

Thursday, October 23, 2014 | periodical publication

Quarterly Earnings Forecast: Q3 2014

Equity Market

Financial Sector

We anticipate 3.2% q/q contraction in the combined Q3 2014 net profit of the Polish banks in our coverage led by reduced interchange fees combined with lower proceeds generated on bond trading. As for foreign banks, we expect another quarterly net loss at Erste Bank and a slowdown at Komerční Banka due to normalized cost of risk. The Q3 earnings leader will be Millennium with record financial results, while PKO BP and GNB both are expected to report a solid third quarter.

Gas & Oil

Oil refiners benefitted from favorable fundamentals in Q3 2014, but these benefits, however, may be offset by losses incurred on inventory adjustments and FX trends. In case of the gas utility PGNiG, quarterly profits will probably receive a boost from gas inventory valuation gains.

Utilities

The third quarter in the utilities sector saw a continuation of the trends observed in the previous quarters, with year-on-year earnings momentum in most cases determined by base effects. The lowest year-ago base for Q3 2014 earnings was experienced by Energa.

Telecoms, Media, IT

TVN is set to report growing EBITDA driven by good viewership figures and contributions from nC+ and Onet. At Asseco Poland, we anticipate y/y net profit growth driven by stabilization in the Polish market. ABC Data is expected to report flat profits on higher revenues. At Cyfrowy Polsat, EBITDA is expected to show over-10% shrinkage. Profit contraction will also be reported by Netia, with Agora posting deepening bottom-line loss despite stabilized revenues.

Resources

Coal producers are expected to report q/q improvement in Q3 thanks to higher production, and the copper miner KGHM will additionally benefit from higher zloty prices. As always, investors are less interested in the past and are looking forward to hearing the future projections of the respective management boards, this time expected to be mostly pessimistic.

Industrials

We expect year-on-year earnings growth in Q3 2014 at only 45% of the industrial companies, including due to a high year-ago base. Lower profits are anticipated for 17% of our tracking portfolio, with 39% of the companies reporting flat growth from last year. The firms that are most likely to deliver upside surprises in our view are Apator, Cognor, Grajewo, Ferro, Forte, Kernel, Libet, Tarczyński, Ursus, Pozbud, and Zetkama.

Construction

Elektrobudowa will stand out in Q3, reporting strong earnings growth from a low year-ago base. We expect good results from Budimex and Erbud and a decent showing at most at Unibep.

Property Developers

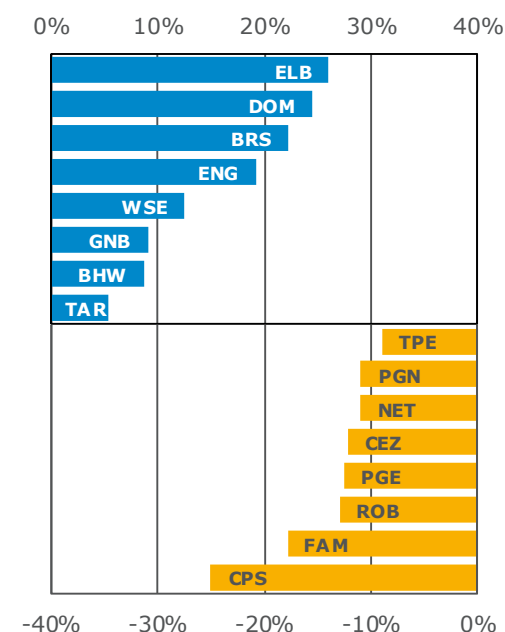
The Q3 results of commercial developers will not be affected in a notable way by value adjustments. As for residential developers, they achieved few closings in Q3, with implications for the period's profits. Q4 is expected to bring a boost in home deliveries.

Other

Work Service is set to report 107% y/y growth in Q3 net profit driven by acquisitions.

WIG 53,302
Average 2014E P/E 13.5
Average 2015E P/E 12.2
ADTV (3M) PLN 817m

EPS growth at selected companies*



*calculated for: 4Q'13-3Q'14 / 3Q'13-2Q'14

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Banks

Banks BZ WBK		Sell						
Analyst: Michał Konarski	Current price	PLN 375.30		FY14E P/E	16.7	FY14E P/BV	2.5	
	Target price	PLN 344.95		FY15E P/E	15.3	FY15E P/BV	2.3	
(PLN m)	Q3'14E	Q2'14	Q3'13	Q/Q	Y/Y	2014E	2013	change
Net interest income	1,127.2	905.3	864.3	24.5%	30.4%	3,896.4	3,276.6	18.9%
Net fee income	473.7	451.2	445.2	5.0%	6.4%	1,844.0	1,778.6	3.7%
Total income	1,697.6	1,540.1	1,480.4	10.2%	14.7%	6,455.0	6,089.8	6.0%
Operating expenses	-808.6	-715.6	-636.2	13.0%	27.1%	-2,891.9	-2,826.9	2.3%
Operating income*	872.4	807.9	837.3	8.0%	4.2%	3,526.8	3,227.7	9.3%
Provisions	217.4	173.9	159.2	25.0%	36.6%	772.8	729.3	6.0%
Pre-tax income	655.0	634.0	678.1	3.3%	-3.4%	2,754.0	2,498.4	10.2%
Net income	458.8	504.1	537.4	-9.0%	-14.6%	2,136.8	1,982.3	7.8%

*before provisioning

Q3 profits contract despite SCB contributions

BZ WBK's third-quarter earnings release is slated for November 4th. Our quarterly net profit estimate for the Bank is PLN 458.8m after a 9.9% drop from Q2 and a 14.6% fall from Q3 2013 experienced despite the consolidation of Santander Consumer Bank (SCB). Trading income is expected to be 45% lower than in the previous quarter while interest income is set to show q/q growth of 24.5% with

NIM up 40bps. owed to contributions from SCB. SCB will also be the reason behind an anticipated 5% increase in fee income despite reduced interchange fees, as well as contributing to higher costs, estimated at PLN 809m, through expenses incurred on post-merger integration of IT systems. Cost of risk is expected to increase to 107bps in Q3 2014 from 94bps in the quarter before.

Banks Getin Noble Bank		Hold						
Analyst: Michał Konarski	Current price	PLN 2.34		FY14E P/E	11.5	FY14E P/BV	1.2	
	Target price	PLN 2.95		FY15E P/E	9.7	FY15E P/BV	1.1	
(PLN m)	Q3'14E	Q2'14	Q3'13	Q/Q	Y/Y	2014E	2013	change
Net interest income	378.0	364.5	311.1	3.7%	21.5%	1,536.5	1,297.8	18.4%
Net fee income	105.5	106.6	112.4	-1.0%	-6.2%	461.5	421.2	9.6%
Total income	528.0	510.6	448.2	3.4%	17.8%	2,091.9	1,887.4	10.8%
Operating expenses	239.7	237.3	220.9	1.0%	8.5%	942.2	880.1	7.1%
Operating income*	288.3	273.2	227.3	5.5%	26.8%	1,149.7	1,007.4	14.1%
Provisions	164.9	163.3	131.6	1.0%	25.3%	649.7	624.4	4.0%
Pre-tax income	123.4	109.9	95.7	12.2%	28.9%	500.0	382.9	30.6%
Net income	135.8	135.9	89.1	-0.1%	52.3%	541.1	399.7	35.4%

*before provisioning

Q3 profits unaffected by interchange cuts

Getin Noble Bank is scheduled to report Q3 earnings on November 14th. We estimate the quarterly net profit at PLN 135.8m after flat growth from Q2 and a surge of 52.3% from Q3 2013. Like in the quarter before, Q3 profits will receive a boost of ca. PLN 31m from tax benefits earned on leasing operations. Thanks to low sensitivity to cuts in interchange fees, total income is expected to show relatively

strong q/q growth of 2.6%. Net interest margin (over average assets) will expand by 4bps q/q to 2.19% thanks to lower cost of deposits, resulting in 3.7% higher interest income. Fee income is set to show 1% q/q contraction to PLN 106m. Operating costs remain Getin's strength, rising by just about 1.0% q/q, and reducing the cost-income ratio to 45% from 46% in Q2'14. Loan-loss reserves at Getin are expected to edge up 1.0% to PLN 165m in Q3 (with cost of risk at 124bps).

Banks		Sell							
Handlowy									
Analyst: Michał Konarski		Current price	PLN 114.00		FY14E P/E	17.6		FY14E P/BV	2.1
		Target price	PLN 103.37		FY15E P/E	15.3		FY15E P/BV	2.0
(PLN m)		Q3'14E	Q2'14	Q3'13	Q/Q	Y/Y	2014E	2013	change
Net interest income		303.9	302.1	306.2	0.6%	-0.7%	1 178.6	1 242.2	-5.1%
Net fee income		156.9	167.1	153.0	-6.1%	2.6%	611.4	642.3	-4.8%
Total income		618.8	651.3	519.3	-5.0%	19.2%	2 368.7	2 546.1	-7.0%
Operating expenses		321.8	328.3	312.9	-2.0%	2.8%	1 239.7	1 364.6	-9.2%
Operating income*		297.0	322.9	206.4	-8.0%	43.9%	1 072.8	1 181.4	-9.2%
Provisions		4.6	4.4	1.6	n.m.	193.9%	27.4	-36.2	n.m.
Pre-tax income		292.4	318.6	204.8	-8.2%	42.8%	1 045.4	1 217.6	-14.1%
Net income		237.2	266.2	165.2	-10.9%	43.6%	847.3	970.9	-12.7%

*before provisioning

Q3 boosted by high trading income

Bank Handlowy is scheduled to report Q3 earnings on November 5th. We estimate the quarterly net profit at PLN 237.2m after year-on-year growth of 43.6% and a quarter-on-quarter drop of 10.9%. For another quarter in a row, income in Q3 will be supported by high trading income projected at PLN 152.7m (-11.0% q/q). Total income is set

to show a q/q decline as an 0.6% rise in interest income, driven by a growing portfolio of consumer loans, will not be enough to offset a 6.1% drop in fee income caused by cut interchange fees. We estimate Handlowy's loan-loss reserves as of 30 September at PLN 4.6m, with asset quality maintained high. Operating costs are expected to be 2.0% lower in Q3 than in the quarter before.

Banks		Hold							
ING BSK									
Analyst: Michał Konarski		Current price	PLN 141.90		FY14E P/E	16.1		FY14E P/BV	2.0
		Target price	PLN 144.12		FY15E P/E	14.2		FY15E P/BV	1.9
(PLN m)		Q3'14E	Q2'14	Q3'13	Q/Q	Y/Y	2014E	2013	change
Net interest income		592.9	582.2	526.1	1.8%	12.7%	2 269.0	2 042.6	11.1%
Net fee income		254.4	279.6	233.7	-9.0%	8.9%	1 038.6	999.3	3.9%
Total income		875.4	896.6	790.5	-2.4%	10.7%	3 430.0	3 267.8	5.0%
Operating expenses		491.6	480.5	447.1	2.3%	9.9%	1 866.1	1 845.4	1.1%
Operating income*		383.8	416.1	343.0	-7.8%	11.9%	1 564.0	1 422.0	10.0%
Provisions		53.3	33.3	63.7	60.0%	-16.4%	337.6	267.2	26.3%
Pre-tax income		330.5	382.8	279.3	-13.7%	18.3%	1 226.4	1 154.8	6.2%
Net income		269.0	282.3	234.4	-4.7%	14.7%	1 035.3	961.5	7.7%

*before provisioning

ING sees q/q contraction in Q3

ING Bank Śląski is scheduled to report Q3 earnings on November 5th. At an estimated PLN 269m, the quarterly net profit is expected to show a quarter-on-quarter drop of 4.7% combined with year-on-year expansion of 14.7%. Total income will be lower than in the second quarter as a 1.6% increase in interest income will not be enough to offset a 9%

drop in fee income led by cut interchange fees. NIM is expected to be steady at 2.44%. ING will report a continuing uptrend in operating costs in Q3 (+2.3% q/q) led by expenses incurred on the rollout of a new IT platform. Despite a strong, 60% surge in provisioning relative to Q2, cost of risk in Q3 is expected to remain low at 36bps.

Banks Millennium		Hold							
Analyst: Michał Konarski	Current price	PLN 8.70	FY14E P/E		16.1	FY14E P/BV		1.8	
	Target price	PLN 8.46			14.2			1.7	
(PLN m)	Q3'14E	Q2'14	Q3'13	Q/Q	Y/Y	2014E	2013	change	
Net interest income	379.0	375.8	311.8	0.8%	21.6%	1,411.6	1220.1	15.7%	
Net fee income	146.8	163.1	141.9	-10.0%	3.4%	597.4	588.7	1.5%	
Total income	579.0	594.1	513.3	-2.5%	12.8%	2,272.8	2080.1	9.3%	
Operating expenses	276.7	279.5	262.7	-1.0%	5.4%	1,110.4	1089.6	1.9%	
Operating income*	274.3	288.0	232.5	-4.7%	18.0%	1,087.1	916.8	18.6%	
Provisions	68.2	74.1	56.6	-8.0%	20.4%	266.7	234.1	13.9%	
Pre-tax income	206.1	213.9	175.9	-3.6%	17.2%	820.5	682.7	20.2%	
Net income	167.0	163.6	138.5	2.1%	20.5%	654.2	535.8	22.1%	

*before provisioning

Millennium eyes another record quarter in Q3

Millennium is scheduled to report Q3 2014 earnings on October 24th. At an estimated PLN 167.0m. the quarterly net profit will show a year-on-year surge of 20.5% and quarter-on-quarter growth of 2.1% supported by a 0.5% reduction in

total costs and an 8% compression of loan-loss reserves. Interest income is expected to rise 0.8% from Q2 driven by an expanding portfolio of consumer loans. At the same time, reduced interchange fees will have driven fee income down by 10%. Cost of risk in Q3 2014 is projected at 61bps, down from 67bps in Q2.

Banks Pekao		Reduce							
Analyst: Michał Konarski	Current price	PLN 182.00	FY14E P/E		17.9	FY14E P/BV		2.1	
	Target price	PLN 173.34			15.5			2.0	
(PLN m)	Q3'14E	Q2'14	Q3'13	Q/Q	Y/Y	2014E	2013	change	
Net interest income	1,157.7	1,139.9	1,091.8	1.6%	0.1%	4,575.6	4,443.9	3.0%	
Net fee income	510.9	526.2	536.2	-2.9%	-4.7%	2,103.0	2,131.7	-1.3%	
Total income	1,835.7	1,837.7	1,825.3	-0.1%	0.6%	7,354.0	7,475.6	-1.6%	
Operating expenses	-864.1	-865.1	-864.9	-0.1%	-0.1%	-3,502.6	-3,443.7	1.7%	
Operating income*	971.6	972.6	960.3	-0.1%	1.2%	3,851.4	4,031.9	-4.5%	
Provisions	-146.9	-142.7	-169.8	3.0%	-13.4%	-614.3	-658.4	-6.7%	
Pre-tax income	824.7	829.9	790.6	-0.6%	4.3%	3,237.1	3,373.5	-4.0%	
Discontinued ops.	0.0	0.0	1.3	n.m.	n.m.	0.0	17.5	n.m.	
Net income	678.1	685.1	648.9	-1.0%	4.5%	2,675.8	2,784.8	-3.9%	

*before provisioning

Interchange cuts weigh on Q3 profit

Pekao is scheduled to report Q3 earnings on November 10th. At an estimated PLN 679.1m the quarterly net profit is expected to show a quarter-on-quarter decline of 1.0% combined with year-on-year growth of 4.5%. On a flat net interest margin of 2.94%, net interest income will show q/q

expansion of 1.6%. At the same time, fee income will drop by an estimated 2.9% on reduced interchange fees. Thanks to bond proceeds, trading income is expected to show a q/q boost of 5% in Q3. Third-quarter costs will remain steady compared to Q3 2013 as well as Q2 2014, as will cost of risk at a projected 50bps.

Banks		Buy							
PKO BP									
Analyst: Michał Konarski		Current price	PLN 36.85		FY14E P/E	14.1	FY14E P/BV	1.7	
		Target price	PLN 43.20		FY15E P/E	11.4	FY15E P/BV	1.5	
(PLN m)		Q3'14E	Q2'14	Q3'13	Q/Q	Y/Y	2014E	2013	change
Net interest income		1,967.2	1,939.0	1,626.9	1.5%	20.9%	7,456.4	6,722.0	10.9%
Net fee income		760.1	783.6	756.5	-3.0%	0.5%	3,157.6	3,005.8	5.1%
Total income		3,034.5	3,052.8	2,653.0	-0.6%	14.4%	11,614.8	11,178.1	3.9%
Operating expenses		-1,360.2	-1,342.8	-1,115.6	1.3%	21.9%	-5,255.6	-4,622.5	13.7%
Operating income*		1,571.3	1,607.6	1,409.2	-2.3%	11.5%	5,878.6	6,084.3	-3.4%
Provisions		541.0	557.7	487.8	-3.0%	10.9%	1,842.0	2,037.9	-9.6%
Pre-tax income		1,030.4	1,049.9	921.5	-1.9%	11.8%	4,036.6	4,046.4	-0.2%
Net income		853.5	855.6	752.3	-0.2%	13.5%	3,266.0	3,229.8	1.1%

*before provisioning

The last good quarter before interest rate cuts

PKO BP is scheduled to report Q3 earnings on November 6th. At an estimated PLN 853.5m the quarterly net profit is expected to show flat quarter-on-quarter movement combined with a 13.5% surge from Q3 2013 driven by the consolidation of the profits of Nordea. Q3 2014 NIM is expected to be 2bps lower due to downward pressure on new

loan margins and financing, but at the same time net interest income should show growth of 1.5% q/q and 20.9% y/y thanks to higher loan volumes. Fee income after interchange fee cuts will be 3.0% lower than in Q2. Operating costs are set to rise 1.3% q/q led by higher integration costs projected at PLN 30m. Cost of risk in Q3 is estimated at 117bps vs. 131bps in Q2.

Banks		Sell							
Komerční Banka									
Analyst: Michał Konarski		Current price	CZK 4770		FY14EP/E	14.5	FY14E P/BV	1.8	
		Target price	CZK 4115		FY15E P/E	13.6	FY15E P/BV	1.7	
(CZK m)		3Q'14E	2Q'14	3Q'13	Q/Q	Y/Y	2014E	2013	change
Net interest income		5,352.7	5,335.0	5,293.0	0.3%	1.1%	21,633.7	21,207.0	2.0%
Fee income		1,719.6	1,711.0	1,790.0	0.5%	-3.9%	7,039.8	7,076.0	-0.5%
Total income		7,632.4	7,588.0	7,774.0	0.6%	-1.8%	31,264.9	30,895.0	1.2%
Operating expenses		-3,224.8	-3,201.0	-3,266.0	0.7%	-1.3%	-13,147.4	-13,148.0	0.0%
Operating income*		4,407.6	4,387.0	4,508.0	0.5%	-2.2%	18,117.6	17,747.0	2.1%
Provisions		-396.7	-262.0	-380.0	51.4%	4.4%	-2,248.7	-1,739.0	29.3%
Pre-tax income		3,935.3	4,053.0	4,038.0	-2.9%	-2.5%	15,555.4	15,731.0	-1.1%
Net income		3,112.5	3,305.0	3,248.0	-5.8%	-4.2%	12,405.2	12,528.0	-1.0%

*before provisioning

Cost of risks weighs on Q3 profit

Komerční Banka is scheduled to report Q3 earnings on November 6th. At an estimated CZK 3,113m the quarterly net profit is expected to show contraction of 5.8% relative to the previous quarter and 4.2% from Q3 2013. Total income will remain at steady levels and NIM (over average assets)

should increase by 2bps to 2.46% thanks to lower financing costs. Komerční said it expected to reduce Q3 costs by 1.3% from Q3 2013. Despite a considerable, 51.4% increase from Q2 in loan-loss reserves, cost of risk (to average gross loans) in Q3 should remain low at an estimated 32bps.

Banks		Hold							
Erste Bank									
Analyst: Michał Konarski		Current price	EUR 18.02		FY14E P/E	9.5	FY14E P/BV	0.6	
		Target price	EUR 29.60		FY15E P/E	7.0	FY15E P/BV	0.6	
(EUR m)		3Q'14E	2Q'14	3Q'13	Q/Q	Y/Y	2014E	2013	change
Net interest income		1,126.4	1,119.7	1,175.9	0.6%	-4.2%	4,917.8	4,673.5	5.2%
Fee income		457.1	454.9	449.5	0.5%	1.7%	1,813.9	1,810.0	0.2%
Total income		1,641.5	1,686.0	1,733.8	-2.6%	-5.3%	7,051.4	6,812.0	3.5%
Operating expenses		-914.4	-933.1	-964.2	-2.0%	-5.2%	-3,617.9	-3,896.1	-7.1%
Operating income*		401.6	-349.1	680.3	n.m.	-41.0%	2,768.2	2,148.7	28.8%
Provisions		-899.2	-431.9	-460.7	108.2%	95.2%	-1,393.7	-1,774.4	-21.5%
Pre-tax income		-497.6	-781.0	219.6	-36.3%	n.m.	1,374.5	374.3	267.2%
Net income		-613.3	-1,033.0	93.1	-40.6%	n.m.	818.4	-23.7	n.m.

*before provisioning

Erste books losses again in Q3

Erste Bank is scheduled to report Q3 earnings on October 30th. The profits for the period will be affected by charges recognized against Hungarian operations combined with high loan-loss reserves set aside in Romania, in line with an earlier earnings warning. We expect to see a net loss of EUR 613m in Q3 2014, fitting within the Bank's own full-year loss projection range of EUR 1.4-1.6 billion. Total income in

Q3 is set to show quarter-on-quarter expansion of 0.6% driven by 0.6% higher interest income and 0.5% higher fee income. Operating costs should remain under control, falling 2.0% from Q2, while at the same time charges related to banking taxes are expected to go down slightly by some 2.3%. The additional provisioning in Romania will boost Erste's Q3 loan-loss reserves by 108% relative to Q2.

Insurance

Insurance PZU		Hold							
Analyst: Michał Konarski	Current price Target price	PLN 493.00 PLN 425.00		FY14E P/E FY15E P/E	15.5 15.4		FY14E P/BV FY15E P/BV	3.4 3.3	
(PLN m)		Q3'14E	Q2'14	Q3'13	Q/Q	Y/Y	2014E	2013	change
Gross premium written. incl.:		3,887.8	4,083.9	3,907.3	-4.8%	-0.5%	17,712.4	16,480.0	7.5%
Non-life insurance		1,911.4	2,012.0	1,999.4	-5.0%	-4.4%	9,056.2	8,656.6	4.6%
Life insurance		1,976.4	2,071.9	1,907.9	-4.6%	3.6%	8,656.2	7,823.4	10.6%
Net claims incurred		-2,833.9	-2,753.9	-2,750.9	2.9%	3.0%	-12,750.3	-11,161.2	14.2%
Costs		-887.0	-896.9	-818.3	-1.1%	8.4%	-3,650.0	-3,422.4	6.7%
Technical profit		324.5	392.0	493.8	-17.2%	-34.3%	1,013.3	1,665.1	-39.1%
Investment gains/losses		755.9	822.6	889.3	-8.1%	-15.0%	2,385.7	2,488.1	-4.1%
Pre-tax profit		1,024.6	1,196.6	1,346.5	-14.4%	-23.9%	3,428.2	4,120.7	-16.8%
Net profit		829.9	959.9	1,090.1	-13.5%	-23.9%	2,745.6	3,293.7	-16.6%

Investment activity yields high profit again in Q3

We expect that PZU's Q3 2014 net profit will come in at PLN 829.9m after a year-on-year drop of 23.9% and a quarter-on-quarter decrease of 13.5% led by an 8.1% decline from Q2 in investment income to a level which can still be considered strong. At a projected PLN 3,888m, the gross written premium will show a 0.5% decline from Q3

2013, led by a 4.4% drop in non-life GWP in the wake of a price war going on in the Polish insurance industry combined with a 3.6% increase in life GWP. Net claims in Q3 are expected to show growth of 2.9% q/q and 3.0% y/y from high comparable bases. Costs should show a 1.1% y/y decline led by administrative expenses.

Financial Services

Financial Services		Buy							
Kruk									
Analyst: Michał Konarski	Current price	PLN 108.00		FY14E P/E		13.0	FY14E P/BV		3.3
	Target price	PLN 113.29		FY15E P/E		12.0	FY15E P/BV		2.6
(PLN m)		Q3'14E	Q2'14	Q3'13	Q/Q	Y/Y	2014E	2013	change
Total revenue		111.1	143.6	103.3	-23%	8%	513.8	405.6	27%
Purchased debt		100.1	132.1	91.6	-24%	9%	465.7	355.7	31%
Collection services		8.4	8.3	9.3	1%	-10%	36.4	39.9	-9%
Direct and indirect costs		45.8	45.3	43.5	1%	5%	227.8	182.8	25%
Indirect margin		65.3	98.4	59.8	-34%	9%	286.0	222.9	28%
Operating profit		44.1	76.8	42.1	-43%	5%	195.9	152.9	28%
Pre-tax profit		31.2	60.4	28.8	-48%	8%	144.9	98.5	47%
Net profit		29.6	60.1	29.5	-51%	1%	140.6	97.8	44%

Kruks seek profit contraction in Q3

Kruk is scheduled to report third-quarter earnings on November 14th. At a projected PLN 29.6m, the quarterly net profit is expected to show a year-on-year rise of 0.6% and quarter-on-quarter shrinkage of 50.7% from a Q2 2014 base inflated by one-time gains of ca. PLN 19m. After generating a net profit of PLN 100m in the first half of the year, we expect

Kruk to take a more conservative approach to the repayment curve, especially in respect of the mortgage portfolio acquired in Q3. Kruk spent PLN 42m on domestic and foreign debt portfolios with a total nominal value of PLN 519m in Q3. We expect to see a 16% q/q contraction in the direct margin on purchased debt in the third quarter. As for costs, we anticipate a 4.0% q/q decline in operating expenses and a 23% reduction in financing costs.

Gas & Oil. Chemicals

Chemicals Ciech		Hold							
Analyst: Kamil Kliszczy	Current price	PLN 41.74		FY14E P/E		24.5	FY14E EV/EBITDA		6.9
	Target price	PLN 41.60		FY15E P/E		15.4	FY15E EV/EBITDA		6.5
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	751.3	823.4	-9%	2,410.3	2,705.9	-11%	3,137.7	3,501.0	-10%
EBITDA	121.2	108.7	11%	372.4	334.3	-	497.0	356.3	39%
Margin	16.13%	13.21%	-	15.45%	12.36%	-	15.84%	10.18%	-
EBIT	70.6	55.1	28%	221.1	175.8	26%	296.6	139.7	112%
Pre-tax profit	42.2	7.9	434%	92.0	60.3	-	128.5	-6.2	-2162%
Net profit	34.2	6.3	444%	61.2	68.2	-10%	90.0	49.4	82%

Ciech sees q/q EBIT contraction in Q3

We expect Ciech to report a decrease in Q3 2014 EBIT relative to Q2 due to a seasonal slowdown in sales of pesticides combined with volume shrinkage observed in the Soda segment caused by scheduled and unscheduled downtime in plants in Germany and Romania and a less flexible inventory. The lower volumes should be partly offset by a higher average sales price (through a lower share of

spot sales) and as a result EBIT in the Soda Division will show only a smaller q/q decline from PLN 80m to PLN 71m. In the Organic segment, core EBIT is expected to be steady compared to the year-ago figure at an estimated PLN 3.5m. Finally, EBIT in Glass and Silicates is set to drop to PLN 6.6m in Q3 from PLN 8.2m in Q2 due to a smaller share in sales of sulfur. After regular financing activity and tax, the Q3 2014 net profit is expected to come in at PLN 34m.

Gas & Oil Lotos		Hold							
Analyst: Kamil Kliszczy	Current price	PLN 27.51		FY14E P/E		6.1	FY14E EV/EBITDA		5.2
	Target price	PLN 38.60		FY15E P/E		5.7	FY15E EV/EBITDA		4.7
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	7,639.1	7,796.3	-2%	22,015.3	21,092.5	4%	31,273.0	28,597.3	9%
EBITDA	443.3	497.5	-11%	432.6	700.7	-38%	1,846.0	802.6	130%
Margin	5.80%	6.38%	-	1.97%	3.32%	-	5.90%	2.81%	-
EBIT	243.7	340.8	-28%	-153.9	214.4	-	1,152.8	146.5	-
Pre-tax profit	151.8	387.6	-61%	-375.2	-5.0	-	933.0	-62.0	-
Net profit	123.0	337.2	-64%	-31.9	63.8	-	582.6	39.4	-

Base effects weigh on LIFO-based EBIT

In Q3 2013 Lotos generated very high LIFO-based EBIT of PLN 396m which makes for a high comparable base for this year's Q3 operating profit which we estimate at PLN 310m. Note that the anticipated y/y decline will be due primarily to base effects as last year's Q3 EBIT was boosted by cheaper crude inputs (PLN 102m) and FX gains (PLN 64m) expected to turn into losses to the tune of PLN 49m in Q3 this year. Adjusted for these one-offs, LIFO-based EBIT in the Refining segment should show y/y growth of PLN 107m before

PLN 66m negative LIFO effects. In Upstream, EBIT is expected to come in at PLN 57.9m, with PLN 10m contributed by the Norwegian Heimdal project. Retail EBIT after continuing improvement is expected to show an operating profit of PLN 10m. Lotos is expected to recognize losses of PLN 91m on Q3 2014 financing activity including interest expenses and downward dollar loan adjustments (partly offset by upward adjustments to a loan extended to a Norwegian unit). All told, the net profit for Q3 2013 should approximate PLN 123m.

Gas & Oil MOL		Buy							
Analyst: Kamil Kliszcz		Current price	HUF 11,800	FY14E P/E		8.0	FY14E EV/EBITDA		3.8
		Target price	HUF 15,652	FY15E P/E		6.1	FY15E EV/EBITDA		3.1
(HUF bn)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	1,267.6	1,428.9	-11%	3,642.9	4,074.8	-11%	5,723.0	5,401.1	6%
EBITDA	118.6	157.7	-25%	332.0	389.5	-15%	568.2	520.4	9%
Margin	9.36%	11.03%	-	9.11%	9.56%	-	9.93%	9.63%	-
EBIT	52.3	-57.0	-	131.4	19.6	-	236.8	-18.7	-
Pre-tax profit	44.0	-67.6	-	102.7	-5.6	-	218.9	-50.4	-
Net profit	35.2	-30.0	-	80.1	16.7	-	149.0	27.1	-

Refinery thrives on strong fundamentals

MOL is expected to report an adjusted Q3 2014 LIFO-based EBITDA of HUF 133bn, marking a decline from the HUF 137bn posted in Q3 2013 but representing considerable growth from the HUF 95bn generated in Q2 2014 driven mainly by strong fundamentals enjoyed in the downstream business (with benchmark margin up by \$5/Bbl). Supported by savings, the adjusted quarterly EBIT in the Refining segment is set to come in at just under HUF 35bn vs. an operating loss of HUF 2.6bn posted in Q2 and year-ago profit of HUF 15.7bn. The reported segmental results will be lower due to the impact of FX losses and LIFO effects estimated at a combined HUF 14.7bn. In the Petrochemicals segment, we anticipate strong EBIT of HUF 5.4bn (vs. HUF 4.4bn in Q2

and HUF 2bn in Q3'13). For Upstream, we project quarter-on-quarter EBIT growth to HUF 31bn from HUF 28.7bn driven primarily by higher volumes (with daily output at 94mboe vs. 92.4mboe in Q2) expected to offset lower crude prices (the price drop in forints was not too painful). Adding to the q/q growth will be base effects with Q2 EBIT weighed down by write-offs of HUF 4-5bn against Egyptian receivables. Finally, the segment of Gas Midstream is expected to report slight q/q slowdown in Q3 consistent with seasonal patterns. We expect to see a loss on MOL's financing activity in the third quarter stemming from unfavorable FX trends affecting foreign-currency loans. The quarterly effective tax rate may be elevated by a higher taxable base of Hungarian operations (high refining profits).

Gas & Oil PGNiG		Hold							
Analyst: Kamil Kliszcz		Current price	PLN 4.88	FY14E P/E		9.3	FY14E EV/EBITDA		4.9
		Target price	PLN 5.07	FY15E P/E		11.0	FY15E EV/EBITDA		5.5
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	6,963.2	6,213.0	12%	23,346.2	23,003.0	1%	31,224.8	32,120.0	-3%
EBITDA	1,334.2	1,472.0	-9%	4,801.2	4,808.0	0%	6,755.6	5,612.0	20%
Margin	19.16%	23.69%	-	20.57%	20.90%	-	21.64%	17.47%	-
EBIT	723.2	881.0	-18%	2,892.2	3,055.0	-5%	4,291.9	3,149.0	36%
Pre-tax profit	578.1	810.0	-29%	2,641.1	2,709.0	-3%	4,079.3	2,709.0	51%
Net profit	433.6	654.0	-34%	1,952.6	2,079.0	-6%	3,110.4	1,918.0	62%

Inventory adjustments add to Q3 profits

Thanks to a sharp September rebound in prices of natural gas, the Q3 2014 results of PGNiG should reflect the benefits of upward value adjustments to the gas inventory estimated at PLN 170m, resulting in a positive EBIT of PLN 125m in the Trade segment achieved despite higher sales via the energy exchange realized at prices below the current tariff. September also saw a weakening of the zloty which, however, should not reflect on the quarterly profits thanks to hedging. In Upstream, we anticipate PGNiG will report quarter-on-quarter contraction in core EBIT led by lower sales of crude oil at reduced prices, but reported EBIT is

expected to show strong growth to PLN 716m from PLN 471m recognized in Q2 after high one-time charges. In Distribution, EBIT will show considerable year-on-year shrinkage led by 9% lower volumes combined with costs of employee bonuses moved forward from Q2. Adding to the slowdown may be higher costs of Gaz-System's transmission services which are billed based on average historical volumes. Finally, in the Generation segment, on weak sales of heat and electricity, the EBIT loss is expected to widen to PLN 60m from PLN 46m. We project that PGNiG may have incurred an FX loss of approximately PLN 70m on a dollar loan used by a Norwegian unit.

Power Utilities

Utilities CEZ		Sell							
Analyst: Kamil Kliszcz		Current price	PLN 90.96	FY14E P/E		11.0	FY14E EV/EBITDA		7.1
		Target price	PLN 76.00	FY15E P/E		13.0	FY15E EV/EBITDA		7.6
(CZK m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	46,644.6	48,805.0	-4%	148,350.6	161,811.0	-8%	196,961.0	217,273.0	-9%
EBITDA	16,685.2	10,232.0	63%	54,557.2	59,483.0	-8%	70,462.0	73,699.0	-4%
Margin	35.77%	20.97%	-	36.78%	36.76%	-	35.77%	33.92%	-
EBIT	9,775.2	3,358.0	191%	33,873.2	38,502.0	-12%	42,415.0	45,755.0	-7%
Pre-tax profit	8,575.2	4,192.0	105%	30,072.2	38,720.0	-22%	36,927.0	44,440.0	-17%
Net profit	6,945.9	3,818.0	82%	24,217.9	32,410.0	-25%	29,219.0	35,885.0	-19%

CEZ sees y/y growth driven by base effects

From a low Q3 2013 comparable base weighed down by asset impairment losses totaling CZK 4.8 billion, CEZ is expected to post marked profit growth in Q3 2014. By operating segment, Generation EBIT is projected at CZK 4.8bn vs. CZK 0.1bn last year after an increase achieved despite lower sales prices and a reduction in the green certificates held by a Romanian wind farm project, and thanks among others to a lack of adjustment losses on a gas

contract which in Q3 2013 took away CZK 1bn from the quarterly operating profit. Our estimates do not factor in any impairment losses this time even though CEZ did not rule them out. For Distribution and Mining, we project steady EBIT relative to the previous quarter at CZK 4bn. We anticipate that CEZ may book FX losses on Turkish operations in Q3, and after all this the quarterly net profit should come in at upwards of CZK 6bn. We do not expect annual guidance revisions from CEZ after the third quarter.

Utilities Enea		Accumulate							
Analyst: Kamil Kliszcz		Current price	PLN 15.95	FY14E P/E		9.1	FY14E EV/EBITDA		4.3
		Target price	PLN 17.33	FY15E P/E		10.7	FY15E EV/EBITDA		5.5
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	2,187.0	2,191.6	0%	7,027.2	6,787.2	4%	8,850.3	9,150.5	-3%
EBITDA	360.9	466.3	-23%	1,464.4	1,385.9	6%	1,810.5	1,658.8	9%
Margin	16.50%	21.27%	-	20.84%	20.42%	-	20.46%	18.13%	-
EBIT	192.6	277.8	-31%	951.5	811.5	17%	1,032.0	897.0	15%
Pre-tax profit	207.6	292.7	-29%	975.5	848.2	15%	989.7	945.2	5%
Net profit	168.2	215.1	-22%	792.4	655.0	21%	772.0	715.4	8%

Q3 not supported by one-time gains

After reporting a high second-quarter profit boosted by one-time gains (reversal of allowances for network assets and payroll, long-term PPA proceeds), Enea is expected to book much weaker results for the third quarter showing considerable contraction relative to Q3 2013. In the Generation segment, EBIT is set to drop to PLN 28m from PLN 62m in Q3 last year on lower electricity prices and trading profits. This estimate factors in the decrease in D&A expenses incurred on the Kozienice power plant facilitated by

an extended amortization period, not likely to show up in the consolidated financial statements. For Distribution, we anticipate flat year-on-year EBIT at PLN 166m as the impact of lower WACC will have been offset by cost savings. We do not expect to see any major adjustments to actuarial reserves in Q3. In Trade, EBIT will show continuing quarter-over-quarter contraction led by increasing redemption costs of cogeneration certificates. Enea's third-quarter financing activity should produce a gain this time of an estimated PLN 10m thanks to cash pooling.

Utilities Energia	Hold								
Analyst: Kamil Kliszcz	Current price	PLN 24.50			FY14E P/E	12.4	FY14E EV/EBITDA		6.2
	Target price	PLN 19.90			FY15E P/E	12.2	FY15E EV/EBITDA		6.1
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	2,397.1	2,747.9	-13%	7,683.7	8,537.5	-10%	11,153.0	11,429.2	-2%
EBITDA	547.9	373.5	47%	1,829.2	1,501.4	22%	2,225.6	1,965.5	13%
Margin	22.86%	13.59%	-	23.81%	17.59%	-	19.96%	17.20%	-
EBIT	332.3	182.4	82%	1,190.0	933.1	28%	1,388.5	1,194.8	16%
Pre-tax profit	273.8	113.4	141%	1,031.5	815.5	26%	1,077.0	1,022.4	5%
Net profit	221.3	65.2	240%	816.7	610.8	34%	816.6	764.0	7%

Q3 y/y growth boosted by one-offs

Energia is expected to report much stronger financial results for Q3 2014 than in the same period last year which, however, makes for a very depressed comparable base due to severance pay allowances recognized in Q3 2013 in the Distribution segment, taking away PLN 70m from the period's reported EBIT. Our Q3 2014 EBIT estimate for Distribution is PLN 202m (after negative effects of reduced WACC) vs. PLN 159m a year ago. In Generation, we expect to see y/y EBIT growth from PLN 62m to PLN 114m driven by cheaper coal, higher sales volumes (especially on the expensive balancing market and at peak), higher revenue from the

operating reserve, and proceeds on value adjustments to green certificates (which will be lower than earned in H1 2014). In Trade, we project EBIT shrinkage to PLN 25.7m in Q3 from PLN 69.2m in Q2 due to base effects (allowance reversals) combined with higher redemption costs of cogeneration certificates. Q3 financing activity will have produced similar results as in Q2, and the effective tax rate should be 19% (vs. 40% in Q3 2013). The seemingly strong Q3 growth can prompt expectations of upward revisions to analysts' expectations for the whole year, though Energia itself is trying to cool these expectations, probably in anticipation of one-time charges which may weigh on Q4 profits.

Utilities PGE		Reduce								
Analyst: Kamil Kliszcz		Current price	PLN 21.23		FY14E P/E		10.3	FY14E EV/EBITDA		4.8
		Target price	PLN 17.80		FY15E P/E		12.3	FY15E EV/EBITDA		6.0
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change	
Revenue	6,462.7	7,480.7	-14%	20,670.7	22,581.6	-8%	26,269.9	30,144.9	-13%	
EBITDA	1,691.0	2,260.8	-25%	6,352.0	6,904.6	-8%	7,781.4	8,017.8	-3%	
Margin	26.17%	30.22%	-	30.73%	30.58%	-	29.62%	26.60%	-	
EBIT	894.0	1,507.6	-41%	4,019.0	4,675.0	-14%	4,777.9	5,060.4	-6%	
Pre-tax profit	909.0	1,539.9	-41%	4,027.0	4,656.1	-14%	4,670.7	5,059.2	-8%	
Net profit	736.3	1,252.6	-41%	3,233.3	3,763.8	-14%	3,776.4	4,118.5	-8%	

PGE sees Q3 profit shrinkage underpinned by unfavorable base effects

PGE is expected to report a strong y/y drop in its financial results for Q3 2014 led by less favorable fundamentals combined with base effects (as Q3 2013 results were supported by PPA compensation and charge reversals). In the Generation segment, EBIT is expected to be PLN 482m vs. PLN 960m a year ago, falling on one-offs combined with lower effective sales prices and reduced production at lignite-fired power plants (which, however, should show

improvement relative to the previous quarter). EBIT in Renewables is estimated at PLN 37m, up from PLN 26m in Q3 last year, achieved on higher wind farm output. Distribution EBIT should show steady y/y growth as reduced WACC will have been offset by cost savings. Trade EBIT will continue to be shaped by the unfavorable trends observed in previous quarters, with wholesale EBIT estimated at PLN 111m vs. PLN 229m last year and retail EBIT showing an operating loss of PLN 79m, higher than the PLN 49m loss posted in Q3 2013. After regular financing activity, net profit is expected to approximate PLN 736m.

Utilities Tauron									
Buy									
Analyst: Kamil Kliszcz		Current price	PLN 5.32	FY14E P/E		8.9	FY14E EV/EBITDA		4.6
		Target price	PLN 6.21	FY15E P/E		10.1	FY15E EV/EBITDA		5.3
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	4,303.6	4,504.5	-4%	13,529.9	14,209.4	-5%	18,034.7	19,131.1	-6%
EBITDA	849.2	944.4	-10%	2,843.8	2,996.2	-5%	3,549.8	3,661.5	-3%
Margin	19.73%	20.96%	-	21.02%	21.09%	-	19.68%	19.14%	-
EBIT	398.9	520.9	-23%	1,481.3	1,709.1	-13%	1,680.3	1,934.1	-13%
Pre-tax profit	318.9	456.6	-30%	1,244.4	1,541.1	-19%	1,298.6	1,683.6	-23%
Net profit	258.3	364.9	-29%	988.6	1,212.8	-18%	1,173.4	1,308.3	-10%

Tauron sees y/y contraction in Q3

Tauron is expected to report year-on-year contraction in profits in Q3 2014 due to weaker margins achieved in Trade where EBIT will decrease to a projected PLN 97m from PLN 142m last year (the reasons including a reinstated obligation to redeem cogeneration certificates and a changed approach to settlements with Distribution). In Generation, the Q3 EBIT loss will widen to an estimated PLN 68m from PLN 35m in 2013 due to a continuing slump in prices and volumes, partly offset by income from the operating reserve. In Mining as well we anticipate y/y EBIT shrinkage but

compared to Q2 2014 we expect to see improvement led by higher sales of stove coal (with EBIT loss narrowing to PLN 6m). EBIT in Distribution should remain steady at the year-ago level of PLN 368m despite reduced WACC and thanks to lower costs and a higher regulatory asset value. Finally, Q3 EBIT figures in Renewables and Heat should be similar to the results posted in Q2. After the usual quarterly effects of financing activity and a standard tax rate, Tauron's net profit for Q3 2014 should approximate PLN 258m. Characterized by the same trends as shaped the results for the two preceding quarters, Tauron's Q3 financials should not surprise the market.

Telecommunications

Telecommunications		Hold							
Netia									
Analyst: Paweł Szpigiel		Current price	PLN 5.69		FY14E P/E	39.0	FY14E EV/EBITDA	4.6	
		Target price	PLN 5.60		FY15E P/E	42.9	FY15E EV/EBITDA	4.9	
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	415.4	457.1	-9.1%	1,271.9	1,425.3	-10.8%	1,720.0	1,876.0	-8.3%
EBITDA	121.9	142.5	-14.5%	367.6	417.5	-11.9%	483.4	532.8	-9.3%
Margin	29.3%	31.2%	-	28.9%	29.3%	-	28.1%	28.4%	-
EBIT	16.3	32.8	-50.3%	51.2	86.5	-40.8%	80.0	92.8	-13.8%
Pre-tax profit	11.4	25.0	-54.5%	36.8	63.4	-41.9%	62.6	64.4	-2.8%
Net profit	9.2	14.1	-34.6%	28.5	35.8	-20.5%	50.7	46.3	9.5%

Q3 sees further slowdown despite new cable offer

Netia's earnings results in Q3 2014 will be affected by the same negative trends as the Q2 profits. Compared to Q3 2013, on-network monthly voice ARPU is expected to fall 12% to PLN 36.0 while leased-line voice ARPU will be flat at PLN 43.5. The voice subscriber base is expected to contract 9.5% to 1.37 million led by nearly 36 thousand lost leased lines. Despite the new broadband+pay-TV service called "Gigakabłowka" (GigaCable) launched in August, provided via the HFC network acquired from the cable provider Aster,

broadband revenue in Q3 is expected to show continued shrinkage compared to last year driven by considerable churn in bitstream access and LLU customers. The quarterly data ARPU is estimated at PLN 55.0 per month after a small decline from the previous quarter. The weaker sales generated in Q3 will be offset by a 6.4% reduction to PLN 402m in costs, including lower selling expenses which at a projected PLN 78.3m should show year-on-year savings of 10.3%. We estimate Netia's Q3 2014 EBITDA at PLN 121.9m (PLN 130.0m on an adjusted basis), and we expect net profit to show a y/y drop of 30.3% at PLN 9.2m.

Media

Media Agora		Reduce							
Analyst: Paweł Szpigiel	Current price	PLN 7.80		FY14E P/E		195.0	FY14E EV/EBITDA		4.2
	Target price	PLN 7.60		FY15E P/E		-	FY15E EV/EBITDA		4.1
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	242.1	239.9	0.9%	766.9	773.6	-0.9%	1,079.0	1,073.9	0.5%
EBITDA	9.2	23.3	-60.5%	47.5	59.8	-20.6%	77.4	103.5	-25.2%
Margin	3.8%	9.7%	-	6.2%	7.7%	-	7.2%	9.6%	-
EBIT	-14.8	11.3	-	-24.4	-7.9	-	-18.3	7.4	-
Pre-tax profit	-14.8	-11.5	-	-24.9	-10.6	-	-21.5	4.9	-
Net profit	-13.8	-10.2	-	-24.3	-11.0	-	-21.9	0.5	-

EBITDA falls on stable revenue

Q3 2014 could be the first in ten quarters when Agora reports revenue growth (after posting an average y/y drop of 5.7% in the last ten quarters) owed to higher sales generated by the Cinema segment (projected at PLN 51.2m, up 8.2% from Q3 2013) and the Internet segment (PLN 29.1m, + 9.8% y/y). After a small, 2% rise in operating expenses, taking into account PLN 14.7m intercompany eliminations, Q3 EBIT will be an operating loss of an estimated PLN 14.8m. In the Newspaper segment, we anticipate a small decrease in sales revenue (as the price of

Wyborcza was hiked by over 15% while circulation continued to fall) and 11.4% shrinkage in advertising revenue. Sales of cinema tickets are estimated at PLN 30.4m, up 7.4% y/y. Combined with high operating costs, the Q3 EBIT of the Helios cinema chain will show an operating loss for the second quarter in a row. Outdoor as well may post an EBIT loss to the tune of PLN 2.6m due to a 3% decrease in sales after a Q2 rise of 2.2%, while EBIT in the Internet and Radio segments should be stronger than in Q3 2013. At PLN 9.2m, the consolidated Q3 2014 EBITDA is expected to be 60.5% lower than in the same period last year. We stand by our full-year EBITDA projection and bearish outlook for Agora.

Media Cyfrowy Polsat		Accumulate							
Analyst: Paweł Szpigiel	Current price	PLN 27.40		FY14E P/E		27.1	FY14E EV/EBITDA		11.8
	Target price	PLN 23.84		FY15E P/E		19.6	FY15E EV/EBITDA		6.8
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	2,324.9	677.3	243.3%	4,794.1	2,110.3	127.2%	6,163.3	2,910.8	111.7%
EBITDA	919.1	391.3	134.9%	1,910.0	894.0	113.7%	2,363.7	1,046.3	125.9%
Margin	39.5%	57.8%	-	39.8%	42.4%	-	38.4%	35.9%	-
EBIT	446.6	203.4	119.5%	1,063.7	583.1	82.4%	1,265.9	789.9	60.3%
Pre-tax profit	90.3	200.8	-55.0%	261.4	203.4	28.5%	763.4	592.8	28.8%
Net profit	79.6	176.5	-54.9%	230.3	175.9	30.9%	658.2	525.4	25.3%

EBITDA shrinks across all business lines in Q3

Cyfrowy has used the new method of presentation of financial results for a short time, and so we conducted our estimates as to its Q3 2014 results by adding up the projected financials of Polkomtel and the pre-merger Cyfrowy. And so, we expect a revenue of PLN 729.1m at the old Cyfrowy (+7.6% y/y), with EBITDA down 16.7% from Q3'13 at PLN 223.5m due to a lack of the one-time gains that inflated the year-ago base. Adjusted for one-offs, EBITDA shows y/y contraction of 3.0% due to costs incurred on Volleyball Championship broadcasting licenses, higher

overall costs of programming licenses, and increased marketing expenses and payroll. At Polkomtel, Q3 revenue is expected to come in at PLN 1.60bn after a y/y decline of 3.4%, and EBITDA will approximate PLN 695m after falling 9.0%. The combined total EBITDA of Cyfrowy for Q3 2014 so estimated amounts to PLN 919m, marking a drop of 10.9% from Q3 2013 (the sum of Polkomtel and old Cyfrowy EBITDA in Q3 2013 was PLN 1032m). After PLN 473m D&A expenses, PLN 356m financing costs (incl. PLN 129m FX differences), and tax at an effective rate of 11%, the consolidated quarterly net profit is expected to come in around PLN 80m.

Media TVN Buy									
Analyst: Paweł Szpigiel	Current price	PLN 15.04			FY14E P/E	15.4	FY14E EV/EBITDA	12.2	
	Target price	PLN 17.50			FY15E P/E	14.3	FY15E EV/EBITDA	11.4	
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	330.0	309.9	6.5%	1,114.3	1,093.5	1.9%	1,609.1	1,554.6	3.5%
EBITDA	101.7	82.6	23.2%	380.0	338.0	12.4%	584.1	372.4	56.9%
Margin	30.8%	26.6%	-	34.1%	30.9%	-	36.3%	24.0%	-
EBIT	84.8	64.9	30.8%	329.0	278.7	18.1%	517.1	297.2	74.0%
Pre-tax profit	29.1	-174.2	-116.7%	156.2	-279.8	-	404.7	-269.8	-
Net profit	26.1	-169.8	-115.3%	152.3	-243.5	-	336.9	-197.8	-

Fall programming boosts Q3 profits, costs

We estimate TVN's total Q3 2014 revenue at PLN 330.0m after an increase from the same period last year driven by increasing TV advertising expenses, strong viewership figures reported by the TV channels (+0.62ppt y/y in the 16-49yo prime time demo), and relatively good positioning of the main channel 'TVN' (losing 0.31ppt of its audience share in Q3), and growing revenue from airtime brokerage achieved by the TVN Media unit. At PLN 330.0m, the third-quarter revenue will show year-on-year growth of an estimated 6.5%, with ad revenue up by approximately 8% to PLN 222.2m. Costs excluding D&A are projected at PLN 238.8m vs. PLN 225.8m in Q3 2013. D&A expenses in

Q3 will have been boosted by amortization of in-house programming and third-party broadcasting licenses needed to fill the fall schedule, with marketing costs driven by the nationwide campaign advertising the new lineup. At the same time, we assume that the ratio of the costs of original programming and licenses to sales will remain steady year on year. Adjusted Q3 EBITDA is expected to come in at PLN 91.2m (+8.8% y/y). Equity in the profits of the associates nC+ and Onet are estimated at PLN 10.5m. Net financing costs of ca. PLN 55.7m after PLN 2.0m gains will include PLN 49.2m interest expenses and PLN 8.5m unrealized FX differences. After taxes at PLN 3.0m, the 2014 third-quarter profit will approximate PLN 26.1m.

IT

IT ABC Data		Buy							
Analyst: Paweł Szpigel		Current price	PLN 3.64	FY14E P/E	6.7	FY14E EV/EBITDA	6.7		
		Target price	PLN 5.35	FY15E P/E	6.2	FY15E EV/EBITDA	6.1		
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	1,410	1,212	16.3%	3,970	3,397	16.9%	5,816	4,823	20.6%
EBITDA	19.7	18.9	4.5%	54.9	51.2	7.4%	96.7	79.6	21.5%
Margin	1.4%	1.6%	-	1.4%	1.5%	-	1.7%	1.6%	-
EBIT	19.2	18.9	1.6%	53.3	49.6	7.5%	93.3	77.2	20.9%
Pre-tax profit	16.2	16.6	-2.4%	44.6	43.6	2.3%	91.4	68.0	34.4%
Net profit	13.1	14.2	-7.6%	31.1	39.5	-21.2%	67.8	59.2	14.6%

On higher revenue, ABC sees falling profits in Q3

We expect to see continued double-digit growth in ABC data's revenue in Q3 2014, albeit slightly slower than in the previous quarter, with the topline at an estimated PLN 1,410m after PLN 70m contribution from the newly consolidated iSource. At the same time, the quarterly gross margin is expected tighten slightly to 4.35% from 4.46% in

Q3'13. With the SG&A/sales ratio steady at 3.0%, after zero gains from other operating activity (vs. PLN 1.3m in Q2'13), EBIT will approximate PLN 19.2m, representing flat growth from last year. On strong sales, we expect an increase in net financing costs to PLN 3.0m, and at 19% effective tax rate we estimate the Q3 net profit at PLN 13.1m.

IT Asseco Poland		Accumulate							
Analyst: Paweł Szpigel		Current price	PLN 46.75	FY14E P/E	11.1	FY14E EV/EBITDA	6.6		
		Target price	PLN 45.60	FY15E P/E	11.7	FY15E EV/EBITDA	6.6		
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	1,424.9	1,404.0	1.5%	4,337.9	4,188.4	3.6%	6,060.0	5,898.0	2.7%
EBITDA	207.8	221.5	-6.2%	638.5	683.7	-6.6%	885.0	875.0	1.1%
Margin	14.6%	15.8%	-	14.7%	16.3%	-	14.6%	14.8%	-
EBIT	150.8	154.1	-2.1%	446.1	485.7	-8.1%	624.0	611.0	2.1%
Pre-tax profit	142.8	145.4	-1.8%	449.7	458.4	-1.9%	622.0	754.0	-17.5%
Net profit	78.0	82.4	-5.4%	261.2	371.5	-29.7%	349.0	394.0	-11.4%

Asseco sees signs of stabilization in Poland, posts small y/y growth in core Q3 net profit

At an estimated PLN 1,425m, Asseco's revenue for Q3 2014 will show year-on-year growth of 1.5%. At the same time, EBIT will post a 2.1% drop to PLN 151m. In the core Polish market, sales may show an upward shift to PLN 73m from PLN 69.3m in Q3 last year. Standalone EBIT should be steady at the level posted in Q3 2013 thanks to cost savings on government contracts. As for international markets, we anticipate sales of PLN 661m (+4.9% y/y) and EBIT of PLN 50.1m in Israel achieved thanks to the strong

performance in Q3 of local subsidiaries Sapiens International and Magic Software. In turn, Slovakian operations will report weak results due to a slump in EU-funded orders. After net financing costs of PLN 8.0m, tax of PLN 28.6m (with the effective tax rate at 20%), and non-controlling interests of PLN 38m, the third-quarter net profit is expected to be 5.4% lower than the figure reported in Q3 2013 at PLN 78.0m. However, given that the year-ago net profit after adjustment for contributions from Slovnet, a subsidiary divested since, and for a spin-off and sale of an Asseco CE subsidiary, amounted to PLN 76.2m, actually, the core profit for Q3 2014 will have grown by 2.3% relative to Q3 2013.

Resources

Coal JSW		Hold							
Analyst: Michał Marczak	Current price	PLN 28.77		FY14E P/E		-	FY14E EV/EBITDA		2.8
	Target price	PLN 55.00		FY15E P/E		-	FY15E EV/EBITDA		2.5
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	1,672.8	1,678.7	-0.3%	4,801.5	5,790.7	-17.1%	6,815.5	7,632.2	-10.7%
EBITDA	216.4	220.6	-1.9%	446.0	1,062.5	-58.0%	798.8	1,382.1	-42.2%
Margin	12.9%	13.1%		9.3%	18.3%		11.7%	18.1%	
EBIT	-95.6	-86.1	-	-478.5	172.5	-	-430.7	201.9	-
Pre-tax profit	-117.6	-114.5	-	-546.2	100.6	-	-534.0	109.7	-
Net profit	-96.4	-97.5	-	-437.8	75.4	-	-415.3	77.3	-

Low prices mitigated by high volume and weak zloty

After a dismal second quarter witnessing a quarterly net loss of PLN 253m, JSW is expected to experience considerable improvement in Q3 thanks to higher output (2.39mmt coking coal, up 28.9% q/q, 0.9mmt thermal coal, up 44%) resulting in higher sales. As a reminder, the second-quarter profits were weighed down by geological obstacles met at several mines at the same time. The resulting drop in production cannot be made up for in H2 in our view, with output reaching its historical averages at best. On a positive

note, the profits for Q3 2014 are expected to be supported by the zloty's depreciation vs. the dollar which provided a slight boost (1.5%) to the zloty price of coking coal relative to the previous quarter even as the price benchmark remained at \$120/t. We do not anticipate any major one-time charges or gains affecting JSW's results for Q3. On seasonally higher demand, the operating profits on sales of coking coal are expected to show slight improvement. On flat q/q prices of thermal coal, profits in the segment will improve as well thanks to a higher production volume.

Metals KGHM		Buy							
Analyst: Michał Marczak	Current price	PLN 125.10		FY14E P/E		9.8	FY14E EV/EBITDA		5.0
	Target price	PLN 139.00		FY15E P/E		8.6	FY15E EV/EBITDA		4.4
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	4,274.9	4,171.0	2.5%	12,001.9	13,674.0	-12.2%	21,593.3	24,110.0	-10.4%
EBITDA	1,092.8	933.0	17.1%	3,057.8	3,742.0	-18.3%	5,637.2	5,952.0	-5.3%
Margin	25.6%	22.4%		25.5%	27.4%		26.1%	24.7%	
EBIT	887.6	730.0	21.6%	2,433.6	3,121.0	-22.0%	3,730.1	4,372.0	-14.7%
Pre-tax profit	878.6	735.0	19.5%	2,409.6	3,081.0	-21.8%	3,557.5	4,235.0	-16.0%
Net profit	637.3	520.0	22.6%	1,756.3	2,245.0	-21.8%	2,548.9	3,033.0	-16.0%

3Q profits benefit from high copper prices

LME copper prices averaged \$6,977/t in Q3 2014, marking an increase of 3.2% from Q2. Translated into zlotys, the price average was a further 3.8% higher. Copper has taken a downward shift since then (at \$6,560/t today), and the temporary nature of the Q3 price upturn is not likely to be

overlooked by investors. We estimate that KGHM's Polish mines sold 142kt of copper in Q3 (+10% y/y, +4% q/q), with silver sales falling 10% from Q3 2013 to 285 tons. The q/q increase in copper sales was driven mainly by secondary copper whose positive impact on EBITDA is limited. Unit cost of copper in Q3 will have averaged PLN 18,100/t.

Coal LW Bogdanka									
Hold									
Analyst: Michał Marczak	Current price	PLN 111.00		FY14E P/E		12.7	FY14E EV/EBITDA		5.9
	Target price	PLN 136.90		FY15E P/E		10.2	FY15E EV/EBITDA		5.0
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	522.8	539.4	-3.1%	1 468.2	1 418.3	3.5%	2 017.0	1 899.8	6.2%
EBITDA	195.0	199.9	-2.4%	498.5	548.5	-9.1%	743.2	754.9	-1.5%
Margin	37.3%	37.1%		34.0%	38.7%		36.8%	39.7%	
EBIT	103.0	119.4	-13.7%	229.7	307.6	-25.3%	381.9	424.8	-10.1%
Pre-tax profit	101.4	119.0	-14.8%	218.2	301.0	-27.5%	366.8	413.7	-11.3%
Net profit	81.1	82.7	-1.9%	172.6	224.7	-23.2%	297.1	329.7	-9.9%

LWB posts better but not good Q3

LW Bogdanka produced 2.38mmt of commercial coal in Q3 2014, marking an increase of 10.4% from the same period last year driven among others by added coal processing capacity. The new treatment plant will continue to fuel production in the quarters ahead after reaching target capacity, with Q4 output projected at ca. 2.6mmt. Our Q3 estimate of average revenue per ton of coal is PLN 109, down 8.4% from Q3 2013. The unit cash cost will have averaged

PLN 136/t, showing flat growth from last year. All in all, the third-quarter results will show improvement from a very weak second quarter, but rather than focusing on the past investors today are waiting to hear the outcome of ongoing price negotiations with the power industry regarding prices of 2015 coal deliveries, as well as looking forward to the Management Board's outlook for next year. Looking at the current state of the global coal market, we would expect downward revisions to the 2015 guidance (on expectations of falling coal prices) rather than a buoyant view on the future.

Industrials

Agricultural Producers Astarta		Hold							
Analyst: Jakub Szkopek		Current price	PLN 33.97		FY14E P/E	10.7	FY14E EV/EBITDA	4.2	
		Target price	PLN 48.60		FY15E P/E	3.8	FY15E EV/EBITDA	3.9	
(UAH m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	1,323.7	1,027.1	28.9%	3,974.2	2,784.6	42.7%	4,956.3	4,008.9	23.6%
EBITDA	306.6	282.8	8.4%	1,797.4	1,100.8	63.3%	1,549.5	670.4	131.1%
Margin	23.2%	27.5%		45.2%	39.5%		29.2%	16.7%	
EBIT	212.6	212.7	0.0%	1,518.7	892.9	70.1%	1,236.8	376.6	228.4%
Pre-tax profit	-176.3	317.8	-	-123.4	878.1	-	324.5	232.0	39.9%
Net profit	-171.0	321.6	-	-122.1	880.0	-	309.7	244.0	26.9%

On strong sales profits, Q3 bottom line weighed down by FX losses

We estimate that Astarta sold 8000 tons of sugar (-14% y/y), 103,000 tons of grains (-48% y/y), and 26,000 tons of milk (+1% y/y) in Q3 2014. The newly-launched soybean crushing business is expected to generate sales volumes of 6000 tons of oil and 27,000 tons of meal. The operating profit for the period will be supported by a 62% year-on-year surge in sugar prices. We estimate the consolidated Q3 2014 revenue at UAH 1.3 billion (+28.9% y/y). On higher sugar prices and soybean sales, the quarterly gross profit is

expected to show a surge of 71% from Q3 2013, with gross margin expanding to 31.2% from 23.6%. Losses on revaluation of biological assets will be lower than last year's at UAH 68.2m vs. UAH 116m. Value adjustments pertaining to livestock are expected to produce a loss of UAH 29m as milk prices declined by 3.1% in the course of the third quarter. Moreover, Astarta will recognize FX losses estimated at UAH 319m as a result of the hryvnia's depreciation versus the dollar and the euro (by 9.5% and 2.2%) respectively. Net debt as of 30 June is expected to be UAH 3.1bn (ca. 2.5x 12m EBITDA).

Manufacturers Boryszew		Reduce							
Analyst: Jakub Szkopek		Current price	PLN 6.41		FY14E P/E	16.2	FY14E EV/EBITDA	9.3	
		Target price	PLN 5.20		FY15E P/E	14.3	FY15E EV/EBITDA	8.5	
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	1,300.2	1,249.0	4.1%	3,834.1	3,691.2	3.9%	5,101.7	4,881.1	4.5%
EBITDA	75.6	86.8	-12.9%	206.4	188.5	9.5%	294.3	254.4	15.7%
Margin	5.8%	6.9%		5.4%	5.1%		5.8%	5.2%	
EBIT	47.1	45.5	3.6%	126.2	93.1	35.6%	171.8	127.0	35.3%
Pre-tax profit	36.6	36.3	0.9%	99.5	61.3	62.4%	129.9	105.7	22.9%
Net profit	21.4	9.2	132.4%	57.8	34.6	67.2%	87.2	43.9	98.7%

Weak Q3 may undermine FY2014 guidance

We anticipate that a segmental breakdown on the Q3 2014 revenue of Boryszew will show a 1.1% y/y rise at Impexmetal, a 9.0% increase in Automotive (driven by improved auto sales in Western Europe and the consolidation of Tensho), and an 8.0% drop in Chemicals following divestment. As for gross profit, we expect a strong, 31.6% increase in Automotive (owed to restructuring and new contracts acquired by Maflow) on the one hand, and a 22.9% drop in Chemicals on the other hand (due to unfavorable base effects) despite a PLN 0.5m gain on sales of carbon allowances posted by the Elana Energetyka unit. Consequently, the consolidated Q3 2014 EBITDA will show

year-on-year shrinkage of an estimated 12.9% despite lower D&A expenses. Metal price hedging should have a marginal impact on the Q3 profits (in the course of the quarter, aluminum gained 3.9% and zinc prices increased 3.2%, while prices of copper and lead logged respective drops of 3.5% and 3.4%). We estimate that Boryszew will have achieved 75% of our annual revenue forecast, 70% of expected EBITDA, and 66% of our annual net profit estimate in the nine months through September 2014. Q3 has potential to deliver upside margin surprises stemming from a global upturn in prices of aluminum and lead. However, if the actual results for the first three quarters miss the targets, Boryszew may not be able to catch up in Q4 when it usually has a half-month break in operations.

Machinery Famur		Hold							
Analyst: Jakub Szkopek	Current price		PLN 3.25		FY14E P/E	15.0	FY14E EV/EBITDA	6.0	
	Target price		PLN 3.80		FY15E P/E	12.1	FY15E EV/EBITDA	5.0	
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	159.0	284.3	-44.1%	472.0	932.5	-49.4%	839.1	1 176.4	-28.7%
EBITDA	66.9	98.1	-31.9%	194.5	309.9	-37.3%	274.2	384.7	-28.7%
Margin	42.1%	34.5%		41.2%	33.2%		24.4%	32.7%	
EBIT	28.6	57.9	-50.7%	79.1	186.0	-57.5%	132.6	224.6	-41.0%
Pre-tax profit	25.3	58.5	-56.8%	78.0	184.8	-57.8%	132.3	240.8	-45.1%
Net profit	20.2	48.2	-58.0%	66.8	145.2	-54.0%	104.1	207.6	-49.9%

Famur sees double-digit profit shrinkage in Q3

By operating segment, we expect that Famur will post a q/q rebound of 26.9% in sales of longwall systems in Q3 2014 (falling 56.9% on a year-on-year basis), with sales of gallery systems rising 10% q/q (but falling 22.9% y/y) thanks to a lack of downtime at customer mines. Sales of transportation systems should show 5% expansion relative to Q2 (-30.7% y/y). The consolidated gross margin is expected to widen to 35.8% from 32.5% in Q2 and 27.9% in Q3 2013 thanks to higher capacity utilization combined with cost restructuring. We assume conservatively that Famur set aside a reserve of

about PLN 3m in Q3 as a cushion against the possible consequences of the slowdown observed in the Polish coal industry. Other one-time events affecting the quarterly profits may include losses estimated at PLN 2.5m incurred on adjustments to FX hedging contracts (as of 30 June Famur's dollar sales hedges amounted to PLN 30.7m; the contracts expire in Q4). We estimate that Famur will have achieved 56.3% of our annual revenue forecast, 70.9% of expected EBITDA, and 64.2% of our net profit estimate in the nine months through September 2014, with the net profit for Q3 2014 showing double-digit shrinkage from last year.

Metals Impexmetal		Buy							
Analyst: Jakub Szkopek	Current price		PLN 2.64		FY14E P/E	9.8	FY14E EV/EBITDA	7.3	
	Target price		PLN 3.40		FY15E P/E	8.7	FY15E EV/EBITDA	6.4	
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	744.0	735.9	1.1%	2 105.0	2 115.9	-0.5%	2 764.1	2 728.7	1.3%
EBITDA	37.2	41.4	-10.2%	104.5	110.2	-5.2%	133.5	125.0	6.8%
Margin	5.0%	5.6%		5.0%	5.2%		4.8%	4.6%	
EBIT	24.0	27.3	-12.0%	66.2	68.1	-2.9%	77.3	72.8	6.1%
Pre-tax profit	20.6	26.6	-22.7%	60.5	74.0	-18.2%	63.5	74.6	-14.9%
Net profit	17.3	18.0	-3.9%	49.8	61.3	-18.9%	53.8	72.7	-26.0%

Earnings momentum improves in Q3

We expect to see 3% y/y sales volume contraction at Impexmetal in Q3 2014 led by 3.3% lower sales of copper products and a 6.0% drop in sales of zinc and lead products due to unfavorable base effects and a reduced availability of scrap lead. At the same time, sales of aluminum sheet should show year-on-year expansion of 0.5%, driven mainly by higher demand for premium products. As a result, the consolidated revenue for the quarter should show a small, 1.1% rise from Q3 2013. EBITDA is expected to show year-on-year shrinkage led by the segments of copper (where EBITDA will have dropped 23.2% after the loss of a major contract from the Polish Mint) and zinc & lead (experiencing 30.1% EBITDA plunge from a high year-ago base). EBITDA

in the aluminum segment should show improvement of at least 4% though the actual growth may be stronger looking at the good third-quarter results of Alcoa. Metal price hedging should have a marginal impact on the Q3 profits (in the course of the quarter, aluminum gained 3.9% and zinc prices increased 3.2% while prices of copper and lead logged respective drops of 3.5% and 3.4%). All in all, net profit for Q3 2014 is expected to come in at PLN 17.3m after a year-on-year decline of just 3.9%. We estimate that Impexmetal will have achieved 76% of our annual revenue forecast, 78% of expected EBITDA, and 92% of our annual net profit estimate in the nine months through September 2014. Q3 has potential to deliver upside margin surprises stemming from a global upturn in prices of aluminum and lead.

Agricultural Producers Kernel		Hold							
Analyst: Jakub Szkopek	Current price	PLN 23.05		FY14E P/E		-	FY14E EV/EBITDA		7.5
	Target price	PLN 32.50		FY15E P/E		3.3	FY15E EV/EBITDA		3.3
(USD m)	Q1'FY'15E	Q1'FY'14	change	FY2015E	FY2014	change	FY2016E	FY2015E	change
Revenue	453.7	412.9	9.9%	2,190.8	2,393.3	-8.5%	2,260.5	2,190.8	3.2%
EBITDA	44.5	3.0	-	352.2	223.2	57.8%	348.8	352.2	-1.0%
Margin	9.8%	0.7%		16.1%	9.3%		15.4%	16.1%	
EBIT	23.7	-22.8	-	252.5	128.9	95.9%	251.8	252.5	-0.3%
Pre-tax profit	-5.8	-34.4	-	178.2	-90.4	-	181.4	178.2	1.8%
Net profit	-5.6	-33.8	-	165.7	-98.3	-	168.7	165.7	1.8%

Q3 profits boosted by base effects

Kernel reported having sold 202.6k tons of bulk sunflower oil in the third quarter of calendar 2014 (first quarter of fiscal 2015), marking growth of a whopping 111.7% from the same period last year. Sales achieved in the other segments also showed considerable improvement relative to Q3 2013, with the grain volume at 1.2mmt (+38.0% y/y), grain exports at 1.2mmt (+55.8%), and sales of bottled oil at 22.8mmt (+1.7%). As predicted, seed stockpiling in earlier periods facilitated strong increases in the crushing volumes and the sales volumes of sunflower oil in Q3. As for other

crops, a bumper harvest drove quarterly grain exports from Ukraine. Based on the quarterly sales figures, we estimate that Kernel's revenue for the third quarter will amount to \$453.7m (+9.8% y/y), with EBITDA approximating \$44.5m (vs. \$3.0m a year ago) and the bottom line showing a net loss of \$5.6m (marking improvement from a year-ago net loss of \$33.8m). Our estimates factor in a downward adjustment of \$13.7m to receivable VAT reflecting the hryvnia's depreciation versus the dollar, and an 8.5% increase in interest expenses. All in all, however, we expect Kernel to report much better operating results for Q3 2014 than the figures posted in the same period in 2013.

Machinery Kopex		Buy							
Analyst: Jakub Szkopek	Current price	PLN 10.80		FY14E P/E		11.9	FY14E EV/EBITDA		5.5
	Target price	PLN 14.50		FY15E P/E		9.4	FY15E EV/EBITDA		5.0
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	345.2	388.8	-11.2%	1,095.8	532.0	106.0%	1,413.4	1,395.1	1.3%
EBITDA	68.8	75.3	-8.7%	219.1	167.9	30.5%	216.9	235.6	-8.0%
Margin	19.9%	19.4%		20.0%	31.6%		15.3%	16.9%	
EBIT	31.6	39.8	-20.8%	107.0	60.2	77.8%	97.7	91.2	7.1%
Pre-tax profit	24.1	39.7	-39.3%	95.6	54.7	74.9%	84.4	80.5	4.8%
Net profit	19.3	29.3	-33.9%	77.7	42.6	82.3%	67.2	67.2	0.0%

Kopex beats annual estimates after Q3

By operating segment, we expect to see growth of 27.6% y/y and 2.0% q/q in revenue from mining services and 11.5% y/y and 6.0% q/q in sales of electrical and electronic equipment driven by expanding order backlogs accumulated in the first half of the year. In turn, sales of underground mining equipment are set to show shrinkage of 24.7% y/y and 13.0% q/q from a high year-ago base, underpinned by backlog contraction seen in H1. Consequently, Kopex will report a 11.2% y/y drop in consolidated revenue in Q3 2014,

with the gross profit down 8.7% from Q3 2013. The effects of Q3 financing activity will be negatively affected by a downward adjustment of an estimated PLN 1.4m to FX hedging contracts (at 30 June, Kopex had in place exchange rate hedges totaling \$3.1m and EUR 43.7m). We estimate that Kopex will have achieved 78% of our annual revenue forecast, 101% of expected EBITDA, and 116% of our net profit estimate in the nine months through September 2014. The net debt/12M EBITDA ratio at 30 September should remain intact at 1.4x.

Building Materials		Hold							
Rovese									
Analyst: Jakub Szkopek		Current price		PLN 1.43		FY14E P/E	-	FY14E EV/EBITDA	8.5
		Target price		PLN 1.22		FY15E P/E	31.8	FY15E EV/EBITDA	7.1
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	487.4	552.7	-11.8%	1,326.9	1,485.6	-10.7%	2,059.5	1,870.5	10.1%
EBITDA	78.6	81.0	-3.0%	180.0	166.3	8.2%	214.3	213.9	0.2%
Margin	16.1%	14.7%		13.6%	11.2%		10.4%	11.4%	
EBIT	35.1	41.3	-14.9%	49.9	45.5	9.5%	42.4	37.4	13.5%
Pre-tax profit	23.3	-12.7	-	-196.5	-36.3	-	-15.1	-66.2	-
Net profit	18.7	-11.7	-	-187.1	-34.1	-	-12.2	-64.4	-

Weak Ukraine sales, strong local competition weigh on Q3 profits

Compared to Q3 2013, Rovese is expected to report sales declines of 14.5% in ceramic tiles (rising 6.4% relative to the previous quarter), 6.6% in ceramic sanitaryware (up 10.8% q/q), and 5.8% in other ceramics (+15.0% q/q) in Q3 2014. The contraction in the period was due to weaker demand from Ukraine and consequently fiercer competition in the local market combined with capacity additions in Russia

which have thwarted local demand for Ukrainian products. The quarterly gross margin will approximate 33% (vs. 31.7% in Q3'13), and EBITDA will show an estimated y/y decline of 3%. We expect Rovese to book FX losses of PLN 3.2m in Q3 2014. We anticipate that the net debt/12M EBITDA ratio as of 30 September will amount to 3.2x. Rovese will have achieved 64% of our annual sales forecast and 84% of expected EBITDA in the nine months through September 2014, with the bottom line for the period showing a cumulative net loss of PLN 187.1m.

Food Producers		Buy							
Tarczyński									
Analyst: Jakub Szkopek		Current price		PLN 10.28		FY14E P/E	14.9	FY14E EV/EBITDA	6.8
		Target price		PLN 12.20		FY15E P/E	12.4	FY15E EV/EBITDA	5.5
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	140.0	120.8	15.9%	383.1	330.0	16.1%	513.1	448.3	14.5%
EBITDA	9.6	7.1	35.5%	27.3	23.3	17.4%	36.2	32.9	10.0%
Margin	6.9%	5.9%		7.1%	7.1%		7.1%	7.3%	
EBIT	4.5	3.5	31.1%	12.5	13.0	-4.1%	15.8	17.3	-8.9%
Pre-tax profit	2.7	2.3	20.0%	7.5	8.9	-16.4%	10.0	11.9	-16.4%
Net profit	2.2	1.8	21.0%	5.7	7.2	-21.0%	7.8	9.3	-16.1%

Q3 profits rise on cheap pig meat

We expect sales of processed meats at Tarczyński to show 9% growth in Q3 2014 relative to the same period last year owing to increased sales to big-box stores and a higher operating rate recorded by the new processing plant. In addition, an increasing share in the sales mix of premium deli meats is expected to drive per-ton revenue by 7.3% year on year. Prices of raw pig meat took an upward turn during the summer months, but in case of Tarczyński the resulting rise in costs is expected to be offset by the use of frozen meat stockpiles accumulated at cheaper prices in the first quarter.

In September, prices went back on a downward trend. Tarczyński is expected to post year-on-year gross margin expansion to 18.3% in Q3 2014 from 16.0% in Q3 2013 (Q2'14 gross margin was 18.4%). Marketing costs weighing on third-quarter operating profits are estimated at PLN 1.5m. Regardless, we expect to see year-on-year expansion of 35.5% in the quarterly EBITDA and 21.0% in net profit. We estimate that Tarczyński will have achieved 74.7% of our 2014 annual revenue forecast, 75.5% of expected EBITDA, and 72.8% of the full-year net profit estimate, in the nine months through September.

Manufacturers Vistal									
Buy									
Analyst: Jakub Szkopek	Current price	PLN 13.55		FY14E P/E		13.5	FY14E EV/EBITDA		9.2
	Target price	PLN 16.90		FY15E P/E		7.6	FY15E EV/EBITDA		6.8
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	73.4	74.7	-1.8%	223.6	206.4	8.3%	290.3	283.4	2.4%
EBITDA	11.1	11.2	-1.2%	29.3	28.7	2.1%	37.7	34.2	10.1%
Margin	15.1%	15.0%		13.1%	13.9%		13.0%	12.1%	
EBIT	6.7	8.1	-17.7%	18.4	20.4	-10.0%	22.2	23.5	-5.5%
Pre-tax profit	4.8	6.5	-26.0%	14.7	13.9	5.6%	17.7	15.5	14.5%
Net profit	4.0	3.7	10.6%	11.7	9.8	18.7%	14.3	20.4	-29.8%

Vistal sees flat growth in Q3

By operating segment, we expect a 1.0% q/q decline combined with a 17.1% y/y surge in Q3 2014 sales of infrastructure, and a 15.0% q/q and 15.6% y/y drops in sales of marine&offshore solutions as Vistal waits to sign new contracts. Gross margins are estimated at 25.0% in infrastructure (vs. 20.6% in Q2'14 and 23.2% in Q3'13) after an increase owed to a higher share of international orders,

and at 16.5% in marine&offshore (vs. 16.9% in Q2'14 and 22.7% in Q3'13). We expect Vistal to incur a PLN 190,000 loss in Q3 on the euro's depreciation versus the zloty. Overall, the quarterly revenue and EBITDA will be at steady levels compared to Q3 2013. We estimate that Vistal will have achieved 77.0% of our annual revenue forecast, 77.7% of expected EBITDA, and 81.5% of our the full-year net profit estimate in the nine months through September 2014.

Construction

Construction Budimex		Accumulate							
Analyst: Piotr Zybala	Current price	PLN 136.50		FY14E P/E		21.6	FY14E EV/EBITDA		10.4
	Target price	PLN 139.95		FY15E P/E		16.8	FY15E EV/EBITDA		8.1
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	1,450.3	1,367.6	6.1%	3,603.5	3,455.2	4.3%	4,529.3	4,749.5	-4.6%
EBITDA	59.4	62.3	-4.6%	180.9	165.8	9.1%	210.4	362.2	-41.9%
Margin	4.1%	4.6%	-	5.0%	4.8%	-	4.6%	7.6%	-
EBIT	54.0	55.1	-2.0%	164.0	143.7	14.1%	189.2	333.3	-43.2%
Pre-tax profit	52.7	54.7	-3.6%	162.9	141.9	14.8%	198.8	331.3	-40.0%
Net profit	42.7	43.2	-1.2%	129.6	111.0	16.8%	161.1	300.5	-46.4%

Budimex sees another strong quarter in Q3

After a good first half of the year with quarterly profits averaging PLN 43-44m, we expect an equally strong Q3 with the bottom line projected at PLN 42.7m. At the same time, compared to the two previous quarters, we anticipate higher revenue and a slightly lower margin in Q3 which even after some contraction will still make Budimex stand out from among the competition. The revenue growth in Q3 will have been driven by a favorable weather and backlog composition

with a higher share of short-term contracts. All in all, our third-quarter earnings projections for Budimex are PLN 1.45bn revenue, PLN 59.4m EBITDA, and PLN 54.0m EBIT. We estimate that Budimex will have delivered 80% of our FY2014 full-year net profit forecast in the first nine months which, as it looks today, will probably be exceeded, with Q4 profits expected to see higher contributions from the residential segment.

Construction Elektrobudowa		Buy							
Analyst: Piotr Zybala	Current price	PLN 80.00		FY14E P/E		15.8	FY14E EV/EBITDA		7.3
	Target price	PLN 105.00		FY15E P/E		10.4	FY15E EV/EBITDA		5.9
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	341.9	251.8	35.8%	784.2	634.6	23.6%	1,212.3	905.6	33.9%
EBITDA	18.0	10.5	70.8%	29.2	19.6	49.3%	52.5	38.7	35.6%
Margin	5.3%	4.2%	-	3.7%	3.1%	-	4.3%	4.3%	-
EBIT	14.6	6.5	124.6%	19.1	8.4	127.1%	39.4	24.6	60.2%
Pre-tax profit	11.9	7.1	69.3%	15.3	8.7	76.4%	32.8	25.9	26.6%
Net profit	9.5	4.6	103.7%	11.6	5.5	111.5%	24.1	17.2	40.0%

Elektrobudowa posts strong y/y growth in Q3

After reporting year-on-year earnings growth for the first time in over a year in Q2 2014, we believe Elektrobudowa continued to do well in Q3, experiencing growing sales across all operating segments and generating consolidated revenue in excess of PLN 340m. Moreover, we believe Q3 will be the first quarter in more than a year not affected by losses incurred on industrial construction. As a result, EBIT should show a y/y surge to PLN 14.6m from PLN 6.5m. Elektrobudowa's Russian operations are exposed to political

risk, but their share in total earnings is too small to have much of an impact on the consolidated results. Due to increased working-capital needs driven by new contracts, we anticipate that the cash position in Q3 will be lower than in the same period in 2013. All told, we project that the Q3 2014 net profit will come in at PLN 9.5m, adding to a 9M 2014 bottom line of PLN 11.6m, representing less than 50% of our full-year estimate. That said, the low forecast delivery ratio does not worry us given that the fourth quarter is seasonally the strongest at Elektrobudowa.

Construction Erbud		Buy							
Analyst: Piotr Zybala	Current price Target price	PLN 27.50 PLN 35.90		FY14E P/E FY15E P/E		13.5 11.0	FY14E EV/EBITDA FY15E EV/EBITDA		5.1 4.2
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	351.5	298.7	17.7%	1,060.6	824.6	28.6%	1,329.0	1,225.1	8.5%
EBITDA	13.3	14.2	-6.4%	34.0	26.0	30.5%	47.3	40.1	18.0%
Margin	3.8%	4.8%	-	3.2%	3.2%	-	3.6%	3.3%	-
EBIT	11.3	12.5	-9.5%	27.9	20.7	35.2%	39.3	32.4	21.2%
Pre-tax profit	10.3	10.1	2.6%	23.5	15.2	54.7%	36.3	23.8	52.3%
Net profit	7.3	7.7	-4.3%	15.4	10.0	53.5%	25.8	17.5	47.7%

Erbud posts flat growth in Q3

After strong revenue and profit momentum reported in H1, Erbud is expected to post continued growth in revenue in Q3 2014 driven by the segments of road development and power engineering which are poised for even stronger growth in 2015 looking at the current order backlog. At the same time, margins in Q3 2014 will show contraction from a high year-ago base. We estimate the quarterly EBIT at PLN 11.3m

and net profit at PLN 7.3m. We believe Erbud will have delivered about 60% of our FY2014 annual net profit forecast (PLN 25.8m) in the first nine months, which means it needs a very strong fourth quarter. Backlog at 30 June was higher than at the same time last year, and it has expanded since by orders for high-margin wind farm and power plant construction services. That said, despite considerable improvement from 2013, Erbud will probably miss our current net profit estimate for the year.

Construction Unibep		Buy								
Analyst: Piotr Zybala	Current price	PLN 7.70			FY14E P/E		11.7	FY14E EV/EBITDA		7.6
	Target price	PLN 10.20			FY15E P/E		9.2	FY15E EV/EBITDA		6.3
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change	
Revenue	299.0	256.1	16.7%	760.9	691.8	10.0%	1 147.2	920.5	24.6%	
EBITDA	9.1	9.5	-3.8%	23.8	24.3	-1.8%	39.6	34.0	16.4%	
Margin	3.1%	3.7%	-	3.1%	3.5%	-	3.5%	3.7%	-	
EBIT	7.5	8.0	-6.4%	18.8	19.9	-5.7%	34.0	28.1	21.0%	
Pre-tax profit	6.2	7.2	-12.9%	17.4	16.8	3.3%	29.7	23.1	28.6%	
Net profit	4.8	4.5	6.9%	12.1	11.1	8.7%	22.5	13.6	64.9%	

Unibep posts decent Q3

The third quarter of 2014 at Unibep most likely saw a continuation of the sluggish upward earnings momentum seen in the two previous quarters, with revenue up 17% y/y at PLN 299m and net profit rising 7% to PLN 4.8m. In the segment of building construction, margin is likely to show y/y

contraction from a high base, and Norwegian operations are expected to post a slowdown relative to Q3 2013, but at the same time the y/y growth rate should be supported by a lack of one-time charges. Despite the stellar growth anticipated in the seasonally strong Q4, Unibep will probably not deliver our PLN 22.5m annual net profit estimate in 2014.

Property Developers

Property Developers Capital Park Buy									
Analyst: Piotr Zybala	Current price Target price		PLN 4.59 PLN 6.70		FY14E P/E FY15E P/E	51.4 29.3		FY14E P/BV FY15E P/BV	0.49 0.48
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	11.4	-	-	33.0	-	-	44.6	38.8	14.9%
Gross profit	8.4	-	-	24.3	-	-	33.0	29.3	12.7%
Margin	74.0%	-	-	73.5%	-	-	74.0%	75.4%	-
EBIT ex. revaluations	4.9	-	-	12.6	-	-	18.4	16.1	14.0%
Revaluations	3.0	-	-	15.9	-	-	13.0	24.3	-46.5%
EBIT	7.9	-	-	28.5	-	-	31.4	40.4	-22.3%
Pre-tax profit	2.7	-	-	17.1	-	-	16.4	28.1	-41.6%
Net profit	1.1	-	-	9.6	-	-	9.4	25.6	-63.2%

Capital Park sees moderate profit growth in Q3

Capital Park finished the first building in the Eurocentrum office complex in June, expected to generate NOI of EUR 7.2m. The tenancy rate so far is 63%, and taking into account rent-free periods the building's contribution to the third-quarter results will probably still be marginal. We have a Q3 2014 revenue estimate of PLN 11.4m and NOI estimate of PLN 8.4m for Capital Park. Other operating activity

(residential sales, management services, etc.) is expected to generate a profit of PLN 0.4m. After D&A projected at PLN 3.9m, adjusted EBIT should come in at PLN 4.9m. Net interest expenses are estimated at PLN 3.8m. We expect Capital Park to recognize a small gain of PLN 3m on value adjustments to the investment property portfolio, partly offset by a PLN 1.5m loss on adjustments to FX loans for EUR/PLN appreciation. All told, we estimate the quarterly net profit at PLN 1.1m.

Property Developers Dom Development Buy									
Analyst: Piotr Zybala	Current price Target price		PLN 44.90 PLN 57.80		FY14E P/E FY15E P/E	19.5 15.4		FY14E P/BV FY15E P/BV	1.29 1.27
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	157.0	123.6	27.0%	518.6	463.8	11.8%	747.6	676.4	10.5%
Gross profit	33.5	23.9	40.1%	87.2	102.6	-15.1%	158.6	157.1	1.0%
Margin	21.4%	19.4%	-	16.8%	22.1%	-	21.2%	23.2%	-
EBIT ex. revaluations	13.2	2.8	366.7%	25.0	37.7	-33.6%	71.3	73.3	-2.8%
Revaluations	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-
EBIT	13.2	2.8	366.7%	25.0	37.7	-33.6%	71.3	73.3	-2.8%
Pre-tax profit	12.8	2.0	532.1%	27.1	36.0	-24.8%	70.7	69.7	1.4%
Net profit	10.4	1.1	822.1%	21.3	28.5	-25.2%	57.1	54.4	4.9%

Revenues, margins, grow in Q3

Dom Development (DOM) reported having sold approximately 495 homes net in its preliminary Q3 operations update, representing increases of 20% from Q3 last year and 7% from the previous quarter. The number of closings recognized in the period's profits was 374, and though that makes Q3 the weakest quarter of the year in terms of closings, the financial results generated during the period are expected to be better than in the two preceding quarters. The improvement was made possible by a change in the composition of the sales mix which included a higher share of flats in DOM's high-margin developments (Saska, 179 homes) and a lower share of low-margin units (Adria,

47, Młyny Królewskie, 37, Wilno, Klasyków). We estimate the average price of a DOM home delivered in Q3 at PLN 420,000 (including parking space), implying quarterly revenue of PLN 157m. The Q3 2014 gross margin is projected by us at upwards of 21%, which would mean marked improvement from previous periods. After flat y/y SG&A growth at PLN 20.4m and profit-neutral effects of operating and financing activity, the net profit for Q3 2014 is expected to come in at PLN 10.4m, more or less matching the quarterly average for H1 2014. We anticipate that DOM will have delivered 37% of our FY2014 annual net profit estimate in the nine months through September. We believe sales and closings in Q4 will reach new records, resulting in stronger margins than reported any time earlier this year.

Property Developers		Buy								
Echo Investment										
Analyst: Piotr Zybala		Current price	PLN 6.23		FY14E P/E		5.1	FY14E P/BV		0.79
		Target price	PLN 8.00		FY15E P/E		18.9	FY15E P/BV		0.76
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change	
Revenue	153.5	140.7	9.1%	376.9	406.6	-7.3%	565.1	528.7	6.9%	
Gross profit	80.5	83.0	-3.0%	212.8	231.7	-8.2%	304.5	294.1	3.5%	
Margin	52.4%	59.0%	-	56.5%	57.0%	-	53.9%	55.6%	-	
EBIT ex. revaluations	62.5	69.8	-10.5%	157.4	180.5	-12.8%	231.4	222.6	4.0%	
Revaluations	3.8	-75.3	-	436.0	303.3	43.8%	455.6	271.2	68.0%	
EBIT	66.3	-5.4	-	593.4	483.8	22.7%	687.0	493.8	39.1%	
Pre-tax profit	26.2	6.0	334.2%	483.0	312.9	54.4%	561.4	312.3	79.8%	
Net profit	23.6	5.4	339.2%	448.4	307.4	45.8%	505.2	309.1	63.4%	

Echo sees high profits on residential sales in Q3

Echo had a good third quarter fueled mainly by the residential segment which witnessed more closings than in previous quarters. In the commercial segment, earnings trends will have been similar to the two previous quarters and worse than the trends that shaped the inflated profits for Q3 2013. We estimate the Q3 2014 revenue at PLN 153m and gross profit at PLN 80m. Revenue and gross profit for the first nine months will be 7%-8% lower than in 9M 2013,

but on a full-year basis the results will be better thanks to strong home closings anticipated in Q4. We expect to see a PLN 4m gain on revaluation (for EUR/PLN appreciation) of completed investment properties but no adjustments to the six office projects in progress. All told the net quarterly profit should come in at ca. PLN 24m vs. PLN 5m in Q3'13. We believe the fourth quarter will be much better at Echo, adding to a FY2014 full-year net profit of an estimated PLN 500m.

Property Developers		Buy								
GTC										
Analyst: Piotr Zybala		Current price	PLN 5.85		FY14E P/E		-	FY14E P/BV		0.88
		Target price	PLN 7.00		FY15E P/E		8.7	FY15E P/BV		0.80
(EUR m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change	
Revenue	30.7	32.6	-5.8%	94.4	98.2	-3.9%	125.1	131.1	-4.6%	
Gross profit	20.1	22.1	-8.7%	61.1	64.3	-5.1%	80.2	84.0	-4.5%	
Margin	65.6%	67.7%	-	64.7%	65.5%	-	64.1%	64.1%	-	
EBIT ex. revaluations	16.1	18.4	-12.2%	50.6	52.6	-3.8%	64.6	68.3	-5.4%	
Revaluations	-5.0	-9.8	-	-72.4	-79.7	-	-138.4	-189.7	-	
EBIT	11.1	8.6	29.3%	-21.8	-27.1	-	-73.9	-121.4	-	
Pre-tax profit	-1.5	-2.3	-	-69.3	-66.5	-	-140.1	-172.6	-	
Net profit	0.3	-1.0	-	-63.5	-66.1	-	-117.3	-146.8	-	

Q3 not affected by impairment losses

GTC's investment properties still have potential for impairment (for details, refer to our October 22nd report), but in Q3 losses on value adjustments are expected to be relatively small at EUR 5m, affecting mainly commercial properties in Romania and Croatia. Rental income in Q3 should remain steady at the quarter-before level, but relative to Q3 2013 it will show a decrease stemming from a mall sale completed toward the end of 2013. Administrative

expenses in Q3 2013 were reduced by negative valuation of a stock option program, and the same may happen in Q4 2013, resulting in flat SG&A growth at an estimated EUR 3m. Financing costs are expected to decrease to EUR 11.8m thanks to reduced costs of debt service. After a tepid third quarter, we believe GTC is set for a more interesting fourth quarter marked either by higher valuation losses on overpriced assets or by upward value adjustments assuming the Company obtains the building permits for the two planned malls in Warsaw by the end of the year.

Property Developers Robyg Buy									
Analyst: Piotr Zybala		Current price	PLN 2.22	FY14E P/E		22.7	FY14E P/BV		1.37
		Target price	PLN 3.07	FY15E P/E		12.9	FY15E P/BV		1.31
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	36.0	90.6	-60.3%	276.6	368.9	-25.0%	369.0	485.9	-24.1%
Gross profit	6.0	18.0	-66.6%	47.5	66.0	-28.0%	65.4	90.5	-27.8%
Margin	16.7%	19.9%	-	17.2%	17.9%	-	17.7%	18.6%	-
EBIT ex. revaluations	-2.2	9.6	-	33.7	40.5	-16.8%	46.7	52.7	-11.5%
Revaluations	5.9	0.0	-	5.9	4.0	46.6%	3.7	4.0	-7.4%
EBIT	3.7	9.6	-61.3%	39.6	44.5	-11.1%	50.4	56.7	-11.2%
Pre-tax profit	1.3	6.2	-79.5%	31.8	34.8	-8.5%	39.7	44.1	-10.0%
Net profit	0.6	4.8	-88.4%	20.3	17.5	16.0%	25.6	26.1	-1.9%

Q3 marks weakest quarter in 2014

Robyg signed 513 preliminary sale agreements for its homes in Q3 2014, more than any other residential developer in the period, but at the same time it closed only 106 homes, the fewest so far this year. As a result, its quarterly sales revenue will be low at PLN 36.0m. Robyg's share in the Q3 profits of investments accounted for under the equity method (JVs) are estimated at just PLN 0.5m. As for one-time

events, we anticipate a PLN 5.9m gain on an upward value adjustment to a Warsaw office building which at this point is mostly leased out. As a result, the third-quarter net profit will come in at a projected PLN 0.5m. We estimate that Robyg will have achieved 79% of our FY2014 full-year net profit forecast of PLN 25.6m in the nine months through September with a cumulative profit of PLN 20.3m. After a strong fourth quarter, the Company will probably exceed our forecast.

Other

Other Work Service		Buy							
Analyst: Paweł Szpigiel	Current price	PLN 18.99			FY14E P/E	31.7	FY14E EV/EBITDA	15.5	
	Target price	PLN 22.50			FY15E P/E	19.2	FY15E EV/EBITDA	11.1	
(PLN m)	Q3'14E	Q3'13	change	9M'14E	9M'13	change	2014E	2013	change
Revenue	477.6	238.9	100.0%	1,213.5	649.0	87.0%	1,783.3	918.4	94.2%
EBITDA	23.3	11.2	107.5%	59.6	32.3	84.1%	91.2	52.8	72.7%
Margin	4.9%	4.7%	-	4.9%	5.0%	-	5.1%	5.7%	-
EBIT	20.9	12.5	67.1%	53.3	28.8	84.7%	84.1	48.0	75.3%
Pre-tax profit	15.6	6.2	152.7%	39.0	17.0	129.0%	64.4	32.9	95.8%
Net profit	9.2	4.4	106.8%	28.7	15.0	90.7%	40.4	29.5	37.0%

Q3 results boosted by acquisitions

We expect Work Service to report 100% revenue growth to PLN 477m in Q3 2014 with the four recent acquisitions: Antal International, Work Express, Prohuman, and Fiege contributing PLN 190.8m. The gross margin should be flat at the quarter-before level of ca. 11.3%. SG&A expenses are

expected to increase further to PLN 33.1m from PLN 28.5m in Q2 and PLN 12.5m in Q3 2013. From the resulting EBIT of PLN 20.9m, we take away PLN 4.2m interest expenses and PLN 1.2m factoring costs. After tax at an effective rate of 20%, the quarterly net profit will approximate PLN 9.2m, representing a year-on-year surge of 106.8%.

Earnings Calendar

Company	Q3 2014
ABC DATA	2014-11-10
AGORA	2014-11-07
ASSECO POLAND	2014-11-14
ASTARTA	2014-11-07
BORYSZEW	2014-11-13
BUDIMEX	2014-10-29
BZ WBK	2014-11-04
CAPITAL PARK	2014-11-14
CEZ	2014-11-12
CIECH	2014-11-14
CYFROWY POLSAT	2014-11-13
DOM DEVELOPMENT	2014-10-24
ECHO	2014-11-13
ELEKTROBUDOWA	2014-11-14
ENEA	2014-11-12
ENERGA	2014-11-07
ERBUD	2014-11-06
ERSTE BANK	2014-10-30
FAMUR	2014-11-14
GETIN NOBLE BANK	2014-11-14
GTC	2014-11-13
HANDLOWY	2014-11-05
IMPEXMETAL	2014-11-10
ING BSK	2014-11-05
JSW	2014-11-06
KERNEL	2014-11-26
KGHM	2014-11-14
KOMERCNI BANKA	2014-11-06
KOPEX	2014-11-13
KRUK	2014-11-14
LOTOS	2014-10-29
LW BOGDANKA	2014-11-06
MILLENNIUM	2014-10-27
MOL	2014-11-06
NETIA	2014-11-06
PEKAO	2014-11-10
PGE	2014-11-13
PGNiG	2014-11-07
PKO BP	2014-11-06
PZU	2014-11-13
ROBYG	2014-11-13
ROVESE	2014-11-14
TARCZYŃSKI	2014-11-07
TAURON	2014-11-13
TVN	2014-11-06
UNIBEP	2014-11-14
WORK SERVICE	2014-11-14
VISTAL	2014-11-14

Source: Companies

Current recommendations by Dom Maklerski mBanku

Current Recommendations by Dom Maklerski mBanku										
Company	Recommendation	Date issued	Price on report date	Target price	Current price	Upside / Downside	P/E		EV/EBITDA	
							2014	2015	2014	2015
Banks										
BZ WBK	Sell	2014-09-08	403.00	344.95	375.30	-8.1%	16.7	15.3		
GETIN NOBLE BANK	Hold	2014-07-14	3.00	2.95	2.34	+26.1%	11.5	9.7		
HANDLOWY	Sell	2014-09-08	118.00	103.37	114.00	-9.3%	17.6	15.3		
ING BSK	Hold	2014-10-07	144.00	144.12	141.90	+1.6%	17.8	14.2		
MILLENNIUM	Hold	2014-10-07	8.77	8.46	8.70	-2.8%	16.1	14.2		
PEKAO	Reduce	2014-09-08	191.00	173.34	182.00	-4.8%	17.9	15.5		
PKO BP	Buy	2014-07-14	38.20	43.20	36.85	+17.2%	14.1	11.4		
KOMERCNI BANKA	Sell	2014-10-07	5000.00	4115 CZK	4770.00	-13.7%	14.5	13.6		
ERSTE BANK	Hold	2014-01-15	28.59	29.6 EUR	18.02	+64.3%	9.5	7.0		
RBI	Buy	2014-01-15	26.70	32.1 EUR	16.70	+92.2%	5.8	3.8		
OTP BANK	Hold	2014-01-15	4440.00	4618 HUF	4030.00	+14.6%	7.2	6.2		
Insurance										
PZU	Hold	2013-11-06	468.00	425.00	493.00	-13.8%	15.5	15.4		
Financial services										
KRUK	Buy	2014-06-06	95.49	113.29	108.00	+4.9%	13.0	12.0		
Fuels, chemicals										
CIECH	Hold	2014-09-29	41,35	41.60	41.74	-0.3%	24.5	15.4	6.9	6.5
LOTOS	Hold	2014-03-26	36.31	38.60	27.51	+40.3%	6.1	5.7	5.2	4.7
MOL	Buy	2014-03-07	171.20	211.90	157.20	+34.8%	8.0	6.1	3.8	3.1
PGNiG	Hold	2014-07-03	5.11	5.07	4.88	+3.9%	9.3	11.0	4.9	5.5
PKN ORLEN	Buy	2014-08-04	36.88	49.10	41.97	+17.0%	-	7.8	-	5.4
Power Utilities										
CEZ	Sell	2014-09-08	95.40	76.00	90.96	-16.4%	11.0	13.0	7.1	7.6
ENEA	Accumulate	2014-06-03	16.07	17.33	15.95	+8.7%	9.1	10.7	4.3	5.5
ENERGA	Hold	2014-06-03	18.85	19.90	24.50	-18.8%	12.4	12.2	6.2	6.1
PGE	Reduce	2014-10-07	20.21	17.80	21.23	-16.2%	10.3	12.3	4.8	6.0
TAURON	Buy	2014-06-03	5.40	6.21	5.32	+16.7%	8.9	10.1	4.6	5.3
Telecommunications										
NETIA	Hold	2014-07-07	5.27	5.60	5.69	-1.6%	39.0	42.9	4.6	4.9
ORANGE POLSKA	Sell	2014-04-22	10.32	8.10	9.95	-18.6%	34.6	71.8	4.8	5.2
Media										
AGORA	Reduce	2014-08-27	8.24	7.60	7.80	-2.6%	195.0	-	4.2	4.1
CYFROWY POLSAT	Accumulate	2014-06-06	22.10	23.84	27.40	-13.0%	27.1	19.6	11.8	6.8
GLOBAL CITY HOLDINGS	Under Review	2014-05-13	34.30	-	38.89	-	-	-	-	-
TVN	Buy	2014-09-11	14,98	17,50	15.04	-	15.4	14.3	12.2	11.4
IT										
AB	Suspended	2013-02-05	23.50	-	31.00	-	-	-	-	-
ABC DATA	Buy	2013-11-19	4.52	5.35	3.64	+47.0%	6.7	6.2	6.7	6.1
ACTION	Suspended	2013-02-05	29.70	-	46.00	-	-	-	-	-
ASBIS	Suspended	2013-02-05	3.21	-	1.84	-	-	-	-	-
ASSECO POLAND	Accumulate	2014-07-08	40.75	45.60	46.75	-2.5%	11.1	11.7	6.6	6.6
COMARCH	Suspended	2013-03-11	89.60	-	95.69	-	-	-	-	-
SYGNITY	Suspended	2013-02-05	16.80	-	16.80	-	-	-	-	-
Mining & Metals										
JSW	Hold	2014-01-15	50.73	55.00	28.77	+91.2%	-	-	2.8	2.5
KGHM	Buy	2014-01-15	114.50	139.00	125.10	+11.1%	9.8	8.6	5.0	4.4
LW BOGDANKA	Hold	2014-07-07	116.00	136.90	111.00	+23.3%	12.7	10.2	5.9	5.0
Manufacturers										
ASTARTA	Hold	2014-06-06	47.40	48.60	33.97	+43.1%	10.7	3.8	4.2	3.9
BORYSZEW	Reduce	2014-08-06	5.84	5.20	6.41	-18.9%	16.2	14.3	9.3	8.5
FAMUR	Hold	2014-07-23	3.66	3.80	3.25	+16.9%	15.0	12.1	6.0	5.0
IMPEXMETAL	Buy	2014-08-18	2.31	3.40	2.64	+28.8%	9.8	8.7	7.3	6.4
KERNEL	Hold	2014-07-07	32.15	32.50	23.05	+41.0%	-	3.3	7.5	3.3
KĘTY	Hold	2014-07-01	226.95	226.80	272.85	-16.9%	15.7	14.9	9.6	8.9
KOPEX	Buy	2014-07-07	10.75	14.50	10.80	+34.3%	11.9	9.4	5.5	5.0
ROVESE	Hold	2014-05-20	1.27	1.22	1.43	-14.7%	-	31.8	8.5	7.1
TARCZYŃSKI	Buy	2014-07-17	10.00	12.20	10.28	+18.7%	14.9	12.4	6.8	5.5
VISTAL	Buy	2014-10-15	13.78	16.90	13.55	+24.7%	13.5	7.6	9.2	6.8
Construction										
BUDIMEX	Accumulate	2014-03-24	132.00	139.95	136.50	+2.5%	21.6	16.8	10.4	8.1
ELEKTROBUDOWA	Buy	2014-05-20	72.50	105.00	80.00	+31.3%	15.8	10.4	7.3	5.9
ERBUD	Buy	2014-03-06	28.23	35.90	27.50	+30.5%	13.5	11.0	5.1	4.2
UNIBEP	Buy	2014-01-21	7.89	10.20	7.70	+32.5%	11.7	9.2	7.6	6.3
Property Developers										
CAPITAL PARK	Buy	2014-10-22	4.59	6.70	4.59	+46.0%	51.4	29.3	38.4	42.9
DOM DEVELOPMENT	Buy	2014-06-23	46.00	57.80	44.90	+28.7%	19.5	15.4	17.6	13.0
ECHO	Buy	2014-10-22	6.25	8.00	6.23	+28.4%	5.1	18.9	7.6	26.0
GTC	Buy	2014-10-22	5.85	7.00	5.85	+19.7%	-	8.7	-	10.1
ROBYG	Buy	2014-06-23	2.35	3.07	2.22	+38.3%	22.7	12.9	15.8	11.9
Other										
WORK SERVICE	Buy	2014-10-07	18.70	22.50	18.99	+18.5%	31.7	19.2	15.5	11.1

Ratings issued in the past month

Company	Rating	Previous Rating	Target Price	Rating Day
CIECH	Hold	Hold	41.60	2014-09-29
ECHO	Buy	Buy	8.00	2014-10-22
GTC	Buy	Accumulate	7.00	2014-10-22
ING BSK	Hold	Accumulate	144.12	2014-10-07
MILLENNIUM	Hold	Accumulate	8.46	2014-10-07
PGE	Reduce	Sell	17.80	2014-10-07
WORK SERVICE	Buy	Accumulate	22.50	2014-10-07
KOMERCNI BANKA	Sell	Reduce	CZK 4115.00	2014-10-07
CAPITAL PARK	Buy	Buy	6.70	2014-10-22
VISTAL	Buy	Buy	16.90	2014-10-15

Ratings Statistics

Rating	All		For Issuers who are clients of Dom Maklerski mBanku	
	Count	Ac pct. of total	Count	As pct. of total
Sell	5	9.4%	3	10.0%
Reduce	4	7.5%	4	13.3%
Hold	18	34.0%	8	26.7%
Accumulate	4	7.5%	2	6.7%
Buy	22	41.5%	13	43.3%

List of abbreviations and ratios contained in the report:

EV – net debt + market value
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

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

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

The present report expresses the knowledge as well as opinions of the authors on day the report was prepared.

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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.

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