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# Monthly Market Outlook: March 2018

## Equity Market, Macroeconomics

### Equity Market

Stocks are poised to bounce back to or even above the January highs in the weeks ahead on strong company earnings in the US, accompanied by upbeat economic indicators. This will make for a good opportunity to cash out and stay out of equities for the time being.

### Sector Outlook

#### Financials

As anticipated, the parliament has resumed work on the FX borrower relief legislation put forth by the Polish president. We remain overweight banks without portfolios of foreign-currency mortgage loans, with the exception of BZ WBK whose growth potential remains robust. Outside of Poland, we prefer Komerční Banka, which reported strong results for Q4 2017, and among non-bank financials our top pick is PZU.

#### Oil & Gas

We stand by our negative outlook for the downstream sector. The initial excitement sparked by the announcement of plans for a merger between Poland's biggest refiners, PKN Orlen and Lotos is bound to wear off soon given that their ultimate consolidation is a distant prospect. PGNiG Natgas remains the best alternative to oil refiners in our view.

#### Power Utilities

The WIG-Energy index has logged substantial underperformance relative to European utilities on no dividend prospects even as the local electricity market registers a positive shift. We maintain a buy rating for Energa and we give the same ratings to PGE and Enea after upgrades.

#### Telecoms, Media, IT

We upgrade Cyfrowy Polsat from hold to accumulate after the recent share price decline. We maintain positive views on OPL in Telco and AGO and WPL in Media, and we are negative on NET and ACP. Among smaller caps, we consider ASE, WAS, and ATD to be undervalued.

#### Industrials & Metals

The 2017 Q4 earnings in the Polish industrial sector is set to be a mixed bag, with 47% of companies expected to report improvement from the year-ago levels, and the same percentage probably reporting deterioration. We think Alumetal and Elemental may surprise on the upside. Our top-pick selection for March consists of Amica, Famur, Pfeiderer, and Pozbud. The miners JSW and KGHM should benefit from upbeat trends in commodities.

#### Construction

Our advice to be selective remains valid when it comes to the construction sector, although the industry's latest indicators, alongside strong FY2017 preliminary results released by Budimex and ZUE, paint a more upbeat outlook. The top picks lined up for March are Erbud, Budimex, and Elektrobudowa.

#### Property Developers

After a successful 2017 fourth-quarter earnings season, we expect Polish real-estate developers to issue bullish forecasts for the year ahead. We remain overweight developers.

#### Retail

Investors have seen a number of negative surprises in terms of the 2017 Q4 earnings of retailers, with rising labor costs reflecting on profits. We advise taking a selective approach to the sector, and overweighting CCC, LPP, DNP, EUR, JMT, MON, and BTM on possible price weakness.

#### Key Ratings

**Positive:** 1AT, ALR, AMC, BDX, CCC, CIE, DOM, ECH, ELB, ENA, ENG, ERB, EUR, FMF, JMT, JSW, KGH, KOMB, LCC, LPP, PFL, PGE, PGN, POZ, PZU, STL  
**Negative:** CDR, LTS, MIL, PKN, PKO

| EU Indices      | Value  | 1M chng | YTD chng |
|-----------------|--------|---------|----------|
| WIG             | 60,580 | -6.8%   | -5%      |
| ATX             | 3,389  | -4.2%   | -1%      |
| BUX             | 36,939 | -7.5%   | -6%      |
| PX              | 1,106  | -2.0%   | +3%      |
| WSE WIG Ind.    | Value  | 1M      | YTD      |
| WIG20           | 2,314  | -7.7%   | -6%      |
| mWIG40          | 4,649  | -6.2%   | -4%      |
| sWIG80          | 14,487 | -2.9%   | -1%      |
| Banking         | 8,136  | -7.8%   | -4%      |
| Basic Materials | 2,766  | +0.5%   | -2%      |
| Chemicals       | 13,546 | -12.8%  | -11%     |
| Clothes         | 2,593  | -12.2%  | -13%     |
| Construction    | 4,097  | -6.0%   | -7%      |
| Energy          | 2,036  | -2.2%   | -0%      |
| Food            | 4,898  | -2.9%   | +2%      |
| IT              | 2,178  | -4.6%   | -1%      |
| Media           | 6,977  | -12.6%  | -7%      |
| Oil & Gas       | 6,561  | -7.4%   | -8%      |
| Real estate     | 3,768  | -3.5%   | +4%      |
| Telecom         | 709    | -3.2%   | -5%      |

#### Rating & 9M TP Changes as of 5 Mar.

| Name             | Rating       | 9M TP         |
|------------------|--------------|---------------|
| BZ WBK           | buy ▲        | 430.00 PLN ►  |
| CCC              | buy ▲        | 286.00 PLN ▼  |
| CEZ              | hold ►       | 506.40 CZK ▼  |
| Ciech            | buy ►        | 85.87 PLN ▼   |
| Comarch          | hold ►       | 166.50 PLN ▼  |
| Cyfrowy Polsat   | accumulate ▲ | 24.90 PLN ▼   |
| Enea             | buy ▲        | 12.11 PLN ▼   |
| Energa           | buy ►        | 14.71 PLN ▼   |
| Erbud            | buy ►        | 29.40 PLN ▲   |
| Eurocash         | buy ►        | 31.10 PLN ▼   |
| Famur            | buy ►        | 7.28 PLN ▼    |
| Getin Noble Bank | hold ▲       | 1.50 PLN ►    |
| Grupa Azoty      | hold ►       | 67.13 PLN ▼   |
| Grupa Kęty       | hold ►       | 379.66 PLN ▼  |
| GTC              | accumulate ▲ | 9.70 PLN ►    |
| ING BSK          | accumulate ▲ | 212.00 PLN ►  |
| Jeronimo Martins | accumulate ▲ | 16.90 EUR ►   |
| JSW              | buy ►        | 120.71 PLN ▼  |
| Kernel           | hold ►       | 53.46 PLN ▼   |
| KGHM             | accumulate ► | 122.81 PLN ▼  |
| Lotos            | reduce ►     | 51.08 PLN ▼   |
| LPP              | accumulate ▲ | 9500 PLN ▲    |
| MOL              | hold ►       | 3027.00 HUF ▼ |
| PGE              | buy ▲        | 12.61 PLN ▼   |
| PGNiG            | buy ►        | 7.51 PLN ▼    |
| PKN Orlen        | sell ►       | 80.55 PLN ▼   |
| PKO BP           | reduce ▲     | 38.00 PLN ►   |
| PZU              | buy ▲        | 50.58 PLN ►   |
| Stelmet          | buy ►        | 27.72 PLN ▼   |
| Tauron           | hold ►       | 2.98 PLN ▼    |

## Investing Outlook for March

As foretold last month in our *2018 Investment Strategy*, stock markets have moved into a sharper downward correction over the last few weeks, triggered by a drop in US Treasury bond prices coupled with growing concern about the impact of a possible acceleration in the Fed's interest rate hikes. In Europe, a set of weaker-than-expected economic indicators (especially PMI data) has dampened market sentiment amid uncertainty as to the outcome of the Italian general election. US President Trump poured a fresh dose of cold water on the markets on March 1st by announcing plans for tariffs on aluminum and steel imports. The ratio of bulls to bears was 44.7-to-22.8 at the end of February – proportions which usually herald an extended correction.

We stand by the view outlined in the February Strategy release: equity ETFs, especially those targeting emerging markets, continue to enjoy high inflows. We anticipate a rebound in stocks back to the January highs after the correction ends around mid-March, supported by solid global economic data and improving company earnings. This will make for a perfect opportunity to reduce positions in equities. The main risk factor in the long term is US margin debt, which reached a record \$666 billion at the end of January. Net leverage at \$315 billion is equivalent to about seven days' S&P 500 trading volumes compared to two days max in 2000 and 2007.

### Fed, Trump, and Italy, Cool Sentiment

The testimony of the new Federal Reserve Chairman Jerome Powell was perceived as hawkish, especially the allusion to more vigorous measures that may be taken to avoid an "overheated" economy, which was interpreted as a harbinger of more rate hikes in 2019, and possibly also in 2018. At the moment, the market puts the odds of a fourth rate hike this year at 35%. In our view these expectations will be cooled in the weeks ahead by less upbeat economic data.

President Trump's plans to impose tariffs of 10% on aluminum imports and 25% on steel imports into the US has sparked fears over a trade war with China, which has already given a warning of possible retaliatory trade limits.

Italy's general election vote on Sunday has not produced a clear winner as of this writing, with the coalition of center-right parties led by former prime minister Silvio Berlusconi expected to take 35% of the vote, and the populist Five Star Movement scoring the biggest single-party win with about 32%, defeating the ruling center-left Democratic Party which managed to garner only about 20% of the vote. Berlusconi has anointed Antonio Tajani, the current President of the European Parliament, as the next Prime Minister assuming his right-wing coalition wins an absolute majority, which it probably has not been able to secure looking at the exit polls. Summing up, Italy is probably poised for many weeks of turbulent coalition talks, and it faces continued uncertainty and lack of reforms by a coalition government forced to reconcile conflicting interests. With all that said, the Italian vote is not likely to affect stock markets too much with most investors selling their Italian shares before the election.

### January Economic Momentum Seen To Slow

As mentioned last month, high positive deviations from trend in leading indicators usually precede a reversal into the negative territory, with the economic momentum still trending upward but at a slower pace. In the US, the two indicators that were the source of the biggest disappointment were January new homes sales and retail sales. In Europe, both the manufacturing PMI and the Services PMI across all major member state economies fell short of expectations in February. Two months ago, this would have been viewed as a positive thing, helping to ease pressure on tightening of monetary policies.

### Citibank Economic Surprise Index for the US and the Euro Area

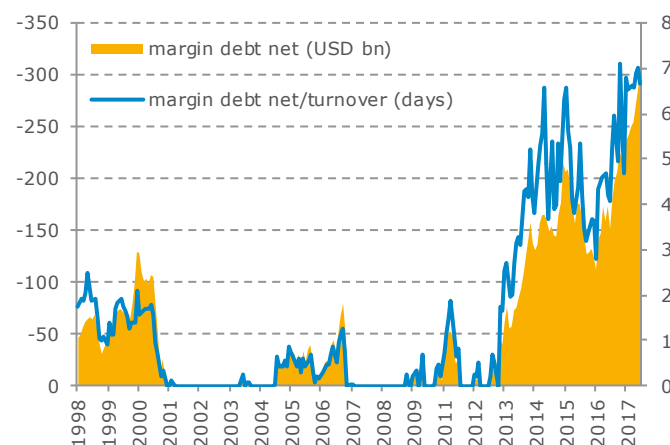


Source: Bloomberg

### US Margin Debt At Record High

The size of margin debt in the US remains a problem, with debt at the end of January reaching \$666 billion after increasing by \$22.9 billion in the span of a month. As a result, net leverage (debt minus cash) hit \$315bn, up \$28.5bn from the previous month. Swelling debt itself does not spell the end of a bull market, but it is predictive of the magnitude of the potential sell off if sentiment turns. In absolute terms, the US margin debt is already several times the levels seen during previous cycle peaks. We set margin debt minus cash against S&P 500 trading volumes to better illustrate the scale of the potential risk. The conclusion is that, at the current level, net leverage is equivalent to seven days of stock market trading compared to two at most during previous cycles (see diagram).

### Margin debt minus cash in US\$ billions (lhs) and S&P 500 trading volumes (rhs)

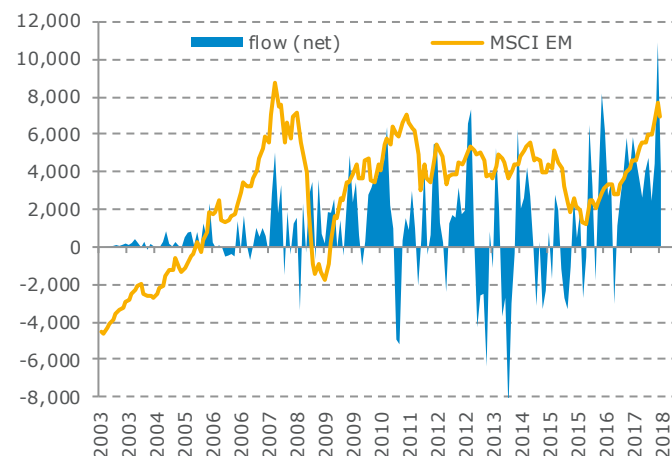


Source: Dom Maklerski mBanku based on FINRA, Bloomberg data

### ETFs Still Enjoying Ample Inflows

Even as stocks fell, equity exchange-traded funds took in net inflows of a respectable \$10.5 billion in February, with \$4bn added by emerging market funds (a drop from \$10.9bn in January), with most of the inflows channeled into Latin America and Asia (South Korea) funds. The relative underperformance of CEE stocks during that period despite solid economic data suggests that actively-managed funds might have shorted WIG20 and BUX stocks to capitalize on the ETF demand.

### Net inflows into emerging market equity ETFs vs. MSCI EM



Source: Bloomberg, Dom Maklerski mBanku

We continue to view ETFs as one of the main risk factors if stock market sentiment turns.

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## Sector Strategies

### Financials

- The presidential FX borrower relief bill is back on the parliamentary agenda, and its imminent passing has taken a toll on the shares of Bank Millennium, with its large portfolio of CHF-denominated mortgages which it will probably have to convert into zlotys in the wake of the new legislation. Once passed, the new law will probably also put a dent in the market valuations of Getin Noble Bank and PKO BP. We maintain an overweight stance on banks without CHF mortgage exposures, with the ones offering the most attractive valuations and upside potential including Alior Bank, Pekao, Handlowy, and ING BSK.
- A substantial CHF loan portfolio does not affect the future growth outlook of BZ WBK in our view, upgraded to buy as of today to reflect the underestimated benefits of its upcoming merger with Deutsche Bank Poland. The passing of the borrower relief bill will take away about PLN 20 from our per-share valuation of BZW, leaving substantial upside potential. Investors may be worried about an overhang if Deutsche Bank AG decides to liquidate some of the merger stock consideration, but note that the potential selling price, not likely to be less than PLN 375 per share, exceeds BZW's current quotes.
- We maintain a buy rating for Komerční Banka; the Czech bank is traded at a 26% discount to its Polish counterpart PKO BP on 2018E P/E despite much higher ROE (13% vs 9%) and dividend yield (5% vs 1%), and even though it is already benefitting from raised Czech interest rates while in Poland the nearest hike is not expected until May 2019 at the earliest.
- **Key Ratings:** Alior Bank (buy), Bank Millennium (sell), PZU (buy), Komerční Banka (buy).

### Chemicals

- The February stock market correction has pushed the P/E and EV/EBITDA ratios of MSCI Chemicals Europe and World down on a level with or below their three-year averages.
- Chemical producers have seen their profits and shares rise on the back of environmentally-driven production curbs in China, and a strong economy in Europe. On the other hand, the euro's upward climb against the dollar takes away their competitive advantage, and gives rise to increased risk of cheaper imports.
- Polish chemical producers are experiencing increasing cost pressure due to rising prices of energy inputs, coupled with the zloty's appreciation versus the dollar, which affects margins.
- Our top chemical pick for February is Ciech, expected to report its second-highest EBITDA figure in history in 2017.
- We maintain a neutral view on the fertilizer producer Grupa Azoty despite the recent share price decline looking at the rising costs of natural gas and the large number of maintenance outages the Company has lined up for 2018.
- **Key Ratings:** Ciech (buy)

### Oil & Gas

- The price of Brent crude has retreated below \$65 a barrel after falling on the heels of a stronger dollar and record-high long positions in oil futures. This does not undermine our medium-term view on oil prices, which remains intact looking at falling inventories and rising demand. As for natural gas, we expect prices in the European market to continue to recover from the weaker beginning of the year.

- Refining margins remain tight on increasingly expensive crude inputs and normalized growth in demand, resulting in overproduction and mounting product stockpiles. Cracking spreads widened somewhat in February with a recovery in the Urals/Brent pricing differential owed to more seasonal refinery maintenance outages and increased supplies at Primorsk.
- Margins on petrochemicals sales so far continue to exceed expectations, but European producers face downward pressure from new capacity planned in the US, coupled with an unfavorable EUR/USD exchange rate.
- In Poland, the initial shock caused by the announcement of a merger between PKN Orlen and Lotos is slowly fading, and it will wear off sooner than later given the time that has to pass before the two refiners actually meld into a single synergy-generating operation.
- All in all, we maintain a bearish view on refiners, and we would pick PGNiG instead as hydrocarbon prices rise and trade profits stabilize thanks to positive shifts in market regulation. PGN is currently trading at EV/EBITDA close the average for Polish energy companies, set to go up as its circumstances improve. Additional upside potential can be created by potential acquisitions on the Norwegian Continental Shelf.
- **Key Ratings:** Lotos (reduce), PKN Orlen (sell), PGNiG (buy).

### Power Utilities

- German electricity prices remained under pressure in February, with the clean-dark spread posting further contraction led by rising prices of carbon allowances.
- As profitability shrunk, underpinned by negative trends in the bond market, power stocks registered an outflow of capital reflected in the performance of both US and European utility indexes. Polish generators, no longer viewed as dividend-paying stocks, seem to have taken the harshest beating, underperforming the benchmarks by 6-8 basis points in ytd trading even though local market trends took a positive turn last month, with prices on the spot market jumping to PLN 200/MWh from a January average of PLN 162. As a result, the current hedge 2019 after CO<sub>2</sub> adjustment is close to 2018 hedging levels.
- With sentiment so bearish at the moment, the only way is up for Polish stocks in our view once more details come out as regards the first-ever capacity auction in June.
- The announcement of a planned merger between Poland's two biggest oil refiners, PKN Orlen and Lotos, had a negative ripple effect on Polish power stocks as some analysts postulated this meant that PKN would not take part in helping to build Poland's first nuclear power station. This is an incorrect assumption in our view given the nuclear project's remote timeline.
- Note also that the Polish power industry is about to finalize its capital investment cycle and start generating positive FCF.
- Our top Polish utility pick is Energa, expected to improve trading profits in 2018, which we view as undervalued given its low-risk business model, especially if the reports about the impending cancellation of the new coal-fired generator project which the Company co-owns prove true.
- The recent stock falls has also boosted the upside potential of PGE and Enea, both upgraded to buy.
- **Key Ratings:** Enea (buy), Energa (buy), PGE (buy).



## Telecoms, Media, IT

- While T-Mobile runs an aggressive campaign to attract more customers, Cyfrowy Polsat has stepped up efforts, too, and Orange Polska has switched focus to customer retention with convergent + mobile services while cutting back device subsidies.
- There is considerable interest among Polish mobile carriers in gaining access to fixed-line infrastructure, as evidenced by Cyfrowy Polsat's acquisition of a 32% stake in the fixed operator Netia at the beginning of December, with plans to raise the stake to 66% via a tender offer. Aside from access to fiber infrastructure, Cyfrowy expects to achieve B2B and B2C synergies on the merger. Two weeks later, there was an announcement that T-Mobile Poland had commenced FTTH access negotiations with Orange Polska.
- With its main rivals already in the process of securing access to fixed infrastructure via M&A activity or wholesale rental, Play is poised to be the sole mobile-only player left in its core markets in a matter of one year. Play could approach the cable TV and Internet provider UPC for a takeover, but this is not likely to happen soon given that UPC already offers mobile calling plans as an MVNO, and its core service is fixed-line broadband. Further, we think T-Mobile Poland might want to follow in the footsteps of its parent, Deutsche Telekom, which has just bought the Austrian division of UPC as part of a convergence strategy, and make a bid on the domestic branch of the European cable operator.
- In Media, revenue prospects are dampened by the latest adspend forecasts, which put this year's growth at 1.9% (Zenith) to 2.5% (Starcom).
- Zenith anticipates 0.2% contraction this year in television advertising expenses, for the first time in four years, and continued shrinkage in subsequent years, in line with falling viewership. On the other hand, online adspend is projected to rebound 12.1% in 2018. Radio ad budgets are set to shrink 1.2%, and the outdoor industry faces curbed revenues in the wake of efforts to reduce visual clutter in public spaces. Finally, there is anticipation for a 3.8% increase in cinema advertising expenses on the one hand, and a 16.9% drop in newspaper advertising on the other hand.
- In IT, a revival in orders from local governments and hospitals has improved the situation of a group of smaller IT firms. Otherwise, the lack of big assignments after periods of intensified hiring in anticipation of an imminent public spending rebound continues to weigh on profits. The first major contract awards have finally started to come on line in October, including a PLN 138m order for a court recording system won by a consortium of Comarch and Maxto, a PLN 61m virtualization environment contract secured by Atende, and an ERTMS/GSM project for the Polish Railways worth PLN 2.3bn, awarded to a consortium including Wasko.
- When it comes to the outlook for 2018, however, public orders seem to have stalled again in recent weeks, and given Poland's recent cabinet reshuffle ahead of the local government elections in November, an imminent revival in government spending is not likely.
- Our top small-cap IT picks for March are ASEE, Atende, and Wasko. We have neutral calls for Ailleron and Asseco Business Solutions.
- **Key Ratings And Portfolio Positioning:** Orange Polska (buy), Asseco Poland (reduce), Agora (buy), Atende (overweight), Wasko (overweight), Asseco SEE (overweight).

## Industrials & Mining

- The February stock market correction has pushed the P/E and EV/EBITDA ratios of MSCI Industrials Europe and World down close to their three-year averages compared to the high premiums seen only a month ago, which we said would have to tighten sooner or later. As the zloty appreciates vis-à-vis the dollar, the profits of European manufacturers have come under pressure.
- The 2017 fourth-quarter earnings season in the Polish industrial sector is set to be a mixed bag in our view, with 47% of companies expected to report improvement from the year-ago levels, and the same percentage set to report deterioration. We think Alumetal and Elemental may surprise on the upside with their fourth-quarter figures. As predicted, Apator and Forte missed market expectations in the period.
- Factors which may cut into momentum this year include the zloty's appreciation versus the euro, coupled with a continued, albeit slower, upward trend in costs of raw materials and labor. To counteract the mounting pay pressures, manufacturers might opt to invest in automation.
- Our top near-term picks among mid-sized industrials include Amica, which raised sales prices in Q3'17, and which is set to generate cost savings of PLN 10-12m this year thanks to a new warehouse (AMC is trading at attractive ratios at the current level).
- Our other best bets are Famur, which continues to grow the order book amid rising prices of coal and other commodities, and Pfeleiderer Group, benefitting from an upward shift in the European fiberboard market, with 2018 earnings growth set to be reinforced by positive base effects.
- Among smaller industrials, we would consider Cognor, expected to report solid Q4 2017 results, supported by a positive shift in the steel market in the second half of last year. We also like Pozbud, trading at 4x 2019E P/E.
- The zloty's appreciation against the dollar can affect the profitability of the African tractor contracts of Ursus, whose controlling shareholder sold PLN 6.8m-worth of shares in the Company (2.9% of all shares outstanding) in January.
- **Key Ratings and Portfolio Positioning:** Amica (overweight), Famur (buy), Pfeleiderer Group (overweight), Pozbud (overweight), Stelmet (buy).

## Mining

- Sentiment for copper producers has been positive on reports of possible supply disruptions as over 30 labor contracts at major mines worldwide come up for renewal this year. According to estimates, depending on the source, these contracts cover between five and seven million tonnes of mine supply or between 25% and 35% of the global output compared to an average of 1.7 million tonnes of average supply at risk in 2011-2016. Most of the expiring contracts are with miners in Chile and Peru, responsible for a combined 40% of global copper production.
- Another driver behind the upward trend in copper prices is the ongoing shift to electric vehicles. The average electric car uses four times more of copper than a traditional vehicle, creating expectations for a surge in demand by 2.5-3mmt in 2030 from the current 23-24mmt.
- The ICSG estimates the world had a copper shortage of 195,000t in 2017. There is anticipation for a widening shortage this year if mines are forced to stop production over worker strikes.

- In the wake of outdated capacity closures, Chinese hard coal production decreased by approximately 440 million tonnes between 2016 and 2017, against domestic smelter demand estimated at 450mnt. Consequently, between January and November 2017, imports accounted for 15.2% of total coking coal usage compared to 13.4% in the same period in 2016. China's increased reliance on imports has made coal prices more sensitive to any disruptions in supplies.
- Prices of steel are on an upward trajectory thanks to high global demand driven by infrastructure projects. As a result, profit margins on BOF steelmaking are at their highest levels in three years.
- The operating conditions for European producers have improved since the introduction of a series of anti-dumping measures on imports into the EU. This is having a positive effect on demand for metallurgical coal, and boosts the outlook of the Polish coal miner JSW with a capacity to satisfy 18-22% of the European demand.
- Prices of steel have shifted upward on planned production cuts in China's top steelmaking city Tangshan.
- When it comes to risks, the Polish mining sector continues to experience rising pay pressures this year, which may affect profits, coupled with the zloty's appreciation against the US dollar (metals are quoted in USD).
- **Key Ratings and Portfolio Positioning:** KGHM (accumulate), JSW (buy)

## Construction

- Polish construction output in January posted a jump of 35% compared to the same month last year, the strongest increase since 2007. This was followed by a 10-point gain in the industry's confidence index to its highest February level since 2008.
- Fewer builders point to strong competition as a barrier to growth, and it seems that the short supply of labor is becoming an integral part of the industry's landscape. The acceleration in building activity is a positive indicator for Budimex.
- The WIG-Construction index outperformed the broad market in February for the first time since March 2017, but builder stocks are hitting lows for the fourth month in a row. At the current levels, the sector is trading at 11.9x median 2018E P/E and 5.6x EV/EBITDA.
- With market expectations set low, the 2017 fourth-quarter earnings season in the construction sector is not likely to bring many negative surprises; the first three builders to report so far delivered quarterly figures in-line (Unibep) or above (ZUE, Budimex) analysts' forecasts.
- Our top picks for the month ahead are Budimex, Elektrobudowa, and Erbud, whose shares suffered a fall in recent weeks.
- **Key Ratings and Portfolio Positioning:** Erbud (buy), Budimex (buy), Elektrobudowa (buy).

## Property Developers

- February saw the takeover of Robyng by Bricks Acquisitions at 1.8x P/B and 8.5x P/E after a hike in the tender offer. Compared to the average ratios of its seven rivals, ARH, 1AT, DOM, ECH, I2D, LCC, and LKD, these ratios represent respective premiums of 50% and 27%. After tendering their shares, Robyng's former shareholders are left with over PLN 1bn in spare cash.
- Residential developers settled 44% more flats in Q4 2017 than in the same period in 2016, leading us to expect a 50% higher aggregate net profit at the nine companies in or coverage. The year-over-year profit expansion is set to be the most robust at Atal, i2 Development (+215%), Lokum (+62%), and Dom Development (+37%).
- The outlook for the year ahead remains robust in residential.
- Looking at P/B-ROE regression, I2D and LKD are relatively the cheapest residential stocks at the current levels.
- The commercial developer LC Corp is currently trading at the cheapest ratios among the market leaders after an undeserved share price drop. In commercial real estate, we still favor ECH over GTC despite a gap in ytd returns.
- **Key Ratings and Portfolio Positioning:** Dom Development (buy), Echo Investment (buy), LC Corp (buy), Lokum Developer (overweight), Archicom (overweight), i2 Development (overweight)

## Retail

- The Sunday trading ban is in effect as of March 1st, with shops allowed to stay open for two Sundays a month this year followed by only one in 2019 and zero from 2020. The ban will probably initially hurt the weekend sales of fashion retailers, but eventually the Sunday foot traffic is sure to shift to other days.
- The restaurant operator AmRest, with about half of its locations based in shopping centers, could probably lose a small percentage of its sales as well. On the other hand, grocery retailers should not suffer too much with Sundays accounting for a small proportion of their weekly sales.
- Fashion and footwear retailers were able to purchase 2018 spring-summer collections cheaper toward the end of last year thanks to 15% y/y depreciation in the dollar's value against the zloty. The biggest beneficiaries of a weak dollar include LPP and Monnari (each paying about 85% of COGS in US dollars), CCC (ca. 45% \$COGS), Vistula and Bytom (ca. 30% \$COGS), and TXM (ca. 20% \$COGS). The full effects of this will materialize in the earnings for Q2 and Q3 2018. Unless the dollar stages a sharp rebound, favorable FX effects should also help drive down the costs of the 2018 autumn-winter line purchases later this year.
- CCC footwear is trading at attractive ratios given its solid medium-term growth prospects, supported by successful online sales.
- LPP fashion is set to improve profits this year thanks to improving fl sales, a favorable USDPLN exchange rate, and fast-expanding e-commerce.
- Among smaller fashion retailers, we see potential in Monnari (benefitting from a weak dollar), Bytom (capitalizing on revised pricing and FX effects), and TXM (expected to regain sales effectiveness while keeping SG&A relatively stable).
- **Key Ratings and Portfolio Positioning:** Dino (buy), Eurocash (buy), CCC (buy), TXM (buy), JMT (accumulate), LPP (accumulate), Bytom (overweight), Monnari (overweight).

## Macroeconomic Update

### 2017 Q4 GDP Growth

The final 2017 fourth-quarter release confirms that Poland's economy expanded at an annual rate of 5.1% in the period after accelerating 1.0% from the previous quarter. As usual, the details of the release were far more interesting than the headline – this time there were several surprises hidden in the numbers, even if annual GDP figures are taken into account. First, consumer spending maintained momentum in Q4, rising 4.9% year over year, consistently with monthly indicators, both hard (retail sales, income growth) and soft (consumer confidence measurements, which contain no signs of sending curbs in the near future). Second, the Q4 rebound in investment at 11.3% y/y was very close to our latest estimate (11.5%) and must have been led by a recovery in machinery and equipment spending looking at the divergence between the pace of investment and construction, which slowed down considerably in Q4. The surge in private investment spending seen in Q4 marked the first such material increase in two years.

Other Q4 GDP components also contained surprises, with public spending up by a respectable 5.4% y/y, likely reflecting a revival in central government spending after a slow 2017. Net exports subtracted 0.8 percentage points from the fourth-quarter GDP growth, and this is disappointing in light of strong monthly trade data. Finally, inventories subtracted 0.4pp., less than anticipated.

Summing up, the Polish economy has entered the new year full speed ahead, and it is not likely to lose much momentum in 2018 with GDP set to exceed 4.5%. It is worth noting that GDP growth has become balanced again with the contribution from investment exceeding consumer spending for the first time since late 2014. The Monetary Council welcomes this rebalancing since *ceteris paribus* it implies lower inflationary pressures over the medium term. In addition, an expected acceleration in labor productivity in the second half of the year (understated migrant worker statistics aside) should further bolster the Council's conviction that Polish GDP growth will not be inflationary. This consensus can only be falsified by above-target inflation, and we are not expecting this to happen within months. As a result, NBP rates are set to stay unchanged until the end of the year and possibly beyond.

### Production

Polish industrial production increased at an annual rate of 8.6% in January 2018, slightly outpacing the 8.2% market consensus and registering a rebound relative to the 2.7% rise in December, driven by positive working-day effects. Stripped off one-time items, industrial output was down 0.8% from December, which suggests manufacturing momentum at the turn of the year came to a halt. We do not see this as a meaningful signal, but it should be seen as a sign of a flattening uptrend in the sector.

Construction output for January topped all expectations by soaring 34.7% on a year-over-year basis (our forecast and market consensus were around 20%). After seasonal adjustment, the monthly rate of growth was an impressive 8.8%, more than double the pace seen in previous months, thereby elevating the volume index to boom year levels (2011-2012H1). We attribute the acceleration to external factors (working-day differences and the fact that January 2018 was the warmest and driest January on record this century), coupled with an enduring rebound in investment activity, we are guessing mostly in public investment (led mainly by increased spending on rail infrastructure, but also roads), which is catching up after an extended slump.

### Retail Sales

Retail sales were up 8.2% y/y in January, close to our forecast. In real terms sales increased by an impressive 7.7%. This implies that the retail deflator scored a meaningful fall in January. At the same time, the gap between CPI inflation and the retail deflator widened. This should become a common trend in the coming months and quarters since the dominant pro-inflationary force stems from higher prices of services. Looking at the composition of January retail sales, 1pp was added by a surge in "other" sales, up 13% on the year vs 2% in December, but this is an especially volatile component of the index. A slowdown in monthly food sales came as a bit of a surprise to us. In durables and semi-durables, high growth rates were maintained but some softening is also visible but with no sharp turnaround in sight. We think this supports a slow but inevitable normalization of consumption growth. Having said that, consumption is set to stay above 4% this year, with its mild deceleration offset by much higher investment growth.

### Jobs

Monthly job creation decelerated to an annual rate of 3.8% in January, with the economy adding 121,800 jobs vs 160,000 added in January 2017, however note that January is not an appropriate month to pass judgment over the condition of the labor market since the change in employment at the start of the year is driven by changes in the statistical sample of firms employing more than nine workers. A more accurate picture emerges if we take a step back and look at the broader economy, where buoyant consumption, rising wages, and a falling unemployment rate provide evidence of a tightening labor market.

The average salary in January 2018 was up 7.3% relative to the same month last year, marking further acceleration set to continue in the months ahead as the labor market heats up and employees gain increasing bargaining power. This power will be reinforced around April with the expected acceleration in consumer price inflation.

### Inflation

Consumer prices rose 1.9% in January, slowing their pace in line with expectations. As usual in January, details in the CPI release are seasonally scarce, but what we can say with confidence is that prices of food for the month were up 1.1% relative to December, alongside an 0.3% uptick in housing (much lower than in January 2017), and an 0.4% rise in healthcare (a repeat of the year-ago figure), combined with 0.7% contraction in transport and a 3.8% drop (less than in Jan. 2017) in prices of clothing and footwear. According to our calculations, core CPI might have slowed pace as low as to 0.8% in January. February is likely to see further deceleration in prices, underpinned by the zloty's appreciation versus the dollar and downward-trending prices of crude oil, falling squarely in line with the current position of Polish monetary policymakers.

### mBank Research

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## Current Recommendations By Dom Maklerski mBanku

| Company                    | Recommendation | Issued On  | Price At Reco. | Target Price | Current Price | Upside/Downside | P/E         |             | EV/EBITDA   |             |
|----------------------------|----------------|------------|----------------|--------------|---------------|-----------------|-------------|-------------|-------------|-------------|
|                            |                |            |                |              |               |                 | 2017        | 2018        | 2017        | 2018        |
| <b>Financial Sector</b>    |                |            |                |              |               | <b>+11.8%</b>   | <b>13.5</b> | <b>11.7</b> |             |             |
| Alior Bank                 | buy            | 2018-02-01 | 85.50          | 109.00       | 80.90         | +34.7%          | 20.3        | 11.0        |             |             |
| BZ WBK                     | buy            | 2018-03-05 | 357.80         | 430.00       | 357.80        | +20.2%          | 16.0        | 14.1        |             |             |
| Getin Noble Bank           | hold           | 2018-03-05 | 1.45           | 1.50         | 1.45          | +3.4%           | -           | -           |             |             |
| Handlowy                   | accumulate     | 2018-02-01 | 84.70          | 94.00        | 81.90         | +14.8%          | 20.0        | 16.9        |             |             |
| ING BSK                    | accumulate     | 2018-03-05 | 198.00         | 212.00       | 198.00        | +7.1%           | 18.4        | 16.4        |             |             |
| Millennium                 | sell           | 2018-02-01 | 9.59           | 7.00         | 8.25          | -15.2%          | 14.7        | 13.9        |             |             |
| Pekao                      | buy            | 2018-02-01 | 135.90         | 157.00       | 128.30        | +22.4%          | 13.6        | 15.4        |             |             |
| PKO BP                     | reduce         | 2018-03-05 | 42.20          | 38.00        | 42.20         | -10.0%          | 16.7        | 15.9        |             |             |
| Komercni Banka             | buy            | 2017-12-01 | 899.00         | 1,111 CZK    | 918.00        | +21.0%          | 11.6        | 11.7        |             |             |
| Erste Bank                 | hold           | 2018-02-02 | 40.64          | 40.00 EUR    | 41.45         | -3.5%           | 13.5        | 12.6        |             |             |
| OTP Bank                   | accumulate     | 2018-02-02 | 11,560         | 12,090 HUF   | 11,090        | +9.0%           | 10.5        | 11.2        |             |             |
| PZU                        | buy            | 2018-03-05 | 41.55          | 50.58        | 41.55         | +21.7%          | 13.4        | 10.7        |             |             |
| GetBack                    | buy            | 2017-11-30 | 23.00          | 33.38        | 12.96         | +157.6%         | 4.5         | 3.5         |             |             |
| Kruk                       | buy            | 2018-02-02 | 222.20         | 300.94       | 207.60        | +45.0%          | 12.9        | 11.0        |             |             |
| Prime Car Management       | buy            | 2018-02-02 | 28.80          | 35.30        | 26.60         | +32.7%          | 8.3         | 7.3         |             |             |
| Skarbiec Holding           | buy            | 2018-02-02 | 30.60          | 56.30        | 31.50         | +78.7%          | 9.1         | 7.6         |             |             |
| <b>Chemicals</b>           |                |            |                |              |               | <b>+33.5%</b>   | <b>7.7</b>  | <b>7.6</b>  | <b>5.0</b>  | <b>6.0</b>  |
| Ciech                      | buy            | 2018-03-05 | 55.90          | 85.87        | 55.90         | +53.6%          | 7.7         | 7.6         | 5.0         | 4.8         |
| Grupa Azoty                | hold           | 2018-03-05 | 56.55          | 67.13        | 56.55         | +18.7%          | 10.8        | 13.3        | 5.6         | 6.0         |
| Polwax                     | buy            | 2018-02-02 | 11.05          | 18.80        | 10.90         | +72.5%          | 6.5         | 5.7         | 5.0         | 6.4         |
| <b>Oil &amp; Gas</b>       |                |            |                |              |               | <b>+7.1%</b>    | <b>6.4</b>  | <b>11.6</b> | <b>4.2</b>  | <b>5.4</b>  |
| Lotos                      | reduce         | 2018-03-05 | 56.30          | 51.08        | 56.30         | -9.3%           | 5.8         | 13.0        | 4.3         | 6.2         |
| MOL                        | hold           | 2018-03-05 | 2,718          | 3,027 HUF    | 2,718         | +11.4%          | 6.6         | 10.1        | 4.1         | 4.5         |
| PGNiG                      | buy            | 2018-03-05 | 5.98           | 7.51         | 5.98          | +25.6%          | 11.8        | 8.4         | 5.4         | 4.1         |
| PKN Orlen                  | sell           | 2018-03-05 | 95.20          | 80.55        | 95.20         | -15.4%          | 6.1         | 13.6        | 4.0         | 7.5         |
| <b>Power Utilities</b>     |                |            |                |              |               | <b>+12.5%</b>   | <b>5.0</b>  | <b>5.5</b>  | <b>4.0</b>  | <b>4.2</b>  |
| CEZ                        | hold           | 2018-03-05 | 495.00         | 506.40 CZK   | 495.00        | +2.3%           | 13.9        | 16.6        | 7.6         | 7.3         |
| Enea                       | buy            | 2018-03-05 | 10.36          | 12.11        | 10.36         | +16.9%          | 4.3         | 5.5         | 4.3         | 4.2         |
| Energa                     | buy            | 2018-03-05 | 10.11          | 14.71        | 10.11         | +45.5%          | 5.0         | 5.1         | 4.0         | 3.9         |
| PGE                        | buy            | 2018-03-05 | 10.28          | 12.61        | 10.28         | +22.7%          | 7.3         | 6.6         | 3.6         | 3.9         |
| Tauron                     | hold           | 2018-03-05 | 2.69           | 2.98         | 2.69          | +10.8%          | 3.4         | 4.2         | 3.9         | 4.6         |
| <b>Telecoms, Media, IT</b> |                |            |                |              |               | <b>+7.2%</b>    | <b>29.3</b> | <b>22.3</b> | <b>7.9</b>  | <b>6.6</b>  |
| Netia                      | reduce         | 2018-02-02 | 5.30           | 4.60         | 5.25          | -12.4%          | 44.9        | 47.8        | 5.4         | 6.1         |
| Orange Polska              | buy            | 2017-12-12 | 5.39           | 7.30         | 5.67          | +28.7%          | -           | 24.8        | 5.0         | 4.7         |
| Play                       | hold           | 2018-01-25 | 33.20          | 34.70        | 32.70         | +6.1%           | 21.4        | 9.0         | 7.9         | 6.3         |
| Agora                      | buy            | 2018-01-26 | 13.15          | 18.90        | 13.45         | +40.5%          | -           | 25.5        | 20.3        | 4.6         |
| Cyfrowy Polsat             | accumulate     | 2018-03-05 | 22.80          | 24.90        | 22.80         | +9.2%           | 13.7        | 11.7        | 7.4         | 6.6         |
| Wirtualna Polska           | accumulate     | 2018-02-02 | 51.80          | 56.10        | 52.40         | +7.1%           | 37.9        | 20.7        | 13.6        | 10.8        |
| Asseco Poland              | reduce         | 2018-02-02 | 45.62          | 44.00        | 45.70         | -3.7%           | 6.4         | 15.3        | 7.9         | 6.9         |
| CD Projekt                 | sell           | 2018-02-02 | 115.00         | 90.00        | 105.90        | -15.0%          | 51.5        | 77.7        | 41.3        | 61.0        |
| Comarch                    | hold           | 2018-03-05 | 155.00         | 166.50       | 155.00        | +7.4%           | 29.3        | 22.3        | 13.1        | 8.8         |
| <b>Industrials, Mining</b> |                |            |                |              |               | <b>+21.5%</b>   | <b>10.0</b> | <b>11.6</b> | <b>7.5</b>  | <b>7.6</b>  |
| Famur                      | buy            | 2018-03-05 | 6.10           | 7.28         | 6.10          | +19.3%          | 70.4        | 18.3        | 12.4        | 8.2         |
| Grupa Kęty                 | hold           | 2018-03-05 | 352.50         | 379.66       | 352.50        | +7.7%           | 13.2        | 12.8        | 9.0         | 8.4         |
| JSW                        | buy            | 2018-03-05 | 92.80          | 120.71       | 92.80         | +30.1%          | 5.0         | 4.9         | 2.6         | 2.2         |
| Kemcel                     | hold           | 2018-03-05 | 48.80          | 53.46        | 48.80         | +9.5%           | 6.6         | 11.2        | 5.3         | 7.4         |
| KGHM                       | accumulate     | 2018-03-05 | 102.50         | 122.81       | 102.50        | +19.8%          | 6.7         | 5.9         | 6.1         | 3.9         |
| Stelmec                    | buy            | 2018-03-05 | 17.15          | 27.72        | 17.15         | +61.6%          | 25.9        | 12.0        | 11.9        | 7.8         |
| <b>Construction</b>        |                |            |                |              |               | <b>+23.6%</b>   | <b>10.8</b> | <b>9.8</b>  | <b>4.3</b>  | <b>5.8</b>  |
| Budimex                    | buy            | 2018-02-02 | 197.80         | 246.00       | 202.00        | +21.8%          | 11.1        | 13.0        | 4.8         | 6.9         |
| Elektrobudowa              | buy            | 2018-02-02 | 81.20          | 113.00       | 88.00         | +28.4%          | 6.9         | 10.2        | 3.6         | 5.1         |
| Erbud                      | buy            | 2018-03-05 | 21.30          | 29.40        | 21.30         | +38.0%          | 10.4        | 9.3         | 3.9         | 4.4         |
| Unibep                     | buy            | 2018-02-02 | 8.60           | 10.80        | 8.20          | +31.7%          | 11.3        | 9.3         | 9.0         | 6.5         |
| <b>Property Developers</b> |                |            |                |              |               | <b>+21.4%</b>   | <b>9.4</b>  | <b>8.8</b>  | <b>9.2</b>  | <b>8.5</b>  |
| Atal                       | accumulate     | 2018-02-02 | 42.40          | 49.20        | 43.50         | +13.1%          | 9.4         | 8.8         | 8.2         | 7.8         |
| Capital Park               | buy            | 2018-02-02 | 5.95           | 8.42         | 5.40          | +55.9%          | -           | 10.7        | -           | 17.4        |
| Dom Development            | buy            | 2018-02-02 | 82.00          | 103.00       | 85.00         | +21.2%          | 11.1        | 8.8         | 9.2         | 7.2         |
| Echo                       | buy            | 2018-02-02 | 5.05           | 6.31         | 5.10          | +23.7%          | 6.9         | 6.9         | 12.5        | 8.3         |
| GTC                        | accumulate     | 2018-03-05 | 8.64           | 9.70         | 8.64          | +12.3%          | 6.6         | 10.6        | 8.9         | 14.7        |
| LC Corp                    | buy            | 2018-02-02 | 3.10           | 3.74         | 2.79          | +34.1%          | 11.5        | 6.8         | 16.5        | 8.6         |
| <b>Retail</b>              |                |            |                |              |               | <b>+12.7%</b>   | <b>36.0</b> | <b>23.5</b> | <b>17.4</b> | <b>13.3</b> |
| AmRest                     | hold           | 2018-02-02 | 425.00         | 407.00       | 413.50        | -1.6%           | 49.4        | 39.3        | 16.7        | 13.3        |
| CCC                        | buy            | 2018-03-05 | 243.00         | 286.00       | 243.00        | +17.7%          | 32.8        | 24.6        | 19.5        | 15.5        |
| Dino                       | buy            | 2018-02-02 | 85.00          | 95.40        | 83.00         | +14.9%          | 38.8        | 27.4        | 22.9        | 17.0        |
| Eurocash                   | buy            | 2018-03-05 | 21.99          | 31.10        | 21.99         | +41.4%          | -           | 23.1        | 14.2        | 7.5         |
| Jeronimo Martins           | accumulate     | 2018-03-05 | 15.17          | 16.90 EUR    | 15.17         | +11.4%          | 24.7        | 19.8        | 10.5        | 8.8         |
| LPP                        | accumulate     | 2018-03-05 | 8,620          | 9,500        | 8,620         | +10.2%          | 36.0        | 23.5        | 18.2        | 13.7        |
| TXM                        | buy            | 2018-02-02 | 2.36           | 5.41         | 2.34          | +131.2%         | -           | 13.1        | -           | 6.8         |
| <b>Other</b>               |                |            |                |              |               | <b>+4.4%</b>    | <b>11.8</b> | <b>10.7</b> | <b>7.8</b>  | <b>7.1</b>  |
| PBKM                       | hold           | 2018-02-02 | 73.00          | 76.00        | 72.80         | +4.4%           | 11.8        | 10.7        | 7.8         | 7.1         |



## Weighting Recommendations by Dom Maklerski mBanku

| Company             | Relative Positioning | Rated On   | Price At Rating | Current Price | Change | P/E  |      | EV/EBITDA |      |
|---------------------|----------------------|------------|-----------------|---------------|--------|------|------|-----------|------|
|                     |                      |            |                 |               |        | 2017 | 2018 | 2017      | 2018 |
| Industrials         |                      |            |                 |               |        | 19.9 | 14.9 | 7.5       | 6.5  |
| Ailleron            | neutral              | 2018-01-30 | 17.60           | 17.10         | -2.8%  | 23.8 | 20.2 | 12.3      | 9.7  |
| Asseco BS           | neutral              | 2018-01-30 | 28.90           | 28.60         | -1.0%  | 19.9 | 17.0 | 13.3      | 11.4 |
| Asseco SEE          | overweight           | 2018-01-30 | 13.25           | 13.00         | -1.9%  | 12.6 | 12.2 | 5.8       | 5.4  |
| Atende              | overweight           | 2018-01-30 | 4.85            | 4.46          | -8.0%  | 14.1 | 11.5 | 7.5       | 6.5  |
| Wasko               | overweight           | 2018-01-30 | 2.24            | 2.10          | -6.3%  | 33.8 | 14.9 | 7.5       | 5.3  |
| Industrials         |                      |            |                 |               |        | 13.6 | 11.9 | 8.3       | 6.6  |
| Alumetal            | neutral              | 2017-07-31 | 46.99           | 53.10         | +13.0% | 12.8 | 11.4 | 9.7       | 8.5  |
| Amica               | overweight           | 2018-01-05 | 130.00          | 131.00        | +0.8%  | 7.0  | 7.0  | 6.6       | 5.7  |
| Apator              | neutral              | 2018-02-28 | 24.00           | 24.50         | +2.1%  | 15.6 | 12.7 | 8.5       | 7.6  |
| Boryszew            | neutral              | 2017-11-30 | 9.85            | 9.72          | -1.3%  | 10.9 | 12.4 | 8.4       | 7.8  |
| Elemental           | neutral              | 2017-08-31 | 2.55            | 2.00          | -21.6% | 9.2  | 6.1  | 6.9       | 5.2  |
| Ergis               | neutral              | 2018-01-29 | 4.77            | 4.08          | -14.5% | 7.8  | 7.6  | 5.7       | 5.4  |
| Forte               | neutral              | 2018-02-02 | 43.00           | 55.00         | +27.9% | 19.6 | 14.4 | 14.4      | 11.1 |
| Kruszwica           | neutral              | 2017-03-29 | 63.50           | 72.00         | +13.4% | 27.7 | 23.1 | 14.2      | 12.3 |
| Mangata             | neutral              | 2016-10-26 | 112.55          | 98.00         | -12.9% | 14.5 | 12.8 | 8.2       | 7.4  |
| Pfleiderer Group    | overweight           | 2017-11-08 | 36.65           | 38.10         | +4.0%  | 42.2 | 17.6 | 7.4       | 5.8  |
| Pozbud              | overweight           | 2017-11-13 | 2.98            | 3.86          | +29.5% | 14.9 | 6.9  | 10.2      | 5.7  |
| Tarczyński          | neutral              | 2018-01-29 | 13.05           | 13.85         | +6.1%  | 9.2  | 10.0 | 5.5       | 5.7  |
| Construction Sector |                      |            |                 |               |        | 20.7 | 12.3 | 8.4       | 5.5  |
| Elektrotim          | overweight           | 2017-11-16 | 7.61            | 9.00          | +18.3% | 22.7 | 10.3 | 8.1       | 5.1  |
| Herkules            | neutral              | 2018-01-25 | 3.67            | 3.50          | -4.6%  | 52.2 | 11.7 | 8.7       | 5.8  |
| Torpol              | neutral              | 2018-02-02 | 7.98            | 7.88          | -1.3%  | -    | 12.3 | 18.7      | 5.1  |
| Trakcja             | neutral              | 2018-02-02 | 7.24            | 7.10          | -1.9%  | 12.9 | 17.6 | 5.2       | 6.8  |
| Ulma                | neutral              | 2017-11-27 | 73.90           | 60.50         | -18.1% | 18.7 | 12.4 | 3.7       | 3.5  |
| ZUE                 | neutral              | 2018-02-02 | 6.18            | 6.30          | +1.9%  | -    | 17.6 | 10.6      | 8.0  |
| Property Developers |                      |            |                 |               |        | 14.6 | 7.6  | 14.5      | 8.7  |
| Archicom            | overweight           | 2018-01-25 | 15.75           | 15.70         | -0.3%  | 7.2  | 7.3  | 6.8       | 7.1  |
| BBI Development     | neutral              | 2018-02-02 | 0.70            | 0.71          | +1.4%  | -    | 16.8 | -         | 13.7 |
| i2 Development      | overweight           | 2018-01-12 | 14.90           | 16.30         | +9.4%  | 14.6 | 4.4  | 20.1      | 5.4  |
| JWC                 | neutral              | 2018-01-25 | 4.41            | 4.40          | -0.2%  | 15.2 | 7.9  | 10.7      | 7.1  |
| Lokum Deweloper     | overweight           | 2018-01-25 | 18.00           | 17.70         | -1.7%  | 7.5  | 6.0  | 6.9       | 5.3  |
| PA Nova             | neutral              | 2018-02-28 | 23.30           | 23.30         | +0.0%  | 9.1  | 7.0  | 14.5      | 10.3 |
| Polnord             | neutral              | 2018-02-02 | 10.50           | 8.91          | -15.1% | 38.4 | 14.7 | 33.8      | 33.5 |
| Ronson              | underweight          | 2018-02-02 | 1.45            | 1.40          | -3.4%  | 22.4 | 12.9 | 21.1      | 14.8 |
| Retail              |                      |            |                 |               |        | 18.7 | 14.1 | 11.4      | 8.5  |
| Bytom               | overweight           | 2017-11-28 | 2.50            | 3.08          | +23.2% | 18.7 | 14.0 | 11.7      | 8.7  |
| Gino Rossi          | neutral              | 2017-11-28 | 1.29            | 1.14          | -11.6% | -    | 30.3 | 11.0      | 8.3  |
| Monnari             | overweight           | 2017-11-28 | 8.21            | 10.00         | +21.8% | 17.2 | 12.6 | 9.3       | 7.0  |
| Vistula             | neutral              | 2018-02-02 | 5.16            | 4.84          | -6.2%  | 19.2 | 14.2 | 11.8      | 9.2  |

**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

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

**Recommendations of Dom Maklerski mBanku :**

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

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

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The present report expresses the knowledge as well as opinions of the authors on day the report was prepared. The present report was prepared with due care and attention, observing principles of methodological correctness and objectivity, on the basis of sources available to the public, which Dom Maklerski mBanku considers reliable, including information published by issuers, shares of which are subject to recommendations. However, Dom Maklerski mBanku, in no case, guarantees the accuracy and completeness of the report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts.

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The production of new recommendations was completed on March 5, 2018, 08:50 AM.  
New recommendations were first disseminated on March 5, 2018, 08:50 AM.

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**Strong and weak points of valuation methods used in recommendations:**

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

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

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

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

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

## Recommendations Issued In the 12 Months Prior To This Publication

|                     |            |            |                   |            |
|---------------------|------------|------------|-------------------|------------|
| <b>Agora</b>        |            |            |                   |            |
| <b>Rating</b>       | <b>buy</b> | <b>buy</b> | <b>accumulate</b> | <b>buy</b> |
| Rating date         | 2018-01-26 | 2017-11-23 | 2017-10-02        | 2017-07-25 |
| Target price (PLN)  | 18.90      | 18.00      | 18.80             | 18.80      |
| Price on rating day | 13.15      | 15.20      | 17.10             | 15.28      |

|                     |                |                |
|---------------------|----------------|----------------|
| <b>Ailleron</b>     |                |                |
| <b>Rating</b>       | <b>neutral</b> | <b>neutral</b> |
| Rating date         | 2018-01-30     | 2017-11-28     |
| Target price (PLN)  | -              | -              |
| Price on rating day | 17.60          | 18.73          |

|                     |            |                   |            |
|---------------------|------------|-------------------|------------|
| <b>Alior Bank</b>   |            |                   |            |
| <b>Rating</b>       | <b>buy</b> | <b>accumulate</b> | <b>buy</b> |
| Rating date         | 2018-02-01 | 2018-01-05        | 2017-03-16 |
| Target price (PLN)  | 109.00     | 90.00             | 90.00      |
| Price on rating day | 85.50      | 78.10             | 71.97      |

|                     |                |                   |                |
|---------------------|----------------|-------------------|----------------|
| <b>Alumetal</b>     |                |                   |                |
| <b>Rating</b>       | <b>neutral</b> | <b>overweight</b> | <b>neutral</b> |
| Rating date         | 2017-07-31     | 2017-04-28        | 2017-03-29     |
| Target price (PLN)  | -              | -                 | -              |
| Price on rating day | 46.99          | 64.00             | 59.67          |

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

|                     |             |             |            |
|---------------------|-------------|-------------|------------|
| <b>AmRest</b>       |             |             |            |
| <b>Rating</b>       | <b>hold</b> | <b>hold</b> | <b>buy</b> |
| Rating date         | 2018-02-02  | 2018-01-05  | 2017-09-01 |
| Target price (PLN)  | 407.00      | 422.00      | 422.00     |
| Price on rating day | 425.00      | 403.00      | 357.00     |

|                     |                |                |                   |
|---------------------|----------------|----------------|-------------------|
| <b>Aparator</b>     |                |                |                   |
| <b>Rating</b>       | <b>neutral</b> | <b>neutral</b> | <b>overweight</b> |
| Rating date         | 2018-02-28     | 2017-07-31     | 2017-04-28        |
| Target price (PLN)  | -              | -              | -                 |
| Price on rating day | 24.00          | 31.29          | 35.05             |

|                     |                   |
|---------------------|-------------------|
| <b>Archicom</b>     |                   |
| <b>Rating</b>       | <b>overweight</b> |
| Rating date         | 2018-01-25        |
| Target price (PLN)  | -                 |
| Price on rating day | 15.75             |

|                     |                |                |
|---------------------|----------------|----------------|
| <b>Asseco BS</b>    |                |                |
| <b>Rating</b>       | <b>neutral</b> | <b>neutral</b> |
| Rating date         | 2018-01-30     | 2017-11-28     |
| Target price (PLN)  | -              | -              |
| Price on rating day | 28.90          | 26.29          |

|                      |               |             |               |             |               |               |
|----------------------|---------------|-------------|---------------|-------------|---------------|---------------|
| <b>Asseco Poland</b> |               |             |               |             |               |               |
| <b>Rating</b>        | <b>reduce</b> | <b>hold</b> | <b>reduce</b> | <b>hold</b> | <b>reduce</b> | <b>reduce</b> |
| Rating date          | 2018-02-02    | 2017-12-01  | 2017-11-03    | 2017-08-30  | 2017-07-20    | 2017-04-27    |
| Target price (PLN)   | 44.00         | 44.80       | 44.80         | 44.00       | 44.80         | 48.79         |
| Price on rating day  | 45.62         | 44.47       | 47.00         | 44.54       | 47.23         | 54.70         |

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| <b>Asseco SEE</b>   |                   |                   |
| <b>Rating</b>       | <b>overweight</b> | <b>overweight</b> |
| Rating date         | 2018-01-30        | 2017-11-28        |
| Target price (PLN)  | -                 | -                 |
| Price on rating day | 13.25             | 11.45             |

|                     |                   |                   |                   |            |
|---------------------|-------------------|-------------------|-------------------|------------|
| <b>Atal</b>         |                   |                   |                   |            |
| <b>Rating</b>       | <b>accumulate</b> | <b>accumulate</b> | <b>accumulate</b> | <b>buy</b> |
| Rating date         | 2018-02-02        | 2017-09-01        | 2017-06-02        | 2017-04-10 |
| Target price (PLN)  | 49.20             | 45.00             | 44.10             | 44.10      |
| Price on rating day | 42.40             | 40.40             | 40.00             | 34.89      |

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| <b>Atende</b>       |                   |                   |
| <b>Rating</b>       | <b>overweight</b> | <b>overweight</b> |
| Rating date         | 2018-01-30        | 2017-11-28        |
| Target price (PLN)  | -                 | -                 |
| Price on rating day | 4.85              | 4.46              |

|                        |                |                |
|------------------------|----------------|----------------|
| <b>BBI Development</b> |                |                |
| <b>Rating</b>          | <b>neutral</b> | <b>neutral</b> |
| Rating date            | 2018-02-02     | 2017-06-02     |
| Target price (PLN)     | -              | -              |
| Price on rating day    | 0.70           | 0.73           |

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

|                     |            |            |             |
|---------------------|------------|------------|-------------|
| <b>Budimex</b>      |            |            |             |
| <b>Rating</b>       | <b>buy</b> | <b>buy</b> | <b>hold</b> |
| Rating date         | 2018-02-02 | 2017-07-24 | 2017-05-08  |
| Target price (PLN)  | 246.00     | 267.00     | 238.40      |
| Price on rating day | 197.80     | 229.50     | 275.65      |

|                     |                   |                |                   |
|---------------------|-------------------|----------------|-------------------|
| <b>Bytom</b>        |                   |                |                   |
| <b>Rating</b>       | <b>overweight</b> | <b>neutral</b> | <b>overweight</b> |
| Rating date         | 2017-11-28        | 2017-09-13     | 2017-08-25        |
| Target price (PLN)  | -                 | -              | -                 |
| Price on rating day | 2.50              | 2.67           | 2.37              |

**BZ WBK**

| Rating              | buy        | hold       | hold       | accumulate | accumulate | hold       |
|---------------------|------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-02-01 | 2017-12-01 | 2017-11-03 | 2017-09-01 | 2017-05-08 |
| Target price (PLN)  | 430.00     | 430.00     | 377.87     | 377.87     | 400.10     | 332.34     |
| Price on rating day | 357.80     | 420.00     | 370.00     | 358.50     | 369.60     | 351.25     |

**Capital Park**

| Rating              | buy        |
|---------------------|------------|
| Rating date         | 2018-02-02 |
| Target price (PLN)  | 8.42       |
| Price on rating day | 5.95       |

**CCC**

| Rating              | buy        | hold       | hold       | buy        | accumulate | accumulate |
|---------------------|------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-02-02 | 2018-01-05 | 2017-12-01 | 2017-10-02 | 2017-09-01 |
| Target price (PLN)  | 286.00     | 295.00     | 292.00     | 292.00     | 308.00     | 294.00     |
| Price on rating day | 243.00     | 281.00     | 293.00     | 239.85     | 276.00     | 262.20     |

**CD Projekt**

| Rating              | sell       | sell       | sell       |
|---------------------|------------|------------|------------|
| Rating date         | 2018-02-02 | 2017-10-02 | 2017-09-01 |
| Target price (PLN)  | 90.00      | 74.34      | 59.90      |
| Price on rating day | 115.00     | 116.25     | 83.40      |

**CEZ**

| Rating              | hold       | hold       | accumulate | accumulate | buy        | accumulate | accumulate |
|---------------------|------------|------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-02-02 | 2017-12-01 | 2017-11-03 | 2017-10-02 | 2017-09-01 | 2017-06-27 |
| Target price (CZK)  | 506.40     | 532.50     | 548.60     | 512.33     | 512.33     | 468.78     | 453.01     |
| Price on rating day | 495.00     | 530.00     | 490.70     | 481.30     | 441.30     | 416.00     | 399.00     |

**Ciech**

| Rating              | buy        | buy        | buy        | buy        | buy        | hold       |
|---------------------|------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-02-02 | 2017-10-02 | 2017-09-01 | 2017-06-02 | 2017-03-24 |
| Target price (PLN)  | 85.87      | 90.13      | 79.54      | 77.07      | 82.00      | 82.00      |
| Price on rating day | 55.90      | 61.25      | 65.16      | 62.73      | 69.69      | 81.00      |

**Comarch**

| Rating              | hold       | hold       | buy        | accumulate | accumulate | hold       | hold       |
|---------------------|------------|------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-02-02 | 2017-11-27 | 2017-11-03 | 2017-10-02 | 2017-09-01 | 2017-06-02 |
| Target price (PLN)  | 166.50     | 180.00     | 205.00     | 185.00     | 195.00     | 195.00     | 205.00     |
| Price on rating day | 155.00     | 177.00     | 178.30     | 163.50     | 178.50     | 195.00     | 223.00     |

**Cyfrowy Polsat**

| Rating              | accumulate | hold       | hold       | reduce     |
|---------------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-01-31 | 2017-11-03 | 2017-08-29 |
| Target price (PLN)  | 24.90      | 25.70      | 24.40      | 24.40      |
| Price on rating day | 22.80      | 24.70      | 24.58      | 27.80      |

**Dino**

| Rating              | buy        | buy        |
|---------------------|------------|------------|
| Rating date         | 2018-02-02 | 2018-01-18 |
| Target price (PLN)  | 95.40      | 95.40      |
| Price on rating day | 85.00      | 80.00      |

**Dom Development**

| Rating              | buy        | buy        | accumulate | buy        |
|---------------------|------------|------------|------------|------------|
| Rating date         | 2018-02-02 | 2017-09-01 | 2017-06-02 | 2017-05-12 |
| Target price (PLN)  | 103.00     | 101.10     | 81.70      | 81.70      |
| Price on rating day | 82.00      | 82.25      | 76.10      | 70.20      |

**Echo**

| Rating              | buy        | buy        | buy        | accumulate |
|---------------------|------------|------------|------------|------------|
| Rating date         | 2018-02-02 | 2017-10-02 | 2017-09-01 | 2017-07-03 |
| Target price (PLN)  | 6.31       | 6.42       | 6.64       | 6.64       |
| Price on rating day | 5.05       | 5.19       | 5.21       | 6.26       |

**Elektrobudowa**

| Rating              | buy        | buy        | buy        | hold       |
|---------------------|------------|------------|------------|------------|
| Rating date         | 2018-02-02 | 2017-09-01 | 2017-05-08 | 2017-04-05 |
| Target price (PLN)  | 113.00     | 134.00     | 146.00     | 146.00     |
| Price on rating day | 81.20      | 109.50     | 120.55     | 139.90     |

**Elektrotim**

| Rating              | overweight | underweight | neutral    | underweight |
|---------------------|------------|-------------|------------|-------------|
| Rating date         | 2017-11-16 | 2017-10-24  | 2017-09-14 | 2017-03-06  |
| Target price (PLN)  | -          | -           | -          | -           |
| Price on rating day | 7.61       | 9.76        | 11.98      | 15.07       |

**Elemental**

| Rating              | neutral    |
|---------------------|------------|
| Rating date         | 2017-08-31 |
| Target price (PLN)  | -          |
| Price on rating day | 2.55       |

**Enea**

| Rating              | buy        | accumulate | accumulate | hold       | hold       | hold       | hold       |
|---------------------|------------|------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-02-02 | 2018-01-05 | 2017-12-01 | 2017-10-02 | 2017-09-01 | 2017-06-27 |
| Target price (PLN)  | 12.11      | 12.98      | 12.82      | 12.82      | 14.59      | 15.23      | 12.60      |
| Price on rating day | 10.36      | 11.07      | 12.19      | 11.89      | 14.80      | 15.25      | 13.14      |

**Energia**

| Rating              | buy        | buy        | buy        | buy        | accumulate | hold       | accumulate | hold       |
|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-02-02 | 2018-01-05 | 2017-12-01 | 2017-10-02 | 2017-09-01 | 2017-07-21 | 2017-06-27 |
| Target price (PLN)  | 14.71      | 15.20      | 14.97      | 14.81      | 14.49      | 13.50      | 13.20      | 10.71      |
| Price on rating day | 10.11      | 12.21      | 12.60      | 12.09      | 13.40      | 13.64      | 11.65      | 10.87      |

**Erbud**

| Rating              | buy        | buy        | buy        | buy        | accumulate | hold       |
|---------------------|------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2017-12-15 | 2017-11-03 | 2017-09-01 | 2017-06-02 | 2017-04-05 |
| Target price (PLN)  | 29.40      | 28.70      | 29.80      | 31.30      | 33.50      | 33.50      |
| Price on rating day | 21.30      | 20.60      | 24.70      | 26.00      | 31.50      | 32.98      |



**Ergis**

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

**Erste Bank**

|                     |             |             |                   |
|---------------------|-------------|-------------|-------------------|
| <b>Rating</b>       | <b>hold</b> | <b>hold</b> | <b>accumulate</b> |
| Rating date         | 2018-02-02  | 2017-09-01  | 2017-06-02        |
| Target price (EUR)  | 40.00       | 35.98       | 35.98             |
| Price on rating day | 40.64       | 35.50       | 32.67             |

**Eurocash**

|                     |            |            |            |            |            |
|---------------------|------------|------------|------------|------------|------------|
| <b>Rating</b>       | <b>buy</b> | <b>buy</b> | <b>buy</b> | <b>buy</b> | <b>buy</b> |
| Rating date         | 2018-03-05 | 2018-02-02 | 2017-12-01 | 2017-10-02 | 2017-09-01 |
| Target price (PLN)  | 31.10      | 32.30      | 38.30      | 44.30      | 47.60      |
| Price on rating day | 21.99      | 26.04      | 27.48      | 38.62      | 39.14      |

**Famur**

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

**Forte**

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

**GetBack**

|                     |            |
|---------------------|------------|
| <b>Rating</b>       | <b>buy</b> |
| Rating date         | 2017-11-30 |
| Target price (PLN)  | 33.38      |
| Price on rating day | 23.00      |

**Getin Noble Bank**

|                     |             |             |             |             |
|---------------------|-------------|-------------|-------------|-------------|
| <b>Rating</b>       | <b>hold</b> | <b>sell</b> | <b>sell</b> | <b>hold</b> |
| Rating date         | 2018-03-05  | 2018-02-01  | 2017-11-03  | 2017-09-01  |
| Target price (PLN)  | 1.50        | 1.50        | 1.27        | 1.27        |
| Price on rating day | 1.45        | 1.83        | 1.61        | 1.28        |

**Gino Rossi**

|                     |                |                   |
|---------------------|----------------|-------------------|
| <b>Rating</b>       | <b>neutral</b> | <b>overweight</b> |
| Rating date         | 2017-11-28     | 2017-08-25        |
| Target price (PLN)  | -              | -                 |
| Price on rating day | 1.29           | 1.78              |

**Grupa Azoty**

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

**GTC**

|                     |                   |             |             |             |
|---------------------|-------------------|-------------|-------------|-------------|
| <b>Rating</b>       | <b>accumulate</b> | <b>hold</b> | <b>hold</b> | <b>hold</b> |
| Rating date         | 2018-03-05        | 2018-02-02  | 2018-01-05  | 2017-08-02  |
| Target price (PLN)  | 9.70              | 9.70        | 10.00       | 9.59        |
| Price on rating day | 8.64              | 9.67        | 9.90        | 9.62        |

**Handlowy**

|                     |                   |             |
|---------------------|-------------------|-------------|
| <b>Rating</b>       | <b>accumulate</b> | <b>hold</b> |
| Rating date         | 2018-02-01        | 2018-01-05  |
| Target price (PLN)  | 94.00             | 85.00       |
| Price on rating day | 84.70             | 83.70       |

**Herkules**

|                     |                |                |                   |
|---------------------|----------------|----------------|-------------------|
| <b>Rating</b>       | <b>neutral</b> | <b>neutral</b> | <b>overweight</b> |
| Rating date         | 2018-01-25     | 2017-10-24     | 2017-06-02        |
| Target price (PLN)  | -              | -              | -                 |
| Price on rating day | 3.67           | 3.60           | 4.17              |

**i2 Development**

|                     |                   |
|---------------------|-------------------|
| <b>Rating</b>       | <b>overweight</b> |
| Rating date         | 2018-01-12        |
| Target price (PLN)  | -                 |
| Price on rating day | 14.90             |

**ING BSK**

|                     |                   |             |             |               |
|---------------------|-------------------|-------------|-------------|---------------|
| <b>Rating</b>       | <b>accumulate</b> | <b>hold</b> | <b>sell</b> | <b>reduce</b> |
| Rating date         | 2018-03-05        | 2018-02-01  | 2017-12-01  | 2017-04-05    |
| Target price (PLN)  | 212.00            | 212.00      | 152.39      | 152.39        |
| Price on rating day | 198.00            | 220.00      | 203.00      | 171.00        |

**Jeronimo Martins**

|                     |                   |             |             |                   |             |             |
|---------------------|-------------------|-------------|-------------|-------------------|-------------|-------------|
| <b>Rating</b>       | <b>accumulate</b> | <b>hold</b> | <b>hold</b> | <b>accumulate</b> | <b>hold</b> | <b>hold</b> |
| Rating date         | 2018-03-05        | 2018-02-02  | 2017-12-01  | 2017-11-03        | 2017-09-01  | 2017-05-08  |
| Target price (EUR)  | 16.90             | 16.90       | 17.10       | 17.10             | 17.10       | 16.90       |
| Price on rating day | 15.17             | 17.12       | 16.50       | 15.85             | 16.76       | 17.09       |

**JSW**

|                     |            |            |
|---------------------|------------|------------|
| <b>Rating</b>       | <b>buy</b> | <b>buy</b> |
| Rating date         | 2018-03-05 | 2018-01-30 |
| Target price (PLN)  | 120.71     | 122.30     |
| Price on rating day | 92.80      | 101.00     |

**JWC**

|                     |                |
|---------------------|----------------|
| <b>Rating</b>       | <b>neutral</b> |
| Rating date         | 2018-01-25     |
| Target price (PLN)  | -              |
| Price on rating day | 4.41           |

#### Kernel

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

#### Grupa Kety

| Rating              | hold       | hold       | hold       | hold       |
|---------------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-02-02 | 2018-01-05 | 2017-09-01 |
| Target price (PLN)  | 379.66     | 391.41     | 390.72     | 414.09     |
| Price on rating day | 352.50     | 385.00     | 408.00     | 402.10     |

#### KGHM

| Rating              | accumulate | accumulate | hold       | hold       | reduce     | hold       | hold       | accumulate | buy        | accumulate | hold       |
|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-02-02 | 2018-01-05 | 2017-12-08 | 2017-11-23 | 2017-10-02 | 2017-09-01 | 2017-08-02 | 2017-07-03 | 2017-04-05 | 2017-03-02 |
| Target price (PLN)  | 122.81     | 128.62     | 114.71     | 103.08     | 103.08     | 124.12     | 130.96     | 132.22     | 132.22     | 132.22     | 132.22     |
| Price on rating day | 102.50     | 111.50     | 113.10     | 100.00     | 114.25     | 117.40     | 126.10     | 121.00     | 110.65     | 120.10     | 131.50     |

#### Komercni Banka

| Rating              | buy        | accumulate |
|---------------------|------------|------------|
| Rating date         | 2017-12-01 | 2017-09-01 |
| Target price (CZK)  | 1111.00    | 1111.00    |
| Price on rating day | 899.00     | 966.50     |

#### Kruk

| Rating              | buy        | buy        | reduce     | sell       |
|---------------------|------------|------------|------------|------------|
| Rating date         | 2018-02-02 | 2017-10-02 | 2017-09-01 | 2017-05-08 |
| Target price (PLN)  | 300.94     | 340.17     | 308.06     | 219.64     |
| Price on rating day | 222.20     | 293.45     | 340.95     | 293.85     |

#### Kruszwica

| Rating              | neutral    |
|---------------------|------------|
| Rating date         | 2017-03-29 |
| Target price (PLN)  | -          |
| Price on rating day | 63.50      |

#### LC Corp

| Rating              | buy        | buy        |
|---------------------|------------|------------|
| Rating date         | 2018-02-02 | 2017-09-26 |
| Target price (PLN)  | 3.74       | 3.54       |
| Price on rating day | 3.10       | 2.69       |

#### Lokum Deweloper

| Rating              | overweight | overweight |
|---------------------|------------|------------|
| Rating date         | 2018-01-25 | 2017-09-14 |
| Target price (PLN)  | -          | -          |
| Price on rating day | 18.00      | 16.30      |

#### Lotos

| Rating              | reduce     | reduce     | reduce     | sell       | sell       | reduce     | sell       |
|---------------------|------------|------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-02-02 | 2018-01-05 | 2017-11-29 | 2017-11-03 | 2017-10-02 | 2017-09-01 |
| Target price (PLN)  | 51.08      | 52.67      | 51.53      | 51.53      | 51.61      | 51.61      | 48.25      |
| Price on rating day | 56.30      | 57.78      | 58.48      | 61.66      | 66.37      | 59.75      | 58.86      |

#### LPP

| Rating              | accumulate | hold       | hold       | hold       | hold       | hold       | accumulate | sell       |
|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-02-02 | 2018-01-05 | 2017-12-01 | 2017-10-02 | 2017-09-01 | 2017-06-20 | 2017-04-05 |
| Target price (PLN)  | 9500.00    | 9400.00    | 9900.00    | 8200.00    | 8400.00    | 8800.00    | 7400.00    | 5300.00    |
| Price on rating day | 8,620.00   | 9,790.00   | 9,990.00   | 8,173.95   | 8,172.05   | 8,696.65   | 6,700.00   | 6,635.25   |

#### Mangata

| Rating              | neutral    |
|---------------------|------------|
| Rating date         | 2016-10-26 |
| Target price (PLN)  | -          |
| Price on rating day | 112.55     |

#### Millennium

| Rating              | sell       | sell       | reduce     |
|---------------------|------------|------------|------------|
| Rating date         | 2018-02-01 | 2017-05-08 | 2017-04-05 |
| Target price (PLN)  | 7.00       | 5.81       | 5.81       |
| Price on rating day | 9.59       | 7.06       | 6.67       |

#### MOL

| Rating              | hold       | hold       | hold       | hold       | hold       |
|---------------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-03-05 | 2018-02-02 | 2017-11-29 | 2017-10-02 | 2017-09-01 |
| Target price (HUF)  | 3027.00    | 3152.00    | 3104.00    | 3077.00    | 2865.00    |
| Price on rating day | 2,718.00   | 3,080.00   | 3,121.00   | 3,000.00   | 2,977.50   |

#### Monnari

| Rating              | overweight | overweight | neutral    |
|---------------------|------------|------------|------------|
| Rating date         | 2017-11-28 | 2017-09-13 | 2017-08-25 |
| Target price (PLN)  | -          | -          | -          |
| Price on rating day | 8.21       | 8.93       | 7.89       |

#### Netia

| Rating              | reduce     | hold       |
|---------------------|------------|------------|
| Rating date         | 2018-02-02 | 2017-09-01 |
| Target price (PLN)  | 4.60       | 4.00       |
| Price on rating day | 5.30       | 3.90       |

#### Orange Polska

| Rating              | buy        | buy        | buy        |
|---------------------|------------|------------|------------|
| Rating date         | 2017-12-12 | 2017-06-30 | 2017-03-09 |
| Target price (PLN)  | 7.30       | 7.10       | 6.90       |
| Price on rating day | 5.39       | 5.15       | 4.67       |

#### OTP Bank

| Rating              | accumulate | hold       | accumulate | hold       | accumulate | hold       |
|---------------------|------------|------------|------------|------------|------------|------------|
| Rating date         | 2018-02-02 | 2018-01-05 | 2017-12-01 | 2017-11-03 | 2017-10-02 | 2017-09-01 |
| Target price (HUF)  | 12090.00   | 10901.00   | 10901.00   | 10901.00   | 10901.00   | 10901.00   |
| Price on rating day | 11,560.00  | 10,960.00  | 10,055.00  | 10,715.00  | 9,895.00   | 10,445.00  |

**PA Nova**

|                     |                |                |
|---------------------|----------------|----------------|
| <b>Rating</b>       | <b>neutral</b> | <b>neutral</b> |
| Rating date         | 2018-02-28     | 2017-11-27     |
| Target price (PLN)  | -              | -              |
| Price on rating day | 23.30          | 24.00          |

**PBKM**

|                     |             |             |                   |                   |            |                   |
|---------------------|-------------|-------------|-------------------|-------------------|------------|-------------------|
| <b>Rating</b>       | <b>hold</b> | <b>hold</b> | <b>accumulate</b> | <b>accumulate</b> | <b>buy</b> | <b>accumulate</b> |
| Rating date         | 2018-02-02  | 2018-01-05  | 2017-12-01        | 2017-10-02        | 2017-09-01 | 2017-04-05        |
| Target price (PLN)  | 76.00       | 71.00       | 71.00             | 66.30             | 63.90      | 70.00             |
| Price on rating day | 73.00       | 69.60       | 63.00             | 63.00             | 54.50      | 60.50             |

**Prime Car Management**

|                     |            |
|---------------------|------------|
| <b>Rating</b>       | <b>buy</b> |
| Rating date         | 2018-02-02 |
| Target price (PLN)  | 35.30      |
| Price on rating day | 28.80      |

**Pekao**

|                     |            |                   |                   |                   |
|---------------------|------------|-------------------|-------------------|-------------------|
| <b>Rating</b>       | <b>buy</b> | <b>accumulate</b> | <b>accumulate</b> | <b>accumulate</b> |
| Rating date         | 2018-02-01 | 2017-07-18        | 2017-07-03        | 2017-04-05        |
| Target price (PLN)  | 157.00     | 145.42            | 137.42            | 146.10            |
| Price on rating day | 135.90     | 131.25            | 124.80            | 134.60            |

**Pfleiderer Group**

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

**PGE**

|                     |            |                   |                   |             |             |                   |            |
|---------------------|------------|-------------------|-------------------|-------------|-------------|-------------------|------------|
| <b>Rating</b>       | <b>buy</b> | <b>accumulate</b> | <b>accumulate</b> | <b>hold</b> | <b>hold</b> | <b>accumulate</b> | <b>buy</b> |
| Rating date         | 2018-03-05 | 2018-02-02        | 2017-12-01        | 2017-10-02  | 2017-09-01  | 2017-08-02        | 2017-06-27 |
| Target price (PLN)  | 12.61      | 13.30             | 13.20             | 13.61       | 14.98       | 14.46             | 14.46      |
| Price on rating day | 10.28      | 11.87             | 11.93             | 13.30       | 14.27       | 13.29             | 12.29      |

**PGNiG**

|                     |            |            |            |            |                   |                   |                   |
|---------------------|------------|------------|------------|------------|-------------------|-------------------|-------------------|
| <b>Rating</b>       | <b>buy</b> | <b>buy</b> | <b>buy</b> | <b>buy</b> | <b>accumulate</b> | <b>accumulate</b> | <b>accumulate</b> |
| Rating date         | 2018-03-05 | 2018-02-02 | 2017-12-01 | 2017-11-03 | 2017-10-02        | 2017-09-01        | 2017-08-02        |
| Target price (PLN)  | 7.51       | 7.65       | 7.73       | 7.73       | 7.73              | 7.57              | 7.25              |
| Price on rating day | 5.98       | 6.58       | 6.03       | 6.63       | 6.79              | 6.83              | 6.75              |

**PKN Orlen**

|                     |             |             |             |             |             |
|---------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Rating</b>       | <b>sell</b> | <b>sell</b> | <b>sell</b> | <b>sell</b> | <b>sell</b> |
| Rating date         | 2018-03-05  | 2018-02-02  | 2017-11-29  | 2017-10-02  | 2017-09-01  |
| Target price (PLN)  | 80.55       | 82.84       | 81.80       | 86.55       | 81.50       |
| Price on rating day | 95.20       | 107.90      | 121.60      | 121.70      | 117.90      |

**PKO BP**

|                     |               |             |             |
|---------------------|---------------|-------------|-------------|
| <b>Rating</b>       | <b>reduce</b> | <b>sell</b> | <b>sell</b> |
| Rating date         | 2018-03-05    | 2018-02-01  | 2017-12-01  |
| Target price (PLN)  | 38.00         | 38.00       | 31.20       |
| Price on rating day | 42.20         | 45.66       | 42.30       |

**Play**

|                     |             |
|---------------------|-------------|
| <b>Rating</b>       | <b>hold</b> |
| Rating date         | 2018-01-25  |
| Target price (PLN)  | 34.70       |
| Price on rating day | 33.20       |

**Polnord**

|                     |                |                |                    |
|---------------------|----------------|----------------|--------------------|
| <b>Rating</b>       | <b>neutral</b> | <b>neutral</b> | <b>underweight</b> |
| Rating date         | 2018-02-02     | 2017-12-27     | 2017-05-16         |
| Target price (PLN)  | -              | -              | -                  |
| Price on rating day | 10.50          | 8.70           | 10.00              |

**Polwax**

|                     |            |            |            |
|---------------------|------------|------------|------------|
| <b>Rating</b>       | <b>buy</b> | <b>buy</b> | <b>buy</b> |
| Rating date         | 2018-02-02 | 2018-01-05 | 2017-09-01 |
| Target price (PLN)  | 18.80      | 20.56      | 20.53      |
| Price on rating day | 11.05      | 11.95      | 13.54      |

**Pozbud**

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

**PZU**

|                     |            |                   |            |                   |            |
|---------------------|------------|-------------------|------------|-------------------|------------|
| <b>Rating</b>       | <b>buy</b> | <b>accumulate</b> | <b>buy</b> | <b>accumulate</b> | <b>buy</b> |
| Rating date         | 2018-03-05 | 2018-02-02        | 2018-01-05 | 2017-09-01        | 2017-07-18 |
| Target price (PLN)  | 50.58      | 50.58             | 51.83      | 51.83             | 51.83      |
| Price on rating day | 41.55      | 44.17             | 45.00      | 48.50             | 44.19      |

**Ronson**

|                     |                    |                    |
|---------------------|--------------------|--------------------|
| <b>Rating</b>       | <b>underweight</b> | <b>underweight</b> |
| Rating date         | 2018-02-02         | 2017-03-06         |
| Target price (PLN)  | -                  | -                  |
| Price on rating day | 1.45               | 1.80               |

**Skarbiec Holding**

|                     |            |
|---------------------|------------|
| <b>Rating</b>       | <b>buy</b> |
| Rating date         | 2018-02-02 |
| Target price (PLN)  | 56.30      |
| Price on rating day | 30.60      |

**Stelmet**

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

#### Tarczyński

|                     |                |                   |                |
|---------------------|----------------|-------------------|----------------|
| <b>Rating</b>       | <b>neutral</b> | <b>overweight</b> | <b>neutral</b> |
| Rating date         | 2018-01-29     | 2017-11-20        | 2017-05-31     |
| Target price (PLN)  | -              | -                 | -              |
| Price on rating day | 13,05          | 11,00             | 11,20          |

#### Tauron

|                     |             |             |             |             |             |             |             |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Rating</b>       | <b>hold</b> | <b>hold</b> | <b>hold</b> | <b>hold</b> | <b>hold</b> | <b>hold</b> | <b>hold</b> |
| Rating date         | 2018-03-05  | 2018-02-02  | 2017-12-01  | 2017-10-02  | 2017-09-01  | 2017-06-27  | 2017-04-05  |
| Target price (PLN)  | 2,98        | 3,38        | 3,23        | 3,64        | 3,89        | 3,67        | 3,03        |
| Price on rating day | 2,69        | 3,08        | 3,10        | 3,75        | 3,92        | 3,65        | 3,35        |

#### Torpol

|                     |                |                |                |                |                   |
|---------------------|----------------|----------------|----------------|----------------|-------------------|
| <b>Rating</b>       | <b>neutral</b> | <b>neutral</b> | <b>neutral</b> | <b>neutral</b> | <b>overweight</b> |
| Rating date         | 2018-02-02     | 2018-01-25     | 2017-11-27     | 2017-10-24     | 2017-09-14        |
| Target price (PLN)  | -              | -              | -              | -              | -                 |
| Price on rating day | 7,98           | 8,16           | 8,55           | 10,93          | 12,05             |

#### Trakcja

|                     |                |                |                    |                    |                |
|---------------------|----------------|----------------|--------------------|--------------------|----------------|
| <b>Rating</b>       | <b>neutral</b> | <b>neutral</b> | <b>underweight</b> | <b>underweight</b> | <b>neutral</b> |
| Rating date         | 2018-02-02     | 2018-01-25     | 2017-11-27         | 2017-10-24         | 2017-09-14     |
| Target price (PLN)  | -              | -              | -                  | -                  | -              |
| Price on rating day | 7,24           | 7,56           | 7,69               | 10,30              | 12,80          |

#### TXM

|                     |            |            |            |            |            |            |
|---------------------|------------|------------|------------|------------|------------|------------|
| <b>Rating</b>       | <b>buy</b> | <b>buy</b> | <b>buy</b> | <b>buy</b> | <b>buy</b> | <b>buy</b> |
| Rating date         | 2018-02-02 | 2017-12-01 | 2017-11-03 | 2017-09-01 | 2017-06-08 | 2017-03-09 |
| Target price (PLN)  | 5,41       | 5,74       | 5,77       | 6,10       | 6,25       | 6,95       |
| Price on rating day | 2,36       | 2,02       | 1,99       | 2,97       | 4,00       | 5,50       |

#### Ulma

|                     |                |
|---------------------|----------------|
| <b>Rating</b>       | <b>neutral</b> |
| Rating date         | 2017-11-27     |
| Target price (PLN)  | -              |
| Price on rating day | 73,90          |

#### Unibep

|                     |            |                   |            |            |
|---------------------|------------|-------------------|------------|------------|
| <b>Rating</b>       | <b>buy</b> | <b>accumulate</b> | <b>buy</b> | <b>buy</b> |
| Rating date         | 2018-02-02 | 2018-01-05        | 2017-11-03 | 2017-09-01 |
| Target price (PLN)  | 10,80      | 10,80             | 14,00      | 15,40      |
| Price on rating day | 8,60       | 9,76              | 9,90       | 12,20      |

#### Vistula

|                     |                |                   |                |                   |                   |
|---------------------|----------------|-------------------|----------------|-------------------|-------------------|
| <b>Rating</b>       | <b>neutral</b> | <b>overweight</b> | <b>neutral</b> | <b>overweight</b> | <b>overweight</b> |
| Rating date         | 2018-02-02     | 2018-01-19        | 2017-12-13     | 2017-11-28        | 2017-08-25        |
| Target price (PLN)  | -              | -                 | -              | -                 | -                 |
| Price on rating day | 5,16           | 4,34              | 4,36           | 3,88              | 3,26              |

#### Wasko

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| <b>Rating</b>       | <b>overweight</b> | <b>overweight</b> |
| Rating date         | 2018-01-30        | 2017-11-28        |
| Target price (PLN)  | -                 | -                 |
| Price on rating day | 2,24              | 1,98              |

#### Wirtualna Polska

|                     |                   |                   |            |                   |
|---------------------|-------------------|-------------------|------------|-------------------|
| <b>Rating</b>       | <b>accumulate</b> | <b>accumulate</b> | <b>buy</b> | <b>accumulate</b> |
| Rating date         | 2018-02-02        | 2018-01-05        | 2017-11-03 | 2017-09-01        |
| Target price (PLN)  | 56,10             | 53,00             | 53,00      | 53,00             |
| Price on rating day | 51,80             | 48,20             | 43,00      | 47,89             |

#### ZUE

|                     |                |                |                    |                    |                   |
|---------------------|----------------|----------------|--------------------|--------------------|-------------------|
| <b>Rating</b>       | <b>neutral</b> | <b>neutral</b> | <b>underweight</b> | <b>underweight</b> | <b>overweight</b> |
| Rating date         | 2018-02-02     | 2018-01-25     | 2017-11-27         | 2017-09-14         | 2017-04-12        |
| Target price (PLN)  | -              | -              | -                  | -                  | -                 |
| Price on rating day | 6,18           | 6,44           | 6,89               | 9,20               | 12,35             |



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