18 April 2011

Periodic Report

BRE Bank Securities

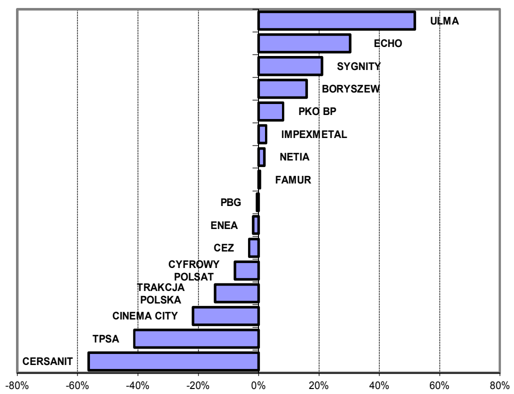
Forecasts of Quarterly Results

Q1 2011

Equity Market

WIG	50 016
Average 2011E P/E	13.3
Average 2012E P/E	11.5
Avg dialy trading volume (3M)	PLN 1 021m

EPS dynamics of selected companies*



**calculated for: Q2'10-Q1'11 / Q1'10-Q4'10*

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Banks. We expect only four of the nine financial companies we cover to improve earnings vs. the preceding quarter: PKO BP, PZU, ING BSK and Kredyt Bank. The other banks will see their bottom line fall due to a q/q drop in income (interest and fee income alike).

Energy. The refiners' earnings will be boosted by high inventory revaluation gains, estimated at PLN 800m in the case of Orlen and PLN 282m in the case of Lotos. Adjusted for these, their results will be disappointing. In turn, we expect good earnings quality at PGNiG, despite lower tariffs.

Power Utilities. The high earnings base in distribution will prevent Polish utilities from recording EBIT growth. At the bottom line, we expect considerable growth from Tauron and PGE following minority buyouts. CEZ's earnings will be weighed down by falling prices and tax on emission credits.

Telecoms. The telecoms' earnings should not differ significantly from their performance last quarter. The key question is whether TPSA will finally be able to contain ADSL subscriber churn (we hope it will).

Media. The first quarter was a very tough period in the advertising and the cinema markets alike, while Cyfrowy Polsat had to bear expenses related to the expansion of its broadband business. As a result, all our media companies recorded weak earnings in Q1'11.

IT. Q1 2011 was an excellent quarter for the IT sector. We expect that all of our companies managed to improve upon their last year's earnings. A surge in Sygnity's earnings is particularly impressive, and Asseco Poland improved its EBIT despite the termination of its contract with PKO BP.

Mining & Metals KGHM will post record-high profits, and Bogdanka's performance will be very strong as well despite lower volumes. The industry is still supported by high commodity prices in global markets, which will persist in the upcoming quarters.

Manufacturers. Kernel, Centrum Klima, Impexmetal and Boryszew will clearly improve their earnings. Kopex and Famur might not improve their earnings enough to avoid disappointing the market.

Construction. Q1 is a winter quarter. The companies that might improve their performance include Budimex (which might release some provisions), Polimex (low base) and Ulma (higher rental rates). Five companies will report weaker earnings than last year.

Real-Estate Developers. We expect very strong performance on the part of Echo Investment (a very high property valuation gain). Dom Development and Polnord will post weak earnings (very few homes delivered in Q1 2011).

Retailers. Q1 is of limited importance for the retailers' full-year performance. Except for a y/y improvement at LPP, we expect satisfactory (but lower in y/y terms) performance from the other companies.

Banks

BZ WBK

Banks — **Suspended**

Analyst: Iza Rokicka

FY10E P/E	15.6	FY10E P/BV	2.3	**Current price**	**PLN 226.1**
FY11E P/E	12.2	FY11E P/BV	2.0	**Target price**	**PLN -**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Net interest income	498	424	17%	1 811	1 822	-1%	1 980	1 811	9%
NIM	3.73%	3.08%	-	3.21%	3.40%	-	3.25%	3.21%	-
Net fee income	336	332	1%	1 402	1 345	4%	1 452	1 402	4%
Income f. bank oper.	874	833	5%	1 703	3 492	-51%	1 772	1 703	4%
Operating expenses	-443	-414	7%	-1 817	-1 729	5%	-1 825	-1 817	0%
Operating income*	436	419	4%	1 698	1 773	-4%	1 927	1 698	14%
Provisions	-95	-70	35%	-299	-421	-29%	-156	-299	-48%
Pre-tax income	342	349	-2%	1 402	1 357	3%	1 774	1 402	27%
Net income	257	233	10%	1 058	974	9%	1 355	1 058	28%

** before provisions*

Weak trading income will lead to a q/q profit drop

We expect a bottom line of PLN 257m, representing a 4% q/q decline caused mainly by lower trading income (although all the main income lines will shrink).
The slight reduction in interest income we are expecting (by 1% q/q) is mostly a consequence of the inflated base of Q4'10, when the Bank recognized interest on non-performing loans it had sold. We believe BZ WBK will not be able to replicate the very strong performance in fee and trading income it attained in Q4. In fee income, we expect a q/q decline in income from loans, brokerage services and investment funds. The weaker trading income will be a consequence of reduced client activity in the area of treasury products. We expect a 3% q/q decline in operating expenses as the Q4 cost base was seasonally high. We expect provisions to fall by 8% q/q to PLN 95m, which entails a cost of risk of 116bps (-9bps q/q).

Getin

Banks — **Hold**

Analyst: Iza Rokicka

FY10E P/E	16.5	FY10E P/BV	2.2	**Current price**	**PLN 14.99**
FY11E P/E	12.8	FY11E P/BV	1.9	**Target price**	**PLN 12.70**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Net interest income	352	288	22%	1 635	1 273	28%	1 960	1 635	20%
NIM	2.95%	3.13%	-	3.49%	3.09%	-	3.70%	3.49%	-
Net fee income	190	113	69%	541	556	-3%	564	541	4%
Income f. bank oper.	722	550	31%	2 862	2 521	14%	3 288	2 862	15%
Operating expenses	-279	-203	37%	-1 047	-933	12%	-1 198	-1 047	14%
Operating income*	403	346	16%	1 746	1 545	13%	2 012	1 746	15%
Provisions	-220	-282	-22%	-871	-1 055	-17%	-880	-871	1%
Pre-tax income	183	64	187%	874	485	80%	1 132	874	29%
Net income	135	110	23%	652	421	55%	850	652	30%

** before provisions*

Net profit will most likely not show the gain on the sale of Open Finance

We expect Getin Holding to post a net profit of PLN 135m (-10% q/q). Our forecasts do not assume that Getin Holding will recognize the gains on the sale and revaluation of Open Finance (ca. PLN 600m), because we note the risk that the transaction will not be booked until Q2 2011. Even though shares in the IPO were sold and allotted in March, the registration of the share capital increase did not happen until April.
We expect Getin Holding to once again post a sharp increase in loans and deposits, by 2% and 4% q/q, respectively. Nonetheless, we only expect a 1% q/q increase in interest income to PLN 352m, because we believe that the Bank's interest margin was affected by the major exchange-rate volatility seen in early Q1. As far as non-interest income is concerned, we expect flat fee income vs. the preceding quarter, a 39% q/q drop in trading income (more expensive swaps) and a 5% q/q increase in net insurance income. Note that we expect a considerable q/q deterioration in other net income/expenses, which is where Getin Holding recognized a gain on the revaluation of Fiolet in Q4'10. We expect a 3% q/q increase in operating expenses driven by marketing expenses. Provisions should be flat q/q at PLN 220m, which entails a cost of risk of 252bps (-16bps q/q).

Banks

Handlowy

Hold

Analyst: Iza Rokicka

FY10E P/E 15.0	FY10E P/BV 2.0	Current price	PLN 104.0
FY11E P/E 12.8	FY11E P/BV 1.8	Target price	PLN 94.0

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Net interest income	359	373	-4%	1 510	1 497	1%	1 606	1 510	6%
NIM	3.87%	3.96%	-	3.80%	3.99%	-	3.81%	3.80%	-
Net fee income	168	149	12%	714	655	9%	765	714	7%
Income f. bank oper.	617	603	2%	2 648	2 563	3%	2 823	2 648	7%
Operating expenses	-359	-325	11%	-1 412	-1 375	3%	-1 461	-1 412	3%
Operating income*	265	274	-3%	1 273	1 184	7%	1 402	1 273	10%
Provisions	-46	-77	-41%	-144	-243	-41%	-70	-144	-51%
Pre-tax income	219	197	11%	1 129	943	20%	1 331	1 129	18%
Net income	178	151	18%	903	755	20%	1 065	903	18%

** before provisions*

Bottom line under pressure q/q due to falling interest income, rising provisions

We expect a 9% q/q deterioration in Handlowy's net profit to PLN 178m, driven by rising provisions.

We believe that following the reduction in the portfolio of bonds by PLN 5bn q/q in late Q4'10, the Bank's interest income will contract by 4% q/q to PLN 359m. We also expect a 4% q/q reduction in fee income due to lower income from custody services and credit cards. On the other hand, we expect an improvement in trading income (where we do not expect losses on proprietary trading) and in other net income/expenses (where we do not expect any one-offs compared to a PLN 12.5m provision for leasing operations created in Q4 2010). We expect seasonally high operating expenses (+2% q/q) driven by payroll (+6% q/q). We believe there will be a considerable q/q increase in provisions, by PLN 33m to PLN 46m, following the decision to release corporate provisions on a large scale in late Q4 2010. We expect that corporate provisions will figure to PLN 8m, and retail provisions to PLN 38m.

Banks

ING BSK

Hold

Analyst: Iza Rokicka

FY10E P/E 12.6	FY10E P/BV 1.8	Current price	PLN 871.0
FY11E P/E 11.5	FY11E P/BV 1.6	Target price	PLN 850.0

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Net interest income	429	390	10%	1 733	1 628	6%	1 816	1 733	5%
NIM	2.66%	2.56%	-	2.69%	2.62%	-	2.71%	2.69%	-
Net fee income	250	228	10%	1 060	987	7%	1 104	1 060	4%
Income f. bank oper.	695	645	8%	2 869	2 683	7%	3 000	2 869	5%
Operating expenses	-403	-394	2%	-1 640	-1 583	4%	-1 694	-1 640	3%
Operating income*	296	260	14%	1 259	1 097	15%	1 338	1 259	6%
Provisions	-52	-48	9%	-185	-204	-9%	-152	-185	-18%
Pre-tax income	255	219	16%	1 120	934	20%	1 235	1 120	10%
Net income	207	178	16%	896	753	19%	988	896	10%

** before provisions*

Q/Q decline in provisions will drive net profit up

We expect ING BSK to improve its net profit by 8% q/q and 16% y/y to PLN 207m. The q/q increase will be a consequence of a decline in provisions in the corporate segment.

We expect flat interest margin q/q at 2.66% and a 2% expansion in loans, which will result in a 2% q/q increase in interest income to PLN 429m. As far as fee income is concerned, we expect a 2% q/q drop driven by card income following the seasonally-strong Q4. Although we expect solid 3% q/q growth for total income, the biggest contribution will come from other net income/expenses, which will improve by a staggering PLN 17m to PLN 5m (in Q4 2010, the Bank recognized a revaluation loss on a building amounting to PLN 11m). Operating expenses will increase by 3% q/q driven by administrative expenses, whose growth by 82% q/q will outpace the 27% q/q reduction in payroll expenses. Provisions will improve 14% q/q to PLN 52m (as usual, the Bank created additional corporate provisions in Q4).

Banks

Analyst:
Iza Rokicka

Kredyt Bank

Accumulate

FY10E P/E 14.0 FY10E P/BV 1.5 **Current price PLN 17.05**
FY11E P/E 10.5 FY11E P/BV 1.3 **Target price PLN 17.40**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Net interest income	294	277	6%	1 222	1 128	8%	1 313	1 222	7%
NIM	2.70%	2.81%	-	2.75%	2.74%	-	2.75%	2.75%	-
Net fee income	85	80	6%	349	330	6%	374	349	7%
Income f. bank oper.	399	385	4%	1 713	1 588	8%	1 835	1 713	7%
Operating expenses	-235	-225	4%	-985	-928	6%	-1 042	-985	6%
Operating income*	174	176	-1%	775	703	10%	842	775	9%
Provisions	-85	-98	-13%	-363	-472	-23%	-294	-363	-19%
Pre-tax income	90	79	14%	415	235	77%	550	415	33%
Net income	72	60	21%	332	186	78%	440	332	33%

** before provisions*

Provisions are about to improve

We expect Kredyt Bank to improve its net profit by 26% q/q and 21% y/y to PLN 72m, driven by declining provisions.
We believe that due to its promotional campaign for deposits carried out in Q1, the Bank will find it difficult to keep its interest margin at the Q4'10 level and we expect a 5bps decline to 2.7%. In consequence, interest income will record a slight decline, by 1% q/q to PLN 294m. As far as non-interest expenses are concerned, we expect a reduction in fee income (resulting from a combination of a seasonally-strong income from cards and a deterioration in the sales of investment funds) as well as trading income (driven by a reduction in foreign-currency lending). Although our forecast assumes that total income will fall by 1% q/q, we expect an even greater reduction in expenses (-3% q/q). We believe that already in Q1 the Bank will show a clear improvement in the cost of risk and provisions. We expect a 24% q/q reduction in provisions to PLN 85m, leading to a 40bps q/q drop in the cost of risk to 124bps. In our opinion, this improvement will be driven largely by the corporate segment.

Banks

Analyst:
Iza Rokicka

Millennium

Reduce

FY10E P/E 15.5 FY10E P/BV 1.6 **Current price PLN 5.70**
FY11E P/E 11.5 FY11E P/BV 1.4 **Target price PLN 5.10**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Net interest income	275	233	18%	1 160	1 010	15%	1 344	1 160	16%
NIM	2.35%	2.07%	-	2.38%	2.20%	-	2.54%	2.38%	-
Net fee income	149	148	1%	601	565	6%	629	601	5%
Income f. bank oper.	449	422	6%	1 923	1 714	12%	2 146	1 923	12%
Operating expenses	-275	-255	8%	-1 147	-1 083	6%	-1 220	-1 147	6%
Operating income*	175	169	4%	779	633	23%	930	779	19%
Provisions	-40	-83	-52%	-220	-225	-2%	-178	-220	-19%
Pre-tax income	135	85	58%	559	408	37%	752	559	35%
Net income	108	68	59%	447	326	37%	602	447	35%

** before provisions*

Bottom line to decline Q/Q as Q4’10 trading income was non-recurrent

We expect a bottom line of PLN 108m (-3% q/q but +59% y/y). Although we believe provisions might improve q/q, we believe the decline in trading income will outweigh this, leading to a q/q decline in earnings.
We believe that the dramatic increase in market interest rates in Q1 will not lead to an improvement in interest margin due to the high share of term deposits in the Bank’s total savings (69%). In fact, we believe that a pressure on loan margins will lead to a 5bps drop in interest margin to 2.35%. As a result, we expect interest income to be flat q/q at PLN 275m (adjusted for swap points). We expect Millennium to post a q/q improvement in fee income driven by seasonally-strong insurance income. On the other hand, we believe that the Bank’s very strong Q4’10 trading income will not be replicated. We expect a 50% q/q decline in this area to PLN 25m. In other operating expenses, we expect a 4% q/q seasonal decline. We expect a q/q improvement in provisions (by 10%, to PLN 40m). As a result, the cost of risk will figure to 43bps (-6bps q/q).

Banks

Pekao

Hold

Analyst:	FY10E P/E	15.0	FY10E P/BV	2.2	Current price	PLN 176.0
Iza Rokicka	FY11E P/E	13.4	FY11E P/BV	2.1	Target price	PLN 155.0

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Net interest income	1 074	1 005	7%	4 571	4 104	11%	4 887	4 571	7%
NIM	3.20%	3.11%	-	3.17%	3.10%	-	3.22%	3.17%	-
Net fee income	573	572	0%	2 554	2 368	8%	2 730	2 554	7%
Income f. bank oper.	1 807	1 748	3%	7 901	7 193	10%	8 432	7 901	7%
Operating expenses	-910	-904	1%	-3 756	-3 649	3%	-3 911	-3 756	4%
Operating income*	907	862	5%	4 223	3 563	19%	4 602	4 223	9%
Provisions	-135	-141	-4%	-504	-538	-6%	-422	-504	-16%
Pre-tax income	791	742	7%	3 812	3 102	23%	4 277	3 812	12%
Net income	639	603	6%	3 079	2 525	22%	3 457	3 079	12%

** before provisions*

Slowest Y/Y net income growth in the banking industry

We expect Pekao to post a net profit of PLN 639m, which entails a slight y/y improvement (by 6%) and a (slight as well) q/q decline (by 1%).

We expect a minor improvement in interest income (by 1% q/q). With loans and deposits flat q/q, we expect that the sharp q/q increase in market rates will lead to a slight improvement in interest margin (by 3bps q/q to 3.2%). In our opinion, both fee income and trading income will contract vs. the preceding quarter, in the former case due to a q/q reduction in income from card and account fees, and in the latter to reduced client activity in the area of treasury products (including foreign exchange gains). We expect a 2% q/q improvement in operating expenses. Payroll expenses will decline by 7% q/q. The cost of risk should remain unchanged at 67bps, which entails provisions of PLN 135m (+6% q/q).

Banks

PKO BP

Buy

Analyst:	FY10E P/E	13.4	FY10E P/BV	2.4	Current price	PLN 46.25
Iza Rokicka	FY11E P/E	10.9	FY11E P/BV	2.1	Target price	PLN 53.00

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Net interest income	1 801	1 474	22%	7 650	6 516	17%	8 628	7 650	13%
NIM	4.21%	3.77%	-	4.32%	4.00%	-	4.45%	4.32%	-
Net fee income	794	725	9%	3 236	3 143	3%	3 343	3 236	3%
Income f. bank oper.	2 685	2 317	16%	11 281	10 022	13%	12 380	11 281	10%
Operating expenses	-1 102	-1 014	9%	-4 523	-4 249	6%	-4 856	-4 523	7%
Operating income*	1 623	1 332	22%	6 948	5 948	17%	7 730	6 948	11%
Provisions	-393	-425	-8%	-1 544	-1 868	-17%	-1 053	-1 544	-32%
Pre-tax income	1 230	903	36%	5 404	4 079	32%	6 677	5 404	24%
Net income	980	720	36%	4 301	3 217	34%	5 314	4 301	24%

** before provisions*

Profits to continue increasing q/q

We expect PKO BP to improve its net profit by 36% y/y and 13% q/q to PLN 980m, driven by interest income and provisions.

In our opinion, the sharp increase in market interest rates in Q1'11 will be reflected in the Bank's deposit margin, and therefore the interest margin as well, which we expect to improve by 10bps q/q to 4.21%, leading to a 4% q/q improvement in interest income. As far as non-interest income is concerned, we expect a 3% q/q decline in fee income (following the seasonally strong Q4 in loans, insurance and cards), and a 34% q/q improvement in trading income (stemming solely from the low base). We believe operating expenses will decline by 5% q/q following the seasonally-high expenses in Q4. We expect provisions to fall by 8% q/q to PLN 393m, which entails a cost of risk of 120bps (-13bps q/q). Provisions will improve in the corporate segment; in the retail segment, there is a risk of a q/q increase following the Bank's decision to release PLN 7m worth of mortgage provisions in Q4 2010.

Insurance

Insurance	**PZU**					Accumulate
Analyst: Iza Rokicka	FY10E	13.2	FY10E P/BV	2.2	**Current price**	**PLN 364.1**
	FY11E	12.0	FY11E P/BV	2.1	**Target price**	**PLN 390.0**

(PLN m)	Q1 2010F	Q1 2010	change	2011F	2010	change	2012F	2011F	change
Gross premium written, incl.:	4 006	3 928	2%	15 236	14 544	5%	16 018	15 236	5%
Property insurance	2 369	2 322	2%	8 361	8 032	4%	8 798	8 361	5%
Life insurance	1 638	1 605	2%	6 876	6 513	6%	7 219	6 876	5%
Net claims incurred	-2 289	-2 459	-7%	-10 753	-10 299	4%	-11 169	-10 753	4%
Expenses	-839	-824	2%	-3 452	-3 515	-2%	-3 626	-3 452	5%
Technical income	381	162	136%	925	383	142%	1 111	925	20%
Result on financial assets	393	911	-57%	2 291	2 782	-18%	2 417	2 291	6%
Pre-tax profit	744	982	-24%	3 077	3 029	2%	3 371	3 077	10%
Net profit	596	807	-26%	2 493	2 439	2%	2 731	2 493	10%

Consistent improvement in profitability in property insurance

We expect a 5% q/q increase in PZU's net profit to PLN 596m thanks to a consistent improvement in its earnings in property insurance, and despite a deterioration in its result on financial assets. Our bottom line forecast assumes that the Company will release PLN 150m worth of reserves on account of conversion of long-term insurance policies to one-year policies (“P-type reserves”, compared to PLN 124m in Q4 2010 and PLN 223m in Q1 2010).

We expect a 2% increase in gross written premium in both property and casualty insurance. We believe that the payout ratio in life insurance will remain flat q/q at 78.8% (after adjustment for released “P-type” reserves). On the other hand, we believe that the loss ratio in property insurance still has room for improvement (to 61.4%), aided by motor insurance policy price hikes introduced in 2010. On the cost side, we expect a q/q decline for both acquisition and administrative expenses following the seasonally strong Q4. We believe that PZU’s result on financial assets will decline both compared to the preceding quarter and to the preceding year. We expect a lower gain on the net change in fair value of assets and liabilities for both equity and debt instruments.

Fuels, Chemicals

Ciech

Chemicals | Hold

Analyst: Kamil Kliszcz

FY10E P/E 28.4 | FY11E P/E 12.8 | FY10E EV/EBITDA 5.3 | FY11E EV/EBITDA 5.0 | **Current price** **PLN 27.7** | **Target price** **PLN 30.1**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	1 166.0	962.0	21.2%	4 010.5	3 960.3	1.3%	3 998.3	4 010.5	-0.3%
EBITDA	101.1	100.6	0.5%	420.5	382.0	10.1%	443.9	420.5	5.6%
margin	8.7%	10.5%	-	10.5%	9.6%	-	11.1%	10.5%	-
EBIT	41.8	41.7	0.3%	188.7	144.2	30.9%	205.3	188.7	8.8%
Pre-tax profit	7.0	6.2	11.7%	81.2	52.7	-	136.5	81.2	68.0%
net profit	5.7	-2.8	-	49.8	20.5	-	110.5	49.8	-

Earnings comparable to last year's, but of much higher quality

In Q1 2011, Ciech's consolidated operating income should approach last year's in nominal terms, but we expect to see much higher earnings quality. As a reminder, in Q1 2010 the Company was able to generate an EBIT of PLN 42m thanks mostly to proceeds from the sale of CO_2 credits and caverns, which exceeded PLN 20m. These one-offs were booked in the soda segment; therefore, despite the increase in volumes and prices this year, we expect the segment's EBIT to be comparable y/y (PLN 25m). In the organic segment, we expect a y/y decline in profits (PLN 15.5m vs. PLN 28m) due to a considerable decline in the margin on TDI sales caused by falling market prices (and rising feedstock prices), as well as problems with the supply of mixed acid for Zachem's TDA installation from ZAT. The positive factor in this area will be higher earnings on pesticide and resin sales, but they will not suffice to offset the negative impact of TDI. We expect strong earnings in the agrochemical segment (PLN 16m vs. PLN 7m), noting that most of these earnings are not booked by Fosfory, but at the division level. Financing losses might approach PLN 35m, including interest and commission on the syndicated loan (amortized proportionally to its maturity). We do not expect a reduction in interest expenses caused by a decline in loans (repayment, share offering) until Q2.

Lotos

Oil and Gas | Sell

Analyst: Kamil Kliszcz

FY10E P/E 12.3 | FY11E P/E 6.6 | FY10E EV/EBITDA 6.8 | FY11E EV/EBITDA 5.5 | **Current price** **PLN 47.99** | **Target price** **PLN 28.4**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	6 113.2	3 911.6	56.3%	25 514.4	19 680.9	29.6%	26 803.0	25 514.4	5.1%
EBITDA	549.5	146.1	276.0%	1 809.3	1 155.8	56.5%	2 109.9	1 809.3	16.6%
margin	9.0%	3.7%	-	7.1%	5.9%	-	7.9%	7.1%	-
EBIT	420.9	66.4	534.3%	1 060.3	769.1	37.9%	1 310.9	1 060.3	23.6%
Pre-tax profit	560.5	4.1	-	809.2	718.3	12.7%	1 317.9	809.2	62.9%
net profit	454.0	25.5	-	505.0	653.7	-22.7%	941.4	505.0	86.4%

Hydrocracking will offset weak macroeconomic environment, LIFO effect will be high

In Q1 2011, the new hydrocracking installation was already operational, which is why we believe that the Company will be able to more than offset the negative impact of deteriorating macroeconomic conditions. We expect a LIFO EBIT in refining of PLN 107m vs. PLN 89.7m in Q4'10 and –PLN 31m in Q1'10. The considerable y/y improvement will be a consequence of the current advancement of the '10+' investment program, as well as a reduced share of heavy fuel oil in overall production mix. However, a seasonal decline in asphalt sales may also be felt, and the same is true of the expected increase in depreciation charges (+PLN 10m q/q). Of course, given the increase in crude oil prices, the segment's earnings will be boosted by inventory revaluation gains, which we estimate at PLN 282m, as well as operating foreign-exchange gains of ca. PLN 30m. In the retail segment, we expect last year's operating loss to deepen due to a pressure on margins on fuel stations (-PLN 8m vs. -PLN 4.5m). In upstream, we expect that the recently-acquired Geonafta will be consolidated starting in February (we estimate its profit for the two months subject to consolidation at PLN 10m). Including Petrobaltic, the segment's EBIT should reach PLN 39m (as a reminder, the weak result in Q4 was largely a consequence of a PLN 48m impairment charge on unsuccessful drilling efforts). As far as financing activities are concerned, we expect gains of PLN 140m, comprising USD 85m in loan revaluation (a major portion of loan revaluation will go through equity following the adoption of hedge accounting, as signaled in the report for Q4), currency hedging gains (PLN 73m) and interest rate hedging gains (PLN 10m). All told, the bottom line should figure to PLN 454m.

Oil and Gas

PGNiG

Buy

Analyst:
Kamil Kliszcz

FY10E P/E	12.5	FY10E EV/EBITDA	5.5	**Current price**	**PLN 3.79**
FY11E P/E	10.4	FY11E EV/EBITDA	4.5	**Target price**	**PLN 4.40**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	7 028.5	6 622.2	6.1%	23 126.7	21 281.2	8.7%	23 926.7	23 126.7	3.5%
EBITDA	1 295.8	1 582.2	-18.1%	4 097.1	4 411.4	-7.1%	5 097.1	4 097.1	24.4%
margin	18.4%	23.9%	-	17.7%	20.7%	-	21.3%	17.7%	-
EBIT	884.6	1 216.3	-27.3%	2 453.4	2 886.7	-15.0%	3 193.0	2 453.4	30.1%
Pre-tax profit	874.6	1 225.4	-28.6%	2 335.2	2 935.7	-20.5%	3 185.7	2 335.2	36.4%
net profit	707.7	987.7	-28.3%	1 733.7	2 454.1	-29.4%	2 088.4	1 733.7	20.5%

Very strong distribution, upstream earnings

Despite a tariff cut and reduced margins on imported gas, PGNiG should generate an operating profit of ca. PLN 885m in Q1 2011, thanks to seasonally-strong distribution earnings (with an EBIT of PLN 485m vs. PLN 520m in Q1'10, the y/y drop being a consequence of warmer temperatures in January and the resulting lower volumes) and a clear improvement in upstream (PLN 296m in EBIT) attained thanks to higher crude oil prices as well as to the fact that there will be no one-off asset write-downs or seasonal cost spikes, which reduced earnings in Q4. We expect provisions for unsuccessful drilling efforts in the amount of PLN 50m. A decline in the EBIT on gas sales is expected following the tariff cut and increases in the price of Russian gas (recall that the discount in the Yamal contract was booked in the preceding quarter). However, this will be partially offset by product hedges (options and swaps for fuel oils), which we expect to contribute PL 150m. Therefore, the segment's EBIT should end up at PLN 104m vs. PLN 389m in Q4'10 and PLN 446m in Q1'10 (when earnings were additionally depressed by a write-down on receivables from ZAK). We do not expect major financing income/expenses, and we estimate the bottom line at PLN 707m.

Oil and Gas

PKN Orlen

Sell

Analyst:
Kamil Kliszcz

FY10E P/E	14.1	FY10E EV/EBITDA	6.7	**Current price**	**PLN 57.2**
FY11E P/E	13.3	FY11E EV/EBITDA	6.6	**Target price**	**PLN 41.6**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	23 191.1	17 442.1	33.0%	99 520.8	83 547.4	19.1%	96 665.0	99 520.8	-2.9%
EBITDA	1 669.4	1 064.9	56.8%	4 847.5	5 545.7	-12.6%	4 933.3	4 847.5	1.8%
margin	7.2%	6.1%	-	4.9%	6.6%	-	5.1%	4.9%	-
EBIT	1 073.4	463.9	131.4%	2 164.6	3 123.0	-30.7%	2 191.6	2 164.6	1.2%
Pre-tax profit	1 127.3	790.9	42.5%	2 291.5	3 070.5	-25.4%	2 402.1	2 291.5	4.8%
net profit	908.1	592.9	53.2%	1 737.0	2 371.7	-26.8%	1 843.5	1 737.0	6.1%

High EBIT thanks to inventory revaluation

In Q1'11, the main determinant of Orlen's earnings will be inventory revaluation, which will boost refining EBIT by ca. PLN 800m. However, the segment's LIFO EBIT will be just PLN 122m, due to weak margins, rising internal consumption and maintenance work at the Płock refinery (the cost of which will come mostly in Q2). We expect a weak performance in the retail segment, whose operating earnings will fall to PLN 63m from PLN 75m in Q1'10 and PLN 87m in Q1'09 due to a clear pressure on fuel station margins and inclement weather. The petrochemical segment should see a clear q/q improvement in earnings (PLN 238 vs. PLN 117m), which will be a consequence of improving benchmark margins on the one hand (also for fertilizers) and artificially low base on the other (due to asset write-downs, ca. PLN 50m). Improving macroeconomic conditions will be partially neutralized by a high cost of energy based on petroleum derivatives. As far as financing activities are concerned, we expect interest expenses, foreign-exchange gains (ca. PLN 118m, the negative revaluation of EUR-denominated loans more than offset by gains on trade payables) and dividends from Polkomtel, for a total of PLN 50m. All told, the boom line should amount to PLN 908m.

Chemicals

Police

Sell

Analyst:	FY10E P/E	11.9	FY10E EV/EBITDA	8.1	**Current price**	**PLN 13.74**
Kamil Kliszcz	FY11E P/E	21.4	FY11E EV/EBITDA	11.0	**Target price**	**PLN 9.70**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	642.5	419.8	53.0%	2 515.6	2 022.6	24.4%	2 212.8	2 515.6	-12.0%
EBITDA	73.2	11.7	524.7%	168.0	79.8	110.6%	124.0	168.0	-26.2%
margin	11.4%	2.8%	-	6.7%	3.9%	-	5.6%	6.7%	-
EBIT	55.2	-7.8	-	94.5	5.4	-	52.7	94.5	-44.2%
Pre-tax profit	50.5	-2.3	-	86.6	5.2	-	48.2	86.6	-44.4%
net profit	50.5	-2.4	-	86.6	27.4	215.8%	48.2	86.6	-44.4%

High margins on fertilizers, seasonalities

In Q1’11, benchmark spot spreads over feedstock costs for urea and NPK fertilizers decreased somewhat vs. the preceding quarter (in the case of DAP, the decline amounted to as much as 7% in the PLN), but this should be offset by a seasonal increase in domestic prices (by ca. 6-7% on average for “Polifoska” and ammonium phosphate) and the accompanying positive LIFO effect. We also expect full capacity utilization on the NP and NPK lines, which worked at 92% and 96% in Q4’10. In turn, the titanium white segment might weigh earnings down after the price of the product declined by 15% since the beginning of the year; however, the segment's limited weight means the impact on earnings will not be material. Note that the q/q increase in EBIT we are expecting, from PLN 30m to PLN 55m, is mostly a consequence of the artificially low base of Q4, when the Company booked provisions and write-offs for a net total of -PLN 19m. We do not expect such one-offs in Q1’11. As far as financing activities are concerned, we do not expect major changes vs. the preceding quarter. No tax will be paid thanks to the use of a tax shield (losses from the preceding years). All told, the Company should generate a bottom line of over PLN 50m. In the upcoming quarters, however, we expect a deterioration, especially in H2 2011.

Chemicals

ZA Puławy

Hold

Analyst:	FY10E P/E	15.5	FY10E EV/EBITDA	7.4	**Current price**	**PLN 122.0**
Kamil Kliszcz	FY11E P/E	13.4	FY11E EV/EBITDA	6.7	**Target price**	**PLN 106.1**

(PLN m)	3Q10/11F	3Q09/10	change	1-3Q10/11F	1-3Q09/10	change	2010/11F	2009/10	change
Revenue	789.9	599.3	31.8%	1 886.9	1 497.7	26.0%	2 587.8	2 055.9	25.9%
EBITDA	161.1	63.3	154.6%	171.2	25.1	582.4%	246.6	82.2	200.1%
margin	20.4%	10.6%	-	9.1%	1.7%	-	9.5%	4.0%	-
EBIT	140.2	44.0	218.6%	109.8	-28.4	-	161.5	15.2	963.7%
Pre-tax profit	144.2	49.1	193.8%	121.1	-8.4	-	161.5	46.4	248.0%
net profit	115.4	39.0	195.5%	94.1	-9.1	-	130.8	35.5	268.1%

Earnings will reflect excellent macroeconomic environment

In the third quarter of its fiscal year, ZAP should finally generate earnings that will fully reflect the excellent macroeconomic situation for fertilizers and chemicals (as illustrated by benchmarks). As a reminder, in the preceding reporting periods earnings were depressed by one-offs and maintenance downtimes (whose cost amounted to as much as PLN 50m in Q2 2010/11). In Q1'11, we saw considerable increases in fertilizer prices in Poland (+20% q/q for ammonium nitrate, +15% for urea), as usual with a delay vs. global trends. Combined with a slight cut in gas tariffs and record-high margins on melamine and caprolactam, this should enable ZAP to generate an operating profit of a staggering PLN 140m. A further factor which we take into account in our estimates are NOx emission reduction unit sales (PLN 25m). We assume that the impact of the new urea line will not yet be seen in Q1’11 earnings, both in terms of depreciation expenses and sales volumes. However, sales of this product should increase (over the past few quarters, they were obstructed by work on the new installation). We do not expect major financing income/expenses, and we estimate the bottom line at PLN 115m.

Power Utilities

CEZ

Utilities | **Hold**

Analyst:	FY10E P/E	10.5	FY10E EV/EBITDA 6.9	**Current price**	**PLN 145.5**
Kamil Kliszcz	FY11E P/E	9.6	FY11E EV/EBITDA 6.5	**Target price**	**PLN 129.5**

(CZK m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	52 580.2	53 886.0	-2.4%	200 950.5	198 848.0	1.1%	213 791.8	200 950.5	6.4%
EBITDA	25 908.5	27 331.0	-5.2%	86 396.5	89 089.0	-3.0%	92 612.8	86 396.5	7.2%
margin	49.3%	50.7%	-	43.0%	44.8%	-	43.3%	43.0%	-
EBIT	19 793.5	21 691.0	-8.7%	61 787.1	65 057.0	-5.0%	67 383.8	61 787.1	9.1%
Pre-tax profit	19 970.1	21 463.0	-7.0%	57 606.3	58 949.0	-2.3%	63 220.2	57 606.3	9.7%
net profit	15 987.7	17 455.0	-8.4%	45 863.3	47 232.0	-2.9%	50 293.6	45 863.3	9.7%

Lower electricity prices, tax on CO_2 credits will weigh earnings down

CEZ will see a y/y decline in earnings in Q1'11 caused primarily by the performance of its generation segment, whose EBIT should fall from CZK 15.4bn to CZK 12.9bn following a considerable slump in electricity prices (-10%) due to price hedging at EUR 52/MWh compared to EUR 54/MWh in 2010 and appreciation of the CZK. This will be only partially offset by output from Romanian wind farms and gains on the revaluation of CO_2 emission credits following a EUR 2/t increase in their price (note however that only the trading position is valued through the income statement, which makes this forecast very risky). We expect a y/y improvement in distribution earnings (CZK 5.1bn vs. CZK 4.4bn) thanks to higher tariffs, which have factored in compensation for network operators for 2009. In the mining segment, we expect a slight drop in EBIT (CZK 0.7bn vs. CZK 0.9bn) caused by lower lignite prices and higher depreciation charges. All told, the consolidated EBIT should amount to CZK 19.8bn. As far as financing activities are concerned, in addition to the traditional interest, foreign exchange gains (CZK 1.1bn) and revaluation of MOL options (CZK 0.7bn), we take into account the new tax on free CO_2 emission credits, estimated at CZK 900bn (which is not tax deductible).

Enea

Utilities | **Hold**

Analyst:	FY10E P/E	12.9	FY10E EV/EBITDA 4.6	**Current price**	**PLN 19.80**
Kamil Kliszcz	FY11E P/E	11.5	FY11E EV/EBITDA 4.1	**Target price**	**PLN 21.43**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	2 402.9	2 021.4	18.9%	7 882.6	7 837.0	0.6%	8 458.3	7 882.6	7.3%
EBITDA	385.3	389.7	-1.1%	1 417.4	1 347.5	5.2%	1 610.2	1 417.4	13.6%
margin	16.0%	19.3%	-	18.0%	17.2%	-	18.2%	16.3%	-
EBIT	220.6	226.6	-2.6%	725.5	694.3	4.5%	900.3	725.5	24.1%
Pre-tax profit	255.5	272.0	-6.1%	834.9	795.5	4.9%	941.2	834.9	12.7%
net profit	207.0	218.2	-5.1%	676.3	620.8	8.9%	762.4	676.3	12.7%

Earnings comparable Y/Y thanks to Kozienice PP

Enea'a operating earnings for Q1'11 should be comparable to those for Q1'10, but we expect a different structure. Given the tightening competition in the retail market, we expect a considerable drop in earnings in electricity trade, which generated an EBIT of a staggering PLN 55m last year. This time, earnings will be small and close to the figure reported for Q4'10 (PLN 6m). However, this will be offset by improved profitability in distribution and generation. In the former segment, we expect an increase in EBIT from PLN 126m to PLN 135m thanks to higher tariffs and higher return on RAV. We also expect a y/y improvement at the Kozienice power plant, thanks to higher electricity prices and fewer maintenance days (in Q1'10, one of the 560 MW units was turned off for an entire month); the profit should increase from PLN 56m to PLN 95m in spite of higher coal prices (we expect no income from long-term contract compensation). As far as financing activities are concerned, we expect gains of over PLN 30m, comprising interest earned on cash and earnings of the Białystok CHP plant (as a reminder, the weakness in this area in Q4'10 was a consequence of impairment charges on assets). All told, Enea should generate a bottom line of PLN 207m.

Utilities

PGE

Buy

Analyst: Kamil Kliszcz

FY10E P/E	11.5	FY10E EV/EBITDA	5.2
FY11E P/E	10.3	FY11E EV/EBITDA	4.6

Current price PLN 23.20
Target price PLN 26.73

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	7 465.7	5 340.1	39.8%	22 398.2	20 476.5	9.4%	24 499.9	22 398.2	9.4%
EBITDA	2 006.1	1 991.7	0.7%	7 984.6	6 834.0	16.8%	9 083.4	7 984.6	13.8%
margin	26.9%	37.3%	-	35.6%	33.4%	-	37.1%	35.6%	-
EBIT	1 352.7	1 335.3	1.3%	5 090.0	4 185.3	21.6%	5 967.5	5090.0	17.2%
Pre-tax profit	1 364.3	1 375.0	-0.8%	5 248.5	4 276.3	22.7%	5 899.5	5248.5	12.4%
net profit	1 080.1	899.1	20.1%	3 774.5	2 991.9	26.2%	4 208.4	3774.5	11.5%

Exchange sales will lead to a surge in revenues

PGE’s revenues will be materially impacted by its strategy of carrying out electricity sales through the exchange, because it will lead to an increase in sales hitherto subject to eliminations. This will also reduce the consolidated margin in percentage terms, but it will have no impact on nominal earnings. In generation, we expect earnings adjusted for long-term contract compensation to be flat y/y, because we believe that most of the 5-6% increase in electricity prices will be consumed by higher expenses. However, the new method of booking the LTC compensation (estimated at PLN 175m) will make it possible to record EBIT growth (PLN 1.05bn vs. PLN 0.92bn). Distribution should also see its earnings grow relative to Q1’10, by some PLN 35m to PLN 207m thanks to higher tariffs. In turn, we expect y/y declines in retail (PLN 26m vs. PLN 82m) and wholesale sales (PLN 24m vs. PLN 109m) due to increased competition in the retail market and inflated base in the wholesale market (through the release of provisions for trade disputed totaling PLN 47m), as well as the above-mentioned shift to exchange sales. In the renewable energy segment, we expect Q1'10 profits to be replicated, because the increase in the prices of green certificates may be offset by a reduction in volumes (high base of Q1’10). The Company might record slight financing losses stemming from the cost of the shortening of the discount period (ca. PLN 42m), which will be only partly offset by foreign-exchange gains (PLN 17m). After Polkomtel’s profits and minority interest (PLN 25m), the bottom line should amount to PLN 1.08bn.

Utilities

Tauron

Buy

Analyst: Kamil Kliszcz

FY10E P/E	12.0	FY10E EV/EBITDA	4.2
FY11E P/E	10.3	FY11E EV/EBITDA	3.8

Current price PLN 6.27
Target price PLN 8.87

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	4 212.3	3 794.3	11.0%	14 685.2	15 428.9	-4.8%	15 848.2	14 685.2	7.9%
EBITDA	851.9	822.7	3.6%	2 833.0	2 758.0	2.7%	3 182.2	2 833.0	12.3%
margin	20.0%	21.7%	-	19.3%	17.9%	-	20.1%	19.3%	-
EBIT	507.5	476.0	6.6%	1 360.4	1 399.3	-2.8%	1 608.7	1 360.4	18.3%
Pre-tax profit	477.5	449.7	6.2%	1 218.2	1 257.3	-3.1%	1 429.1	1 218.2	17.3%
net profit	377.8	291.8	29.4%	918.2	858.7	6.9%	1 067.8	918.2	16.3%

High base in electricity trade, better in distribution

Just like other players in the sector, Tauron will see a considerable decline in earnings on electricity sales due to the intensifying competition (PLN 48m EBIT vs. PLN 84m one year ago). However, this reduction will be fully offset by the other segments. In generation, with long-term contract compensation at a level comparable y/y (PLN 74m), the EBIT should improve (PLN 211m vs. PLN 185m) thanks to higher volumes and electricity prices. After several weaker quarters, the mining segment should also report an improvement (PLN 16m); however, since the problem of the tectonic vault which generated additional operating expenses was not overcome until January, major improvement in this segment will not be seen until Q2. In distribution as well we expect higher profits (with an EBIT of PLN 172m vs. PLN 117m the year before), driven directly by higher tariffs and savings generated by the first stage of the voluntary redundancy program. In terms of financing activities, we expect a considerable q/q improvement, because in the fourth quarter this position was weighed down by the costs of a loan prepayment fee in the amount of PLN 30m. All told, the net profit will amount to PLN 377m, the considerable y/y increase being a consequence of low minority profits (following the buyout of minority interest from the Treasury).

Telecommunications

Netia

Telco — **Hold**

Analyst: Michał Marczak

FY10E P/E	18.9	FY10E EV/EBITDA	3.8
FY11E P/E	14.9	FY11E EV/EBITDA	3.6

Current price PLN 5.31
Target price PLN 5.40

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	401.2	387.0	3.7%	1 614.0	1 575.9	2.4%	1 685.0	1 614.0	4.4%
EBITDA	98.7	93.5	5.5%	381.4	368.8	3.4%	398.2	381.4	4.4%
margin	24.6%	24.2%	-	23.6%	23.4%	-	23.6%	23.6%	-
EBIT	22.7	19.6	16.1%	104.1	70.1	48.4%	132.0	104.1	26.8%
Pre-tax profit	23.7	17.4	36.1%	121.5	73.6	65.1%	154.5	121.5	27.2%
net profit	19.2	14.3	33.9%	109.3	61.2	78.6%	139.0	109.3	27.2%

Strong EBITDA, weak subscriber base growth

We still believe the Company will face problems as far as medium-term revenue growth is concerned. In our forecast for Q1'11, we expect a 1.8% q/q increase in sales thanks to subscribers acquired over the preceding months. The problem is, however, that new subscriber additions will be declining by the quarter (due to TPSA's aggressive pricing policies), and this remains the biggest risk factor for Netia. As new competitors arrive (LTE) and the market saturates, a pressure on margins will appear, though not yet in H1 2011. Revenues generated by subscribers within Netia's own network (net churn: 1.5k) will continue shrinking, reflecting a trend that affects the other operators as well (declining ARPU). We expect that the EBITDA margin will increase to nearly 25% thanks to lower selling expenses stemming from new customer acquisition and the transfer of subscribers from BSA/WLR to LLU. Costs that will rise include above all fees payable to other operators. In Q2'11, the Company will also see additional rebranding expenses.

TP SA

Telco — **Hold**

Analyst: Michał Marczak

FY10E P/E	18.4	FY10E EV/EBITDA	4.8
FY11E P/E	16.9	FY11E EV/EBITDA	4.5

Current price PLN 17.65
Target price PLN 17.60

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	3 787.5	3 873.0	-2.2%	15 483.4	15 616.2	-0.9%	15 395.2	15 483.4	-0.6%
EBITDA	1 342.5	1 415.0	-5.1%	5 787.3	4 734.0	22.3%	5 874.1	5 787.3	1.5%
margin	35.4%	36.5%	-	37.4%	30.3%	-	38.2%	37.4%	-
EBIT	402.5	474.0	-15.1%	2 059.9	947.0	117.5%	2 204.4	2 059.9	7.0%
Pre-tax profit	297.5	359.0	-17.1%	1 587.0	495.2	220.5%	1 724.2	1 587.0	8.6%
net profit	240.9	285.0	-15.5%	1 283.5	166.4	671.2%	1 394.6	1 283.5	8.7%

If not now, when?

The biggest unknown in Q1'11 earnings is the number of new ADSL subscribers, and the question whether TPSA will be able to reverse the negative trend in this area with its new pricing, which was introduced in October (and which we expected to have a positive impact already in Q4'10). Our forecast now assumes that the Company will add 21k broadband subscribers net, including 3k ADSL subscribers. However, this will not be enough to prevent a reduction in data transmission revenues to PLN 628m (-1.8% y/y). Negative trends persist in traditional voice services (with the PSTN subscriber base falling by 200k q/q, leading to a 10% decline in revenues from this business). In the case of the mobile segment, we expect an increase in the subscriber base by 80k SIM cards. However, given the seasonal decline in ARPU, revenues in this area will fall to PLN 1.73bn (-3% q/q, but +3% y/y). Our forecasts assume no one-off developments, such as major additional provisions.

Media

Agora

Media | **Accumulate**

Analyst: Piotr Grzybowski

FY10E P/E	19.4	FY10E EV/EBITDA	7.2	**Current price**	**PLN 26.0**
FY11E P/E	15.4	FY11E EV/EBITDA	6.2	**Target price**	**PLN 28.9**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	295.6	248.1	19.2%	1 268.5	1 116.7	13.6%	1 345.4	1 268.5	6.1%
EBITDA	33.4	36.5	-8.5%	185.4	167.3	10.8%	202.4	185.4	9.2%
margin	11.3%	14.7%	-	14.6%	15.0%	-	15.0%	14.6%	-
EBIT	10.9	16.7	-34.7%	86.6	84.9	2.0%	103.3	86.6	19.2%
Pre-tax profit	9.7	18.8	-48.3%	86.7	87.9	-1.4%	108.8	86.7	25.5%
net profit	7.7	21.7	-64.7%	68.2	71.9	-5.2%	85.7	68.2	25.7%

Tough onset to the year

Agora's earnings for the three initial months of 2011 will be marked by the weakness of the advertising market, rising operating expenses and a not-so-good situation in the cinema sector. Agora did manage to cope very well with the first problem, and its advertising revenues will shrink by just 0.6% to PLN 158.4m despite the unfavorable environment (+17% for online advertising, +2% for outdoor advertising, +8% for radio advertising, -10.5% for magazines and -12% for newspapers). In our opinion, the situation looked worse in the cinema segment, which we expect to add just PLN 3.5m to consolidated earnings. The factor that will lead to worse earnings will be expenses. In the first quarter, costs will be driven up by the Company's incentive program, whose costs are likely to be booked primarily in the first rather than the second half of the year, which used to be the case in the past. Rising costs of materials and energy will have the greatest impact on the Company's operating earnings (especially paper prices). We expect a PLN 3.0m increase in these costs without the consolidation of Helios and by PLN 17.5m with Helios counted in. We also expect higher expenses on representation and advertising (+8.1% y/y to PLN 28.0m). As a result of these developments, Agora's Q1 EBIT will amount to PLN 10.9m. After financing losses of PLN 1.0m and a PLN 1.8m tax, the bottom line will figure to PLN 7.7m.

Cinema City

Media | **Accumulate**

Analyst: Piotr Grzybowski

FY10E P/E	13.9	FY10E EV/EBITDA	8.1	**Current price**	**PLN 38.0**
FY11E P/E	10.7	FY11E EV/EBITDA	6.6	**Target price**	**PLN 42.9**

(EUR m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	65.3	70.1	-6.8%	270.9	234.5	15.5%	317.9	270.9	17.4%
EBITDA	14.0	20.3	-31.0%	61.6	56.2	465.6%	75.5	61.6	22.6%
margin	21.4%	28.9%	-	22.7%	24.0%	-	23.7%	22.7%	-
EBIT	7.7	15.4	-49.9%	41.2	36.4	13.1%	53.3	41.2	29.6%
Pre-tax profit	6.9	14.6	-52.9%	41.5	34.1	21.6%	54.0	41.5	30.1%
net profit	6.1	12.7	-52.3%	35.0	30.5	14.9%	45.5	35.0	30.0%

Last year's high base tough to beat

In Q1 2011, Cinema City will see a major deterioration in its earnings compared to last year, as there will be no blockbusters comparable to *Avatar* and *Alice in Wonderland*. The beginning of consolidation of Palace Cinema, though it will have a major impact on future earnings, will not be able to offset the decline in the revenues of the "old" CCI in Q1'11. We expect a 12% decline in the number of tickets sold within the "old CCI" and ca. 1.5m tickets sold in the newly-acquired cinemas, coupled with a 15% drop in average ticket price (due to limited sales of tickets for 3D shows and a slight decline in Cinema Palace's average ticket price). This entails ticket revenues of EUR 40.8m. Food sales will bring EUR 13.7m, and advertising EUR 5.3m. We also expect EUR 4.9m in distribution revenues. The gross margin will figure to 18.2% (small number of 3D tickets, lower margin at Palace Cinema's cinemas). Selling, general and administrative expenses will amount to EUR 4.2m, which implies an operating profit of EUR 7.7m. Financing gains will amount to EUR 0.8m, and the bottom line to EUR 6.1m.

Cyfrowy Polsat Hold

Media

Analyst: Piotr Grzybowski					
FY10E P/E	15.1	FY10E EV/EBITDA	9.2	**Current price**	**PLN 16.09**
FY11E P/E	14.9	FY11E EV/EBITDA	7.9	**Target price**	**PLN 15.30**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	382.8	374.0	2.4%	1 528.8	1 482.5	3.1%	1 578.9	1 528.8	3.3%
EBITDA	107.8	122.9	-12.3%	449.3	406.9	10.4%	479.2	449.3	6.6%
margin	28.2%	32.9%	-	29.4%	27.5%	-	30.3%	29.4%	-
EBIT	82.2	106.9	-23.1%	354.2	325.8	8.7%	358.3	354.2	1.2%
Pre-tax profit	81.2	106.4	-23.7%	354.1	321.3	10.2%	358.9	354.1	1.3%
net profit	65.8	86.1	-23.6%	286.8	258.5	11.0%	290.7	286.8	1.3%

Broadband will drive earnings down

Cyfrowy Polsat will report weaker earnings than one year ago, because its broadband service was launched in Q2 2010, and because the share of leaded set-top boxes is rising (lower EBIT, net profit). We estimate subscription revenues at PLN 363.5m, and revenues from telecommunications services at PLN 7.3m. Program licenses will cost PLN 102.1m, and distribution and marketing expenses will increase to PLN 72.4m (in consequence of the addition of the broadband service). Signal transmission expenses will fall slightly to PLN 19.5m (thanks to a stronger zloty and renegotiation of conditional access fees), and payroll expenses will amount to PLN 20.9m. Other operating expenses (whose main part are infrastructure access fees) will increase by 51% y/y to PLN 36.7m. Other net operating expenses will figure to PLN 9.9m, driven by PLN 9.5m in receivables write-offs. Operating earnings will amount to PLN 82.2m. We expect financing expenses of PLN -1.0m and PLN 15.4m tax. As a result, we are expecting a net profit of PLN 65.8m.

TVN Hold

Media

Analyst: Piotr Grzybowski					
FY10E P/E	31.7	FY10E EV/EBITDA	10.8	**Current price**	**PLN 17.32**
FY11E P/E	17.6	FY11E EV/EBITDA	8.6	**Target price**	**PLN 18.10**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	588.0	548.4	7.2%	2 753.9	2 493.8	10.4%	3 058.3	2 753.9	11.1%
EBITDA	124.2	98.1	26.6%	755.7	610.7	23.7%	915.7	755.7	21.2%
margin	21.1%	17.9%	-	27.4%	24.5%	-	29.9%	27.4%	-
EBIT	54.9	40.0	37.1%	499.0	363.8	37.2%	664.6	499.0	33.2%
Pre-tax profit	-12.6	86.4	-	324.5	118.0	175.1%	473.2	324.5	45.8%
net profit	-29.1	63.9	-	280.8	42.5	560.8%	394.5	280.8	40.5%

Weak quarter in the TV segment

We expect that TVN will improve its operating earnings in Q1'11 thanks primarily to a reduction in the losses incurred by the 'n' satellite platform, which we expect to generate a PLN 2.5m EBITDA profit compared to a PLN 25.9m EBITDA loss one year ago. Advertising revenues will increase by 4.2% to PLN 315.0m, including a 16% increase for the online segment (to PLN 50m) and a 2.4% increase for the TV segment. Pay TV subscription revenues will figure to PLN 164m (out of PLN 174m total revenues of 'n'). Given the richer spring schedule, we expect an increase in TV programming expenses to PLN 165m (own productions and amortization of licenses). The EBIT will figure to PLN 54.9m, and financing losses to PLN 67.5m, comprising interest expenses of PLN 75.8m and foreign-exchange gains of PLN 5.4m. Foreign-exchange differences will be attained thanks to a forward contract (a PLN 35m gain), despite the appreciation of the EUR. Foreign-exchange losses on account of the TV programming library will amount to ca. PLN 4m. The redemption of old bonds will also consume ca. PLN 4m. Even though the Company will record a pre-tax loss, it will have to pay a tax of PLN 16.4m, because the losses incurred by ITI Neovision are not covered by a tax shield and because it is not making a coupon payment on bonds (as a result of which interest expenses will not be tax deductible). As a result, TVN's net loss for the period will amount to PLN 29.1m.

Sector IT

IT

AB

Accumulate

Analyst: Piotr Grzybowski

FY10E P/E	8.1	FY10E EV/EBITDA	6.5	**Current price**	**PLN 25.6**
FY11E P/E	9.2	FY11E EV/EBITDA	8.7	**Target price**	**PLN 27.6**

(PLN m)	3Q10/11F	3Q09/10	change	1-3Q10/11F	1-3Q09/10	change	2010/11F	2009/10	change
Revenue	754.8	658.6	14.6%	2 664.8	2 227.5	19.6%	3 071.7	2 882.1	6.6%
EBITDA	12.2	9.6	27.9%	57.4	43.2	33.1%	73.8	66.3	11.4%
margin	1.6%	1.5%	-	2.2%	1.9%	-	2.4%	2.3%	-
EBIT	10.0	7.7	30.8%	50.9	37.1	37.1%	66.1	58.3	13.4%
Pre-tax profit	9.0	7.8	16.5%	51.4	35.4	45.3%	58.3	45.4	28.4%
Net profit	7.2	5.9	22.2%	43.0	27.2	58.1%	48.6	35.2	38.3%

Earnings will continue improving

AB will publish excellent earnings for Q1’11, which will be driven by rapid revenue growth, especially in Poland. We expect that following a 22.1% increase in sales in Q4, revenues grew by 14.6% y/y in Q1. We expect slight foreign-exchange losses at the gross margin level (-PLN 1.2m, more precisely: gains in Poland and losses in the Czech Republic). General and administrative expenses will figure to PLN 24.2m, and other operations will bring income of PLN 3.5m. The resulting EBIT is PLN 10m. Financing activities will be supported by foreign-exchange hedging gains estimated at PLN 1.2m (offsetting the losses in the gross margin), which will reduce financing losses to PLN 1.0m. Tax will amount to an estimated PLN 1.8m, and the bottom line to PLN 7.2m.

IT

Action

Accumulate

Analyst: Piotr Grzybowski

FY10E P/E	10.3	FY10E EV/EBITDA	7.4	**Current price**	**PLN 19.35**
FY11E P/E	8.9	FY11E EV/EBITDA	6.6	**Target price**	**PLN 18.16**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	540.3	483.2	11.8%	2 320.1	2 160.7	7.4%	2 545.5	2 320.1	9.7%
EBITDA	14.5	13.7	6.2%	53.8	48.8	10.2%	59.4	53.8	10.5%
margin	2.7%	2.8%	-	2.3%	2.3%	-	2.3%	2.3%	-
EBIT	11.5	10.8	6.8%	44.8	37.2	20.5%	50.3	44.8	12.4%
Pre-tax profit	10.5	9.9	6.3%	39.9	33.2	20.0%	46.1	39.9	15.5%
Net profit	8.3	8.0	3.6%	32.3	26.4	22.6%	37.3	32.3	15.5%

A good quarter

Q1 2011 was a relatively good quarter for Action. We expect a 11.8% increase in consolidated revenues. The gross margin will be slightly impacted by foreign-exchange losses (which we project at -PLN 1.5m at this level), but thanks to an improvement in the earnings of subsidiaries, it will reach 8.1%. We expect selling, general and administrative costs of PLN 33.8m. Action will offset foreign exchange losses booked in the gross margin in other operating gains (+PLN 1.0m), which will enable it to post an operating profit of PLN 11.5m. We expect net financing expenses of PLN 1.0m and a tax of PLN 2.0m. Minority interest will amount to PLN 0.2m, leading to a net profit of PLN 8.3m.

IT

ASBIS

Accumulate

Analyst:	FY10E P/E	8.6	FY10E EV/EBITDA	5.3	**Current price**	**PLN 3.40**
Piotr Grzybowski	FY11E P/E	5.3	FY11E EV/EBITDA	4.0	**Target price**	**PLN 4.32**

(USD m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	363.4	331.0	9.8%	1 490.8	1 435.1	3.9%	1 620.0	1 490.8	8.7%
EBITDA	4.6	2.6	80.4%	19.0	12.4	52.9%	25.1	19.0	32.0%
margin	1.3%	0.8%	-	1.3%	0.9%	-	1.5%	1.3%	-
EBIT	3.9	1.8	110.4%	16.0	9.4	69.6%	22.0	16.0	37.6%
Pre-tax profit	1.5	0.3	477.6%	9.9	2.2	345.9%	15.9	9.9	60.4%
Net profit	1.1	0.1	744.5%	7.8	0.9	738.4%	12.6	7.8	62.2%

Earnings will improve with slight support from foreign-exchange gains

We believe Q1'11 was a fairly good quarter for Asbis. The Company saw continued revenue growth, albeit slower than last year (9.3% vs. 22.9%). We expect a 4.7% gross margin, with slight support from foreign-exchange gains which we estimate at ca. USD 1.2m. With general expenses forecasted at USD 13.4m, EBIT will amount to USD 3.9m. With financing losses of USD 2.4m (interest expenses and currency hedging losses estimated at USD 0.9m), and tax of USD 0.3m, the bottom line will amount to USD 1.1m.

IT

Asseco Poland

Buy

Analyst:	FY10E P/E	10.8	FY10E EV/EBITDA	7.3	**Current price**	**PLN 53.15**
Piotr Grzybowski	FY11E P/E	10.1	FY11E EV/EBITDA	7.3	**Target price**	**PLN 65.30**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	1146.0	690.6	65.9%	3 389.2	3 237.7	4.7%	3 616.2	3 389.2	6.7%
EBITDA	206.5	151.3	36.5%	663.2	695.0	-4.6%	692.0	663.2	4.3%
margin	18.0%	21.9%	-	19.6%	21.5%	-	19.1%	19.6%	-
EBIT	164.5	121.3	35.6%	537.0	569.0	-5.6%	563.1	537.0	4.9%
Pre-tax profit	168.0	133.9	25.5%	564.0	499.0	13.0%	609.7	564.0	8.1%
Net profit	95.1	95.5	-0.4%	383.0	415.1	-7.7%	409.0	383.0	6.8%

Good earnings on the horizon

Q1'11 will once again bring excellent earnings from Asseco Poland. It will also be the first quarter when Formula systems is fully consolidated. Revenues will amount to PLN 1146.0m, with ca. PLN 412m coming from the consolidation of the Israeli subsidiary. Our estimate the gross margin is 29.7%. Selling, general and administrative costs will amount to PLN 176.0m, and other operating losses to –PLN 1.0m. As far as the earnings of the individual companies are concerned, we believe that the parent company will see its EBIT fall to PLN 78.0m due to the termination of one of the implementation contracts at PKO BP and despite the merger with Asseco Systems. We expect a slight earnings improvement at Asseco Spain, but it will result from the consolidation of Neocomplus (adjusted for this, the Spanish subsidiary will see its earnings shrink). We expect a very good showing from Asseco Central Europe, which was in charge with system migration following the acquisition of the Prague Stock Exchange by Wienner Borse (our EBIT forecast is EUR 4.9m). We also expect a slight improvement in earnings at Asseco South Eastern Europe (PLN 10.1m EBIT) and Asseco Business Solution (PLN 10.5n). In consequence, the consolidated EBIT will amount to PLN 164.5m. We expect financing income of PLN 3.5m The bottom line will figure to PLN 95.1m.

IT

Comarch

Hold

Analyst:	FY10E P/E	17.1	FY10E EV/EBITDA	7.4	Current price	PLN 92.70
Piotr Grzybowski	FY11E P/E	14.6	FY11E EV/EBITDA	6.3	Target price	PLN 88.00

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	165.7	145.7	13.7%	803.5	761.7	5.5%	852.7	803.5	6.1%
EBITDA	11.1	8.4	32.8%	86.1	64.0	34.5%	97.8	86.1	13.6%
margin	6.7%	5.7%	-	10.7%	8.4%	-	11.5%	10.7%	-
EBIT	2.1	-3.1	-	47.1	23.5	100.7%	59.3	47.1	26.0%
Pre-tax profit	3.1	-2.0	-	51.6	23.7	117.7%	65.2	51.6	26.4%
Net profit	4.4	-0.1	-	43.6	43.4	0.5%	51.2	43.6	17.4%

Strong earnings despite losses at Comarch SuB

In Q1’11, Comarch improved its earnings even though its German subsidiary Comarch Software und Beratung is expected to have continued generating operating losses despite the Management’s promise that it will be in the black operationally in FY 2011 (-EUR 1.1m, which translates into a negative impact of PLN 6.8m at the consolidated level with depreciation charges counted in). SPVs will do somewhat better than last year, reducing their operating losses to PLN 1.9m. However, it will be the major improvement in earnings at the parent company that will make the quarter a good one. We expect a consolidated gross margin of 17.5%, with general expenses at PLN 26.4m. We estimate other net operating losses at ca. -PLN 0.3m. We also expect that the tax asset will be released, leading to a tax charge of PLN 0.4m. All told, the bottom line will amount to PLN 4.4m.

IT

Sygnity

Accumulate

Analyst:	FY10E P/E	14.5	FY10E EV/EBITDA	6.7	Current price	PLN 21.25
Piotr Grzybowski	FY11E P/E	10.5	FY11E EV/EBITDA	5.1	Target price	PLN 22.0

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	112.7	104.2	8.2%	568.9	524.0	8.6%	650.9	568.9	14.4%
EBITDA	0.7	-10.0	-	38.9	-7.5	-	47.6	38.9	22.4%
margin	0.6%	-9.6%	-	6.8%	-1.4%	-	7.3%	6.8%	-
EBIT	-5.1	-17.5	-	12.7	-34.3	-	28.3	12.7	123.0%
Pre-tax profit	-8.1	-19.3	-	7.2	-43.8	-	24.6	7.2	239.8%
Net profit	-8.1	-17.1	-	5.9	-42.8	-	20.0	5.9	239.8%

The first quarter of clear improvement

We believe Sygnity will see an operating loss and a net loss in Q1'11, as usual. However, its earnings will show a clear improvement vs. last year, thanks primarily to savings attained through the restructuring program. Because downsizing continued in the early months of the year, Q1 earnings will not show the full scale of savings yet. We do expect a PLN 10m reduction in the cost base, however. Combined with a slight increase in revenues (by 8.2% y/y to PLN 112.7m), this will allow the Company to increase its gross margin to 16.4% (vs. 13% last year) and to cut selling, general and administrative expenses to PLN 24.0m (i.e. by PLN 7.5m y/y). As a result, the operating loss will amount to PLN 5.1m vs. PLN 17.5m one year ago. We expect financing losses of PLN 3.0m and zero tax, leading to a PLN 8.1m net loss.

Mining & Metals

KGHM

Metals — **Hold**

Analyst: Michał Marczak

2011 P/E	6.2	2011 EV/EBITDA	6.6	**Current price**	**PLN 193.7**
2012 P/E	10.3	2012 EV/EBITDA	7.9	**Target price**	**PLN 188.5**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	4 459.2	3 274.5	36.2%	17 990.7	15 945.0	12.8%	14 632.8	17 990.7	-18.7%
EBITDA	2 141.3	1 060.7	101.9%	8 359.0	6 253.6	33.7%	5 315.7	8 359.0	-36.4%
margin	48.0%	32.4%	-	46.5%	39.2%	-	36.3%	46.5%	-
EBIT	1 984.8	906.1	119.0%	7 725.6	5 638.1	37.0%	4 662.4	7 725.6	-39.6%
Pre-tax profit	1 978.8	898.8	120.2%	7 695.6	5 605.6	37.3%	4 632.4	7 695.6	-39.8%
Net profit	1 602.8	725.4	121.0%	6 233.4	4 568.6	36.4%	3 752.3	6 233.4	-39.8%

A record quarter

Q1 2011 saw all-time record-breaking quarterly prices of copper ($9629/T, +11.8% q/q) and silver ($1038/kg +20.3% q/q). So far into the second quarter, copper is trading near its first-quarter averages (-0.9% q/q) while silver is already 23% higher. We expect KGHM to report Q1 2011 copper sales of 124KT, 2.5% more than in the same period a year ago, including 27KT (21.8% of total sales) of secondary copper and 39KT of hedged volumes. In line with the company's predictions of a full-year 18% contraction, silver sales for the first quarter will be 18.3% lower than the year-ago figure at 267KT. At an estimated PLN 13,400, the per-ton cost of copper production will have been 3% higher than in Q4 2010, driven by lower silver sales and higher costs of copper scrap (incurred on a larger volume purchased at higher unit prices). With copper trading 1.8% below the 2010 year-end level at 31 March 2011, KGHM should generate a profit on open positions in copper price hedges, a loss on a small silver volume, and a gain on currency hedges, resulting in an overall hedging gain of PLN 80m.

LW Bogdanka

Coal Miners — **Accumulate**

Analyst: Michał Marczak

2011 P/E	15.4	2011 EV/EBITDA	5.7	**Current price**	**PLN 126.0**
2012 P/E	10.6	2012 EV/EBITDA	3.8	**Target price**	**PLN 138.6**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	300.9	294.1	2.3%	1 526.0	1 230.4	24.0%	1 986.5	1 526.0	30.2%
EBITDA	113.0	95.3	18.7%	546.9	414.5	31.9%	750.9	546.9	37.3%
margin	37.6%	32.4%	-	35.8%	33.7%	-	37.8%	35.8%	-
EBIT	76.0	62.2	22.3%	359.9	276.5	30.2%	517.1	359.9	43.7%
Pre-tax profit	77.5	65.8	17.8%	360.2	288.2	25.0%	522.6	360.2	45.1%
Net profit	61.2	52.8	16.1%	278.1	230.4	20.7%	403.4	278.1	45.1%

Coal prices rise slightly ahead of costs

LW Bogdanka is expected to extract somewhat lower coal volumes in the first half of 2011 than in the same period in 2010 when it used its high-efficiency low-cost automated plow. On the upside, the lower volumes will be offset by higher coal prices. We estimate the Q1 steam coal output at 1,330,000 tons, 5% less than in the same period a year ago, combined with a decline in sales by just 1.5% (thanks to inventory reductions from 138 to 118 thousand tons). The per-ton sales price is expected to average PLN 215.3 after a 3.7% increase relative to Q1 2010 and a 3% increase from Q4 2010. The per-ton cost of coal production is estimated at PLN 165, marking a 3.3% increase from the same period a year ago caused by lower volumes and efficiency (more waste rock).

Manufacturers

Astarta

Food Producers

Analyst: Jakub Szkopek

Sell

2011 P/E	7.7	2011 EV/EBITDA	5.9	**Current price**	**PLN 80.0**
2012 P/E	14.7	2012 EV/EBITDA	7.9	**Target price**	**PLN 63.6**

(UAH m)	1Q2011F	1Q2010	change	2011F	2010F	change	2012F	2011F	change
Revenue	550.0	421.0	30.7%	2 164.5	2 086.1	3.8%	2 253.3	2 164.5	4.1%
EBITDA	306.8	232.2	32.1%	944.6	1220.9	-22.6%	687.8	944.6	-27.2%
margin	55.8%	55.2%	-	43.6%	58.5%	-	30.5%	43.6%	-
EBIT	259.3	192.5	34.7%	757.6	1046.3	-27.6%	503.7	757.6	-33.5%
Pre-tax profit	237.5	191.9	23.8%	708.1	976.4	-27.5%	471.8	708.1	-33.4%
Net profit	243.5	198.6	22.6%	675.5	963.5	-29.9%	353.7	675.5	-47.6%

Strong quarter-on-quarter growth

We expect Astarta to sell about 60KT of sugar in Q1 2011 (vs. 43KT in Q1 2010 and 60KT in Q4 2010) at an average price of UAH 7577/T (+5.5% y/y). Sales of grain are expected to show a contraction to 40KT from last year's first-quarter volumes of 54KT, caused by Ukrainian export quotas which force traders like Astarta to cut back grain purchases. First-quarter prices of cereal crops averaged UAH 1959/T for wheat (+52.7% y/y), UAH 2027/T for barley (+81.9% y/y), UAH 4545/T for sunflower seed (+46.6% y/y), UAH 1786/T for corn (+37.4% y/y), and UAH 3738/T for soybean (+25.1% y/y). Astarta's milk sales are expected to show a 25% year-on-year increase from 10.4KT to 13KT, with average sales prices 8.3% lower than a year earlier at UAH 2647/T. The 17% surge in milk prices observed in the course of the first quarter is going to produce revaluation gains on biological assets (livestock) to the tune of UAH 56.2m. Additional gains (UAH 20.0m) will come from grain revaluations. Due to the Ukrainian hryvnia's 0.02% appreciation relative to the dollar, foreign-currency loan revaluations are expected to produce a UAH 0.15m loss. The Q1 2011 bottom line will be supported by tax refunds under the Ukrainian Fixed Agricultural Tax regime.

Boryszew

Manufacturers

Analyst: Jakub Szkopek

Accumulate

2011 P/E	19.60	2011 EV/EBITDA	10.1	**Current price**	**PLN 1.15**
2012 P/E	15.33	2012 EV/EBITDA	8.14	**Target price**	**PLN 1.20**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	977.7	671.8	45.5%	4 110.0	3 133.8	31.2%	4 174.7	4 110.0	1.6%
EBITDA	71.8	49.4	45.4%	334.4	272.0	22.9%	382.0	334.4	14.2%
margin	7.3%	7.3%	-	8.1%	8.7%	-	9.1%	8.1%	-
EBIT	47.7	29.5	61.7%	238.2	192.3	23.9%	288.3	238.2	21.0%
Pre-tax profit	38.1	22.6	68.7%	201.0	151.6	32.6%	257.6	201.0	28.2%
Net profit	22.8	8.4	171.1%	132.4	90.4	46.5%	169.3	132.4	27.8%

Strong year-on-year growth

Boryszew benefitted from a rising European manufacturing industry in Q1 2011, combined with favorable January and March weather. We expect to see sales volumes of 48.9KT at Impexmetal (+11.0% y/y), 6.7KT at Boryszew (+1.5% y/y), 1.8KT at Elana Energetyka (+5.9% y/y), 1.1KT at Elana PET (+1.8% y/y), 5.0KT at NPA Skawina (+28.2% y/y), and 8.4KT at Boryszew ERG (-1.2% y/y). Sales revenues will be additionally supported by high global metal prices (aluminum averaged PLN 7225/T in Q1 after a 14.2% y/y increase, lead traded at PLN 7506/T after rising 16.3%, zinc prices averaged PLN 6913/T after rising 3.9%, and copper prices surged 33% to PLN 27824/T). We estimate the revenue of the Automotive segment at PLN 169.1m vs. PLN 130.1m in Q4 2010 and PLN 64.6m in Q3 2010 (Q1 2011 was the first quarter when Boryszew consolidated all of the former Maflow companies). EBIT is expected to amount to PLN 8.2m in the Automotive segment, PLN 30.0m at Impexmetal, and PLN 9.5m at other Boryszew companies (Boryszew, Elana Energetyka, Elana PET, Torlen, NPA Skawina, Boryszew ERG, Elimer, Nylonbor). Other operating income will receive a PLN 2.7m boost from gains generated from CO2 emission credit sales by Elana Energetyka (in Q1 2010, Boryszew recognized other operating income of PLN 8m including a PLN 3.4m gain from asset sales, PLN 2.9m impairment loss reversals, and PLN 1.5m subsidies). Financial operations will include a PLN 0.3m hedging loss.

Building Materials

Centrum Klima Buy

Analyst: Jakub Szkopek

2011 P/E	12.67	2011 EV/EBITDA	8.15	Current price	PLN 14.85
2012 P/E	10.31	2012 EV/EBITDA	6.69	Target price	PLN 17.30

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	22.3	17.0	30.6%	111.3	84.5	31.7%	128.1	111.3	15.1%
EBITDA	2.6	2.0	27.4%	15.8	10.3	53.5%	18.9	15.8	19.8%
margin	11.6%	11.9%	-	14.2%	12.2%	-	14.7%	14.2%	-
EBIT	1.8	1.5	19.1%	12.6	7.9	59.4%	15.4	12.6	22.0%
Pre-tax profit	1.8	1.6	14.4%	12.3	8.4	47.1%	15.1	12.3	22.9%
Net profit	1.5	1.3	15.0%	10.0	6.6	50.2%	12.3	10.0	22.9%

First quarter of rising sales

We expect Centrum Klima to report an increase in sales and profits for the first time in Q1 2011. Sales in the period were driven by good weather which allowed for more building activity than was possible a year earlier (building materials wholesaler PSB recorded a 34% y/y surge in sales in Q1). Moreover, CKL raised sales prices to make up for the rallying costs of metals used in the production of ventilation ducts (relative to Q1 2010, prices of steel increased 18.8%, aluminum appreciated 14.2%, and copper rallied 33.0%). As a result, we expect the company to recognize 27.9% year-on-year growth in wholesale sales and a 37.6% increase in production revenues, leading to quarter-on-quarter margin expansion in both business segments (with production margins rising from 19.4% to 24.5%, and distribution margins expanding from 8.9% to 25.0%). Generally speaking, Centrum Klima should report year-on-year earnings improvement between 15% and 30% all the way down to the bottom line.

Building Materials

Cersanit Reduce

Analyst: Jakub Szkopek

2011 P/E	19.71	2011 EV/EBITDA	10.2	Current price	PLN 12.04
2012 P/E	15.89	2012 EV/EBITDA	8.81	Target price	PLN 10.40

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	360.6	299.6	20.3%	1 675.8	1 531.5	9.4%	1 806.1	1 675.8	7.8%
EBITDA	62.0	54.1	14.6%	331.8	253.5	30.9%	374.3	331.8	12.8%
margin	17.2%	18.1%	-	19.8%	16.6%	-	20.7%	19.8%	-
EBIT	33.0	25.3	30.7%	208.6	142.0	46.9%	244.3	208.6	17.1%
Pre-tax profit	1.7	69.7	-97.6%	163.2	128.5	27.0%	202.4	163.2	24.0%
Net profit	0.7	58.7	-98.9%	132.2	103.0	28.3%	163.9	132.2	24.0%

Possible EBIT improvement

Cersanit's first-quarter sales were supported by good weather which allowed for more building activity than was possible a year earlier (building materials wholesaler PSB recorded a 34% y/y surge in sales in Q1). We predict an 8.6% year-on-year increase in ceramic tile sales volumes and 25.1% volume expansion in bathroom ceramics. Market prices of ceramic tiles and bathroom and kitchen fittings in Q1 2011 were 6.5% higher on average than in Q1 2010 and 3.8% higher than in Q4 2010. Relative to Q1 2010, we expect Cersanit to have raised its sales prices by 5% for ceramic tiles and 4% for bathroom ceramics (the price hikes were lower than the increase in market prices because the company held a sell-off of old collections at reduced prices in the first quarter). Higher prices and a reduced inventory should contribute to gross margin growth to an estimated 37.1% from 35.1% in Q4 2010 (the gross margin in Q1 2010 was 39.7%). We expect to see slightly more prominent contributions from Cersanit's Ukrainian and Russian operations thanks to the ruble's 3.5% appreciation versus the zloty in the course of the first quarter (after which the Russian currency was still 4.1% weaker than in the record Q2 and Q3 2010), and the hryvnia's 1.4% depreciation versus the Polish currency (and 8.4% depreciation relative to Q2 and Q3). We expect Cersanit to report losses to the tune of PLN 19.1m on foreign-currency loan translations due to the hryvnia's 6.1% weakening versus the zloty during the course of the first quarter.

Machinery

Famur

Sell

Analyst:
Jakub Szkopek

2011 P/E	23.65	2011 EV/EBITDA	11.3	**Current price**	**PLN 3.69**
2012 P/E	19.02	2012 EV/EBITDA	9.68	**Target price**	**PLN 2.30**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	248.9	162.8	52.8%	752.2	885.4	-15.0%	791.4	752.2	5.2%
EBITDA	46.1	19.0	142.5%	153.4	140.5	9.2%	174.8	153.4	14.0%
margin	18.5%	11.7%	-	20.4%	15.9%	-	22.1%	20.4%	-
EBIT	29.2	11.3	159.3%	97.2	94.1	3.3%	118.6	97.2	22.0%
Pre-tax profit	28.1	24.8	13.4%	93.8	103.6	-9.5%	116.4	93.8	24.1%
Net profit	21.4	21.0	1.9%	75.1	79.8	-5.9%	93.4	75.1	24.4%

Quarter-on-quarter deterioration

Famur did not complete any major orders in Q1 2011 except for PLN 20-30m roof-support maintenance for OKD. We expect the company to report sales growth by 34.4% y/y in mining machines, 32.6% in other mining equipment, and a staggering 385.4% in lifting and loading equipment owed to the acquisition of Zamet Industry. Castings sales should also continue on an upward trend, rising 16.0% vs. Q1 2010. Revenues will be supported by PLN 30m generated from sales of coal received as payment for KHW bonds. Profits will be weighed down by D&A expenses in the amount of PLN 3.5m and a PLN 0.4m increase in payroll costs related to the new Famur-2 factory. We expect Famur to report other financial expenses of PLN 0.9m resulting from revaluations of currency hedges (at the end of Q4 2010, the company had open euro put options estimated at PLN 66.9m) and additional interest charged on a PLN 142m investment loan (PLN 1.8m). Q1 2011 was the first quarter when Famur consolidated the earnings of Remag. Assuming that the subsidiary wall-shearer manufacturer generates the same earnings results in 2011 as it did in 2009 (PLN 167.9m revenue, PLN 41.9m EBITDA, PLN 30.4m EBIT, and PLN 22.4m net profit), in Q1 2011, it may have added PLN 41.9m to Famur's consolidated revenue, PLN 10.5m to EBITDA, PLN 7.6m to EBIT, and PLN 5.6m to net profit.

Metals

Impexmetal

Buy

Analyst:
Jakub Szkopek

2011 P/E	11.59	2011 EV/EBITDA	7.50	**Current price**	**PLN 5.20**
2012 P/E	9.60	2012 EV/EBITDA	6.22	**Target price**	**PLN 5.90**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	667.8	565.2	18.1%	2 719.5	2 417.6	12.5%	2 618.3	2 719.5	-3.7%
EBITDA	44.7	39.7	12.6%	189.6	169.0	12.2%	206.3	189.6	8.8%
margin	6.7%	7.0%	-	7.0%	7.0%	-	7.9%	7.0%	-
EBIT	30.0	24.0	25.0%	130.9	107.5	21.8%	150.1	130.9	14.7%
Pre-tax profit	23.6	22.8	3.7%	107.0	96.1	11.3%	129.4	107.0	20.9%
Net profit	20.2	18.3	10.6%	89.7	76.9	16.6%	108.3	89.7	20.7%

Continued improvement

Impexmetal benefitted from a rising European manufacturing industry in Q1 2011, combined with favorable January and March weather. By subsidiary, we expect HAK to report 14.2% year-on-year sales volume growth to 21.3KT, 22.9% volume expansion to 3.5KT at Hutmen, a 5.1% decline to 5.6KT at WM Dziedzice, 19.3% growth to 10.5KT at Baterpol, and 9.6% expansion to 8.0KT at ZM Silesia. Sales revenues will be additionally supported by high global metal prices (aluminum averaged PLN 7225/T in Q1 after a 14.2% y/y increase, lead traded at PLN 7506/T after rising 16.3%r, zinc prices averaged PLN 6913/T after rising 3.9%, and copper prices surged 33% to PLN 27824/T). Like in previous quarters, the biggest contributions to the consolidated EBIT are expected to come from HAK (PLN 15.0m) and Baterpol (PLN 10m), while WM Dziedzice and Hutmen will generate operating losses of PLN 0.5m and PLN 1.0m, respectively. Impexmetal will report an loss on "other" operations in the amount of PLN 1m compared to a PLN 3m gain in Q1 2010 (resulting from PLN 2.8m impairment reversals and PLN 0.9m dividend from ZUO Sp. z o.o.). Moreover, there will be a PLN 0.4m financial loss on metal price hedges (in the course of the first quarter, aluminum prices increased 2.9%, lead prices rose 1.4%, copper prices fell 6.6%, and zinc prices dropped 7.6%). Minority interests are estimated at PLN -1.1m.

Food Producers

Kernel

Accumulate

Analyst:
Jakub Szkopek

2011 P/E	9.85	2011 EV/EBITDA	7.33	**Current price**	**PLN 72.50**
2012 P/E	9.38	2012 EV/EBITDA	6.22	**Target price**	**PLN 87.70**

(USD m)	3Q2011F	3Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	373,7	269,4	38,7%	1 600,7	1 020,5	56,9%	1964,1	1 600,7	22,7%
EBITDA	82,3	50,2	63,8%	288,5	190,7	51,3%	280,6	288,5	-2,7%
margin	22,0%	18,6%	-	18,0%	18,7%	-	14,3%	18,0%	-
EBIT	74,5	45,4	64,1%	257,4	168,2	53,1%	250,2	257,4	-2,8%
Pre-tax profit	69,3	40,0	73,4%	214,4	152,6	40,5%	225,9	214,4	5,4%
Net profit	60,6	40,0	51,5%	199,7	153,0	30,5%	210,4	199,7	5,3%

Cheap seed drives margins

We estimate Kernel's sales at 29.3KT of bottled oil (+11.5% y/y), 160.0KT of sunflower oil (+87.8% y/y), and 200KT of grain (-73.8% y/y) including a 182KT export quota and 18KT of crops not subject to export quotas. The first-quarter revenues were supported by rallying produce prices, with wheat up 73.2% vs. Q1 2010 to $282/T, corn up 83.5% to $289/T, soybean up 7.4% to $470/T, rapeseed up 42.4% to $518/T, and sunflower oil up 60% to $1386/T. Kernel's crushing plants in Q1 2011 used sunflower seed purchased back in Q3 2010, when prices were 39.1% lower than a year earlier, and the resulting high margins will have a positive impact on the operating profit, with per-ton EBITDA reaching $160 (+154.5% y/y). In the grain segment, operating profits will be supported quota exports at prices which were higher than local prices by 14.4% for wheat and 28.7% for corn. The Q1 EBITDA generated per exported ton of grain is estimated at $45 (+135.9% y/y).

Metals

Kęty

Accumulate

Analyst:
Jakub Szkopek

2011 P/E	12.74	2011 EV/EBITDA	7.42	**Current price**	**PLN 131.0**
2012 P/E	11.60	2012 EV/EBITDA	6.81	**Target price**	**PLN 134.8**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	311.2	247.8	25.6%	1 339.7	1 210.6	10.7%	1 418.0	1 339.7	5.8%
EBITDA	41.9	32.1	30.7%	203.1	177.0	14.8%	217.5	203.1	7.1%
margin	13.5%	12.9%	-	15.2%	14.6%	-	15.3%	15.2%	-
EBIT	23.9	15.2	57.6%	128.9	109.7	17.5%	140.3	128.9	8.9%
Pre-tax profit	22.2	20.3	9.6%	117.1	113.3	3.4%	128.6	117.1	9.8%
Net profit	16.8	15.0	11.9%	94.9	90.4	5.0%	104.2	94.9	9.8%

Sales supported by weather

Kęty estimates its Q1 2011 revenue at PLN 300-310m (+28% y/y), with EBIT expected to reach PLN 22-24m (increasing 58% y/y or 30% after hedging losses), and net profit pegged at PLN 15-17m (+13% y/y). In terms of sales, the most successful line this quarter was the Building Services Segment (BS) which saw 67% y/y growth fueled by the SKY Tower project, and the Extruded Products Segment (EP) whose sales surged 30%. Sales of Aluminum Systems and Flexible Packaging showed 10% expansion relative to Q1 2010. The first-quarter results will be influenced by PLN 2.6m hedging gains (owed to a 3.3% appreciation in aluminum prices) and PLN 3.5m financial expenses. Moreover, profits were supported by good weather which allowed for more building activity than was possible a year earlier (building materials wholesaler PSB recorded a 34% y/y surge in sales in Q1). Kęty's extruded products capacity utilization rate is expected to show an increase from 70-75% in Q1 2010 to an estimated 80-85% in Q1 2011. The resulting increase in revenues was additionally strengthened by a 15.3% year-on-year appreciation in zloty aluminum prices. On stronger sales, Kęty should report stronger operating margins for Q1 2011, with EBITDA margin at an estimated 13.5%.

Machinery

Kopex

Reduce

Analyst:
Jakub Szkopek

2011 P/E	18.96	2011 EV/EBITDA	8.87	**Current price**	**PLN 21.00**
2012 P/E	16.54	2012 EV/EBITDA	8.06	**Target price**	**PLN 15.90**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	579.6	633.6	-8.5%	2 224.3	2 367.5	-6.0%	1 889.0	2 224.3	-15.1%
EBITDA	50.7	43.9	15.3%	224.9	178.2	26.3%	246.5	224.9	9.6%
margin	8.7%	6.9%	-	10.1%	7.5%	-	13.0%	10.1%	-
EBIT	28.4	23.4	21.3%	136.0	93.6	45.3%	152.8	136.0	12.4%
Pre-tax profit	22.7	13.0	74.6%	111.0	57.0	94.8%	125.7	111.0	13.3%
Net profit	14.9	8.9	67.6%	82.4	34.5	138.7%	94.3	82.4	14.5%

Q1 makes FY2011 PLN 100m earnings target seem unrealistic

We expect Kopex's Q1 2011 revenue to be 8.5% lower than in the same period a year earlier because of a 12.5% contraction in mining machinery sales and a 36.1% drop in electricity sales abroad. In powered roof supports, the company delivered just one order for 150 new support units for PLN 27.7m during the quarter. We expect to see sales growth in mining services (+31.7% y/t), opencast mining equipment (a 109.2% y/y increase owed to a PLN 55.9m order for a wheel excavator from PGE KWB Turów), electrical and electronic equipment (a 55.8% y/y increase fueled by stronger demand, including from Russia), and castings (a 113.9% y/y increase achieved on a greater order volume). First-quarter EBIT is expected to increase to PLN 28.4m from PLN 23.4m in Q1 2010. Kopex will recognize financial gains of PLN 0.5m from revaluation of hedging positions (at the end of Q4 2010, the company had open currency hedges of $8.5m and EUR 13.9m). We estimate the Q1 2011 net profit at PLN 14.9m.

Paper Manufacturers

Mondi

Accumulate

Analyst:
Michał Marczak

2011 P/E	10.3	2011 EV/EBITDA	7.5	**Current price**	**PLN 82.4**
2012 P/E	10.8	2012 EV/EBITDA	7.5	**Target price**	**PLN 88.7**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	655.1	474.0	38.2%	2 579.0	2 263.7	13.9%	2 517.9	2 579.0	-2.4%
EBITDA	157.5	69.3	127.3%	593.2	488.1	21.5%	550.1	593.2	-7.3%
margin	24.0%	14.6%	-	23.0%	21.6%	-	21.8%	23.0%	-
EBIT	117.9	31.1	278.9%	440.6	330.7	33.2%	400.3	440.6	-9.1%
Pre-tax profit	105.9	16.6	538.5%	425.3	263.7	61.3%	395.6	425.3	-7.0%
Net profit	99.6	17.8	460.3%	401.1	249.3	60.9%	382.3	401.1	-4.7%

Q1 2011 will be good but not as good as Q4 2010

We expect Mondi to generate quarterly profits approximating PLN 100m in the coming quarters, which impressive results will be about PLN 10m lower than the record earnings generated in Q4 2010 when the company was able to raise prices while producing paper from relatively cheaply acquired wood. We predict a 2% quarter-on-quarter increase in production and sales volumes in Q1 2010, fueled mainly by the MP7 recycled paper pulping machine. Mondi's average zloty sales prices (calculated taking into account the composition of the product and sales mix) in Q1 2011 were 1.4% higher than in the quarter before, fueled by a 1.6% rise in the prices of kraftliner, a 3.3% appreciation on testliner, and a 4.5% increase in fluting prices. The average EUR/PLN exchange rate in the period was down 0.5%. Due to increasing prices of recycled paper and wood, we expect the first-quarter EBITDA margin to shrink to 24%. We do not anticipate any impacts from one-time events.

Construction

Construction

Budimex

Hold

Analyst: Maciej Stokłosa

2011 P/E	12.2	2011 EV/EBITDA	8.3	**Current price**	**PLN 108.9**
2012 P/E	11.6	2012 EV/EBITDA	8.1	**Target price**	**PLN 98.20**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	870.2	577.2	50.8%	4 865.0	4 430.3	9.8%	4 718.9	4 865.0	-3.0%
EBITDA	77.3	72.7	6.3%	284.5	352.6	-19.3%	307.6	284.5	8.1%
margin	8.9%	12.6%	-	5.8%	8.0%	-	6.5%	5.8%	-
EBIT	71.9	67.6	6.3%	262.9	331.4	-20.7%	285.5	262.9	8.6%
Pre-tax profit	79.2	65.7	20.6%	276.5	331.8	-16.6%	290.1	276.5	4.9%
Net profit	64.2	53.3	20.3%	224.0	267.4	-16.2%	235.0	224.0	4.9%

Expecting strong profits achieved through provision reversals

Budimex's CEO has said in interviews that he expects the first quarter to be better this year than last, and that he hopes that 2011 earnings will be at least as good as in 2010. In our opinion, this will be possible only if the company reverses a portion of the provisions for contract losses that stood at PLN 476.3m at the end of last year.

For Q1 2011, we expect Budimex to report revenues of PLN 660m in the general construction segment (15% of the full-year estimate), PLN 118.3m in real-estate development, and PLN 35.2m in other segments. The consolidated gross margin is estimated at 12.7% (construction: 13.5%, real estate: 16%, other operations: 7.3%). The high margin expected from the construction business will be owed partly to a provision reversal of an estimated PLN 56.7m (40% of the total reversals expected in 2011).

Q1 2011 general expenses will approximate PLN 37.2m, other net operating expenses will be ca. PLN 1.5m, and other net financial income will be PLN 7.4m.

Construction

Elektrobudowa

Accumulate

Analyst: Maciej Stokłosa

2011 P/E	12.6	2011 EV/EBITDA	7.8	**Current price**	**PLN 153.7**
2012 P/E	11.3	2012 EV/EBITDA	6.7	**Target price**	**PLN 178.6**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	137.2	129.4	6.0%	762.5	786.7	-3.1%	847.1	762.5	11.1%
EBITDA	10.3	9.4	9.5%	76.0	64.0	18.8%	84.8	76.0	11.5%
margin	7.5%	7.3%	-	10.0%	8.1%	-	10.0%	10.0%	-
EBIT	7.3	6.7	9.2%	62.1	53.1	17.0%	69.7	62.1	12.3%
Pre-tax profit	7.5	6.4	18.6%	69.7	54.9	27.0%	77.9	69.7	11.8%
Net profit	6.1	5.9	2.9%	56.4	45.1	25.3%	63.1	56.4	11.8%

Slight improvement over year-ago earnings

We expect Elektrobudowa to report slight year-on-year bottom-line growth on somewhat stronger revenues. The gross margin will approximate 8.7% (vs. 8.5% in Q1 2010 and 9.2% in Q4 2010). General expenses will amount to PLN 4.7m.

Other net financial gains of an estimated PLN 0.1m will not include Elektrobudowa's fund investments. We do not anticipate any major one-offs.

Other financial income of PLN 0.2 will include the earnings of Elektrobudowa's Russian operations. The Q1 2011 net profit will be similar to the figure reported in Q1 2010. The first-quarter topline will account for just 18% of the full-year target, and the quarterly gross margin of an estimated 8.7% will be lower than our full-year estimate of 10.9%, but these are seasonal dips which do not affect the overall earnings outlook for the year.

Construction

Erbud

Buy

Analyst: Maciej Stokłosa

2011 P/E	10.3	2011 EV/EBITDA	6.2	**Current price**	**PLN 39.1**
2012 P/E	9.3	2012 EV/EBITDA	5.5	**Target price**	**PLN 48.7**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	222.9	184.4	20.9%	1 340.6	1 108.1	21.0%	1 362.6	1 340.6	1.6%
EBITDA	6.2	9.4	-34.1%	62.7	33.0	90.0%	68.3	62.7	8.9%
margin	2.8%	5.1%	-	4.7%	3.0%	-	5.0%	4.7%	-
EBIT	4.2	7.9	-47.3%	54.5	24.9	118.9%	60.0	54.5	10.0%
Pre-tax profit	4.7	6.0	-22.7%	58.1	23.2	151.0%	64.2	58.1	10.4%
Net profit	3.8	4.6	-16.9%	46.8	15.2	207.8%	51.7	46.8	10.5%

Seasonally slow quarter

Erbud is expected to report considerable year-on-year revenue expansion in Q1 2011 and in the following quarters. At 8%, the gross margin will be lower than in Q1 2010 (11.2%; the Q4 2010 margin was just 3.2%) when the company was still performing high-margin contracts captured during the building boom. General expenses will be PLN 12.7m, other operating expenses will approximate PLN 1m, and other net financial expenses will be ca. PLN 0.5m. EBIT is expected to reach PLN 4.2m, and net profit will come in at an estimated PLN 3.8m.

By business segment, we expect a PLN 170m revenue and an 8.2% gross margin from general construction. The revenues generated from exports and road construction will be seasonally weak at PLN 18m and PLN 9.6m, respectively. Real-estate revenues are estimated at PLN 18.8m, and other operations will bring in PLN 7m.

Erbud is expected to deliver only 16.6% of the full-year topline forecast in Q1 2011, and such low quarterly revenues may give rise to operating leverage risk. The quarterly gross margin is forecasted at 8%, close to the full-year estimate of 8.2%.

Construction

Mostostal Warszawa

Buy

Analyst: Maciej Stokłosa

2011 P/E	15.1	2011 EV/EBITDA	6.3	**Current price**	**PLN 42.8**
2012 P/E	11.0	2012 EV/EBITDA	4.8	**Target price**	**PLN 59.9**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	528.0	528.2	0.0%	2 730.5	2 570.4	6.2%	2 650.4	2 730.5	-2.9%
EBITDA	13.9	32.1	-56.6%	104.8	119.7	-12.4%	132.2	104.8	26.2%
margin	2.6%	6.1%	-	3.8%	4.7%	-	5.0%	3.8%	-
EBIT	4.7	22.8	-79.5%	67.7	84.3	-19.7%	94.2	67.7	39.1%
Pre-tax profit	5.9	27.3	-78.5%	79.3	88.0	-9.9%	108.1	79.3	36.4%
Net profit	3.1	18.6	-83.1%	57.1	62.5	-8.7%	77.8	57.1	36.4%

Weak earnings outlook, bargain stock price

We expect Mostostal Warszawa to report weak first-quarter results, including flat year-on-year revenue growth caused by dismal sales generated by subsidiaries (including Mostostal Płock and Remak). A relatively low gross margin (4.4% vs. 4.7% in Q4 2010) will be the fault of the parent company (3.5% vs. 3.6% in Q4 2010). Mostostal Płock is expected to deliver a gross margin of 9.5%, Remak will post 8%, and other subsidiaries will generate 6%.

General expenses will be ca. PLN 23.3m, the sales profit will be close to zero, and there will be other operating gains of PLN 4.5m including PLN 6m proceeds from the sale of a 50% stake in Centromost and a real property by Mostostal Płock). We expect other net financial income of PLN 1.2m and minority interests of PLN 1.6m.

At an estimated PLN 3.1m, the Q1 2011 bottom-line profit will be lower than the PLN 5.0m achieved a year earlier thanks to old high-margin contracts, and it will account for 19.3% of the full-year earnings estimate. The gross margin will be 4.4% (the full-year forecast is 6.2%). We believe Mostostal can deliver the target revenue this year, but there is a possibility that it will not achieve the desired profits. That said, the company's stock is trading very low at the moment.

Construction

PBG

Hold

Analyst: Maciej Stokłosa

2011 P/E	12.0	2011 EV/EBITDA	7.0	**Current price**	**PLN 174.1**
2012 P/E	12.6	2012 EV/EBITDA	7.3	**Target price**	**PLN 180.9**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	521.1	469.0	11.1%	2 396.1	2 740.3	-12.6%	2 002.1	2 396.1	-16.4%
EBITDA	41.2	34.4	19.7%	302.0	319.4	-5.5%	266.8	302.0	-11.7%
margin	7.9%	7.3%	-	12.6%	11.7%	-	13.3%	12.6%	-
EBIT	31.0	22.8	35.8%	249.1	272.7	-8.6%	216.2	249.1	-13.2%
Pre-tax profit	22.1	22.8	-3.1%	263.0	267.6	-1.7%	244.8	263.0	-6.9%
Net profit	16.5	17.8	-7.0%	208.1	224.3	-7.2%	197.8	208.1	-5.0%

Q1 results saved by one-offs

We estimate PBG's Q1 2011 revenue at PLN 521.1m. Relative to the full-year targets, subsidiary Aprivia is expected to achieve 8.9%, Hydrobudowa 20%, and the parent company 13.1% of the expected 2011 topline. The gross margin will be low at 10.7% (Q1 2010: 10.4%, 2010: 12.7%) because of a small share of gas and oil engineering contracts and a higher share of stadium contracts.

We expect to see general expenses of PLN 34.5m and a sales profit of PLN 21.2m. There will be other operating gains of PLN 10m, other net financial expenses of PLN 9m, and PLN 1.4m minority interests. The one-time gains will put the bottom line in the double digits.

PBG's WSE-listed subsidiary Hydrobudowa is expected to post a revenue of PLN 280m, a gross profit of PLN 18.6m (margin: 6.7%), a sales profit of PLN 3.5m, an EBIT of PLN 7.7m, and a net profit of PLN 3.8m, in Q1 2011.

Construction

Polimex Mostostal

Accumulate

Analyst: Maciej Stokłosa

2011 P/E	13.1	2011 EV/EBITDA	7.3	**Current price**	**PLN 3.56**
2012 P/E	10.2	2012 EV/EBITDA	6.3	**Target price**	**PLN 4.03**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	917.5	771.8	18.9%	5 125.5	4 164.8	23.1%	5 195.1	5 125.5	1.4%
EBITDA	68.7	57.7	19.0%	326.0	308.1	5.8%	356.2	326.0	9.3%
margin	7.5%	7.5%	-	6.4%	7.4%	-	6.9%	6.4%	-
EBIT	38.7	31.9	21.4%	206.0	219.0	-5.9%	235.6	206.0	14.4%
Pre-tax profit	24.1	21.7	11.4%	151.7	159.9	-5.1%	195.9	151.7	29.1%
Net profit	19.2	16.8	14.0%	142.8	112.7	26.7%	184.4	142.8	29.1%

Year-on-year earnings growth

We expect Polimex to report significant year-on-year growth in Q1 2011 earnings. The gross margin will be 10.7% (Q4 2010: 12.2% or 10.5% after adjustment for one-time gains). General expenses will amount to PLN 57.6m, and there will be other operating expenses of PLN 1.9m. We do not anticipate any major one-time events. An EBIT of an estimated PLN 38.7m will show year-on-year expansion by nearly PLN 7m (through the profits for the first three quarters of 2010 were weighed down by adjustments related to prior periods).

Other net financial expenses will be PLN 14.5m. and minority interests will be PLN 0.4m. The effective tax rate will be 19%

The Q1 2011 revenue will account for about 17.9% of the full-year target. The gross margin will be seasonally higher than the 2011 target of 8.9% at 10.7%. We stand by our financial forecasts and accumulate rating for Polimex.

Rafako — Accumulate

Construction

Analyst: Maciej Stokłosa

2011 P/E	15.2	2011 EV/EBITDA	8.6	**Current price**	**PLN 12.1**
2012 P/E	14.0	2012 EV/EBITDA	7.9	**Target price**	**PLN 13.4**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	276.6	237.1	16.6%	1 418.2	1 188.1	19.4%	1 460.8	1 418.2	3.0%
EBITDA	14.5	17.5	-17.2%	77.5	72.1	7.6%	79.9	77.5	3.1%
margin	5.2%	7.4%	-	5.5%	6.1%	-	5.5%	5.5%	-
EBIT	11.0	14.5	-24.1%	63.7	60.2	5.9%	65.6	63.7	3.0%
Pre-tax profit	12.6	13.3	-5.4%	70.7	56.6	25.0%	76.8	70.7	8.5%
Net profit	10.0	10.0	-0.1%	56.3	43.6	29.0%	61.1	56.3	8.6%

Flat year-on-year growth

Rafako's Q1 net earnings will be similar to last year's figure. At an estimated 10%, the gross margin will be slightly lower than the 11.2% posted in Q1 2010 in spite of higher revenues. General expenses will increase to PLN 15.9m from PLN 12.2m a year earlier due to additional costs related to the preparation of power-plant contract offers.

We expect to see other net operating expenses of PLN 0.75m, other net financial income of PLN 1.6m, and minority interests of PLN 0.15m. We do not anticipate any major changes in provisions.

We stand by our full-year gross margin forecast of 9.3%. Q1 2011 revenue will account for 19.5% of the full-year estimate.

Trakcja Polska — Hold

Construction

Analyst: Maciej Stokłosa

2011 P/E	11.9	2011 EV/EBITDA	7.5	**Current price**	**PLN 3.7**
2012 P/E	10.0	2012 EV/EBITDA	6.4	**Target price**	**PLN 3.7**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	66.9	50.3	32.9%	2 409.2	491.2	390.5%	2 520.6	2 409.2	4.6%
EBITDA	0.6	7.0	-91.3%	173.4	54.8	216.5%	181.2	173.4	4.5%
margin	0.9%	14.0%	-	7.2%	11.2%	-	7.2%	7.2%	-
EBIT	-2.0	4.5	-145.2%	127.7	44.1	189.5%	135.5	127.7	6.1%
Pre-tax profit	-1.4	5.6	-125.2%	89.8	40.8	120.0%	106.1	89.8	18.2%
Net profit	-1.1	3.6	-131.5%	72.2	32.6	121.6%	85.5	72.2	18.4%

Higher revenues, lower margins

Though low, Trakcja Polska's revenue for the first quarter of 2011 will be higher than in the same period a year ago. The quarterly topline will account for just 7% of the full-year estimate (calculated without taking into account the failed Tiltra merger) because most of the major contracts captured in 2010 did not yet take effect in the first quarter. At an estimated 8.6%, the gross margin will be much lower than last year's figures of 12.0% in Q4 and 19.4% in Q2, achieved thanks to old high-margin contracts.

We expect to see general expenses of PLN 7.0m, other net operating expenses of PLN 0.75m, and other net financial income of PLN 0.6m. The bottom line will show a PLN 1.1m loss.

There is some possibility that the bottom line will receive a boost from several million zlotys in reversals (a so-called performance fee) of the PLN 8.4m costs recognized in Q4 2010 in connection with the Tiltra merger which did not go through as scheduled.

Construction

Ulma Construccion Hold

Analyst: Maciej Stokłosa

2011 P/E 13.2	2011 EV/EBITDA 4.4	**Current price**	**PLN 85.0**
2012 P/E 18.3	2012 EV/EBITDA 4.8	**Target price**	**PLN 85.9**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	55.0	40.3	36.4%	256.0	241.5	6.0%	245.9	256.0	-4.0%
EBITDA	24.7	15.6	58.7%	128.4	103.4	24.2%	115.5	128.4	-10.0%
margin	45.0%	38.7%	-	50.1%	42.8%	-	47.0%	50.1%	-
EBIT	5.2	-0.9	-	52.3	40.9	27.8%	39.6	52.3	-24.4%
Pre-tax profit	1.6	-3.6	-	40.7	30.5	33.5%	29.4	40.7	-27.7%
Net profit	1.3	-3.2	-	32.9	25.9	27.4%	23.8	32.9	-27.7%

A profitable winter quarter

Ulma's revenue for Q1 2011 will be similar to the amount generated in Q2 2010 (PLN 55m). A milder winter did not affect business this year as severely as last year, moreover, there is more demand for the company's formwork. We expect to see general expenses of PLN 44.9m, a gross profit of PLN 10.1m, and D&A expenses of PLN 19.5m.

Q1 2011 general expenses will approximate PLN 4.1m, other net operating expenses will be ca. PLN 0.8m, and other net financial expenses will be PLN 3.6m. The bottom line will be in the black.

Ulma's profits are determined by revenues (95% of the company's total costs are fixed costs). We assume that the Q1 2011 topline will account for 22% of the full-year estimate. Historically, this ratio fluctuated depending on winter temperatures and rental rates (Q1 2010: 18.7%, Q1 2009: 23%, Q1 2008: 27%, Q1 2007: 22.1%).

Construction

Unibep Buy

Analyst: Maciej Stokłosa

2011 P/E 13.1	2011 EV/EBITDA 9.6	**Current price**	**PLN 7.75**
2012 P/E 6.9	2012 EV/EBITDA 5.0	**Target price**	**PLN 9.70**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	122.1	125.5	-2.7%	734.6	657.9	11.7%	822.6	734.6	12.0%
EBITDA	3.6	7.7	-52.6%	29.7	35.7	-16.8%	51.2	29.7	72.5%
margin	3.0%	6.1%	-	4.0%	5.4%	-	6.2%	4.0%	-
EBIT	2.0	6.3	-68.3%	24.6	29.8	-17.5%	46.0	24.6	87.2%
Pre-tax profit	2.0	5.2	-62.0%	24.8	29.4	-15.6%	46.9	24.8	89.1%
Net profit	1.6	3.9	-58.7%	20.0	22.7	-11.9%	37.9	20.0	89.4%

Q1 2011 results affected by seasonal factors

Unibep is expected to report flat year-on-year revenue growth in Q1 2010 in spite of a milder winter. Segmental revenue contributions are estimated at PLN 92.6m in the general construction segment, PLN 13.6m from exports, PLN 10m from housing sales, and PLN 5.9m from other sources. At an estimated 6.7%, the gross margin will be lower than in the same period a year ago (8.8%) when Unibep was still finishing old high-margin contracts (the gross margin of the construction segment amounted to 10% in Q1 2010 vs. an expected 6% in Q1 2011) and achieved higher revenues from real-estate sales.

The Q1 2011 operating profit will be weighed down by a PLN 1.2m EBIT loss suffered by the road construction business due to cold temperatures which stalled road works. General expenses will be PLN 6.0m, other operating expenses will approximate PLN 0.1m, and financial operations will have a neutral impact on earnings.

The Q1 2011 net profit will be low at PLN 1.6m (again the year-ago figure was supported by old high-margin contracts). The quarterly revenue will account for 16.6% of the full-year estimate. We stand by our 2011 financial forecast for Unibep.

Construction

ZUE

Buy

Analyst:	2011 P/E 9.5	2011 EV/EBITDA 4.4	**Current price**	**PLN 12.5**
Maciej Stokłosa	2012 P/E 9.1	2012 EV/EBITDA 3.6	**Target price**	**PLN 19.3**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	46.8	-	-	505.4	392.4	28.8%	535.8	505.4	6.0%
EBITDA	2.8	-	-	46.8	32.4	44.6%	50.3	46.8	7.5%
margin	6.0%	-	-	9.3%	8.2%	-	9.4%	9.3%	-
EBIT	0.7	-	-	38.5	25.6	50.2%	39.6	38.5	2.9%
Pre-tax profit	-0.2	-	-	38.1	21.1	80.2%	39.7	38.1	4.1%
Net profit	0.0	-	-	29.0	16.8	72.4%	30.1	29.0	4.0%

Weak earnings on low revenues

As a newcomer to the Warsaw Stock Exchange, ZUE does not have available the history of its past quarterly earnings. Based on our knowledge of the company, we predict that the revenue for the first quarter of 2011 will account for no more than 10% of the full-year estimate for reasons that include the timing of revenue recognition and the fact that railroad and urban rail works do not really start until spring.

We assume that ZUE will deliver 9.25% of the 2011 revenue estimate and a 10% gross margin (the full-year estimate is 11%) in Q1 2011. We expect to see general expenses of PLN 3.7m, other net operating expenses of PLN 0.25, other net financial expenses of PLN 0.9m, and minority interests of PLN -0.2m.

The most important indicator of ZUE’s financial outlook for 2011 will be the first-quarter gross margin. Depending on the size of revenues, the bottom line may show a loss (operating leverage).

Property Developers

Property Developers

BBI Development Buy

Analyst:	2011 P/E	22.5	2011 EV/EBITDA	30.4	**Current price**	**PLN 0.43**
Piotr Zybała	2012 P/E	6.9	2012 EV/EBITDA	10.5	**Target price**	**PLN 0.53**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	49.6	0.6	-	53.3	66.6	-20.1%	110.7	53.3	107.9%
EBITDA	32.9	-0.8	-	12.9	29.9	-56.8%	50.7	12.9	293.2%
margin	66.3%	-118.2%	-	24.2%	44.8%	-	45.8%	24.2%	-
EBIT	32.8	-0.8	-	12.7	29.7	-57.2%	50.5	12.7	297.1%
Pre-tax profit	32.0	-0.8	-	12.9	25.0	-48.4%	49.9	12.9	286.7%
Net profit	25.9	-0.6	-	10.0	13.5	-26.3%	32.6	10.0	226.6%

Q1 boosted by home sales, valuation gains

BBI Development's first-quarter profits will be built on profits generated from sales of the *Dom na Dolnej* flats and revaluation of the *Plac Unii* commercial project. The housing sales will represent about 50% of the inventory disclosed at year-end 2010 (generating a revenue of PLN 17.3m and a margin of ca. 23%).

BBI has already recognized revaluation gains on the *Plac Unii* project twice before, posting PLN 47m in Q2 2010 and PLN 15m in Q4 2010 following a switch in the consolidation approach from full to pro-rata consolidation. The gain we expect to see in Q1 2011 will be an estimated PLN 32m resulting from an increase in the capital of the special purpose vehicle formed to manage the project which will reduce BBI's stake to the target 40%. It is possible that the gain will be reported as an adjustment to Q4 2010 accounts.

Q1 2011 operating expenses should be close to the PLN 4.2m posted in Q4 2010. We do not expect BBI to disclose any charges resulting from sales of loss-making projects.

Property Developers

Dom Development Buy

Analyst:	2011 P/E	13.7	2011 EV/EBITDA	12.7	**Current price**	**PLN 46.0**
Maciej Stokłosa	2012 P/E	8.7	2012 EV/EBITDA	6.6	**Target price**	**PLN 54.4**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	21.0	159.9	-86.9%	625.6	513.7	21.8%	927.2	625.6	48.2%
EBITDA	-13.7	18.0	-	101.3	61.4	64.9%	156.3	101.3	54.4%
margin	-65.1%	11.3%	-	16.2%	12.0%	-	16.9%	16.2%	-
EBIT	-14.3	17.4	-	98.9	59.1	67.5%	153.9	98.9	55.7%
Pre-tax profit	-15.6	14.9	-	101.9	51.1	99.4%	159.7	101.9	56.7%
Net profit	-12.7	11.8	-	82.5	40.4	104.1%	129.3	82.5	56.7%

Q1 affected by weak home sales, no impact on full-year earnings outlook

Dom Development delivered an unprecedentedly low number of homes in Q1 2011 (25 vs. 116 in Q4'10) because of a depleted housing inventory and weak Q4 sales. Consequently, on a revenue of a meager PLN 21m, a gross margin of 24.7% (gross profit will be PLN 5.2m), and general expenses of PLN 18.9m, the company will report a sales loss of an estimated PLN 13.8m.

After other net operating expenses of PLN 0.5m and other net financial expenses of PLN 1.4m, the Q1 2011 bottom line will show an expected loss of PLN 12.7m.

In our opinion, the weak first-quarter results do not change Dom Development's outlook for the full year. We expect the company to deliver 1466 homes in 2011, of which 1340 will be units in projects started after the financial crisis and tentatively scheduled for delivery in the second half of 2011. In short, Dom Development will generate a major portion of its annual profits this year in H2 2011.

Property Developers

Echo Investment Buy

Analyst:	2011 P/E	11.1	2011 EV/EBITDA	8.3	Current price	PLN 5.17
Piotr Zybała	2012 P/E	5.3	2012 EV/EBITDA	4.5	Target price	PLN 6.17

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	83.2	114.1	-27.1%	400.1	427.8	-6.5%	603.2	400.1	50.8%
EBITDA	146.0	-61.7	-	367.0	169.6	116.4%	681.4	367.0	85.6%
margin	174.5%	-54.1%	-	91.7%	39.7%	-	113.0%	91.7%	-
EBIT	145.1	-62.6	-	361.9	167.6	116.0%	676.2	361.9	86.8%
Pre-tax profit	91.8	35.7	157.2%	242.5	137.5	76.3%	507.3	242.5	109.2%
Net profit	74.4	29.8	149.9%	196.4	146.9	33.7%	410.9	196.4	109.2%

Q1 boosted by valuation gains

We expect that Echo's gross profit for Q1 2011 will be 5% lower than the PLN 6.5m achieved in the quarter before thanks mainly to one-time events. Given the decline in the EUR/PLN exchange rate observed in the first quarter, the lack of such one-offs will not be offset by higher rental income, nor do we expect it to be compensated for with higher home sales.

The euro's 1.3% appreciation to 4.012 relative to the zloty, combined with rent adjustments, increased the value of Echo's investment property portfolio in Q1 2011. We estimate the resulting revaluation gains at PLN 104m. After general expenses of PLN 16.3m (-19% q/q, +25% y/y), the Q1 operating profit is expected to come in at PLN 145m, marking a considerable increase relative to Q4 2010.

On the other hand, a stronger euro must have caused Echo to incur losses on loan revaluations (we expect PLN 21m) and hedges (we expect PLN 7m). The Q1 2011 gross profit will approximate PLN 92m.

Property Developers

GTC Accumulate

Analyst:	2011 P/E	8.0	2011 EV/EBITDA	10.0	Current price	PLN 21.29
Piotr Zybała	2012 P/E	5.4	2012 EV/EBITDA	7.7	Target price	PLN 24.03

(EUR m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	37.9	37.1	2.0%	202.1	169.0	19.6%	258.7	202.1	28.0%
EBITDA	24.8	18.7	33.0%	265.5	111.1	138.9%	367.4	265.5	38.4%
margin	65.6%	50.3%	-	131.4%	65.8%	-	142.0%	131.4%	-
EBIT	24.7	18.5	33.3%	265.0	110.6	139.6%	366.9	265.0	38.5%
Pre-tax profit	8.0	5.7	39.7%	204.7	45.7	347.5%	295.0	204.7	44.1%
Net profit	5.5	6.2	-12.1%	147.7	41.9	252.2%	217.8	147.7	47.5%

Q1 depressed by low revaluation gains

After a strong Q4 2010, we predict that GTC's profits will return to the levels recorded in the first three quarters of last year. The investment property portfolio is not likely to yield high valuation gains because the bulk of the positive effects of rent adjustments and cap rate compression were recognized in Q4 2010. Value adjustments for work in progress will also bring marginal gains, resulting in a Q1 2011 valuation gain total of an estimated EUR 5.4m.

We expect that GTC's first-quarter revenue will be seasonally low at EUR 37.9m, representing a ca. 30% seasonal drop from Q4 2010. The gross profit should be flat near the Q4 2010 level of EUR 25.4m, resulting from a quarter-on-quarter increase in rental income by an estimated 5.5% on the one hand, and an 81.3% decrease in housing income on the other hand. The increase in rental rates observed in the first quarter was an effect of annual adjustments, decreasing vacancy rates in existing buildings, and recognition of rent paid by the tenants of recently completed buildings. General expenses will approximate EUR 6.0m, marking a 6% increase relative to Q1'10 and a 52% drop from Q4 2010 when costs were boosted by phantom stock settlements. After all this, the Q1 pre-tax profit should reach EUR 8.0m, and net profit (after EUR 1.0m minority interests) is expected to come in at EUR 5.5m.

Property Developers

J.W. Construction

Accumulate

Analyst: Maciej Stokłosa

2011 P/E 8.2 2011 EV/EBITDA 7.4 **Current price** **PLN 14.7**
2012 P/E 10.8 2012 EV/EBITDA 10.4 **Target price** **PLN 16.3**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	129.7	118.2	9.6%	528.3	620.0	-14.8%	368.8	528.3	-30.2%
EBITDA	35.1	27.3	28.7%	153.0	155.3	-1.5%	142.3	153.0	-7.0%
margin	27.1%	23.1%	-	29.0%	25.0%	-	38.6%	29.0%	-
EBIT	30.9	24.0	28.7%	136.2	142.4	-4.4%	125.4	136.2	-7.9%
Pre-tax profit	24.6	21.7	13.4%	119.0	113.4	5.0%	90.9	119.0	-23.7%
Net profit	19.9	17.6	13.1%	96.4	92.0	4.8%	73.6	96.4	-23.7%

Solid Q1 profits on 398 home deliveries

We expect JW Construction to report strong year-on-year revenue growth fueled by 398 home deliveries. The gross margin will reach an estimated 34.2%, By business segment, JW Construction's housing business will generate a revenue of PLN 120.3m and a gross margin of 35.4%, and other operations will bring in PLN 9.4m sales and a PLN 1.8m gross profit.

After PLN 13m general expenses and PLN 0.5m other operating expenses, the Q1 EBIT will be higher than in Q1 2010 at an estimated PLN 6.9m. Financial expenses are expected to increase from PLN 2.3m a year ago to PLN 6.3m because of the accounting policy which provides that debt service costs related to finished but unsold homes should be recognized under financial expenses rather than COGS.

As a result, the Q1 2011 bottom-line profit will be somewhat higher than a year earlier at PLN 19.9m We stand by our full-year financial forecasts for JW Construction based on expectations of 1615 home deliveries.

Property Developers

P.A. Nova

Buy

Analyst: Piotr Zybała

2011 P/E 14.2 2011 EV/EBITDA 14.7 **Current price** **PLN 29.95**
2012 P/E 12.1 2012 EV/EBITDA 13.2 **Target price** **PLN 40.40**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	35.0	30.2	15.9%	181.0	146.5	23.6%	196.8	181.0	8.7%
EBITDA	5.4	9.9	-44.8%	32.3	27.9	15.6%	44.1	32.3	36.5%
margin	15.6%	32.7%	-	17.8%	19.1%	-	22.4%	17.8%	-
EBIT	4.9	9.3	-47.4%	30.0	25.7	16.6%	41.9	30.0	39.7%
Pre-tax profit	3.9	9.3	-58.0%	25.9	24.5	5.5%	30.6	25.9	18.1%
Net profit	3.2	7.5	-57.8%	21.0	20.2	4.1%	24.8	21.0	18.1%

Modest profits due to fewer contract settlements

Because of a lack of settlements of major building development contracts performed for retail chains, PA Nova will see a quarter-on-quarter contraction in Q1 revenue (estimated at PLN 35m) and gross margin (estimated at 18%).

General expenses are expected to display a seasonal decline to PLN 1m, and we expect to see other operating expenses of PLN 0.1m. As a result, EBITshould come in at PLN 4.9m.

Financial expenses, including debt service costs related to *Galeria Sanowa* and the retail park in Chorzów, will be close to the PLN 1.0m posted in Q4 2010.

Property Developers

Polnord

Buy

Analyst: Maciej Stokłosa

2011 P/E	12.4	2011 EV/EBITDA	11.7	Current price	PLN 32.4
2012 P/E	7.3	2012 EV/EBITDA	6.4	Target price	PLN 43.5

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	24.3	42.5	-42.9%	352.9	180.3	95.8%	403.4	352.9	14.3%
EBITDA	1.0	18.3	-94.5%	91.2	50.4	81.0%	143.5	91.2	57.3%
margin	4.2%	43.1%	-	25.9%	28.0%	-	35.6%	25.9%	-
EBIT	0.5	17.8	-97.3%	89.1	48.1	85.1%	141.4	89.1	58.7%
Pre-tax profit	-3.9	-	-119.7%	72.7	73.1	-0.5%	140.8	72.7	93.7%
Net profit	-3.1	-	-120.6%	58.9	51.6	14.2%	114.1	58.9	93.7%

Q1 profits dip on few home deliveries

Polnord delivered only about 58 homes in Q1 2011, moreover, at least half of these homes were in developments in which the company has 50% or smaller interests, resulting in a low, PLN 21.8m revenue (revenues from other operations are estimated at PLN 2.5m). The gross margin is estimated at 18.2%. General expenses of ca. PLN 18.2m will not yet reflect Polnord's cost-cutting measures, expected to materialize fully in Q3 2011.

We expect to see a Q1 2011 sales loss of PLN 13.8m, but property valuation gains approximating PLN 14.9m will contribute to a positive EBIT of PLN 0.5m. After other financial expenses of PLN 4.4m, the Q1 2011 bottom line will show a loss.

We predict that Polnord will deliver 988 homes to buyers this year, most of them in H2 2011.

There is a possibility that Q1 2011 property valuation gains will differ from our estimate as Polnord’s newly appointed CEO may have changed the accounting policy. If this is the case, while our full-year earnings forecasts for the company remain valid, the quarterly impacts of investment portfolio value adjustments may deviate from our assumptions.

Property Developers

Robyg

Buy

Analyst: Maciej Stokłosa

2011 P/E	15.3	2011 EV/EBITDA	17.2	Current price	PLN 2.13
2012 P/E	5.5	2012 EV/EBITDA	5.2	Target price	PLN 2.59

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	28.3	-	-	234.7	284.8	-17.6%	597.1	234.7	154.5%
EBITDA	1.7	-	-	50.7	47.6	6.6%	150.1	50.7	196.0%
margin	6.1%	-	-	21.6%	16.7%	-	25.1%	21.6%	-
EBIT	1.5	-	-	49.8	46.9	6.2%	149.2	49.8	199.7%
Pre-tax profit	1.8	-	-	51.8	47.5	8.8%	154.2	51.8	198.0%
Net profit	1.2	-	-	35.7	31.7	12.7%	100.0	35.7	180.0%

Few home deliveries are not a problem for a company generating low SG&A

Robyg’s 46 home deliveries completed in Q1 2011 will result in a low revenue of an estimated PLN 28.3m. The gross margin is estimated at 23.2%, but the full-year margin should be closer to 30.5% due to the characteristics of the homes expected to be sold during each quarter. The deliveries made in the first quarter included mainly units in existing projects built at relatively high costs (*Robyg City Apartments*, *Osiedle Zdrowa*, *Nowa Rezydencja Królowej Marysieńki*).

General expenses of an estimated PLN 4.7m will include lower costs of stock incentives than reported in the second half of 2010. Other operating expenses will approximate PLN 0.4m, and other financial expenses are estimated at PLN 0.3m, though their actual amount may differ from this estimate depending on the amount of financial expenses capitalized into inventory. The bottom-line profit will be low after minority interests of PLN 0.1m and PLN 0.4m tax.

We stand by our full-year financial forecasts and buy rating for Polnord, based on expectations of 447 home deliveries completed this year.

Retail\Wholesale

Eurocash — Buy

Retailers

Analyst: Gabriela Borowska

2011 P/E 22.0	2011 EV/EBITDA 11.3	**Current price**	**PLN 32.5**
2012 P/E 15.4	2012 EV/EBITDA 8.9	**Target price**	**PLN 37.4**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	2 067.3	1 540.6	34.18%	13 895.0	6 698.3	107.44%	15 455.3	13 895.0	11.23%
EBITDA	31.0	29.5	5.15%	411.0	194.5	111.29%	521.0	411.0	26.76%
margin	1.50%	1.92%	-	2.96%	2.90%	-	3.37%	2.96%	-
EBIT	13.2	16.3	-18.95%	319.6	145.2	120.11%	422.4	319.6	32.17%
Pre-tax profit	7.2	15.0	-52.29%	237.0	129.9	82.39%	343.0	237.0	44.73%
Net profit	8.3	13.5	-38.44%	202.0	102.5	97.03%	287.8	202.0	42.48%

Premium Distributors weighs on Q1 profits

Thanks to favorable weather, we expect strong first-quarter results from Eurocash's Cash&Carry chain and the *Delikatesy Centrum* stores which will report like-for-like and year-on-year sales growth and an EBITDA similar to the amount posted in Q1 2010. The impulse merchandise distributor KDWT should report year-on-year revenue growth owed to a focus on smaller customers and the effects of the 2010 restructuring exercise. Eurocash Dystrybucja, which supplies FMCG to service stations, saw its revenues contract relative to Q1 2010 due to a lost contract with PKN Orlen and short, one-month consolidation of the revenues of the recently acquired Pol Cater. The alcohol wholesaler Premium Distributors is expected to have a negative impact on EBITDA (due partly to seasonal effects). All in all, Eurocash will report year-on-year deterioration in the Q1 2011 consolidated operating profit and net earnings which will be additionally weighed down by debt service costs related to the acquisition of Premium Distributors.

LPP — Accumulate

Retailers

Analyst: Gabriela Borowska

2011 P/E 17.0	2011 EV/EBITDA 9.8	**Current price**	**PLN 2108**
2012 P/E 14.3	2012 EV/EBITDA 8.7	**Target price**	**PLN 2300**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	494.1	424.5	16.39%	2 393.8	2 080.0	15.09%	2 756.4	2 393.8	15.15%
EBITDA	34.8	31.5	10.29%	398.1	296.6	34.24%	448.5	398.1	12.66%
margin	7.04%	7.43%	-	16.63%	14.26%	-	16.27%	14.26%	-
EBIT	9.6	8.5	13.64%	292.9	202.1	44.92%	340.0	292.9	16.08%
Pre-tax profit	4.0	-0.9	-	274.9	184.0	49.43%	326.3	274.9	18.70%
Net profit	3.2	-4.8	-	217.4	140.2	55.07%	258.2	217.4	18.77%

Sales growth ahead of market levels

LPP saw its first-quarter sales increase by 14% in January, 15% in February, and 27% in March, resulting in a quarterly revenue of PLN 494m (marking year-on-year growth over 16%) and a gross margin of PLN 252m. On stronger sales, SG&A expenses per square meter of retail space are expected to be 4% higher than in Q1 2010 at PLN 252. The operating profit will be slightly higher than a year earlier, and net profit will approximate PLN 3.2m. FX losses depressed the Q1 2010 profit by PLN 4.6m, and in Q1 2011 we expect LPP to recognize gains on foreign exchange translations (the company's current collections were purchased at higher USDPLN exchange rates).

Retailers

NG2

Accumulate

Analyst:
Gabriela Borowska

2011 P/E	15.6	2011 EV/EBITDA	11.1	**Current price**	**PLN 59.5**
2012 P/E	12.9	2012 EV/EBITDA	15.2	**Target price**	**PLN 63.0**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	185.3	195.7	-5.32%	1 213.3	1 029.6	17.84%	1 380.8	1 213.3	13.81%
EBITDA	1.1	14.9	-92.92%	211.3	154.9	36.39%	252.3	211.3	19.40%
margin	0.57%	7.60%	-	17.42%	15.05%	-	18.27%	17.42%	-
EBIT	-4.3	9.2	-	187.2	133.5	40.19%	222.5	187.2	18.86%
Pre-tax profit	-6.4	7.2	-	182.2	126.4	44.19%	219.2	182.2	20.31%
Net profit	-6.6	5.1	-	146.7	120.6	21.66%	176.8	146.7	20.52%

Q1 loss on weak sales

NG2 had an exceptionally bad first quarter this year. On sales which shrunk 16% in January and 9% in February, to rise a mere 2% in March, the company will not be able to recognize a profit for the period. The first quarter is seasonally the weakest for clothing and shoe retailers because of winter sales at reduced margins and the fact that spring collections do not really start selling until March. With a depleted winter inventory and after prematurely stocking up its stores with spring footwear, NG2 did not have much to offer to shoppers during the cold first quarter. We expect the Q1 2011 gross margin to be comparable to the figure posted in Q1 2010, and we predict SG&A expenses will be lower than last year on weaker sales. EBIT will be a PLN 4.3m loss, and the bottom line will end PLN 6.6m in the red.

Retailers

Vistula

Hold

Analyst:
Gabriela Borowska

2011 P/E	22.1	2011 EV/EBITDA	8.2	**Current price**	**PLN 2.04**
2012 P/E	10.8	2012 EV/EBITDA	6.4	**Target price**	**PLN 2.10**

(PLN m)	1Q2011F	1Q2010	change	2011F	2010	change	2012F	2011F	change
Revenue	79.5	76.5	3.9%	405.2	353.9	14.5%	471.5	405.2	16.4%
EBITDA	8.4	8.2	2.6%	49.6	39.2	26.5%	63.5	49.6	28.0%
margin	10.62	10.8%	-	12.2%	11.1%	-	13.5%	12.2%	-
EBIT	4.5	4.0	14.4%	34.1	23.3	46.6%	47.6	34.1	39.6%
Pre-tax profit	-1.0	-0.6	-	12.8	1.6	721.6%	25.9	12.8	102.3%
Net profit	-1.0	0.0	-	10.3	1.7	519.4%	21.0	10.3	103.9%

Jewelry depresses Q1 profits

Vistula's clothing business had quite a good first quarter, with Vistula & Wólczanka stores expected to report like-for-like sales growth (the two menswear brands already increased per-square meter sales in Q4 2010). The women's brand Deni Cler will report a decline in same-store sales against a high Q1 2010 base and because of an early launch of the spring collection into the stores (lower sales, higher profits). Seasonally lower like-for-like sales are also expected of the jewelry brand W.Kruk. As for profitability, we think Vistula managed to maintain margins on apparel sales near the Q1 2010 level of 53%, but the jewelry margin will have backed off the high year-ago levels an estimated 54%. On a larger number of stores (and due to PLN 0.5m advertising costs), SG&A expenses are likely to be higher than last year. All told, we expect Vistula's Q1 2011 operating profit to hover around zero, and the bottom line to show a loss which will be somewhat mitigated by a PLN 3.9m gain on a property sale.

Report publication dates

Company	Q1 2011 standalone	Q1 2011 consolidated	2010 consolidated
AB	2011-05-16	2011-05-16	2011-05-16*
ACTION	2011-05-16	2011-05-16	2011-03-21
AGORA	2011-05-13	2011-05-13	2011-04-12
ASBIS	2011-05-11	2011-05-11	2011-03-30
ASSECO POLAND	2011-05-13	2011-05-13	2011-03-18
ASTARTA	2011-05-12	2011-05-12	2011-04-27
BBI DEVELOPMENT	2011-05-16	2011-05-16	2011-04-29
BORYSZEW	2011-05-12	2011-05-12	2011-04-28
BUDIMEX	2011-04-27	2011-04-27	2011-03-21
BZWBK	2011-04-28	2011-04-28	2011-03-02
CENTRUM KLIMA	2011-05-12	2011-05-12	2011-03-15
CERSANIT	2011-05-16	2011-05-16	2011-03-21
CEZ	2011-05-10	2011-05-10	2011-02-28
CIECH	2011-05-16	2011-05-16	2011-04-29
CINEMA CITY	2011-05-19	2011-05-19	2011-03-15
COMARCH	2011-05-16	2011-05-16	2011-04-29
CYFROWY POLSAT	2011-05-16	2011-05-16	2011-03-17
DOM DEVELOPMENT	2011-04-29	2011-04-29	2011-03-10
ECHO INVESTMNET	2011-05-16	2011-05-16	2011-05-02
ELEKTROBUDOWA	2011-05-16	2011-05-16	2011-03-21
EMPERIA	2011-05-16	2011-05-16	2011-05-02
ENEA	2011-05-16	2011-05-16	2011-04-28
ERBUD	2011-05-16	2011-05-16	2011-04-29
EUROCASH	2011-05-13	2011-05-13	2011-04-08
FAMUR	2011-05-16	2011-05-16	2011-04-29
GETIN	2011-05-16	2011-05-16	2011-03-21
GTC	2011-05-12	2011-05-12	2011-03-21
HANDLOWY	2011-05-10	2011-05-10	2011-03-16
IMPEXMETAL	2011-05-11	2011-05-11	2011-03-31
ING BSK	2011-05-05	2011-05-05	2011-04-15
J.W.C.	2011-05-11	2011-05-11	2011-03-15
KERNEL	2011-08-29	2011-08-29	2011-05-02**
KĘTY	2011-04-20	2011-04-20	2011-04-14
KGHM	2011-05-13	2011-05-13	2011-03-31
KOMPUTRONIK	2011-08-16	2011-08-16	2011-06-20
KOPEX	2011-05-16	2011-05-16	2011-05-02
KREDYT BANK	2011-05-12	2011-05-12	2011-02-25
LOTOS	2011-05-11	2011-05-11	2011-04-15
LPP	2011-05-11	2011-05-11	2011-04-20
LW BOGDANKA	2011-05-12	2011-05-12	2011-03-21
MILLENNIUM	2011-05-04	2011-05-04	2011-02-01
MONDI	2011-05-10	2011-05-10	2011-02-23
MOSTOSTAL WAR.	2011-05-16	2011-05-16	2011-03-21
NETIA	2011-05-05	2011-05-05	2011-02-22
NG2	2011-05-13	2011-05-13	2011-04-29
P.A. Nova	2011-05-05	2011-05-05	2011-04-29
PBG	2011-05-16	2011-05-16	2011-03-10
PEKAO	2011-05-12	2011-05-12	2011-03-15
PGE	2011-05-16	2011-05-16	2011-03-21
PGNiG	2011-05-12	2011-05-12	2011-03-31
PKN ORLEN	2011-04-29	2011-04-29	2011-03-31
PKO BP	2011-05-10	2011-05-10	2011-03-07
POLICE	2011-05-12	2011-05-12	2011-03-31
POLIMEX MOSTOSTAL	2011-05-16	2011-05-16	2011-04-28
POLNORD	2011-05-16	2011-05-16	2011-02-28
PZU	2011-05-10	2011-05-10	2011-03-17
RAFAKO	2011-05-16	2011-05-16	2011-03-21
ROBYG	2011-05-12	2011-05-12	2011-03-17
SYGNITY	2011-05-16	2011-05-16	2011-03-21
TAURON	2011-05-11	2011-05-11	2011-03-15
TPSA	2011-04-21	2011-04-21	2011-02-23
TRAKCJA POLSKA	2011-05-13	2011-05-13	2011-03-18
TVN	2011-05-12	2011-05-12	2011-02-22
ULMA CP	2011-05-13	2011-05-13	2011-03-21
UNIBEP	2011-05-13	2011-05-13	2011-03-18
VISTULA	2011-05-16	2011-05-16	2011-03-22
ZA PUŁAWY	2011-05-16	2011-05-16	2011-05-16***
ZUE	2011-05-16	2011-05-16	2011-03-31

*Source: Companies; * Q3 2010/2011 report; **H1 2011 report; *** Q3 2010/2011 report*

Current recommendations of BRE Bank Securities S.A.

Company	Recommendation	Date issued	Price on report date	Target price	Current price	Upside / Downside	P/E 2010	P/E 2011	EV/EBITDA 2010	EV/EBITDA 2011
Banks										
BZ WBK	Suspended	2011-04-05	225.80	-	226.10	-	-	-		
GETIN	Hold	2011-03-03	13.00	12.70	14.99	-15.3%	25.4	16.5		
HANDLOWY	Hold	2011-01-18	93.00	94.00	104.00	-9.6%	18.0	15.0		
ING BSK	Hold	2011-01-18	840.50	850.00	871.00	-2.4%	15.0	12.6		
KREDYT BANK	Accumulate	2011-01-18	15.44	17.40	17.05	2.1%	24.9	14.0		
MILLENNIUM	Reduce	2011-03-03	5.59	5.10	5.70	-10.5%	20.7	15.5		
PEKAO	Hold	2011-03-03	164.00	155.00	176.00	-11.9%	18.3	15.0		
PKO BP	Buy	2011-04-13	45,90	53.00	46.25	14.6%	18.0	13.4		
Insurance										
PZU	Accumulate	2010-12-13	360.50	390.00	364.10	7.1%	12.9	12.6		
Fuels, chemicals										
CIECH	Hold	2011-04-08	29.20	30.10	27.70	8.7%	37.9	28.4	5.9	5.3
LOTOS	Sell	2011-01-18	38.49	28.40	47.99	-40.8%	9.6	12.3	10.6	6.8
PGNiG	Buy	2010-12-03	3.61	4.40	3.79	16.1%	9.1	12.9	5.3	6.4
PKN ORLEN	Sell	2011-03-16	50.00	41.60	57.20	-27.3%	10.3	14.1	6.3	7.5
POLICE	Sell	2011-04-07	12.80	9.70	13.74	-29.4%	37.6	11.9	15.8	7.4
ZA PUŁAWY	Hold	2011-02-04	114.00	106.10	122.00	-13.0%	17.8	12.3	9.7	7.0
Power Utilities										
CEZ	Hold	2010-11-29	124.50	129.50	145.50	-11.0%	10.2	10.5	7.1	7.6
ENEA	Hold	2011-03-03	22.10	21.43	19.80	8.2%	14.1	12.9	4.8	5.3
PGE	Buy	2010-09-13	23.78	26.73	23.20	15.2%	14.5	11.5	6.4	5.9
TAURON	Buy	2010-09-13	5.56	8.87	6.27	41.5%	12.8	12.0	4.1	4.5
Telecommunications										
NETIA	Hold	2011-01-18	5.15	5.40	5.31	1.7%	33.8	18.9	4.8	4.4
TPSA	Hold	2011-04-05	17.75	17.60	17.65	-0.3%	141.7	18.4	6.0	4.9
Media										
AGORA	Accumulate	2011-01-03	26.10	28.90	26.00	11.2%	18.4	19.4	7.6	6.5
CINEMA CITY	Accumulate	2011-03-03	36.06	42.90	38.00	12.9%	14.9	14.1	8.5	7.8
CYFROWY POLSAT	Hold	2010-12-17	17.30	15.30	16.09	-4.9%	16.7	15.1	10.5	9.5
TVN	Hold	2011-04-05	18.40	18.10	17.32	4.5%	129.8	21.1	13.8	10.8
IT										
AB	Accumulate	2011-01-18	25.42	27.60	25.60	7.8%	11.3	8.1	8.1	6.7
ACTION	Accumulate	2011-01-18	16.65	18.16	19.35	-6.1%	12.6	10.3	8.3	7.4
ASBIS	Accumulate	2011-01-18	3.80	4.32	3.40	27.1%	74.6	8.9	7.9	5.5
ASSECO POLAND	Buy	2010-08-31	55.00	65.30	53.15	22.9%	9.9	10.8	6.3	6.1
COMARCH	Hold	2011-01-18	88.95	88.00	92.70	-5.1%	17.2	17.1	10.2	7.4
KOMPUTRONIK	Suspended	2011-04-05	9.00	-	8.71	-	-	-	-	-
SYGNITY	Accumulate	2011-03-11	19.50	22.00	21.25	3.5%	-	43.0	-	6.9
Mining & Metals										
KGHM	Hold	2011-03-24	179.20	188.50	193.70	-2.7%	6.2	10.3	4.2	6.6
LW BOGDANKA	Accumulate	2011-03-22	127.80	138.60	126.00	10.0%	18.0	15.7	9.8	7.4
Manufacturers										
ASTARTA	Sell	2011-01-18	101.00	63.6	80.00	-20.5%	5.8	8.3	1.4	1.2
BORYSZEW	Accumulate	2011-04-07	1.05	1.2	1.15	4.3%	14.4	19.6	8.6	10.1
CENTRUM KLIMA	Buy	2011-03-31	13.91	17.3	14.85	16.5%	19.0	12.7	12.8	8.1
CERSANIT	Reduce	2011-01-18	11.30	10.4	12.04	-13.6%	25.3	19.7	13.6	10.2
FAMUR	Sell	2011-01-18	2.85	2.3	3.69	-37.7%	22.3	23.7	12.6	11.4
IMPEXMETAL	Buy	2011-03-18	4.67	5.9	5.20	13.5%	13.5	11.6	8.7	7.5
KERNEL	Accumulate	2011-02-28	79.25	87.8	72.50	21.1%	12.7	9.8	11.7	7.3
KĘTY	Accumulate	2011-02-22	122.00	134.80	131.00	2.9%	13.4	12.7	8.3	7.4
KOPEX	Reduce	2011-01-18	17.40	15.9	21.00	-24.3%	45.4	18.9	11.4	8.9
MONDI	Accumulate	2011-03-31	80.45	88.70	82.40	7.6%	16.5	10.3	9.5	7.1
Construction										
BUDIMEX	Hold	2011-03-28	98,80	98.20	108.90	-9.8%	10.4	12.4	2.7	8.5
ELEKTROBUDOWA	Accumulate	2011-03-03	158.00	178.60	153.70	16.2%	16.2	12.9	10.7	8.3
ERBUD	Buy	2011-04-05	39.00	48.70	39.09	24.6%	32.3	10.5	11.5	6.3
MOSTOSTAL WAR.	Buy	2011-02-11	48.20	59.90	42.81	39.9%	13.7	14.8	4.7	6.2
PBG	Hold	2011-03-28	181.80	180.90	174.10	3.9%	11.1	12.0	10.3	7.6
POLIMEX MOSTOSTAL	Accumulate	2011-03-03	3.71	4.03	3.56	13.2%	14.6	13.0	7.0	7.3
RAFAKO	Accumulate	2011-02-01	11.60	13.40	12.14	10.4%	19.4	15.0	9.0	8.5
TRAKCJA POLSKA	Hold	2011-02-22	3.80	3.70	3.70	0.0%	18.2	11.9	7.0	7.5
ULMA CP	Hold	2011-03-03	83.20	85.90	85.00	1.1%	43.7	13.4	6.3	4.5
UNIBEP	Buy	2011-04-05	7.66	9.30	7.75	20.0%	11.6	13.1	7.7	9.6
ZUE	Buy	2010-11-24	14.50	19.30	12.50	54.4%	16.4	9.5	9.2	4.9
Property Developers										
BBI DEVELOPMENT	Buy	2011-03-08	0.44	0.53	0.43	23.3%	16.6	22.5	10.7	30.4
DOM DEVELOPMENT	Buy	2011-01-07	41.49	54.40	46.00	18.3%	28.0	13.7	19.1	12.7
ECHO	Buy	2011-04-05	4.94	6.17	5.17	19.3%	14.8	11.1	22.8	10.7
GTC	Accumulate	2011-02-03	20.92	24.03	21.29	12.9%	28.2	8.0	21.4	10.0
J.W.C.	Accumulate	2011-01-18	14.50	16.30	14.69	11.0%	8.6	8.2	7.0	7.4
PA NOVA	Buy	2011-01-07	30.89	40.40	29.95	34.9%	14.8	14.3	13.5	14.7
POLNORD	Buy	2011-01-07	32.20	43.50	32.44	34.1%	13.9	12.2	28.5	15.6
ROBYG	Buy	2011-01-07	1.86	2.59	2.13	21.6%	17.3	15.3	18.9	17.2
Retail\Wholesale										
EMPERIA	Suspended	2010-10-05	99.50	-	114.00	-	-	-	-	-
EUROCASH	Buy	2011-02-04	30.50	37.40	32.50	15.1%	34.5	23.8	19.8	12.9
LPP	Accumulate	2010-12-03	2 140	2 300	2 108.00	9.1%	26.3	17.0	13.3	9.6
NG2	Accumulate	2011-02-23	59.55	63.00	59.50	5.9%	18.9	15.6	15.2	11.0
VISTULA	Hold	2011-03-03	2.10	2.10	2.04	2.9%	136.8	22.0	11.6	9.1

Recommendations issued in the last month

Company	Recommendation	Previous	Target price	Date issued
BORYSZEW	Accumulate		1.20	2011-04-07
BUDIMEX	Hold	Reduce	98.20	2011-03-28
BZ WBK	Suspended	Hold		2011-04-05
CENTRUM KLIMA	Buy	Buy	17.30	2011-03-31
CIECH	Hold	Accumulate	30.10	2011-04-08
ECHO	Buy		6.17	2011-04-05
ERBUD	Buy	Hold	48.70	2011-04-05
KGHM	Hold	Sell	188.50	2011-03-24
KOMPUTRONIK	Suspended	Accumulate		2011-04-05
LW BOGDANKA	Accumulate	Accumulate	138.60	2011-03-22
MONDI	Accumulate	Suspended	88.70	2011-03-31
PBG	Hold	Reduce	180.90	2011-03-28
PKO BP	Buy	Buy	53.00	2011-04-13
POLICE	Sell	Sell	9.70	2011-04-07
TPSA	Hold	Accumulate	17.60	2011-04-05
TVN	Hold	Accumulate	18.10	2011-04-05
UNIBEP	Buy	Hold	9.30	2011-04-05

Recommendation Statistics

	All					Issuers for which BRE Bank Securities S.A. has rendered services				
Statistics	Sell	Reduce	Hold	Accumulate	Buy	Sell	Reduce	Hold	Accumulate	Buy
count	5	3	22	18	17	0	1	6	11	11
percentage	7.7%	4.6%	33.8%	27.7%	26.2%	0.0%	3.4%	20.7%	37.9%	37.9%

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

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ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from –5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
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