 392.3	1 049.0	128.0%
Net profit	920.1	-310.0	-	832.9	904.6	-7.9%	1 937.8	832.9	132.7%

Excellent quarter across all segments

According to our estimates, PGNiG's operating earnings in Q4'09 will be excellent in practically all segments. The biggest y/y improvement will be recorded in Trade&Storage, thanks to positive spread on imported gas (ca. PLN 170/thousand cubic meters); a year ago, the Company recorded losses of PLN 500/thousand cubic meters. We believe this improvement in the macroeconomic situation will improve PGNiG's profit on regulated trade by the staggering PLN 1.6n, bringing the EBIT in this area to PLN 717m (vs. -PLN 845m and PLN 481m in Q3'09, the q/q improvement being due to a seasonal increase in gas volumes by ca. 1.4bn cubic meters). Upstream should also see a y/y and q/q improvement (PLN 200m vs. PLN 85m a year ago and PLN 21.3m in Q3'09), thanks to lower write-offs for unsuccessful drilling and mining assets (over PLN 100m in Q4'08 and PLN 150m in Q3'09), as well as higher crude oil prices (+37% y/y, +6% q/q) and higher volumes (+40,000 tons q/q, due to the earlier maintenance downtime at the Dębno mine). In case of Distribution, the y/y improvement in EBIT (PLN 215m vs. PLN 153m) will be a consequence of the 14% increase in network tariffs in June 2009, combined with a slight increase in D&A charges. All in all, the consolidated EBIT could exceed PLN 1.1bn. We expect finance gains and losses will cancel each other out, although in its annual report the Company may recognize revaluation gains related to EuRoPolGaz and the new findings as regards its long-term profitability.

PKN Orlen

Oil and Gas — **Buy**

Analyst: Kamil Kliszcz

FY09E P/E	10.0	FY09E EV/EBITDA	5.8	**Current price**	**PLN 33.43**
FY10E P/E	10.4	FY10E EV/EBITDA	5.0	**Target price**	**PLN 38.20**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	17 568.4	16 449.0	6.8%	67 689	79 535.0	-14.9%	80 186.0	67 689.4	18.5%
EBITDA	936.1	-1 275.0	-	3 634	887.6	309.4%	4 121.0	3 634.1	13.4%
margin	5.3%	-7.8%	-	5.4%	1.1%	-	5.1%	5.4%	-
EBIT	287.9	-1 965.0	-	1 051	-1 603.8	-	1 456.4	1 050.9	38.6%
Pre-tax profit	564.0	-3 586.0	-	1 736	-2 915.9	-	1 683.4	1 736.0	-3.0%
Net profit	464.3	-3 047.0	-	1 470	-2 505.7	-	1 376.4	1 470.3	-6.4%

Refining still under pressure, one-offs possible

In Q4'09, the situation in Refinery remained tough. To be sure, the Urals/Brent pricing differential did improve somewhat, but the downward trend on product margins did not stop until late December. As a result, Orlen's refineries, in particular Mazeikiu Nafta, were unable to make full use of its capacity. Another problem for the segment were unplanned downtimes at Unipetrol. As a result, we expect a LIFO EBIT loss of PLN 126m. We estimate the LIFO effect at PLN +254m, as a result, the reported refining EBIT will be PLN 168m vs. PLN 137m in Q3'09 (when the downtime at the oil tar facility at the Płock refinery cost PLN 150m) and –PLN 1.8bn in Q4'08. We do expect good results in Retail, which, despite the seasonal slump in volumes and a slight decline in margins at filling stations, will remain the fastest-growing segment. In case of the Petrochemical segment, we expect earnings to be largely flat vs. the preceding quarter (PLN 50m vs. PLN 65m, -PLN 64m in Q4'08). Earnings could be better here thanks to the increase in petrochemical sales, as signaled by the Company, but this will be offset by lower margins on fertilizers. All in all, Orlen's reported consolidated EBIT should be approximately PLN 287m. Thanks to finance gains (inclusive of the PLN 276m profit of Polkomtel), net income will be much higher at PLN 464m. We would like to point out that in the fourth quarter, the Management undertook several measures with the view to freeing cash (factoring, transactions on inventories), which could affect the Company's reported earnings, but whose impact is tough to estimate.

Chemicals

Police

Hold

Analyst: Kamil Kliszcz	FY09E P/E -	FY09E EV/EBITDA -	**Current price** **PLN 5.95**
	FY10E P/E 50.3	FY10E EV/EBITDA 6.7	**Target price** **PLN 5.50**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	284.0	218.6	29.9%	1 365.2	2 403.6	-43.2%	1 501.7	1 365.2	10.0%
EBITDA	-44.7	-218.9	-	-331.4	230.1	-	76.0	-331.4	-
margin	-15.7%	-100.1%	-	-24.3%	9.6%	-	5.1%	-24.3%	-
EBIT	-65.2	-236.5	-	-412.4	164.0	-	-7.8	-412.4	-
Pre-tax profit	-60.7	-370.2	-	-415.9	41.2	-	-24.8	-415.9	-
Net profit	-49.2	-313.0	-	-372.4	28.7	-	-24.8	-372.4	-

Higher volumes, margins still below zero

In the final quarter of 2009, Police will still be far from the break-even point, posting an operating loss of PLN 65m. To be sure, we expect fertilizer volumes to increase considerably vs. the preceding quarter from 114 thousand tons to 220 thousand tons, but the price cut introduced in October (by 30% on average) will by and large offset this (we do not expect an impairment charge on inventories, however, as according to the Company this has been factored into the balance sheet in Q3'09). Reductions in the price of phosphates and potash (by ca. 18% q/q) should have a positive impact on Police's profitability; still, we do not believe it will be able to cover all of its fixed costs (ca. PLN 90m in Q3'09). When making q/q comparisons, it should be remembered that the data for the preceding quarter were weighed down by an impairment write-off on products and raw materials, in excess of PLN 40m; therefore, our forecast implies a ca. PLN 35m reduction in the operating loss.

Chemicals

ZA Puławy

Hold

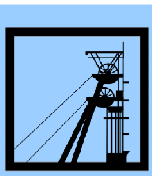
Analyst: Kamil Kliszcz	FY09/10E P/E 21.3	FY09E EV/EBITDA 7.3	**Current price** **PLN 76.65**
	FY10/11E P/E 17.5	FY10E EV/EBITDA 5.1	**Target price** **PLN 72.05**

(PLN m)	2Q09/10F	2Q08/09	change	1H09/10F	1H08/09	change	2009/10F	2008/09	change
Revenue	412.9	514.9	-19.8%	796.2	1 189.7	-33.1%	2 028.4	2 396.8	-15.4%
EBITDA	-13.6	90.0	-	-43.6	271.3	-	139.0	407.2	-65.9%
margin	-3.3%	17.5%	-	-5.5%	22.8%	-	6.9%	17.0%	-
EBIT	-30.3	72.9	-	-77.1	241.0	-	67.9	338.3	-79.9%
Pre-tax profit	-21.3	-12.0	-	-61.1	173.9	-	83.7	241.2	-65.3%
Net profit	-17.1	-10.2	-	-48.1	140.0	-	67.8	194.6	-65.2%

Better than in Q3, but operating loss continues

In Q2 2009/10, ZAP's earnings will still be under pressure as the situation in the market for fertilizers remains tough. The Company will be particularly affected by trends in domestic sales, due to price cuts introduced in October. As exports are low at the moment, the positive trends on the prices of urea and UAN observed at the European harbors will have little impact. We do expect a considerable improvement in chemicals, thanks to the clear widening of the spreads on melamine and caprolactam vs. the preceding quarter (+14% and +11%, respectively, translated into PLN), as well as higher sales volumes due to the increasing demand and the lack of maintenance downtimes (in Q3'09, the caprolactam line was idle for nearly a month). Due to a hedge accounting change, operating earnings should also be boosted by an approximately PLN 7m hedging gain. All told, ZAP will fail to break even, posting an EBIT loss of PLN 30m. At the bottom line, the picture will be slightly better thanks to finance gains.

Coal Mining



Coal Mining

LW Bogdanka

Buy

Analyst: Michał Marczak

FY09E P/E 10.3
FY10E P/E 11.4

FY09E EV/EBITDA 4.6
FY10E EV/EBITDA 5.5

Current price **PLN 75.1**
Target price **PLN 80.1**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	322.9	-	-	1 173.6	1 033.3	13.6%	1 184.0	1 173.6	0.9%
EBITDA	76.3	-	-	395.7	339.6	16.5%	388.9	395.7	-1.7%
margin	23.6%	-	-	33.7%	32.9%	-	32.8%	33.7%	-
EBIT	47.1	-	-	260.4	203.5	28.0%	243.3	260.4	-6.5%
Pre-tax profit	47.2	-	-	264.6	201.9	31.0%	238.3	264.6	-9.9%
Net profit	29.9	-	-	204.3	156.0	30.9%	184.0	204.3	-9.9%

Provisions will weigh down good operating earnings

LW Bogdanka's Q4'09 earnings guidance predicts sales of PLN 294m and a net profit of just under PLN 4m. We think that these targets, estimated taking into account additional payroll allowances and actuarial reserves for mine liquidation, are conservative. On the forecasted sales volume (PLN 1.35-1.4MMT), and given the fact that the price of coal remains high, the company should be able to generate a bottom-line profit of at least PLN 30m. Earnings could also be impacted by additional provisions. A detailed analysis will be in order here, as the objective could be postponing earnings until next year. While the price of ARA coal is not directly correlated with Polish coal prices, in Q4 2009 it increased by 10% q/q on average. In the early weeks of Q1 2010, it is a further 20% higher than in late 2009. This reduces the pressure towards coal exports; as a result, significant price reductions in 2010 vs. 2009 are unlikely.

Telecommunications

Netia

Hold

Telco

Analyst:	FY09E P/E	-	FY09E EV/EBITDA	5.5	**Current price**	**PLN 4.64**
Michał Marczak	FY10E P/E	48.3	FY10E EV/EBITDA	4.7	**Target price**	**PLN 4.30**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	372.3	369.1	0.9%	1 491.9	1 112.4	34.1%	1 525.4	1 491.9	2.2%
EBITDA	69.8	57.6	21.3%	292.0	170.6	71.1%	323.5	292.0	10.8%
margin	18.8%	15.6%	-	19.6%	15.3%	-	21.2%	19.6%	-
EBIT	-1.2	-14.7	-	-2.1	-99.7	-	33.7	-2.1	-
Pre-tax profit	0.6	-10.8	-	-10.4	231.9	-	45.6	-10.4	-
Net profit	1.0	-10.1	-	-10.4	230.6	-	37.4	-10.4	-

Increase in subscriber base will reduce EBITDA

In Q4'09 the Company will not longer show fast y/y revenue growth stemming from the takeover of Tele2 Polska. We expect revenues to be close to the Q4'08 level. They will be boosted by the expanding broadband subscriber base (thanks to excellent sales in the final months of the year, above the Management's targets), as well as WLR additions. On the other hand, they will be negatively impacted by the reduction in sales to Play, in line with the agreement the parties signed last year. The fast expansion in subscriber base entails higher customer acquisition costs, which will depress the EBITDA margin. We assume there will be no one-offs such as those that boosted earnings in Q3'09.

TP SA

Accumulate

Telco

Analyst:	FY09E P/E	14.9	FY09E EV/EBITDA	4.2	**Current price**	**PLN 16.05**
Michał Marczak	FY10E P/E	12.9	FY10E EV/EBITDA	4.0	**Target price**	**PLN 19.20**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	4 055.4	4 579.0	-11.4%	16 610.4	18 165.0	-8.6%	16 163.2	16 610.4	-2.7%
EBITDA	1 630.2	1 569.0	3.9%	6 430.2	7 630.0	-15.7%	6 494.2	6 430.2	1.0%
margin	40.2%	34.3%	-	38.7%	42.0%	-	40.2%	38.7%	-
EBIT	576.4	474.0	21.6%	2 215.4	3 313.0	-33.1%	2 416.0	2 215.4	9.1%
Pre-tax profit	518.4	99.0	423.6%	1 785.4	2 593.0	-31.1%	2 056.0	1 785.4	15.2%
Net profit	415.1	179.0	131.9%	1 444.1	2 188.0	-34.0%	1 663.4	1 444.1	15.2%

Dividend recommendation is the key

We expect TPSA's revenues to decline by 10% y/y in Q4'09, due to the nearly 50% y/y cut in MTRs, the over 20% reduction in F2M rates in October and the continuing reduction in the number of fixed telephony subscribers (-150,000 during the quarter). In Q4'09, the Company was unable to introduce a price-competitive broadband product, and we can expect net churn in this area. This should change following the settlement with the regulator UKE, reached towards the end of October, whose first effects will be visible in Q1'10. Lower payroll expenses and real-property-related costs should reduce Q4'09 expenses by PLN 40m. We do not expect any news concerning the dispute with DPTG, nor do we expect the Company to create additional provisions on this account. When making y/y comparisons, it should be remembered that in the fourth quarter of 2008 the Company created a downsizing reserve of PLN 182m, which is yet to be used in full. We assume that the Management's target for free cash flows in FY2009 (PLN 3bn) will be reached.

What we consider crucial is the Management's recommendation with regards to dividends from the profit for FY2009 (we expect the entire profit will be paid out, PLN 1.08 per share), as well as whether the Company's general policy with regard to dividends (PLN 1.5 per share) will change now that its CAPEX has increased. The Management should also issue its earnings guidance for FY2010. These elements should determine the sentiment to TPSA in the coming weeks.

Media

Agora

Media — **Buy**

Analyst: Piotr Grzybowski

FY09E P/E	29.8	FY09E EV/EBITDA	7.6	**Current price**	**PLN 20.40**
FY10E P/E	17.5	FY10E EV/EBITDA	5.7	**Target price**	**PLN 23.70**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	296.0	335.9	-11.9%	1 124.2	1 277.7	-12.0%	1 135.2	1 124.2	1.0%
EBITDA	35.1	24.5	43.4%	127.6	128.4	-0.6%	156.9	127.6	23.0%
margin	11.9%	7.3%	-	11.3%	10.0%	-	13.8%	11.3%	-
EBIT	13.2	1.8	635.7%	43.4	128.4	-66.2%	156.9	43.4	261.9%
Pre-tax profit	13.5	-25.1	-	43.8	47.9	-8.6%	75.6	43.8	72.8%
Net profit	11.4	-30.7	-	35.8	23.3	53.9%	61.3	35.8	70.9%

A good quarter

In the fourth quarter, the trend from the third quarter should continue, i.e. a combination of declining advertising revenues and deep cost cuts that ultimately makes it possible to post good earnings (for this stage of the cycle). Advertising revenues will fall by 16.8%, to PLN 198m. We believe outdoor will perform weaker than in the preceding quarters, posting a 19% reduction in revenue. The other segments should see their revenue decline slower than in the two preceding quarters (-20.7% for newspapers, -14% for magazines, -21% for the ratio).

Revenues from the sales of book collections will shrink as well (PLN 22.0m vs. PLN 23.2m in Q4'08). In turn, revenues from newspaper and magazine sales should increase y/y (from PLN 48.4m in Q4'08 to PLN 49m, mostly due to the increase in the price of *Gazeta Wyborcza*), as should "other" revenues. As for costs, the Company's restructuring exercise should have a big impact on payroll expenses (PLN 68.0m vs. PLN 80.4m a year ago), as well as the costs of representation and promotion (PLN 45.4m vs. PLN 57.8m). Due to the reduction in revenues from book collections, the costs of materials and energy should decline as well (PLN 54.0m vs. PLN 55.1m a year ago). All in all, the Company should post operating profit of PLN 13.2m vs. PLN 1.8m a year ago.

Cyfrowy Polsat

Media — **Accumulate**

Analyst: Piotr Grzybowski

FY09E P/E	18.2	FY09E EV/EBITDA	13.0	**Current price**	**PLN 15.07**
FY10E P/E	14.0	FY10E EV/EBITDA	9.8	**Target price**	**PLN 14.90**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	338.8	316.5	7.1%	1 314.3	1 136.3	15.7%	1 380.8	1 314.3	5.1%
EBITDA	53.1	48.1	10.4%	304.5	347.8	-12.5%	395.8	304.5	30.0%
margin	15.7%	15.2%	-	23.2%	30.6%	-	28.7%	23.2%	-
EBIT	40.1	40.2	-0.1%	265.5	324.3	-18.1%	353.2	265.5	33.0%
Pre-tax profit	41.2	51.8	-20.4%	275.9	333.7	-17.3%	356.7	275.9	29.3%
Net profit	32.2	41.3	-21.9%	222.1	269.8	-17.7%	288.9	222.1	30.1%

Just like last year

We believe the fourth-quarter operating earnings will be comparable y/y. The bottom line will be weaker though due to the fact that the base of comparison was inflated by currency hedging instruments. We believe the rapid increase in the subscriber base (3.2m subscribers at the end of the year) will pull subscription revenue up, to PLN 314m. For seasonal reasons (with changes in STB inventories exerting a smaller impact on earnings) other operating earnings should be much lower than in the preceding quarters (PLN 4.0m).

STB replacement for subscribers who have been with the Company the longest, increase in the cost of energy and in IT system servicing costs – all these factors will bring other operating expenses up, to PLN 43m. Signal transmission costs will increase as well, reaching PLN 22.5m (additional transponder, higher number of subscribers). Content licensing costs will figure to PLN 90.5m.

Media

TVN

Buy

Analyst: Piotr Grzybowski		
FY09E P/E 18.2	FY09E EV/EBITDA 11.3	Current price PLN 13.76
FY10E P/E 33.5	FY10E EV/EBITDA 11.1	Target price PLN 14.60

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	639.2	584.2	9.4%	2 102.7	1 897.3	10.8%	2 423.5	2 102.7	15.3%
EBITDA	155.4	240.1	-35.3%	610.5	711.4	-14.2%	620.2	610.5	1.6%
margin	24.3%	41.1%	-	29.0%	37.5%	-	25.6%	29.0%	-
EBIT	98.4	219.1	-55.1%	428.8	631.9	-32.1%	389.3	428.8	-9.2%
Pre-tax profit	7.8	124.1	-93.7%	287.0	447.6	-35.9%	175.9	287.0	-38.7%
Net profit	14.3	100.3	-85.7%	261.8	363.7	-28.0%	142.5	261.8	-45.6%

A quarter marked by debt rollover

TVN's fourth-quarter earnings will be hugely impacted by the rollover of its senior notes. Revenues will increase by 9.4% vs. 2008, reaching PLN 639.2m, with advertising revenue recording a ca. 11% decline. We believe that the considerable expansion of pay-TV subscriber base came at a high cost; as a result, we forecast revenues of PLN 111m in the segment (PLN 100m consolidated) and a PLN 45m EBITDA loss.

At the financing level, the Company will show considerable costs stemming from debt rollover: PLN 27m on account of the option for early redemption and PLN 30m in unamortized costs of the old bond offering. In addition, the average debt nearly doubled during the quarter, and for a period of approximately 3 weeks the Company incurred servicing costs for old and new bonds, which will add ca. PLN 85m to interest expenses. These will be partially offset by interest income on cash surpluses (ca. PLN 11m). The impact of F/X differences is difficult to estimate, as we do not know how quickly (and what proportion of) the proceeds from the bond offering were being converted into PLN, which resulted in net currency exposure. We forecast F/X gains of PLN 18.1m. Another tough-to-estimate earnings-influencing factor is the valuation of the earn-out option (over PLN 220m at the end of Q3'09). We assume that PLN 30m will be written down on this occasion.

Media

WSiP

Hold

Analyst: Piotr Grzybowski		
FY09E P/E 13.3	FY09E EV/EBITDA 8.9	Current price PLN 16.37
FY10E P/E 12.7	FY10E EV/EBITDA 8.6	Target price PLN 17.20

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	21.6	35.6	-39.3%	196.2	198.2	-1.0%	198.2	196.2	1.0%
EBITDA	-1.6	-0.7	-	41.2	50.0	-17.6%	42.7	41.2	3.6%
margin	-7.5%	-1.9%	-	21.0%	25.2%	-	21.5%	21.0%	-
EBIT	-2.9	-1.8	-	37.2	46.3	-19.7%	38.6	37.2	3.8%
Pre-tax profit	-2.4	-1.0	-	37.7	48.2	-21.8%	39.6	37.7	5.2%
Net profit	-2.4	-1.8	-	30.5	39.1	-22.1%	32.0	30.5	5.2%

Close to the Management's guidance

While we do not expect the Company's fourth-quarter earnings to allow it to reach the Management's FY2009 net profit target of PLN 30m at the parent, the discrepancy should be limited, not exceeding PLN 1m. At the consolidated level, the parent company's revenues should figure to PLN 21.6m (a ca.15% increase following an adjustment for last year's contract for the Ministry of National Education and book collections), with a gross margin at a solid 46%. SG&A expenses will decline from PLN 25.2m to 18.6m (thanks to the lack of these projects). We also expect provision reversals, typical for the fourth quarter, which will add PLN 6m to other operating activity; as a result, operating earnings will figure to -PLN 2.9m vs. -PLN 1.8m in Q4'08. Finance gains will amount to PLN +0.5m, and net loss to –PLN 2.4m.

IT

IT

AB

Buy

Analyst: Piotr Grzybowski

FY09E P/E	11.3	FY09E EV/EBITDA	11.0	**Current price**	**PLN 14.24**
FY10E P/E	9.0	FY10E EV/EBITDA	7.8	**Target price**	**PLN 15.13**

(PLN m)	2Q09/10F	2Q08/09	change	1H09/10F	1H08/09	change	2009/10F	2008/09	change
Revenue	968.0	986.4	-1.9%	1 590.1	1 620.3	-1.9%	2 726.4	2 839.7	-4.0%
EBITDA	19.3	42.3	-54.3%	28.3	55.0	-48.5%	37.6	83.0	-54.7%
margin	2.0%	4.3%	-	1.8%	3.4%	-	1.4%	2.9%	-
EBIT	17.1	41.2	-58.4%	24.0	52.5	-54.3%	31.8	76.5	-58.5%
Pre-tax profit	15.1	14.1	6.9%	22.1	19.3	14.5%	24.7	37.5	-34.1%
Net profit	11.6	9.5	21.9%	16.4	13.3	23.2%	20.0	27.0	-25.8%

A successful quarter

AB is expected to report good results for Q4 2009. Consolidated sales will be slightly lower at PLN 968.0m than in the same period a year earlier. A 12% drop in the standalone revenues of the parent company will be almost entirely offset by higher sales volumes generated by ATC. AB's Q409 gross margin is estimated at slightly over 5.1%, SG&A expenses will approximate PLN 24.7m, and other operating expenses will reach PLN 8.0m (due to high discounts granted to supermarkets). The operating profit is estimated at PLN 17.1m. After financial expenses of PLN 2.0m, and a tax of PLN 3.6m, the Q409 bottom-line profit will come in at PLN 11.6m.

IT

Action

Buy

Analyst: Piotr Grzybowski

FY09E P/E	14.7	FY09E EV/EBITDA	10.1	**Current price**	**PLN 16.65**
FY10E P/E	10.6	FY10E EV/EBITDA	7.8	**Target price**	**PLN 18.49**

(PLN m)	6Q08/09F	2Q08/09	change	2008/09F	2007/08	change	2009/10F	2008/09F	change
Revenue	410.0	657.0	-37.6%	3 136.2	2 343.4	33.8%	2 142.3	3 136.2	-31.7%
EBITDA	7.6	28.9	-73.7%	62.2	65.3	-4.8%	49.0	62.2	-21.3%
margin	1.9%	4.4%	-	2.0%	2.8%	-	2.3%	2.0%	-
EBIT	5.4	26.6	-79.8%	49.2	57.3	-14.1%	40.1	49.2	-18.6%
Pre-tax profit	4.5	23.9	-81.2%	40.3	51.1	-21.2%	33.5	40.3	-16.7%
Net profit	3.4	21.3	-83.8%	31.2	33.8	-7.6%	27.0	31.2	-13.6%

In the black in spite of divestment losses

Because the sixth quarter of Action's fiscal year 2008/2009 lasted only two months (November-December), it is not comparable with the year-ago quarter. According to our estimates, Q6 08/09 revenues amounted to PLN 410m, and the gross margin was slightly lower than in previous periods at 8.7%. SG&A expenses approximated PLN 28.3m. We predict that "other" operating income will be weighed down by a PLN 1.5m loss incurred on the divestment of Action Ukraina, and amount to PLN 2.0m. EBIT is estimated at PLN 5.4m. After net financial expenses of PLN 0.9m, a PLN 1.5m tax, and PLN 0.5m minority interests, the bottom-line profit for the sixth quarter will figure to PLN 3.4m.

ASBIS

IT

Accumulate

Analyst:	FY09E P/E	-	FY09E EV/EBITDA	13.7	**Current price**	**PLN 4.53**
Piotr Grzybowski	FY10E P/E	12.5	FY10E EV/EBITDA	5.8	**Target price**	**PLN 4.23**

(USD m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	401.0	364.1	10.1%	1 130.8	1 495.3	-24.4%	1 278.4	1 130.8	13.1%
EBITDA	6.7	-1.4	-	6.8	18.2	-62.4%	17.6	6.8	158.4%
margin	1.7%	-0.4%	-	0.6%	1.2%	-	1.4%	0.6%	-
EBIT	5.8	-2.3	-	3.7	15.3	-75.6%	14.5	3.7	288.1%
Pre-tax profit	4.6	-5.7	-	-1.8	7.1	-	9.3	-1.8	-
Net profit	4.1	-5.4	-	-1.8	4.0	-	7.5	-1.8	-

Recovery in eastern markets

In spite of good results generated in Q4 2009, Asbis is not going to achieve its FY2009 net-profit target. We expect the company's Q409 sales to show year-on-year growth for the first time since Q3 2008 thanks to a recovery observed in the key markets of Russia, Ukraine, and Slovakia. Sales are expected to reach $400m, rising more than 10% over the year-ago figure. Thanks to lower negative exchange differences (ca. $0.7m vs. $8.9m in Q408), the gross margin will approximate 5.3%. SG&A expenses are expected to decrease from $17.1m to $15.5m thanks to restructuring measures. All told, Asbis should post an operating profit of $5.8m for the fourth quarter of 2009, compared to a $2.3m operating loss reported a year earlier.

Asseco Poland

IT

Buy

Analyst:	FY09E P/E	12.5	FY09E EV/EBITDA	7.8	**Current price**	**PLN 60.00**
Piotr Grzybowski	FY10E P/E	12.7	FY10E EV/EBITDA	7.5	**Target price**	**PLN 71.90**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	903.0	867.4	4.1%	3 023.5	2 786.6	8.5%	3 193.7	3 023.5	5.6%
EBITDA	185.0	185.4	-0.2%	652.7	591.8	10.3%	681.0	652.7	4.3%
margin	20.5%	21.4%	-	21.6%	21.2%	-	21.3%	21.6%	-
EBIT	155.0	160.1	-3.2%	548.6	494.3	11.0%	573.8	548.6	4.6%
Pre-tax profit	149.0	156.5	-4.8%	545.1	493.2	10.5%	573.1	545.1	5.1%
Net profit	99.4	100.1	-0.7%	372.1	321.6	15.7%	365.5	372.1	-1.8%

Solid Q409 performance

We expect Asseco Poland to make a good 2009 fourth-quarter showing in spite of slight year-on-year EBIT and net-profit slippage which, we think, was caused by a slowdown experienced by Asseco Slovakia's subsidiary Uniquare, combined with an expiration of several contracts owned by the parent company. We expect to see an increase in revenues as a result of acquisitions, but the gross margin will decline to an estimated 35.1% from 36.5% generated in Q408. SG&A expenses will approximate PLN 114.9m, and other operating expenses will amount to PLN 5.0m. EBIT will amount to PLN 155m (down from PLN 160.1m a year earlier). After net financial expenses of PLN 6.0m, a PLN 28.6m tax charge, and PLN 21.0m minority interests, the Q409 bottom-line profit will figure to PLN 99.4m.

IT

Komputronik

Hold

Analyst: Piotr Grzybowski	FY09E P/E 46.9	FY09E EV/EBITDA 14.9	Current price	PLN 9.88
	FY10E P/E 10.8	FY10E EV/EBITDA 7.6	Target price	PLN 11.56

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	290.0	280.7	3.3%	1 025.4	758.7	35.2%	916.9	1 025.4	-10.6%
EBITDA	8.2	7.3	12.8%	10.1	15.0	-32.5%	16.2	10.1	60.2%
margin	2.8%	2.6%	-	1.0%	2.0%	-	1.8%	1.0%	-
EBIT	5.8	6.1	-5.4%	2.3	10.0	-76.6%	10.8	2.3	362.3%
Pre-tax profit	5.1	4.2	20.0%	-1.0	6.1	-	8.0	-1.0	-
Net profit	4.1	4.1	-0.6%	2.2	5.8	-63.0%	7.5	2.2	247.9%

Flat year-on-year growth

The weak Q409 standalone revenues of the parent company will be offset by stronger revenues generated by subsidiary Karen, and, as a result, Komputronik's consolidated revenues for Q4 2009 will display slow year-on-year growth of 3.3%. EBIT is expected to decrease from PLN 6.1m to PLN 5.8m, and bottom-line profit will be flat at least year's level of PLN 4.1m.

IT

Sygnity

Buy

Analyst: Piotr Grzybowski	FY09E P/E -	FY09E EV/EBITDA -	Current price	PLN 12.80
	FY10E P/E 32.5	FY10E EV/EBITDA 7.3	Target price	PLN 18.10

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	200.1	337.1	-40.6%	608.6	995.7	-38.9%	678.4	608.6	11.5%
EBITDA	18.8	38.3	-50.9%	-60.9	56.6	-	28.5	-60.9	-
margin	9.4%	11.4%	-	-10.0%	5.7%	-	4.2%	-10.0%	-
EBIT	11.5	27.8	-58.6%	-94.9	11.5	-	-2.1	-94.9	-
Pre-tax profit	9.5	24.8	-61.6%	-103.8	2.8	-	-9.8	-103.8	-
Net profit	8.5	18.6	-54.2%	-84.1	-1.5	-	-7.9	-84.1	-

In the black but far from target

We expect Sygnity's quarterly EBIT and bottom line to be in the positive territory for the first time in 2009. The company will not, however, achieve the objective of generating a PLN 20m EBIT in H2 2009 (suggesting a Q409 EBIT of PLN 24.6m).

On a revenue of PLN 200m, the Q409 gross margin is expected to narrow to 23.0% from 24.1% a year earlier due to competitive pressures. We predict that SG&A expenses will be reduced by the planned PLN 15m, from PLN 51.7m in Q408 to PLN 37.0m in Q409. We expect Sygnity to credit a PLN 3.0m reserve reversal to other operating income, and pay a tax of just PLN 1m due to the losses reported in past periods.

Metals

Kęty

Metals

Hold

Analyst: Michał Marczak

FY09E P/E	15.0	FY09E EV/EBITDA	6.5
FY10E P/E	11.0	FY10E EV/EBITDA	6.3

Current price **PLN 114.0**
Target price **PLN 115.4**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	265.8	270.7	-1.8%	1 080.0	1 183.5	-8.7%	1 171.8	1 080.0	8.5%
EBITDA	37.1	41.6	-11.0%	189.2	190.2	-0.5%	185.1	189.2	-2.2%
margin	14.0%	15.4%	-	17.5%	16.1%	-	15.8%	17.5%	-
EBIT	22.7	25.6	-11.5%	127.0	128.3	-1.0%	123.0	127.0	-3.1%
Pre-tax profit	13.3	-3.7	-	86.0	74.0	16.3%	102.6	86.0	19.3%
Net profit	14.2	2.6	449.3%	70.0	63.4	10.5%	82.9	70.0	18.4%

Kęty raises Q409 guidance

Kęty's Management expects to see 4Q09 sales reach PLN 265m, with net profit at PLN 4m. The company saw a 100% year-on-year surge in sales of construction services in the quarter, a 7% increase in sales of flexible packaging, and a ca. 10% drop in sales generated by other business segments. The fourth-quarter EBIT is estimated at PLN 22m, and financial operations are expected to generate a PLN 4m loss. Thanks to stronger-than-expected fourth-quarter sales, the FY2009 full-year sales estimate was revised upwards to PLN 1090m from PLN 1075m forecasted in October and PLN 1046m predicted at the beginning of last year, and the October EBIT estimate was raised to PLN 126.4m from PLN 124m.

Our 2009 fourth-quarter financial estimates for Kęty are in line with the Management's guidance.

KGHM

Metals

Reduce

Analyst: Michał Marczak

FY09E P/E	8.8	FY09E EV/EBITDA	5.8
FY10E P/E	8.5	FY10E EV/EBITDA	5.9

Current price **PLN 97.0**
Target price **PLN 90.4**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	2 082.2	2 835.1	-26.6%	10 600.3	11 302.9	-6.2%	10 939.4	10 600.3	3.2%
EBITDA	894.5	323.8	176.3%	3 203.6	4 077.7	-21.4%	3 084.2	3 203.6	-3.7%
margin	43.0%	11.4%	-	30.2%	36.1%	-	28.2%	30.2%	-
EBIT	717.2	323.8	121.5%	2 663.8	3 596.4	-25.9%	2 540.8	2 663.8	-4.6%
Pre-tax profit	512.8	340.1	50.8%	2 651.3	3 553.6	-25.4%	2 790.8	2 651.3	5.3%
Net profit	428.6	254.5	68.4%	2 184.4	2 910.4	-24.9%	2 270.1	2 184.4	3.9%

A solid quarter

Copper prices averaged $6677/T in Q409 after surging 14% from the preceding quarter. After factoring in a 3.6% appreciation of the zloty against the US dollar, the zloty price average in the period was 9.9% higher than in Q309. The quarter-on-quarter rally in silver prices was 19.25% in dollars and 14.9% in zlotys. In our opinion, KGHM will fail to deliver our forecasted sales of 126KT of silver and 235KT of copper in 2009, but it will liquidate the unsold inventory in 2010. Our estimate of the Q409 per-ton cost of copper is PLN 12,560, which is 1% more than in Q309 and 14% more than in Q4 2008. The marginal quarter-on-quarter increase in unit costs was achieved in spite of seasonally high expenses (including on employee bonuses and contractor payments), and thanks to rallying prices of silver (which offset the costs of copper). We expect to see a PLN 200m allowance for subsidiary restructuring weighing on Q409 profits on the one hand, and a PLN 110m credit to pre-tax profit resulting from an advance dividend payment by Polkomtel on the other hand.

Construction

Construction

Budimex

Accumulate

Analyst: Maciej Stokłosa

FY09E P/E	10.9	FY09E EV/EBITDA	8.5	**Current price**	**PLN 72.0**
FY10E P/E	9.8	FY10E EV/EBITDA	7.4	**Target price**	**PLN 82.5**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	782.0	895.8	-12.7%	3 286.0	3 350.0	-1.9%	4 105.8	3 286.0	24.9%
EBITDA	63.2	33.0	91.6%	229.4	134.2	71.0%	262.9	229.4	14.6%
margin	8.1%	3.7%	-	7.0%	4.0%	-	6.4%	7.0%	-
EBIT	58.1	25.4	128.9%	208.3	112.2	85.7%	240.7	208.3	15.6%
Pre-tax profit	61.1	41.6	46.7%	221.8	139.5	59.0%	232.7	221.8	4.9%
Net profit	48.9	31.6	54.4%	174.7	104.7	66.8%	188.4	174.7	7.9%

Solid Q409 profits on weak revenues

We expect Budimex to report a 14% quarter-on-quarter drop in revenues because of delays in construction projects. Construction services will contribute PLN 700m to consolidated Q409 revenues, real-estate development will generate PLN 50m, and other services will bring in PLN 32m. The overall gross margin for the quarter is estimated at 12.4% (construction: 11.6%, real-estate: 26%, other services: 7.8%). SG&A expenses will approximate PLN 47m (an increase from PLN 35m in Q308 fueled by employee bonuses), and other net operating expenses will amount to ca. PLN 1.5m. Profits will be boosted by valuation gains on derivative instruments (PLN 10.2m). About PLN 5m will charged to negative exchange differences. After other net financial income of PLN 3m, the Q409 bottom-line profit will come in at PLN 48.9m.

Net profit after adjustment for F/X gains figures to PLN 44.8m, and decreases further to PLN 39.6m after adjustment for the recently acquired 50% interests in Budimex Nieruchomości. Budimex plans to present its financial results for 2009 as if it had consolidated 100% of Budimex Nieruchomości's earnings throughout the entire year. Full-year consolidation would have boosted the profit for the nine months ended 30 September 2009 from PLN 119.2m to PLN 125.8m.

Construction

Centrum Klima

Buy

Analyst: Maciej Stokłosa

FY09E P/E	15.6	FY09E EV/EBITDA	7.9	**Current price**	**PLN 12.19**
FY10E P/E	13.0	FY10E EV/EBITDA	8.5	**Target price**	**PLN 15.10**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	18.16	18.62	-2.5%	72.13	75.86	-4.9%	75.53	72.13	4.7%
EBITDA	2.29	2.65	-13.4%	9.92	11.16	-11.1%	11.05	9.92	11.4%
margin	12.6%	14.2%	-	13.8%	14.7%	-	14.6%	13.8%	-
EBIT	1.89	2.31	-18.4%	8.32	10.13	-17.8%	8.99	8.32	8.0%
Pre-tax profit	1.94	1.58	23.5%	8.30	9.18	-9.6%	9.86	8.30	18.8%
Net profit	1.58	1.27	23.6%	6.67	7.62	-12.5%	7.98	6.67	19.8%

Short of guidance

Centrum Klima's Q409 revenues will display a seasonal quarter-on-quarter decline from PLN 18.7m to PLN 18.16m. The revenue of the production business will approximate PLN 4.53m, and revenue from distribution will amount to PLN 13.63m. All in all, Q409 sales will miss the company's target because of delayed hikes in product prices. By business segment, the gross margin on production will amount to 30% (vs. 27% in Q309), and the margin on distribution will be flat at the Q309 level of 25.8%. Gross profit will come in at PLN 4.88m (overall gross margin at 26.3%).

SG&A expenses of PLN 2.99m will be ca. PLN 0.37m higher than in Q309 due to capacity expansions and new employees (going forward, SG&A expenses will decline, moreover, the new workforce will generate additional revenues for the production business). The balance of total other operating income and expenses is expected to be a small loss of PLN 0.06m. EBIT will reach an estimated PLN 1.89m after an 18% year-on-year decrease, while bottom-line profit will be 24% higher than in Q408 (when Centrum Klima incurred financial expenses as high as PLN 0.735m).

Summing up, Centrum Klima's FY2009 results will fall slightly short of the targets set in the prospectus (EBITDA at PLN 10.4m, net profit at PLN 7m), but the quality of the core earnings remains intact.

Construction

Elektrobudowa

Hold

Analyst:
Maciej Stokłosa

FY09E P/E 15.9 FY09E EV/EBITDA 9.5 **Current price** **PLN 169.2**
FY10E P/E 15.0 FY10E EV/EBITDA 9.2 **Target price** **PLN 169.3**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	214.7	228.4	-6.0%	692.9	811.0	-14.6%	683.5	692.9	-1.4%
EBITDA	20.6	17.8	16.1%	73.7	79.1	-6.8%	67.0	73.7	-9.1%
margin	9.6%	7.8%	-	10.6%	9.8%	-	9.8%	10.6%	-
EBIT	18.0	15.5	16.2%	63.7	71.3	-10.7%	55.5	63.7	-12.8%
Pre-tax profit	19.6	15.8	24.2%	67.3	74.5	-9.6%	63.3	67.3	-6.1%
Net profit	17.0	13.0	31.1%	53.4	60.3	-11.4%	51.2	53.4	-4.0%

Solid finish of 2009 earnings season

We expect Elektrobudowa's Q409 revenues to be 23.5% higher than in Q3 2009 and 6% lower than in Q4 2008. Freezing temperatures and heavy snowfall observed since mid-December did not have a big impact on the period's results. The gross margin will tighten to 10.2% from 11.6% in Q309 and 15.9% in Q209 due to contracts that yielded lower profits but higher revenues. SG&A expenses are expected to increase to PLN 6.1m from PLN 4.4m in the preceding quarter on the back of employee bonuses. We estimate that other operating income will approximate PLN 2.2m, among others thanks to reversals of provisions for accounts receivable.

Q409 EBIT is estimated at PLN 18m, financial income will be PLN 0.9m, and minority interests will be positive at PLN 0.75m. After all this, the bottom-line profit should figure to PLN 17m (PLN 15m before allowance reversals). In spite of strong Q4 2009 results, we are not planning major upward revisions to our FY2010 forecasts for Elektrobudowa.

Construction

Erbud

Accumulate

Analyst:
Maciej Stokłosa

FY09E P/E 15.2 FY09E EV/EBITDA 9.0 **Current price** **PLN 52.50**
FY10E P/E 14.6 FY10E EV/EBITDA 10.1 **Target price** **PLN 53.45**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	249.9	276.6	-9.7%	917.5	1 046.1	-12.3%	1 181.0	917.5	28.7%
EBITDA	12.7	18.1	-29.7%	66.2	67.1	-1.3%	61.0	66.2	-7.9%
margin	5.1%	6.6%	-	7.2%	6.4%	-	5.2%	7.2%	-
EBIT	10.8	16.0	-32.3%	58.6	60.8	-3.6%	54.5	58.6	-7.0%
Pre-tax profit	10.8	-30.5	-	55.1	14.3	285.2%	56.9	55.1	3.3%
Net profit	8.8	-26.7	-	43.3	9.3	366.2%	45.3	43.3	4.7%

Bonuses weigh on Q409 profits

We expect Erbud's Q409 revenues to be lower than in Q309 and higher than in Q209. We predict the following business-segment contributions to the total revenues for the period: PLN 157m from Building Construction, PLN 42.8m from Exports, PLN 30m from Road Construction, PLN 20m from Real-Estate Development. The consolidated gross margin will remain flat at the Q309 level of 10.2% (gross margin by segment: Building Construction 10%, Exports 9.5%, Road Construction 8.8%, Real-Estate 15%). SG&A expenses are expected to increase by PLN 1.1m to PLN 14m, driven by employee bonuses (note that the SG&A estimates have a big margin for error), and other operating expenses will amount to PLN 0.5m. All told, the Q409 bottom-line profit will be an estimated PLN 8.8m.

Construction

Mostostal Warszawa

Buy

Analyst:	FY09E P/E	12.4	FY09E EV/EBITDA	5.6	**Current price**	**PLN 62.4**
Maciej Stokłosa	FY10E P/E	12.1	FY10E EV/EBITDA	6.7	**Target price**	**PLN 79.6**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	724.0	636.6	13.7%	2 668.1	2 154.2	23.9%	2 775.3	2 668.1	4.0%
EBITDA	41.1	34.6	18.9%	201.2	136.3	47.6%	160.8	201.2	-20.1%
margin	5.7%	5.4%	-	7.5%	6.3%	-	5.8%	7.5%	-
EBIT	34.1	27.9	22.1%	173.7	113.4	53.2%	136.7	173.7	-21.3%
Pre-tax profit	34.7	14.8	134.8%	150.8	113.1	33.3%	147.2	150.8	-2.4%
Net profit	24.1	4.7	412.3%	100.7	72.6	38.6%	102.1	100.7	1.4%

Lost contract without impact on FY2009 profits

We expect Mostostal Warszawa's (MSW) revenues to increase by 13.7% in Q4 2009, and by an aggregate 23.9% in FY2009. On a standalone basis, the parent is expected to generate sales of PLN 500m, Mostostal Płock will contribute PLN 45m, Remak will bring in PLN 54m, and others will make PLN 125m. The consolidated gross margin will amount to 10% (MSW: 10%, Mostostal Płock: 13.5%, Remak: 7.6%, other: 9.5%). SG&A expenses will total PLN 28.9m after a PLN 7.2m increase from Q309 caused by employee bonuses.

Following the loss of a contract for construction of a soccer stadium in Wrocław, MSW is expected to book a PLN 9m additional allowance for the resulting losses, adding to an already existing provision of an estimated PLN 33m, and reclassify PLN 36m of the resulting total from COGS to other operating expenses.

We expect MSW's 2009 fourth-quarter EBIT to reach PLN 34.1m. After a financial income of PLN 0.6m and positive minority interests of PLN 4m, the bottom-line profit will come in at PLN 24.1m. Without taking into account the lost contract charges, the Q409 profit figures to PLN 31.4m. We want to stress that our estimates of the stadium contract charges have a big margin for error.

Construction

PBG

Hold

Analyst:	FY09E P/E	15.0	FY09E EV/EBITDA	11.4	**Current price**	**PLN 212.9**
Maciej Stokłosa	FY10E P/E	14.2	FY10E EV/EBITDA	9.7	**Target price**	**PLN 212.0**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	1082.0	720.3	50.2%	2 733.1	2 089.3	30.8%	3 527.3	2 733.1	29.1%
EBITDA	137.2	96.5	42.2%	341.2	270.6	26.1%	359.9	341.2	5.5%
margin	12.7%	13.4%	-	12.5%	12.9%	-	10.2%	12.5%	-
EBIT	124.9	80.8	54.6%	293.5	223.4	31.4%	314.6	293.5	7.2%
Pre-tax profit	119.4	90.6	31.7%	266.9	213.5	25.0%	290.5	266.9	8.8%
Net profit	82.4	73.5	12.0%	191.5	158.0	21.2%	213.6	191.5	11.6%

Q4 2009 results will be in line

In line with typical seasonal patterns, PBG is going to report the strongest quarterly revenue of 2009 in the fourth quarter after a 54% surge from Q309. A gross margin of 14.7% will be similar to the Q209 figure (14.5%), higher than the Q309 figure (12.9%), and lower than the Q109 figure (17.3%). SG&A expenses will increase by PLN 7m from Q309 due to employee bonuses, reaching PLN 30m. PBG is expected to report other operating expenses of PLN 4.3m (being a result of a PLN 4.7m gain on property revaluation and a PLN 11m write-off of disputed claims of subsidiary Hydrobudowa). EBIT is expected to be close to PLN 125m (EBIT margin at 11.5%).
After net financial expenses of PLN 5.5m and minority interests of PLN 14.3m, the net profit for Q409 will approximate PLN 82.4m.

Our Q4 2009 estimates for PBG's publicly-traded subsidiary Hydrobudowa are PLN 548m in revenues, a gross margin of 9% (vs. 8.6% in Q309 and 9.8% in Q209), SG&A expenses of PLN 12.3m, and net other operating expenses of PLN 7.75m. EBIT is expected to come in at PLN 29.2m, other financial expenses will amount to PLN 2m, and net profit will reach PLN 28.6m. All in all, Hydrobudowa's fourth-quarter results could slightly exceed analysts' expectations.

Construction

Polimex Mostostal

Accumulate

Analyst:	FY09E P/E	13.1	FY09E EV/EBITDA	7.6	**Current price**	**PLN 4.35**
Maciej Stokłosa	FY10E P/E	13.9	FY10E EV/EBITDA	8.1	**Target price**	**PLN 4.50**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	1 350.0	1 234.0	9.4%	4 666.7	4 301.7	8.5%	4 764.9	4 666.7	2.1%
EBITDA	95.1	68.0	39.9%	352.0	298.5	17.9%	314.9	352.0	-10.6%
margin	7.0%	5.5%	-	7.5%	6.9%	-	6.6%	7.5%	-
EBIT	75.3	48.5	55.3%	270.8	228.1	18.7%	213.6	270.8	-21.1%
Pre-tax profit	64.5	24.7	161.1%	222.7	158.9	40.2%	171.3	222.7	-23.1%
Net profit	49.1	29.8	64.6%	155.0	120.1	29.1%	145.1	155.0	-6.4%

Strong Q409 earnings

We expect Polimex's Q409 revenues to amount to PLN 1.35bn after a seasonal 9.4% increase from Q408 and a 7.3% increase from Q309. The gross margin will decline to 9.4% from 9.9% in Q309 because of higher contributions from low-yielding contracts (roads, railroads). SG&A expenses are expected to increase to PLN 62.1m from PLN 57.7m. An other operating income of PLN 10.5m will include a gain of an estimated PLN 11m from the sale of Hotel Warszawa.

After net financial expenses of PLN 12m, minority interests of PLN 1.2m, and an effective tax rate of 17%, Q409 net profit will figure to PLN 49.1m (the full-year profit is estimated at PLN 155m).

After adjustment for the proceeds from the sale of Hotel Warszawa, Polimex's EBIT for the fourth quarter is PLN 64.3m, and the bottom-line profit decreases to PLN 40.7m, which is still the best quarterly result of FY2009.

Construction

Rafako

Buy

Analyst:	FY09E P/E	22.5	FY09E EV/EBITDA	7.9	**Current price**	**PLN 11.19**
Maciej Stokłosa	FY10E P/E	14.0	FY10E EV/EBITDA	6.2	**Target price**	**PLN 11.60**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	297.4	305.7	-2.7%	996.5	1 125.6	-11.5%	1 310.2	996.5	31.5%
EBITDA	15.5	36.4	-57.4%	71.4	76.1	-6.2%	84.4	71.4	18.2%
margin	5.2%	11.9%	-	7.2%	6.8%	-	6.4%	7.2%	-
EBIT	11.7	32.2	-63.7%	56.9	60.8	-6.4%	68.2	56.9	19.9%
Pre-tax profit	15.2	28.6	-47.0%	48.2	48.9	-1.3%	71.9	48.2	49.2%
Net profit	11.8	-22.6	-	32.8	-11.6	-	55.8	32.8	70.0%

Unpredictable allowances create big margin for error

After a shift in momentum, Rafako is expected to report the highest quarterly revenues of the year in Q4 2009 (an increase to PLN 297.4m from PLN 217.8m in Q309 and PLN 271.6m in Q209). The gross margin will be an estimated 9.2% (vs. 9% in Q309 after adjustment for net reversals), calculated without taking into account possible recognitions and reversals of contract allowances. SG&A expenses will approximate PLN 15.4m (up from PLN 14.6m in Q309), and other net operating expenses will amount to PLN 0.3m.

After a net financial income of PLN 3.5m (including an estimated PLN 2.2m gain from derivatives value adjustments and negative exchange differences), the Q409 net profit will come in at PLN 11.8m (or PLN 10.1m after adjustment for F/X effects).

Again, one-time gains and charges create a big margin for error in our estimates.

Construction	Trakcja Polska			Hold
Analyst: Maciej Stokłosa	FY09E P/E 9.9	FY09E EV/EBITDA 5.7	Current price	PLN 4.07
	FY10E P/E 16.3	FY10E EV/EBITDA 8.7	Target price	PLN 4.20

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	187.9	246.6	-23.8%	712.7	794.6	-10.3%	753.0	712.7	5.7%
EBITDA	18.5	8.5	117.9%	83.7	60.9	37.5%	51.2	83.7	-38.9%
margin	9.9%	3.5%	-	11.8%	7.7%	-	6.8%	11.8%	-
EBIT	15.9	6.4	148.4%	73.7	53.0	39.1%	40.7	73.7	-44.8%
Pre-tax profit	16.5	17.9	-7.8%	83.2	68.0	22.3%	49.4	83.2	-40.6%
Net profit	13.4	13.5	-1.2%	66.1	54.7	20.8%	40.0	66.1	-39.5%

A solid showing
Contrary to typical seasonal patterns, Trakcja Polska (TRK) is expected to report a 3% quarter-on-quarter decline in Q409 revenue, caused by a smaller order portfolio. The gross margin will be strong at 12.8% (11.5% after adjustment for the effects of EUR/PLN exchange rate trends on revenues). SG&A expenses are estimated at PLN 7.8m, marking an increase from PLN 6.5m recorded in Q309 due to employee bonuses.

After other net operating expenses of PLN 0.3m, and other net financial income of PLN 0.6m, the Q409 bottom line will amount to PLN 13.4m (PLN 11.7m after adjustment for the effects of derivatives revaluation), and will be flat on a year-on-year basis and much lower than the profits reported in preceding quarters because of lower gains generated from derivatives revaluation. All in all, the Q409 earnings figures will be in line with the company's guidance.

Construction	Ulma Construccion			Hold
Analyst: Maciej Stokłosa	FY09E P/E -	FY09E EV/EBITDA 9.3	Current price	PLN 87.95
	FY10E P/E 18.5	FY10E EV/EBITDA 5.5	Target price	PLN 82.20

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	49.0	53.5	-8.4%	174.7	241.5	-27.6%	221.4	174.7	26.7%
EBITDA	24.0	21.1	13.6%	73.6	103.4	-28.8%	112.6	73.6	52.9%
margin	48.9%	39.5%	-	42.1%	42.8%	-	50.9%	42.1%	-
EBIT	4.2	4.4	-5.3%	4.1	40.9	-90.0%	43.4	4.1	959.0%
Pre-tax profit	1.3	1.0	30.1%	-6.2	30.5	-	30.8	-6.2	-
net profit	1.3	1.4	-2.9%	-5.0	25.9	-	24.9	-5.0	-

Short of expectations due to high D&A expenses
W expect Ulma to report a strong, 17% quarter-on-quarter increase in Q409 revenues, achieved thanks to new orders. We raised our forecast of fourth-quarter COGS to account for an expected PLN 3m q/q increase in amortization and depreciation expenses stemming from new formwork purchases which, on the plus side, boosted the company's potential to satisfy customer needs. The gross profit is estimated at PLN 8.1m, SG&A expenses will approximate PLN 3.75m, and other operating expenses will be PLN 0.2m, making for an EBIT of an estimated PLN 4.2m.
After net financial expenses of PLN 2.9m, a negative tax rate of 6% (resulting from considerable losses reported in preceding quarters and a low deferred tax), the Q409 bottom-line profit will be almost equal to the pre-tax profit.

Summing up, the improvement in financial performance that Ulma experienced in Q4 2009 was offset by increased depreciation expenses. Going forward, we expect the company to continue improving its quarterly profits after a slowdown in Q1 2010 caused by adverse weather conditions.

Construction

Unibep

Buy

Analyst: Maciej Stokłosa	FY09E P/E 11.3	FY09E EV/EBITDA 7.4	**Current price** **PLN 6.1**
	FY10E P/E 13.5	FY10E EV/EBITDA 8.0	**Target price** **PLN 6.6**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	161.3	101.8	58.5%	395.6	503.9	-21.5%	593.5	395.6	50.0%
EBITDA	-14.7	6.0	-	28.6	33.4	-14.5%	25.1	28.6	-12.2%
margin	-9.1%	5.9%	-	7.2%	6.6%	-	4.2%	7.2%	-
EBIT	9.4	5.5	69.9%	24.1	31.8	-24.2%	20.1	24.1	-16.6%
Pre-tax profit	9.0	9.1	-0.3%	23.5	36.4	-35.6%	19.0	23.5	-18.9%
Net profit	7.3	7.0	5.1%	18.3	27.6	-33.7%	15.4	18.3	-16.2%

By far the best quarterly results

Unibep's 2009 fourth-quarter results were strengthened by revenues generated from recently acquired contracts. By business segment, we expect the company to generate PLN 90m from domestic general construction, PLN 15m from road construction, PLN 5m from exports, PLN 45m from real-estate development, and PLN 6.3m from other operations. The consolidated gross margin is expected to reach 9.2% (domestic construction: 7.7%, roads: 7.8%, exports: 3%, real estate: 16%, other: -5%). SG&A expenses of PLN 5.3m will be 20% higher than in the same period a year ago because of employee bonuses.

After other net operating expenses of PLN 0.25m and other net financial expenses of PLN 0.36m (including PLN 0.25m negative exchange differences), the Q4 2009 net profit will amount to PLN 7.3m – a result comparable to the Q4 2008 figure, and much better than the PLN 4m-max profits reported in the preceding quarters of 2009.

Real-Estate Developers

Real-Estate Developers

Analyst: Maciej Stokłosa

Dom Development

Accumulate

FY09E P/E	12.8	FY09E EV/EBITDA	11.6	**Current price**	**PLN 40.75**
FY10E P/E	36.6	FY10E EV/EBITDA	29.6	**Target price**	**PLN 50.10**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	156.1	92.2	69.2%	670.8	698.2	-3.9%	497.3	670.8	-25.9%
EBITDA	14.9	5.5	169.6%	110.0	168.1	-34.5%	39.7	110.0	-63.9%
margin	9.5%	6.0%	-	16.4%	24.1%	-	8.0%	16.4%	-
EBIT	14.3	5.0	187.8%	107.6	165.7	-35.0%	37.3	107.6	-65.4%
Pre-tax profit	11.9	5.1	133.6%	98.1	173.0	-43.3%	33.7	98.1	-65.6%
Net profit	9.7	2.5	291.8%	78.4	136.9	-42.7%	27.3	78.4	-65.2%

DOM to net PLN 10m on 374 homes

We expect that DOM will exceed its 1500 home sales target set for 2009 by 39 units, and report better-than-expected profits for Q4 2009. 91% of the dwellings delivered in the period are in the company's development in Warsaw's Białołęka district ("Osiedle Klasyków"), and they are expected to generate a modest gross margin of 20.5%. The gross profits for the fourth quarter should be better than in the third quarter thanks to a small number of single-family house deliveries. The biggest contributions to Q409 sales and profits came from the following projects: "Regaty 1" (66 units), "Róża Wiatrów" (70 units), "Akacje 11" (58 units), "Derby 11" (110 units), as well as the first deliveries in the "Grzybowska" development (14 units).

We expect DOM's Q409 SG&A expenses to be PLN 1.25m higher than in Q309 at PLN 16.75m because of new projects launched in the period. The company will report an other operating income of ca. PLN 1m, and other finance expenses of PLN 2.3m, making for a bottom-line profit of nearly PLN 10m (an improvement from Q309).

We want to stress again that, when considering an investment in the Polish real-estate sector, investors should focus on the earnings potential of the projects scheduled for a launch in 2010, rather than the financial results that the developers will be reporting for 2009 and 2010.

Real-Estate Developers

Analyst: Maciej Stokłosa

J.W. Construction

Buy

FY09E P/E	6.7	FY09E EV/EBITDA	5.9	**Current price**	**PLN 11.82**
FY10E P/E	2.6	FY10E EV/EBITDA	1.8	**Target price**	**PLN 14.00**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	175.4	195.5	-10.3%	666.4	721.4	-7.6%	1 029.9	666.4	54.5%
EBITDA	39.6	49.8	-20.5%	151.3	158.5	-4.6%	315.5	151.3	108.5%
margin	22.6%	25.5%	-	22.7%	22.0%	-	30.6%	22.7%	-
EBIT	36.1	46.1	-21.6%	136.9	141.1	-3.0%	294.5	136.9	115.1%
Pre-tax profit	32.5	43.7	-25.7%	116.4	125.3	-7.1%	305.3	116.4	162.2%
Net profit	26.3	36.3	-27.4%	95.7	100.9	-5.2%	247.3	95.7	158.4%

Delayed home deliveries affected Q409 profits

After selling 1737 instead of a planned 2000 homes in 2009, JWC will not meet our PLN 846.6m revenue estimate for the year. 487 dwellings delivered in Q409 will make for a quarterly revenue of PLN 167.8m. The biggest contributions to Q409 sales and profits came from the following projects: "Rezydencja Quarto" (Warsaw, 170 units), "Górczewska Park" (Warsaw, 90 units), "Lazurowa" (Warsaw, 90 units), "Osiedle Centrum" (Łódź, 20 units), "Osada Wiślana" (Warsaw, 105 units), "Osiedle Uroczysko" (Katowice, 10 units), and "Osiedle Leśne" (Gdynia, 10 units). We expect the real-estate business to generate a gross profit of PLN 45.5m (gross margin at 27.1%). Hotels and social housing will contribute PLN 7.6m to overall revenues.
The fourth-quarter SG&A expenses will amount to PLN 10.5m (vs. PLN 10.0m in Q309). JWC is expected to book other operating income of PLN 0.5m, and other financial expenses of PLN 3.6m. All told, the Q409 profit will come in at PLN 26.3m, adding to a full-year profit of an estimated PLN 95.7m.
Note that the revisions made in our 2009 forecasts for JWC are an affect of a lower-than-predicted number of homes sold during the year. If the company sold 353 instead of just 90 dwellings in the "Górczewska Park" project in Q4 2009, and delivered a total 2000 units in the year, the FY2009 bottom-line figure would be PLN 119.6m instead of an estimated PLN 95.7m. We want to stress again that, when considering an investment in the Polish real-estate sector, investors should focus on the earnings potential of the projects scheduled for a launch in 2010, rather than the financial results that the developers will be reporting for 2009 and 2010.

Real-Estate Developers

Polnord

Buy

Analyst:
Maciej Stokłosa

FY09E P/E	12.2	FY09E EV/EBITDA	12.8	**Current price**	**PLN 32.96**
FY10E P/E	188.8	FY10E EV/EBITDA	30.9	**Target price**	**PLN 46.80**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	37.3	72.8	-48.8%	207.5	391.1	-46.9%	349.4	207.5	68.4%
EBITDA	44.9	17.3	159.2%	96.1	108.7	-11.5%	32.6	96.1	-66.1%
margin	120.5%	23.8%	-	46.3%	27.8%	-	9.3%	46.3%	-
EBIT	44.4	16.8	163.9%	94.1	106.7	-11.8%	30.6	94.1	-67.5%
Pre-tax profit	33.8	7.7	337.5%	76.1	100.2	-24.1%	4.8	76.1	-93.7%
Net profit	27.4	5.5	394.2%	59.6	77.8	-23.4%	3.9	59.6	-93.5%

71 home deliveries, big revaluation gains

We estimate based on Polnord’s interests in different joint housing ventures that the company delivered 71 homes in Q4 2009. The biggest contributions to the quarter’s revenues and profits came from the following projects: "Ostoja Wilanów” (Warsaw, 30 units), “Osiedle Tęczowy Las” (Olsztyn, 15 units), and “Kryształ Wilanowa” (Warsaw, 15 units). An impressive, 27.4% gross margin for the quarter will be owed, among others, to the first deliveries in the “Kryształ Wilanowa” development, where home prices have since been reduced. SG&A expenses are expected to increase to PLN 13.3m from PLN 11.6m in Q309 as a result of non-deductible VAT (PLN 0.5m), resumed sponsorship of the Arka Gdynia football club (PLN 0.5m), and new real-estate projects. All in all, we expect Polnord’s housing business to generate a PLN 3m EBIT loss (excl. revaluations) in Q409.

Polnord will book an other net operating income of PLN 4.5m (an effect of an advance payment recovered by Fadesa), and a PLN 43m gain on property revaluations (of which over PLN 30m was generated on reclassification of a land site in Dopiewiec as investment property) in Q4 2009. Net financial expenses will amount to PLN 10.6m (a PLN 8.5m derivatives loss incurred by Fadesa). All told, the Q4 2009 bottom-line profit will be in line with the company’s target of PLN 60m.

We want to stress again that, when considering an investment in the Polish real-estate sector, investors should focus on the earnings potential of the projects scheduled for a launch in 2010, rather than the financial results that the developers will be reporting for 2009 and 2010.

Retail

Emperia Holding

Retail — **Hold**

Analyst:	FY09E P/E	18.0	FY09E EV/EBITDA	9.0	**Current price** **PLN 85.0**
Kamil Kliszcz	FY10E P/E	12.6	FY10E EV/EBITDA	7.2	**Target price** **PLN 70.3**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenues	1 420.8	1 302.9	9.0%	5 520.7	5 257.1	5.0%	6 046.3	5 520.7	9.5%
EBITDA	43.1	40.7	5.8%	176.7	148.9	18.6%	220.5	176.7	24.8%
margin	3.0%	3.1%	-	3.2%	2.8%	-	3.6%	3.2%	-
EBIT	26.7	21.9	21.6%	113.1	96.0	17.8%	142.2	113.1	25.7%
Pre-tax profit	23.0	17.0	35.6%	92.6	80.4	15.1%	126.4	92.6	36.5%
Net profit	19.1	19.0	0.7%	71.3	59.0	20.9%	102.4	71.3	43.5%

Flat Y/Y growth

Emperia generated a 2009 fourth-quarter profit on a level with the figure reported in Q408, on a 9% higher revenue. The company generated stronger sales in the period mainly thanks to an expanded retail chain, but also thanks to customer acquisitions by new distribution centers. As a result of cost cuts and as new stores broke even, the profitability of both the retail and the wholesale business should display year-on-year improvement. However, the consolidated EBITDA will probably be lower than the Q408 figure which was boosted by a PLN 3m gain from “other” operations. We do not expect Emperia to report any one-time financial income or expenses. Note that, back in Q4 2008, Emperia recognized a PLN 2m tax asset which boosted the bottom-line profit, while the Q4 2009 pre-tax income will be subject to a levy calculated at close to the nominal rate.

Eurocash

Retail — **Hold**

Analyst:	FY09E P/E	22.2	FY09E EV/EBITDA	11.5	**Current price** **PLN 16.77**
Kamil Kliszcz	FY10E P/E	18.7	FY10E EV/EBITDA	10.3	**Target price** **PLN 9.90**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenues	1 704.1	1 595.4	6.8%	6 754.1	6 129.7	10.2%	7 877.6	6 754.1	16.6%
EBITDA	61.0	53.2	14.8%	183.3	158.5	15.7%	205.5	183.3	12.1%
margin	3.6%	3.3%	-	2.7%	2.6%	-	2.6%	2.7%	-
EBIT	48.6	41.3	17.9%	134.6	115.5	16.5%	142.1	134.6	5.6%
Pre-tax profit	40.8	31.7	28.8%	123.4	94.7	30.3%	145.1	123.4	17.6%
net profit	33.1	27.2	11.6%	98.6	78.5	22.2%	117.2	95.9	22.2%

Seasonal margin expansion

Eurocash is expected to report year-on-year sales growth of 7% in Q409, similar to the increase recorded in the quarter before. The fast-paced, 20% growth of the “Delikatesy Centrum” grocery store franchise will be partly offset by weaker tobacco sales generated by KDWT and McLane. On the upside, reduced cigarette sales are expected to contribute to higher margins and a freeing of working capital (before, funds were frozen because of unfavorable payment arrangements with suppliers). Fourth-quarter profitability will also be seasonally higher thanks to supplier bonus settlements. As a result, EBITDA will reach PLN 61m in Q4 2009 and exceed PLN 183m for the year. We expect Eurocash to book PLN 8m interest expenses incurred on accounts payable with over-30-day payment periods. All told, we expect the 2009 fourth-quarter bottom-line profit to be about 11.6% higher than in the same period a year earlier.

Others

Paper

Mondi

Hold

Analyst: Michał Marczak

FY09E P/E 57.1
FY10E P/E 16.6

FY09E EV/EBITDA 20.6
FY10E EV/EBITDA 8.7

Current price **PLN 73.0**
Target price **PLN 56.0**

(PLN m)	4Q2009F	4Q2008	change	2009F	2008	change	2010F	2009F	change
Revenues	402.8	358.8	12.3%	1 337.6	1 406.3	-4.9%	1 804.0	1 337.6	34.9%
EBITDA	88.2	87.6	0.7%	211.5	305.5	-30.8%	488.8	211.5	131.1%
margin	21.9%	24.4%	-	15.8%	21.7%	-	27.1%	15.8%	-
EBIT	46.8	59.6	-21.5%	91.5	194.7	-53.0%	295.2	91.5	222.5%
Pre-tax profit	38.2	33.3	14.8%	69.4	174.7	-60.3%	262.2	69.4	278.1%
net profit	31.1	27.1	14.8%	63.9	141.2	-54.7%	220.4	63.9	244.7%

First full quarter of new machine

The fourth quarter of 2009 saw a 4.7% increase in the average zloty price of kraftliner, a 16.3% appreciation in testliner, and a 19.5% surge in the prices of fluting. Mondi is reporting that the output of its new paper machine is increasing at a faster-than-expected rate, hence, we predict that the Q4 2009 sales volumes will be 45% higher than in Q4 2008. The actual unit costs of the paper produced by the new machine will vary from earlier predictions (EUR 150/T) due to higher prices of recycled paper and the zloty's strengthening versus the euro (the original unit-cost estimate was based on an exchange rate of 4.6). The launch of the new machine is expected to have caused a sharp increase in amortization and depreciation expenses and in the costs of its financing, with implications for the Q4 2009 profit.

Company Earnings Calendar

Company	Q409 Announcement	Standalone FY2009 Report	Consolidated FY2009 Report
AB	03.03.10*		17.05.10**
ACTION	02.03.10	30.06.10	31.08.10
AGORA	23.02.10	12.04.10	12.04.10
ASBIS	24.02.10	30.03.10	30.03.10
ASSECO POLAND		19.03.10	19.03.10
BUDIMEX	24.02.10	22.03.10	22.03.10
BZWBK		02.03.10	02.03.10
CENTRUM KLIMA		15.03.10	15.03.10
CEZ	26.02.10	30.04.10	30.04.10
CIECH	26.02.10	30.04.10	30.04.10
CYFROWY POLSAT		18.03.10	18.03.10
DOM DEVELOPMENT		15.03.10	15.03.10
ELEKTROBUDOWA		22.03.10	22.03.10
EMPERIA HOLDING	01.03.10	30.04.10	30.04.10
ERBUD	01.03.10	30.04.10	30.04.10
EUROCASH	26.02.10	19.04.10	19.04.10
GETIN		19.03.10	19.03.10
HANDLOWY		17.03.10	17.03.10
ING BSK	17.02.10	31.03.10	31.03.10
J.W. CONSTRUCTION		17.03.10	17.03.10
KĘTY	11.02.10	08.04.10	08.04.10
KGHM	26.02.10	31.03.10	31.03.10
KOMPUTRONIK	15.02.10	31.03.10	31.03.10
KREDYT BANK	11.02.10	26.02.10	26.02.10
LOTOS	23.02.10	30.04.10	30.04.10
LW BOGDANKA		22.03.10	22.03.10
MILLENNIUM	10.02.10	01.03.10	01.03.10
MONDI		24.02.10	24.02.10
MOSTOSTAL WARSZAWA	01.03.10	29.04.10	29.04.10
NETIA	22.02.10	22.02.10	22.02.10
PBG	01.03.10	30.04.10	30.04.10
PEKAO	03.03.10***	12.03.10	12.03.10
PGE		22.03.10	22.03.10
PGNiG		22.03.10	22.03.10
PKN ORLEN	25.02.10	30.04.10	30.04.10
PKO BP		15.03.10	15.03.10
POLICE	22.02.10	31.03.10	31.03.10
POLIMEX MOSTOSTAL	01.03.10	15.04.10	15.04.10
POLNORD		22.03.10	22.03.10
RAFAKO		22.03.10	22.03.10
SYGNITY	25.02.10	29.04.10	29.04.10
TELEKOMUNIKACJA POLSKA		23.02.10	23.02.10
TRAKCJA POLSKA		19.03.10	19.03.10
TVN	18.02.10	18.02.10	18.02.10
ULMA CONSTRUCCION POLSKA		19.03.10	19.03.10
UNIBEP		22.03.10	22.03.10
WSiP	26.02.10	30.04.10	30.04.10
ZA PUŁAWY	01.03.10*	11.05.10	11.05.10**

*Source: Companies; *Report for fiscal H1 2009/2010; **Report for fiscal Q3 2009/2010; *** Preliminary Q409 results;*

Current ratings by BRE Bank Securities S.A.

Company	Rating	Target Price	Current Price	Rating Day	Price on Rating Day	2009 P/E
AB	Buy	15.13	14.24	2009-08-06	11.55	11.3
ACTION	Buy	18.49	16.65	2009-12-22	15.98	9.2
AGORA	Buy	23.70	20.40	2009-11-13	19.75	29.8
ASBIS	Accumulate	4.23	4.53	2009-12-02	3.68	
ASSECO POLAND	Buy	71.90	60.00	2009-11-19	57.30	12.5
BUDIMEX	Accumulate	82.50	72.00	2010-01-06	75.75	10.7
BZWBK	Hold	195.40	176.60	2010-01-19	190.00	15.9
CENTRUM KLIMA	Buy	15.10	12.19	2009-11-06	11.50	15.0
CEZ	Hold	140.60	142.80	2009-11-04	143.80	9.7
CIECH	Hold	39.90	30.86	2009-12-03	37.49	
CYFROWY POLSAT	Accumulate	14.90	15.07	2009-12-02	13.88	18.2
DOM DEVELOPMENT	Accumulate	50.10	40.75	2009-11-05	44.00	13.3
ELEKTROBUDOWA	Hold	169.30	169.20	2009-12-04	170.00	15.9
EMPERIA HOLDING	Hold	70.30	85.00	2009-09-04	72.30	14.0
ERBUD	Accumulate	53.50	52.45	2010-01-06	47.15	15.7
EUROCASH	Hold	9.90	16.77	2009-05-06	9.81	20.8
GETIN	Buy	10.20	9.05	2010-01-19	8.80	23.7
HANDLOWY	Buy	90.30	74.00	2010-01-19	73.55	16.9
ING BSK	Accumulate	811.60	700.00	2010-01-19	739.00	14.6
J.W. CONSTRUCTION	Buy	14.00	11.82	2009-12-02	11.26	4.2
KĘTY	Hold	115.40	114.00	2009-11-05	106.80	15.7
KGHM	Reduce	90.40	97.00	2009-12-01	107.80	8.5
KOMPUTRONIK	Hold	11.56	9.88	2009-12-08	11.39	37.5
KREDYT BANK	Accumulate	15.30	13.80	2010-01-19	14.10	89.3
LOTOS	Reduce	26.60	27.66	2009-12-01	31.94	4.9
LW BOGDANKA	Buy	80.10	75.10	2009-12-15	70.00	12.5
MILLENNIUM	Hold	4.33	4.22	2010-01-19	4.49	
MONDI	Hold	56.00	73.00	2009-09-03	51.00	51.1
MOSTOSTAL WARSZAWA	Buy	79.60	62.40	2009-12-02	68.00	12.2
NETIA	Hold	4.30	4.64	2009-11-06	4.36	
PBG	Hold	212.00	212.90	2009-11-12	218.50	15.0
PEKAO	Hold	181.50	169.00	2010-01-19	176.00	18.5
PGE	Buy	27.49	23.35	2009-11-04	23.00	12.2
PGNiG	Accumulate	4.11	3.79	2009-11-13	3.73	25.2
PKN ORLEN	Buy	38.20	33.43	2009-11-18	31.97	10.8
PKO BP	Hold	39.60	39.00	2010-01-19	38.90	21.1
POLICE	Hold	5.50	5.95	2009-12-14	5.02	
POLIMEX MOSTOSTAL	Accumulate	4.50	4.35	2010-01-06	4.00	13.4
POLNORD	Buy	46.80	32.96	2009-12-15	31.77	21.1
RAFAKO	Buy	11.60	11.19	2009-09-25	9.74	22.8
SYGNITY	Buy	18.10	12.80	2009-12-15	14.15	
TELEKOMUNIKACJA POLSKA	Accumulate	19.20	16.05	2009-10-30	17.58	14.8
TRAKCJA POLSKA	Hold	4.20	4.07	2010-01-06	4.10	9.7
TVN	Buy	14.60	13.76	2009-12-02	12.55	18.2
ULMA CONSTRUCCION POLSKA	Hold	82.20	87.95	2010-01-06	84.50	
UNIBEP	Buy	6.60	6.10	2010-01-06	5.58	11.8
WSiP	Hold	17.20	16.37	2009-09-03	16.61	13.3
ZA PUŁAWY	Hold	72.05	75.65	2010-01-06	80.90	21.3

Ratings issued in the past month

Company	Rating	Target Price	Rating Day
BUDIMEX	Accumulate	82.50	2010-01-06
BZWBK	Hold	195.40	2010-01-19
ERBUD	Accumulate	53.50	2010-01-06
GETIN	Buy	10.20	2010-01-19
HANDLOWY	Buy	90.30	2010-01-19
ING BSK	Accumulate	811.60	2010-01-19
KREDYT BANK	Accumulate	15.30	2010-01-19
MILLENNIUM	Hold	4.33	2010-01-19
PEKAO	Hold	181.50	2010-01-19
PKO BP	Hold	39.60	2010-01-19
POLIMEX MOSTOSTAL	Accumulate	4.50	2010-01-06
TRAKCJA POLSKA	Hold	4.20	2010-01-06
ULMA CONSTRUCCION POLSKA	Hold	82.20	2010-01-06
UNIBEP	Buy	6.60	2010-01-06
ZA PUŁAWY	Hold	72.05	2010-01-06

Ratings Statistics

	All					Clients of BRE Bank Securities S.A.				
Statistic	Sell	Reduce	Hold	Accumulate	Buy	Sell	Reduce	Hold	Accumulate	Buy
count	0	2	19	10	17	0	0	6	3	7
pct of total	0.0%	4.2%	39.6%	20.8%	35.4%	0.0%	0.0%	37.5%	18.8%	43.8%

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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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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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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.
Comparative – 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.