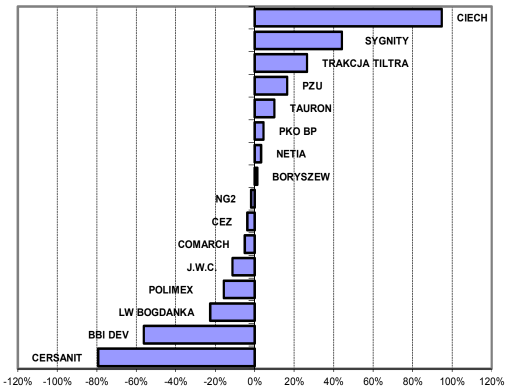
21 July 2011

Equity Market

WIG	46,811
Average 2011E P/E	12.2
Average 2012E P/E	10.3
Avg dialy trading volume (3M)	PLN 980m

EPS growth for selected companies*



**calculated for: Q2'10-Q1'11 / Q3'10-Q2'11*

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Periodic Report

BRE Bank Securities

Forecasts of Quarterly Results

Q2 2011

Financial Sector. The banks in our coverage universe are expected to experience quarter-on-quarter expansion in interest margins and continued improvement in loan quality. Strong bottom-line growth relative to Q1 should be reported by PKO BP, Pekao, and Millennium, while Handlowy and Getin Holding may disappoint. The insurer PZU and the debt collector Kruk both had a successful second quarter.

Gas&Oil. The Q2 2011 profits of Polish refiners will be boosted by inventory gains which we estimate at PLN 530m for PKN Orlen and PLN 110m for Lotos. The recurring profits will be less impressive. In case of the natural gas giant PGNiG, we expect strong performance in E&P.

Power Utilities. On higher electricity prices and continued improvement in distribution profits, we expect Polish power utilities to report year-on-year increases in Q2 2011 EBITDA by some 10%. CEZ will most likely post a 16% y/y drop in net earnings.

Telecoms. Both Netia and TPSA are expected to report Q2 2011 results similar to Q1 2011. TPSA is going to recognize a PLN 1.2bn gain on the sale of Emitel and a provision for a fine imposed by the European Commission.

Media. The consolidation of TV Polsat's revenues will double the Q2 2011 operating profit of Cyfowy Polsat. TVN is also expected to report EBIT growth.

IT. We expect strong Q2 results from Asseco Poland, Sygnity, AB, and Action, while Comarch may disappoint.

Mining & Metals. In spite of weak macro, KGHM's Q2 2011 profits will be close to the record Q1 2011 levels thanks to dividends received from subsidiaries. The coal miner LWB had a weak second quarter.

Manufacturers. We expect significant earnings improvement from Astarta, Centrum Klima, Famur, Kernel, Kopex, and Grupa Kęty. Cersanit will report deteriorating profits, and the growth generated by Boryszew and Impexmetal will be constrained by numerous one-offs. CEDC's Q2 results will be weak in line with the earnings warning.

Construction. Except for Budimex and PBG, large general contractors are expected to post weak second-quarter earnings (low profits, negative OCF). Smaller builders will report strong profits showing quarter-on-quarter improvement.

Property Developers. The Q2 2011 earnings of Polnord will be boosted by a compensation payment. Commercial developers are expected to report quarter-on-quarter declines. BBI Development may recognize a bottom-line loss.

Retailers & Wholesalers. We expect better-than-forecasted Q2 results from LPP, NG2, and Redan. LPP, NG2, and Vistula will report improvement relative to Q2 2010, and Eurocash should recognize higher sales and EBIT thanks to consolidation effects. Year-on-year deterioration in earnings is expected from NFI EMF.

BRE Bank Securities does not rule out offering brokerage services to an issuer of securities being the subject of a recommendation. Information concerning a conflict of interest arising in connection with issuing a recommendation (should such a conflict exist) is located on the final page of this report.

Banks

Getin

Banks — **Reduce**

Analyst:	FY10E P/E 7.5	FY10E P/BV 1.52	**Current price PLN 11.84**
Iza Rokicka	FY11E P/E 11.2	FY11E P/BV 1.34	**Target price PLN 12.7**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Net interest income	391	316	23%	751	605	24%	1 590	1 273	25%
Net fee income	3.09%	3.16%	-	3.06%	3.12%	-	3.11%	3.09%	-
NIM	135	115	18%	288	229	26%	605	556	9%
Income f. bank oper.	729	642	14%	1 428	1 193	20%	2 951	2 521	17%
Operating expenses	-259	-233	11%	-529	-436	21%	-1 078	-933	15%
Operating income*	1 145	417	174%	1 523	763	100%	2 435	1 545	58%
Provisions	-297	-293	1%	-531	-575	-8%	-903	-1 055	-14%
Pre-tax income	843	123	-	987	186	-	1 516	485	213%
Net income	698	105	-	786	215	266%	1 151	421	173%

** before provisions*

Recurrent net profit under pressure from high provisions; interest margin improving gradually

We expect a reported net profit of PLN 698m, including a PLN 608m gain on the sale and revaluation of Open Finance. Thus, the adjusted (recurrent) net profit will be a mere PLN 90m (+1% q/q). In addition, we expect that the potential negative goodwill from the purchase of Allianz Bank below book value (ca. PLN 90m) will be neutralized by the consolidation of its loss.

We expect a very strong improvement in interest income (+8% q/a and +23% y/y to PLN 391m) thanks in part to higher volumes and in part to an improvement in the interest margin (+11bps q/q to 3.1%). We expect a 11% q/q decline in fee income to PLN 135m in consequence of a change in the method of consolidation of Open Finance (no change q/q on pro-forma basis). We expect a 4% q/q reduction in costs to PLN 259m following a change in the method of consolidation of Open Finance (a 9% q/q increase on pro-forma basis stemming from increased marketing expenditures and the creation of provisions for annual bonuses). We expect a material increase in the costs of risk (+52bps q/q to 315bps) driven by mortgage provisions. We expect a 26% q/q increase in provisions to PLN 297m.

Handlowy

Banks — **Hold**

Analyst:	FY10E P/E 12.2	FY10E P/BV 1.59	**Current price PLN 84.0**
Iza Rokicka	FY11E P/E 10.3	FY11E P/BV 1.49	**Target price PLN 88.3**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Net interest income	353	374	-6%	700	747	-6%	1 510	1 497	1%
Net fee income	2.75%	3.85%	-	3.71%	3.84%	-	3.80%	3.99%	-
NIM	168	166	1%	338	317	7%	714	655	9%
Income f. bank oper.	601	682	-12%	1 204	1 286	-6%	2 648	2 563	3%
Operating expenses	-360	-351	3%	-706	-677	4%	-1 412	-1 375	3%
Operating income*	245	339	-28%	509	613	-17%	1 273	1 184	7%
Provisions	-25	-89	-72%	-67	-166	-60%	-144	-243	-41%
Pre-tax income	220	250	-12%	442	447	-1%	1 129	943	20%
Net income	178	198	-10%	359	349	3%	903	755	20%

** before provisions*

Disappointing income, shrinking net profit

We expect the net profit to decline by 2% q/q and 10% y/y to PLN 178m. The main source of the disappointment is the income side.

Although we expect a 2% q/q increase in interest income to PLN 353m, we see this as a disappointing result, as it entails a 6% y/y reduction. Interest margin has been shrinking due to considerable pressure on the loan margin stemming from interest rate cuts on corporate loans and the declining share of retail loans in the overall portfolio. Fee income will be weak as well (flat q/q and y/y). Although the Bank is selling credit cards aggressively, in the short terms such a strategy generates higher fee expenses than fee income. We expect trading income of a mere PLN 79m (-8% q/q, -44% y/y). As for expenses, we expect a 4% q/q and 3% y/y increase to PLN 360m, driven mostly by payroll expenses (+7% q/q), especially bonuses. In our opinion, provisions will be one of the few positive aspects of the upcoming earnings release, with the cost of risk at 82bps (-60bps q/q) and provisions of PLN 25m (-40% q/q).

Banks

ING BSK

Buy

Analyst: Iza Rokicka

FY10E P/E	12.0	FY10E P/BV	1.72	**Current price**	**PLN 830.0**
FY11E P/E	10.5	FY11E P/BV	1.55	**Target price**	**PLN 960.0**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Net interest income	448	405	10%	883	796	11%	1 788	1 628	10%
Net fee income	2.71%	2.62%	-	2.70%	2.62%	-	2.73%	2.62%	-
NIM	252	247	2%	503	475	6%	1 060	987	7%
Income f. bank oper.	720	663	9%	1 435	1 307	10%	2 927	2 683	9%
Operating expenses	-420	-403	4%	-829	-798	4%	-1 662	-1 583	5%
Operating income*	304	265	15%	618	525	18%	1 286	1 097	17%
Provisions	-45	-39	15%	-102	-87	17%	-192	-204	-6%
Pre-tax income	265	236	12%	532	456	17%	1 117	934	20%
Net income	215	192	12%	427	369	16%	900	753	20%

** before provisions*

Stable earnings without surprises

We are forecasting a bottom line of PLN 215m (1% q/q, 12% y/y). The main reason why q/q growth will be slow is weak trading income coupled with stagnant fee income. We expect ING BSK to report strong growth in volumes for loans and deposits alike. Loans will grow thanks to relatively strong new lending, while deposits will increase thanks to a promotional campaign for savings accounts. Volume growth will be the main driver of a 3% q/q increase in interest income to PLN 448m. We expect that fee income will remain flat q/q at PLN 252m. Trading income will fall q/q to PLN 20m due to the high base reported in Q1'11 (sale of a bond portfolio at a profit). Operating expenses will increase by 3% q/q to PLN 420m primarily in consequence of salary hikes (by 4.5% q/q on average). Provisions are expected to decline by 21% q/q to PLN 45m due to the high base of Q1'11, when the Bank created additional provisions for retail loans (a one-off).

Banks

Kredyt Bank

Hold

Analyst: Iza Rokicka

FY10E P/E	14.1	FY10E P/BV	1.48	**Current price**	**PLN 17.25**
FY11E P/E	10.6	FY11E P/BV	1.30	**Target price**	**PLN 17.0**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Net interest income	295	271	9%	580	547	6%	1 222	1 128	8%
Net fee income	2.56%	2.64%	-	2.60%	2.69%	-	2.75%	2.74%	-
NIM	83	76	9%	163	157	4%	349	330	6%
Income f. bank oper.	395	380	4%	781	765	2%	1 713	1 588	8%
Operating expenses	-251	-227	10%	-483	-452	7%	-985	-928	6%
Operating income*	155	161	-3%	320	336	-5%	775	703	10%
Provisions	-60	-141	-58%	-49	-239	-80%	-363	-472	-23%
Pre-tax income	96	20	383%	274	99	178%	415	235	77%
Net income	77	14	-	211	73	188%	332	186	78%

** before provisions*

Operating income under pressure from mounting expenses, but provisions will remain low

We expect a bottom line of PLN 77m. A 43% q/q reduction is a consequence of the fact that a sizable one-off profit was recognized in Q1'11 (PLN 51.5m). Adjusted for this, we expect a 7% q/q reduction.

We also expect a slight increase in net loans (+2% q/q), partially in consequence of the appreciation of the CHF vs. the PLN. On the other hand, we believe that the new promotional campaign for current accounts will not bring an increase in deposits yet, and we expect that these will shrink by 2% q/q. While we do not expect assets to expand, we believe that interest income will increase by 3% q/q. We expect a marginal improvement in interest margin (+2bps q/q to 2.6%) driven by the deposit margin. We expect a 3% q/q increase in fee income to PLN 83m from the low level reported in Q1’11. Trading income will be relatively weak at just PLN 17m (-15% q/q), and operating expenses (+8% q/q) will be under relatively strong pressure from the costs of the marketing campaign. Moreover, we expect a 3% increase in payroll expenses driven by salary hikes. The costs of risk should improve further (after adjustment for one-offs recorded in Q1'11). We expect provisions of just PLN 60m, which represents a 2% q/q improvement over the adjusted value

Banks

Millennium

Reduce

Analyst: Iza Rokicka

FY10E P/E	14.4	FY10E P/BV	1.46	**Current price**	**PLN 5.31**
FY11E P/E	10.7	FY11E P/BV	1.33	**Target price**	**PLN 5.0**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Net interest income	296	240	23%	569	474	20%	1 160	1 010	15%
Net fee income	2.54%	2.10%	-	2.42%	2.08%	-	2.38%	2.20%	-
NIM	144	136	6%	294	284	4%	601	565	6%
Income f. bank oper.	488	404	21%	929	825	13%	1 923	1 714	12%
Operating expenses	-280	-269	4%	-553	-524	6%	-1 147	-1 083	6%
Operating income*	210	134	56%	376	303	24%	779	633	23%
Provisions	-45	-47	-4%	-82	-130	-37%	-220	-225	-2%
Pre-tax income	165	88	88%	294	173	70%	559	408	37%
Net income	133	70	92%	234	138	70%	447	326	37%

** before provisions*

Net profit to rise 32% q/q driven by strong trading income, revaluation of swaps

We expect a net profit of PLN 133m, which entails an increase by 32% q/q and 92% q/q driven by a considerable improvement in trading income stemming from a positive revaluation of the swap portfolio.

Although we expect a strong expansion of the loan portfolio (+4% q/q), this is partly a consequence of the depreciation of the zloty vs. the Swiss frank at the end of the quarter. We expect slower growth in deposits (+2% q/q). Because we believe that Millennium will improve its deposit margin as the interbank rate grows, we expect a 19bps q/q increase in interest margin to 2.5% and an 8% q/q increase in interest income (inclusive of swap points) to PLN 296m. As far as fee income is concerned, we expect a 6% q/q decline to PLN 144m driven by seasonal factors (insurance gains recognized in Q1). We expect a major improvement in trading income, by 163% q/q (or PLN 30m q/q) to PLN 48m. As swap prices in the market rise, the Bank will make a positive revaluation of a portion of its portfolio (unlike the negative revaluation in Q1 2011). We expect a 3% q/q increase in expenses, mostly in non-payroll expenses. We expect a 21% q/q increase in provisions to PLN 45m (entailing a 7bps q/q increase in the cost of risk to 48bps) driven by a q/q increase in provisions for corporate loans.

Banks

Pekao

Hold

Analyst: Iza Rokicka

FY10E P/E	13.6	FY10E P/BV	1.99	**Current price**	**PLN 160.1**
FY11E P/E	12.1	FY11E P/BV	1.92	**Target price**	**PLN 148.2**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Net interest income	1 082	1 003	8%	2 144	2 008	7%	4 571	4 104	11%
Net fee income	3.24%	3.07%	-	3.20%	3.04%	-	3.17%	3.10%	-
NIM	620	588	5%	1 217	1 161	5%	2 554	2 368	8%
Income f. bank oper.	1 872	1 762	6%	3 678	3 511	5%	7 901	7 197	10%
Operating expenses	-920	-902	2%	-1 819	-1 806	1%	-3 756	-3 649	3%
Operating income*	970	873	11%	1 884	1 735	9%	4 223	3 563	19%
Provisions	-135	-136	-1%	-269	-277	-3%	-504	-538	-6%
Pre-tax income	855	764	12%	1 656	1 505	10%	3 812	3 102	23%
Net income	692	619	12%	1 340	1 222	10%	3 079	2 525	22%

** before provisions*

Double-digit y/y growth in net income finally within reach

We expect a 7% q/q and 12% y/y increase in net profit to PLN 692m

Interest income will increase slightly (+2% q/q) due to a small improvement in interest margin (+7bps q/q to 3.2%). We expect pressure on the loan margin, especially in the corporate segment, which will be more than offset by rising deposit margin (due to rising market rates). We expect a relatively strong fee income (+4% q/q to PLN 620m) and trading income (+16% q/q to PLN 170m) thanks to increased activity on the part of businesses and accelerating lending (mostly in the retail segment). Because we expect a faster increase in income (+4% q/q) than in expenses (+2% q/q), the cost/income ratio will improve by 91bps q/q to 48.7%. Provisions will increase marginally driven by the accelerating retail lending.

Banks

PKO BP

Buy

Analyst: Iza Rokicka

FY10E P/E	13.1	FY10E P/BV	2.18	**Current price**	**PLN 41.4**
FY11E P/E	11.0	FY11E P/BV	1.95	**Target price**	**PLN 49.0**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Net interest income	1 796	1 592	13%	3 515	3 066	15%	7 220	6 516	11%
Net fee income	4.10%	3.95%	-	4.05%	3.81%	-	4.08%	4.00%	-
NIM	802	802	0%	1 540	1 527	1%	3 278	3 143	4%
Income f. bank oper.	2 688	2 461	9%	5 223	4 778	9%	10 880	10 022	9%
Operating expenses	-1 112	-1 021	9%	-2 166	-2 035	6%	-4 470	-4 249	5%
Operating income*	1 620	1 488	9%	3 147	2 820	12%	6 600	5 948	11%
Provisions	-456	-458	0%	-894	-883	1%	-1 650	-1 868	-12%
Pre-tax income	1 164	1 029	13%	2 249	1 932	16%	4 950	4 079	21%
Net income	932	782	19%	1 803	1 502	20%	3 965	3 217	23%

** before provisions*

Rising interest rates will finally be reflected by the interest margin

We expect that net profit will increase by 19% y/y and 7% q/q to PLN 932m.

Loans will expand faster than deposits, as a result of which the loans/deposits ratio will exceed the 100% threshold. We believe that mortgages and corporate loans will be the main driver of lending growth. As far as deposits are concerned, in June the Bank sold CHF 250m worth of Eurobonds, which reduced its need to acquire new client funds. In our opinion, the environment of rising interest rates will facilitate interest margin growth driven by the deposit margin. We expect it to expand to 8bps q/q to 4.1%, leading to a sharp 4% q/q increase in interest income to PLN 1796m. We expect a 9% q/q increase in fee income to PLN 802m, with no increase on last year due to weaker sales or retail loans (except mortgages). All in all, total income will increase by 6% q/q and 9% y/y to PLN 2732m. We believe that operating expenses will increase by 6% q/q and 9% y/y to PLN 1112m, largely due to expenses on the marketing campaign launched in March. We expect costs of risk of 135bps (+2bps q/q), leading to a 4% q/q increase in provisions to PLN 456m. We believe that the appreciation of the CHF vs. the PLN might have led to technical problems with loan repayment, which forced the Bank to create additional loan-loss

Insurance

Insurance	**PZU**				Hold	
Analyst:	FY10E	12.9	FY10E P/BV	2.28	**Current price**	**PLN 371.2**
Iza Rokicka	FY11E	11.7	FY11E P/BV	2.10	**Target price**	**PLN 390.0**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Gross premium written, incl.:	3 615	3 466	4%	7 592	7 271	4%	15 236	14 544	5%
Property insurance	1 936	1 843	5%	8 032	8 022	0%	8 361	8 032	4%
Life insurance	1 679	1 623	3%	6 513	6 341	3%	6 876	6 513	6%
Net claims incurred	-2 523	-2 630	-4%	-4 924	-5 105	-4%	-10 753	-10 299	4%
Expenses	-822	-876	-6%	-1 622	-1 681	-4%	-3 452	-3 515	-2%
Technical income	318	52	-	690	217	218%	925	383	142%
Result on financial assets	655	354	85%	1 129	1 263	-11%	2 291	2 782	-18%
Pre-tax profit	952	459	107%	1 914	1 441	33%	3 077	3 029	2%
Net profit	762	362	110%	1 554	1 170	33%	2 493	2 439	2%

Focus on higher profitability in property insurance, result on financial assets

We expect a high net profit of PLN 762m (-4% q/q, +110% y/y). Our forecast foresees PLN 80m in the reversal of “P-type” reserves (compared to PLN 102m last year vs. PLN 218m in Q1’11).

In the life insurance segment, we expect a 3% y/y increase in premium written to PLN 1.7bn We believe claims and benefits will outpace income, partly due to the creation of reserves for individual policies, and partly due to a reduction in “P-type" reserve reversals. Costs are expected to decline by 6% y/y. We therefore expect a technical (underwriting) profit of PLN 247m (-23% y/y, +9% q/q).

In property insurance, we expect a sharp 5% y/y increase in gross premium written, which will still reflect primarily price hikes introduced in 2010. We expect a seasonal deterioration in the combined ratio from 89.5% in Q1'11 to 93.5%, as a result of which technical income will figure to PLN 129m (vs. the PLN 224m loss recorded in Q2 2010 and a PLN 200m profit in Q1'11).

We expect a strong result on financial assets, as declining bond yields lead to a positive revaluation of the bond portfolio. We expect a bottom line of PLN 655m (+38% q/q, +85% y/y).

Financial services

Financial	Kruk				Buy	
Analyst:	FY10E	10.7	FY10E P/BV	2.86	**Current price**	**PLN 40.14**
Iza Rokicka	FY11E	9.3	FY11E P/BV	2.21	**Target price**	**PLN 53.0**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Total revenue	64.6	b.d.	b.d.	117.7	b.d.	b.d.	264.3	164.3	61%
- Purchased debt	52.5	b.d.	b.d.	95.4	b.d.	b.d.	213.6	118.1	81%
- Collection services	10.6	b.d.	b.d.	20.2	b.d.	b.d.	44.6	44.1	1%
Indirect margin	35.3	b.d.	b.d.	63.1	b.d.	b.d.	127.5	74.7	71%
Indirect margin	*54.6%*	*b.d.*	-	*53.6%*	*b.d.*	-	*48.2%*	*45.5%*	-
Operating profit	25.3	b.d.	b.d.	43.4	b.d.	b.d.	82.6	42.6	94%
Pre-tax profit	20.6	b.d.	b.d.	34.8	b.d.	b.d.	64.4	35.6	81%
Net profit	20.2	b.d.	b.d.	34.3	b.d.	b.d.	61.8	36.1	71%

Strong earnings driven by very good repayment on purchased portfolios

We expect a bottom line of PLN 20.2m +44% q/q, driven by very good repayment results on acquired debt.

We expect that Kruk spent PLN 249m on debt portfolio acquisitions in Q2'11, which will lead to a 72% q/q expansion in the portfolio to PLN 529m. In consequence, we expect a 21% q/q increase in repayments on purchased portfolios to PLN 80m, with revenues increasing by 22% q/q to PLN 52.5m. As far as revenues from collection services are concerned, we expect a 9% q/q growth to PLN 10.6m as corporate loans start to be repaid. We predict an overall increase in revenues by 21% q/q to PLN 64.6m. Although we expect a 16% q/q increase in direct and indirect expenses (by 17% for purchased portfolios and by 9% of outsourced services), this growth remains much slower than revenue growth. We therefore expect a 27% q/q increase in indirect margin to PLN 35.3m and a 40% q/q increase in operating profit to PLN 25.3m. As the purchased debt portfolio expands, we expect an increase in debt financing, resulting in higher costs of financing (+22% q/q to PLN 4.7m) The effective tax rate will be a mere 2%.

Fuels, Chemicals

Ciech — Accumulate

Chemicals

Analyst: Kamil Kliszcz

FY10E P/E	20.4	FY10E EV/EBITDA	4.4	**Current price**	**PLN 19.9**
FY11E P/E	9.2	FY11E EV/EBITDA	4.1	**Target price**	**PLN 30.1**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	1 070.3	988.1	8.3%	2 192.3	1 950.1	12.4%	4 010.5	3 960.3	1.3%
EBITDA	90.0	100.1	-10.1%	186.8	200.7	-6.9%	420.5	382.0	10.1%
margin	8.4%	10.1%	-	8.5%	10.3%	-	10.5%	9.6%	-
EBIT	35.4	40.2	-11.9%	77.6	81.9	-5.2%	188.7	144.2	30.9%
Pre-tax profit	13.6	-23.8	-	29.2	-17.6	-	81.2	52.7	54.0%
Net profit	-7.2	-31.0	-	-5.3	-33.8	-	49.8	20.5	-

EBIT to decline y/y, but with improving quality

In Q2 2011, Ciech's consolidated operating profit should be close last year's value in nominal terms (just as in Q1), but its quality will be much higher, given that other net operating income amounted to a staggering PLN 23m in Q2'10. We expect a clear improvement in both volumes and margins of the Soda segment, where we have a PLN 35m EBIT forecast vs. -PLN 5.3m in Q2'10 (adjusted for one-offs). Unfortunately, this will be neutralized by a ca. PLN 30m reduction in the margin on TDI in the Organic segment. The Agro segment will have a positive impact on earnings, because, despite the sale of Fosfory at the end of April, the Company will earn on services provided to the fertilizer manufacturer (supplies and sales). In addition, the economic situation will be advantageous for Alwernia. W estimate the segment's EBIT at PLN 10m vs. PLN 6.2m in Q2'10. As far as financing activities are concerned, expenses may be slightly lower than in Q1 (-PLN 21.9m vs. –PLN 26.7m) thanks to lower costs of debt, which, however, may be partially neutralized by other positions. All told, the Company will not be able to generate a bottom line profit due to high tax expenses related to the settlement of the transaction with ZAP (ca. PLN 16m) and the inability to use Zachem's losses for tax purposes.

Lotos — Sell

Oil and Gas

Analyst: Kamil Kliszcz

FY10E P/E	9.7	FY10E EV/EBITDA	6.0	**Current price**	**PLN 37.65**
FY11E P/E	5.2	FY11E EV/EBITDA	4.9	**Target price**	**PLN 28.40**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	7 112.9	4 747.1	49.8%	13 632.5	8 658.7	57.4%	25 514.4	19 680.5	29.6%
EBITDA	502.8	383.8	31.0%	1 036.5	595.6	74.0%	1 809.3	1 451.3	24.7%
margin	7.1%	8.1%	-	7.6%	6.9%	-	7.1%	7.4%	-
EBIT	336.2	292.4	15.0%	748.8	424.4	76.4%	1 060.3	1 061.4	-0.1%
Pre-tax profit	402.4	-822.5	-	1 153.9	-821.7	-	809.2	722.0	12.1%
Net profit	326.0	-646.0	-	961.2	-623.1	-	505.0	679.2	-25.6%

Weak economic environment vs. completion of 10+ Program, LIFO effect

Last quarter was not a good one as far as refining margins in the market are concerned. The rising Urals/Brent pricing differential provided some relief, but the reported earnings in refining should be supported by gains on the revaluation of petroleum stocks (+PLN 110m), which is why we forecast an EBIT of ca. PLN 300m in this area. It should be noted that an increase in depreciation charges is possible following the completion of the 10+ Project (at the end of Q1, PLN 4.2bn worth of assets were qualified as fixed assets under construction). In Upstream, we expect a q/q improvement in earnings (PLN 33m vs. PLN 26m), given that Geonafta is now fully consolidated and petroleum prices have risen. In our opinion, the retail segment will make a negligible contribution (PLN 3.5m) due to low margins on gas stations. Relative to last quarter, we do not expect major financing gains (PLN 66m, mostly F/X differences). All told, the bottom line should exceed PLN 326m.

PGNiG

Oil and Gas | **Accumulate**

Analyst: Kamil Kliszcz

FY10E P/E	14.3	FY10E EV/EBITDA	6.8	**Current price**	**PLN 4.26**
FY11E P/E	10.6	FY11E EV/EBITDA	4.7	**Target price**	**PLN 4.83**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	4 385.1	4 129.1	6.2%	11 430.1	10 761.9	6.2%	23 212.4	21 281.2	9.1%
EBITDA	508.9	354.1	43.7%	2 077.5	1 946.9	6.7%	3 724.3	4 411.4	-15.6%
margin	11.6%	8.6%	-	18.3%	18.1%	-	16.0%	20.7%	-
EBIT	119.9	-25.2	-	1 298.9	1 201.7	8.1%	2 087.5	2 886.7	-27.7%
Pre-tax profit	151.6	-19.3	-	1 394.0	1 216.6	14.6%	2 147.8	2 936.1	-26.8%
Net profit	121.1	-3.7	-	1 144.3	991.9	15.4%	1 713.7	2 453.7	-30.2%

Biggest contribution will come from Upstream

According to our estimates, PGNiG's earnings for Q2'11 will show a marked improvement over Q1'10. Due to seasonal patterns, however, Q1'11 performance (EBIT = PLN 1.2bn) will not be matched. Upstream will make the main contribution to consolidated EBIT, generating PLN 215m (vs. PLN 98m last year and PLN 374m in Q1'11). The q/q decline will be a consequence of the traditional downtime at the Dębno mine (lower volumes) and seasonal employee bonuses. In turn, the y/y improvement is a consequence of higher tariffs (price in unregulated sales), higher crude oil prices and higher revenues from exploration services. Trade & Storage should generate a lower operating loss than last year (-PLN 88m vs. -PLN 103m) despite a slight increase in the negative spread on imported gas (-PLN 160 vs. -PLN 143 per thousand cubic meters), because the Company will benefit from a 6.2% increase in the tariff (impact on the margins on domestic gas) and it will recognize hedging gains of PLN 36m. In Distribution, we expect a small EBIT loss of ca. -PLN 15m (due to a seasonal decline in volumes). We estimate financing gains at +PLN 32m (including ca. PLN 30m from the revaluation of the debt of the Norwegian subsidiary following the appreciation of the NOK vs. the USD), and the bottom line should amount to PLN 121m.

PKN Orlen

Oil and Gas | **Sell**

Analyst: Kamil Kliszcz

FY10E P/E	11.1	FY10E EV/EBITDA	5.6	**Current price**	**PLN 45.0**
FY11E P/E	10.4	FY11E EV/EBITDA	5.5	**Target price**	**PLN 41.6**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	25 871.6	21 068.0	22.8%	48 545.5	38 510.1	26.1%	99 520.8	83 547.4	19.1%
EBITDA	1 734.8	1 735.0	0.0%	3 627.6	2 799.9	29.6%	4 847.5	5 545.7	-12.6%
margin	6.7%	8.2%	-	7.5%	7.3%	-	4.9%	6.6%	-
EBIT	1 140.8	1 123.0	1.6%	2 479.6	1 586.9	56.3%	2 164.6	3 123.0	-30.7%
Pre-tax profit	1 242.1	118.0	-	2 617.4	908.9	188.0%	2 291.5	3 070.5	-25.4%
Net profit	976.1	-5.0	-	2 080.6	587.9	253.9%	1 737.0	2 371.7	-26.8%

Strong performance from Anwil, Petrochemicals, and the LIFO effect

In Q2 2011, Orlen's earnings will once again receive a major boost from the LIFO effect, which we estimate at PLN 530m (including sales of heavy crude replaced with light crude, which Orlen excluded from the LIFO effect in Q1 and reported separately). Thus, EBIT in Refinery will amount to PLN 785m (PLN 255m adjusted for LIFO, vs. PLN 530m one year ago), the source of the y/y decline in quality being weaker macroeconomic environment and maintenance downtimes. Retail will also make a poor showing, with reduced margins leading to a y/y decline in the EBIT from PLN 216m to PLN 152m. In turn, consolidated earnings will be supported by the Petrochemical segment, both Anwil (PLN 92m EBIT vs. PLN 38m one year ago) and the olefin business (PLN 260m), thanks mostly to high processing margins. With SG&A expenses at PLN 150m, the Group should generate an EBIT of PLN 1.1bn. Financing income will amount to ca. PLN 100m, thanks to profits from Polkomtel and F/X gains. All told, net profit attributable to shareholders of the parent will be PLN 976m.

Chemicals

Police

Sell

Analyst:	FY10E P/E	9.8	FY10E EV/EBITDA 7.0	**Current price**	**PLN 11.35**
Kamil Kliszcz	FY11E P/E	17.7	FY11E EV/EBITDA 9.5	**Target price**	**PLN 9.70**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	630.7	502.5	25.5%	1 245.2	922.3	35.0%	2 515.6	2 022.6	24.4%
EBITDA	62.7	-4.5	-	155.0	7.2	-	168.0	79.8	110.6%
margin	9.9%	-0.9%	-	12.4%	0.8%	-	6.7%	3.9%	-
EBIT	44.7	-23.1	-	117.6	-30.9	-	94.5	5.4	-
Pre-tax profit	41.3	-21.8	-	110.6	-24.1	-	86.6	5.2	-
Net profit	41.3	-19.7	-	108.7	-22.1	-	86.6	27.4	-

No LIFO gains, commodity prices on the rise

In Q2’11, the benchmark prices of Police's main fertilizers increased only slightly (DAP, NPK) or saw an outright decline (urea), which means the Company will not record LIFO gains the way it did in Q1. In addition, its operating margin will be weighed down by the rising prices of the main materials (sulfur, potash, phosphates), which, according to our estimates, led to a clear deterioration in benchmark spreads vs. the preceding quarter. With volumes and revenues at a level close to that observed in Q1, we expect a considerable reduction in EBIT, which might figure to PLN 44.7m vs. PLN 72m one quarter before. Still, Police’s aggregate earnings for H1’11 will exceed our FY forecasts. Nonetheless, we are not inclined to revise our estimates and valuation, because we still believe that the second half of the year will be much worse for the industry, while falling grain prices (we expect the current trends in this respect to continue) will lead to a correction in the pricing of the Company's products. In this environment, the negative LIFO effect will generate losses, which may eat up most of the profits generated in H1.

Chemicals

ZA Puławy

Reduce

Analyst:	FY10E P/E	6.7	FY10E EV/EBITDA 4.5	**Current price**	**PLN 100.0**
Kamil Kliszcz	FY11E P/E	10.1	FY11E EV/EBITDA 5.8	**Target price**	**PLN 106.1**

(PLN m)	4Q10/11F	4Q09/10	change	2010/11F	2009/10	change	2011/12F	2010/11F	change
Revenue	866.7	560.8	54.6%	2 861.4	2 055.9	39.2%	2 894.5	2 861.4	1.2%
EBITDA	160.5	58.8	172.8%	436.7	82.2	431.5%	351.3	436.7	-19.6%
margin	18.5%	10.5%	-	15.3%	4.0%	-	12.1%	15.3%	-
EBIT	131.9	39.6	233.6%	341.1	15.2	-	240.3	341.1	-29.5%
Pre-tax profit	136.8	52.4	161.1%	358.1	46.4	-	233.3	358.1	-34.9%
Net profit	110.8	42.7	159.5%	287.4	35.5	-	189.0	287.4	-34.3%

Earnings deteriorate q/q, but remain very strong

In the final quarter of the fiscal year, ZA Puławy should generate very strong earnings, though they will not match the record-strong performance in the preceding quarter, when the EBIT was boosted by PLN 53m worth of gains on the sale of certificates of origin and emission reduction units. In the fertilizer business, the Company will experience the standard seasonal effects, with a reductions in ammonium nitrate and urea prices by several percent, but it should be able to partly offset this with higher volumes following the launch of a new production line. The profitability of melamine production is bound to fall due to a major price correction. Margins on caprolactam will not change much. In Q2'11, the Company will start consolidating Fosfory, which it acquired from Ciech (beginning in May). The new subsidiary is expected to boost revenues by ca. PLN 50m and the EBIT by ca. PLN 4m. All told, Puławy will close the fiscal year with a net profit in excess of PLN 287m, but such results will not be replicated next year given the declines in fertilizer prices we are expecting in the upcoming months and the gas price hike that is about to come into force. Our forecasts do not take into account the potential settlement of the acquisition of Fosfory.

Power Utilities

CEZ — Reduce

Utilities

Analyst: Kamil Kliszcz

FY10E P/E	10.4	FY10E EV/EBITDA	6.5	**Current price**	**PLN 142.0**
FY11E P/E	10.0	FY11E EV/EBITDA	6.1	**Target price**	**PLN 134.7**

(CZK m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	45 718.6	44 797.0	2.1%	102 523.6	98 683.0	3.9%	199 551.1	198 848.0	0.4%
EBITDA	19 090.3	19 856.0	-3.9%	45 712.3	47 187.0	-3.1%	86 543.1	89 089.0	-2.9%
margin	41.8%	44.3%	-	44.6%	47.8%	-	43.4%	44.8%	-
EBIT	13 076.3	14 065.0	-7.0%	33 640.3	35 756.0	-5.9%	60 811.8	65 057.0	-6.5%
Pre-tax profit	11 619.3	13 292.0	-12.6%	32 705.3	34 755.0	-5.9%	54 727.8	58 949.0	-7.2%
Net profit	9 411.7	11 204.0	-16.0%	26 670.7	28 659.0	-6.9%	43 643.4	47 232.0	-7.6%

Seasonal drop in EBIT, FX losses

In Q2'11, the operating profit will continue to decline in y/y terms due to the situation in Power Generation, where, despite a positive contribution from Romanian wind farms and a q/q increase in German spot prices, profitability will continue to be impacted by a ca. 8% reduction in contract prices (after adjustment for the EUR/CZK exchange rate). We estimate the segment's EBIT at CZK 8.9bn (vs. CZK 10.3bn one year ago), on the assumption that there will be no gains on CO_2 emission credits (to be sure, their average price was 6% in Q2 than in Q1, but it plunged in the final days of the quarter, which may have had an impact on the valuation of open positions). In Distribution, just as in Q1, we expect a y/y improvement in earnings driven by the network tariff hike and compensation for 2009 (EBIT = 2.6bn vs. 2.3bn). Upstream should also perform better than last year thanks to higher volumes (we expect an EBIT of CZK 0.7bn vs. CZK 0.56bn in Q2'10). All told, the Group's consolidated EBIT will figure to CZK 13bn, or 7% less than last year. The bottom line will see a steeper decline, however, due to other operating losses stemming from the cost of the tax on additional emission credits (CZK 0.9bn), a loss on the valuation of the MOL option (-CZK 0.5bn) and lack of significant foreign-exchange differences due to the stability of the EUR/CZK exchange rate.

Enea — Accumulate

Utilities

Analyst: Kamil Kliszcz

FY10E P/E	10.8	FY10E EV/EBITDA	3.4	**Current price**	**PLN 18.34**
FY11E P/E	9.1	FY11E EV/EBITDA	3.0	**Target price**	**PLN 21.68**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	2 312.1	1 896.4	21.9%	4 784.3	3 917.8	22.1%	9 636.7	7 836.9	23.0%
EBITDA	361.9	328.3	10.3%	801.4	718.0	11.6%	1 527.1	1 364.6	11.9%
margin	15.7%	17.3%	-	16.7%	18.3%	-	15.8%	17.4%	-
EBIT	203.4	167.0	21.8%	486.2	393.5	23.6%	893.7	712.0	25.5%
Pre-tax profit	232.5	185.6	25.3%	544.3	457.6	19.0%	926.5	813.2	13.9%
Net profit	188.3	145.8	29.1%	434.7	364.0	19.4%	750.5	639.3	17.4%

Higher volumes at Kozienice PP leading to y/y earnings improvement

Enea's operating earnings for Q2'11 should show a y/y improvement driven by Generation, where we expect an EBIT of PLN 110m vs. PLN 56.6m in Q2 2010. The main sources of this improvement are higher contract and spot prices (11% y/y and 6% q/q) and higher volumes due to reduced intensity of maintenance work (according to our estimates based on PSE data, the available capacity of the Kozienice power plant may have increased by 21% y/y). Biomass co-burning should remain at last year's level. We expect a seasonal slowdown in Distribution, but we believe operating earnings will increase y/y as there will be no high provisions for employee benefits which affected the earnings for Q2'10 (PLN 63m vs. PLN 53m). In Sales, the area that brought the biggest positive surprise in Q1, we expect a y/y decline in EBIT as there will be no one-off changes in provisions for certificates of origin, while competition for the end customers has intensified, a factor that will be only partly offset by intensified exchange trading and recuperation of a portion of the margin on short positions (external purchases of electricity). We expect no surprises in financing income, and we estimate the bottom line at PLN 188m.

PGE

Utilities

Accumulate

Analyst:
Kamil Kliszcz

FY10E P/E	10.7	FY10E EV/EBITDA	5.1
FY11E P/E	9.4	FY11E EV/EBITDA	4.5

Current price **PLN 22.92**
Target price **PLN 27.74**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	6 671.8	4 789.7	39.3%	13 966.0	10 110.9	38.1%	28 465.1	20 476.5	39.0%
EBITDA	1 773.6	1 602.6	10.7%	3 952.3	3 594.3	10.0%	7 706.2	6 840.5	12.7%
margin	26.6%	33.5%	-	28.3%	35.5%	-	27.1%	33.4%	-
EBIT	1 112.3	945.5	17.6%	2 631.9	2 280.8	15.4%	5 002.6	4185.3	19.5%
Pre-tax profit	1 117.1	902.6	23.8%	2 688.2	2 277.6	18.0%	5 046.0	4276.3	18.0%
Net profit	883.2	600.4	47.1%	2 122.4	1 499.5	41.5%	4 009.7	3014.1	33.0%

EBIT to sustain Q1 rate of growth

In Q2, we expect a slight improvement in y/y earnings growth relative to Q1, even though we expect a lower EBIT in the Renewable Energy segment (PLN 27m vs. PLN 76m) due to last year's high base (floods). In Power Generation, with long-term contract compensation at PLN 156m, EBIT should amount to PLN 817m vs. PLN 656m (higher prices, higher volumes at the Turów power plant). In Distribution as well, Q1 trends should be sustained and the higher tariff should make an EBIT of PLN 178m possible, i.e. PLN 38m more than one year earlier (although one risk for this forecast is a possible decline in the income from network access fees). In Wholesale, we expect a seasonal decline in earnings, but a y/y improvement should be observed just as in Q1 (PLN 47m vs. -PLN 7m) thanks to high spot prices and arbitrage with the German market. In Retail, the EBIT will remain under competitive pressure, leading to a PLN 19m decline in earnings to PLN 34m. As far as financing operations are concerned (including Polkomtel profits), PGE will gain PLN 4.8m, which is a lower value than in Q1 (PLN 51.5m) due to foreign-exchange differences (in Q1'11, gains on loan revaluation, this time, a small loss due to CHF-denominated loans), but a better one than last year's -PLN43m (a figure weighed down by loan prepayment fees). All told, the bottom line will amount to PLN 883m, and its y/y growth rate of 47% will be, just as last quarter, a consequence of the buyout of minority stakes.

Tauron

Utilities

Buy

Analyst:
Kamil Kliszcz

FY10E P/E	8.9	FY10E EV/EBITDA	3.7
FY11E P/E	8.1	FY11E EV/EBITDA	3.4

Current price **PLN 6.30**
Target price **PLN 9.09**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	4 809.6	3 466.0	38.8%	10 108.7	7 260.3	39.2%	20 314.1	15 428.9	31.7%
EBITDA	733.8	648.6	13.1%	1 594.4	1 471.3	8.4%	3 083.5	2 758.0	11.8%
margin	15.3%	18.7%	-	15.8%	20.3%	-	15.2%	17.9%	-
EBIT	385.8	306.7	25.8%	896.8	782.8	14.6%	1 673.6	1 399.3	19.6%
Pre-tax profit	361.9	271.7	33.2%	848.6	721.5	17.6%	1 569.8	1 257.3	24.9%
net profit	283.1	190.0	49.0%	665.6	481.8	38.2%	1 242.1	858.7	44.7%

Faster profit growth than in Q1

In Q2, Tauron should continue the positive trends observed last quarter, and y/y growth should be further boosted by Upstream, given that the Company has finally overcome geological problems and will now be able to improve volumes and efficiency (EBIT at PLN 41m vs. –PLN 4.4m in Q1’11 and –PLN 38m in Q2’10). In Generation, we expect the EBIT to be practically flat vs. last year (PLN 170m vs. PLN 176m), with long-term contract compensation declining from PLN 151m to PLN 125m. The improvement in earnings adjusted for long-term contract compensation will be a consequence of higher electricity prices (+4% in contracts, +11% for spot prices), and a ca. 11% increase in output. It will not be possible to replicate Q1 growth rate in Renewable Energy due to the high base in terms of volumes (the floods of 2010), but with the accounting for some revenues on green certificates shifted from Sales, the segment will recognize an EBIT of PLN 25m. In Distribution, we expect an EBIT of PLN 152m vs. PLN 110m one year ago (the q/q decline in profits stemming from seasonal maintenance expenses and a seasonal reduction in volumes). In Sales, the Company should see a y/y improvement, just as in Q1 (PLN 20m vs. PLN 12m), thanks to intensified exchange-based trading and higher export volumes. All told, with financing operations in line, the net profit should amount to PLN 283m.

Telecommunications

Telco

Netia

Hold

Analyst: Michał Marczak	FY10E P/E	20.1	FY10E EV/EBITDA	4.7	Current price	PLN 5.63
	FY11E P/E	15.8	FY11E EV/EBITDA	4.2	Target price	PLN 5.4

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	404.0	393.7	2.6%	805.2	780.7	3.1%	1 614.0	1 575.9	2.4%
EBITDA	100.6	95.3	5.6%	202.0	188.8	7.0%	381.4	368.8	3.4%
margin	24.9%	24.2%	-	25.1%	24.2%	-	23.6%	23.4%	-
EBIT	25.2	20.5	23.0%	51.2	40.0	28.0%	104.1	70.1	48.4%
Pre-tax profit	28.1	22.8	23.4%	57.3	40.2	42.3%	121.5	73.6	65.1%
Net profit	22.8	15.6	46.5%	-0.2	29.9	-	109.3	61.2	78.6%

No major changes

In Q2 2011, we expect an increase in Netia's revenues to PLN 404m, i.e. by 2.6% y/y, thanks to continued growth in data transmission revenues (with the number of broadband subscribers growing to 721 thousand (+98 thousand y/y) and ARPU falling by PLN 3 (to PLN 51 per month). In the case of traditional voice services, we expect that the downward trend in the number of subscribers that commenced in Q1 2011 will continue, due especially to declining WLR numbers (-18 thousand q/q). On the one hand, this is a consequence of declining popularity of POTS among individual users, on the other, of migration onto LLU. EBITDA margin will remain high at nearly 25%. Our forecasts assume no one-offs.

Telco

TP SA

Hold

Analyst: Michał Marczak	FY10E P/E	17.1	FY10E EV/EBITDA	4.6	Current price	PLN 16.45
	FY11E P/E	15.8	FY11E EV/EBITDA	4.5	Target price	PLN 16.1

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	3 762.0	3 987.0	-5.6%	7 491.0	7 860.0	-4.7%	20 314.1	15 428.9	31.7%
EBITDA	2 131.0	1 472.0	44.8%	3 476.0	2 887.0	20.4%	3 083.5	2 758.0	11.8%
margin	56.6%	36.9%	-	46.4%	36.7%	-	15.2%	17.9%	-
EBIT	1 150.0	507.0	126.8%	1 517.0	981.0	54.6%	1 673.6	1 399.3	19.6%
Pre-tax profit	1 028.9	409.0	151.6%	1 264.9	768.0	64.7%	1 569.8	1 257.3	24.9%
Net profit	854.0	324.0	163.6%	1 043.0	609.0	71.3%	1 242.1	858.7	44.7%

Major one-offs

TPSA's operating earnings for Q2 2011 should not differ significantly from its Q1 performance, but they will be affected by major one-offs. First, the Company will recognize a PLN 1.2bn profit on the sale of its stake in Emitel (the value of the transaction is PLN 1.73bn). On the other hand, we expect TPSA to increase the provision on account of the PLN 505m penalty imposed by the EC. Until now, the provision amounted to PLN 47m. Both events should be factored into other operating income/expenses, and both will affect the EBITDA. Adjusted for them, EBITDA would amount to PLN 1,373m, representing a 6.7% y/y reduction (36.6% margin). We expect a 6% y/y reduction in revenues due to a 11% reduction in POTS revenues (due to a decline in the number of retail subscribers by 165k q/q and 751k y/y), a 3.3% decline in mobile telephony revenues (the extraordinarily strong Q2'10 was impacted by high traffic related to the presidential plane crash and floods), as well as a 3.1% reduction in data transmission revenues (fewer broadband users, lower ARPU). Just as the disappointing Q4'10 and Q1'11, Q2 is unlikely to bring a major improvement in the broadband subscriber base (we assume +14k q/q). In mobile telephony, we expect an increase in the number of SIM cards by 100k q/q.

Media

Agora

Buy

Media

Analyst: Piotr Grzybowski

FY10E P/E 12.0 | FY11E P/E 9.5
FY10E EV/EBITDA 3.7 | FY11E EV/EBITDA 3.1

Current price **PLN 16.00**
Target price **PLN 28.40**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	314.2	281.3	11.7%	610.0	529.4	15.2%	1268.5	1116.7	13.6%
EBITDA	39.8	43.5	-8.5%	72.0	80.0	-10.0%	185.4	167.3	10.8%
margin	12.7%	15.5%	-	11.8%	15.1%	-	14.6%	15.0%	-
EBIT	17.3	24.1	-28.2%	27.5	40.8	-32.6%	86.6	84.9	2.0%
Pre-tax profit	16.6	25.5	-34.9%	26.1	44.3	-41.1%	86.7	87.9	-1.4%
Net profit	13.1	20.2	-35.1%	19.2	41.9	-54.2%	68.2	71.9	-5.2%

Newspapers still under pressure

In Q2'10, Agora will see a y/y decline in its operating earnings despite the fact that its last year's figures did not include the consolidation of Helios and were additionally weighed down by a write-off on the IT system that was being replaced (PLN 7.7m). We expect the cinema segment to generate an EBIT of PLN 2.5m. Advertising revenues will shrink by 2.0% y/y, with continued migration of advertisers from newspapers (-15.6%) and magazines (-14.6% y/y) to online advertising (+24.1%). Advertising revenues will grow by 2.7% y/y in the outdoor segment, and by 8.9% y/y in radio. Moreover, we expect the cinema segment to post advertising revenues of ca. PLN 2.0m.

We expect a 5.3% increase in representation and marketing expenses to PLN 38.0m. Growth in the other cost categories will primarily be a consequence of the consolidation of Helios (excluding the costs of materials and energy, which will be affected by the rising prices of paper). As far as salary expenses are concerned, we believe they will remain in check due to low execution of sales targets and despite inflationary pressure. All told, the EBIT will amount to PLN 17.3m. Minority profits will reach PLN 0.3m, and the bottom line, PLN 13.1m.

Cinema City

Accumulate

Media

Analyst: Piotr Grzybowski

FY10E P/E 11.7 | FY11E P/E 9.0
FY10E EV/EBITDA 6.4 | FY11E EV/EBITDA 5.9

Current price **PLN 32.01**
Target price **PLN 42.90**

(EUR m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	59.7	46.3	28.9%	125.5	116.4	7.8%	270.9	234.5	15.5%
EBITDA	11.0	11.1	-1.1%	22.0	31.4	-29.9%	61.6	56.2	9.6%
margin	18.4%	23.9%	-	17.5%	27.0%	-	22.7%	24.0%	-
EBIT	4.8	6.4	-25.5%	9.7	21.8	-55.4%	41.2	36.4	13.1%
Pre-tax profit	4.3	5.2	-17.4%	8.7	19.8	-56.2%	41.5	34.1	21.6%
Net profit	3.4	4.9	-30.0%	7.1	17.6	-59.9%	35.0	30.5	14.9%

Improvements in the cinema market

Cinema City will see a y/y deterioration in its earnings in Q2'11, but this will be by and large a consequence of one-offs: last year's PLN 3.1m EBIT gain on the sale of Bulgarian property development projects and additional expenses on the restructuring of Palace Cinema assets to be incurred in Q2'11. Ticket sales should figure to EUR 36.2m, representing a 39.7% increase vs. Q2'10, driven by a higher average ticket price (4%) and higher sales volumes (by 34.5% to 7.76m tickets). Advertising revenues will amount to EUR 8.1m, and food sales to EUR 9.4m. Moreover, thanks to the distribution of *Pirates of the Caribbean: On Stranger Tides*, the Company will record distribution profits of EUR 5.3m. The gross margin will increase from 13.4% to 15.2% (adjusted for one-offs). Selling, general and administrative expenses will amount to EUR 4.3m, including EUR 0.8m in expenses on the restructuring program at Palace Cinema. All told, the operating profit will amount to EUR 4.8m, compared to last year's EUR 6.4m.

Cyfrowy Polsat Hold

Media

Analyst:	FY10E P/E	14.8	FY10E EV/EBITDA	9.3	**Current price**	**PLN 15.85**
Piotr Grzybowski	FY11E P/E	14.6	FY11E EV/EBITDA	8.5	**Target price**	**PLN 15.30**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	629.0	368.3	70.8%	1 031.7	742.3	39.0%	1 528.8	1 482.5	3.1%
EBITDA	209.6	108.7	92.8%	333.2	231.6	43.9%	449.3	406.9	10.4%
margin	33.3%	29.5%	-	32.3%	31.2%	-	29.4%	27.5%	-
EBIT	172.0	89.7	91.7%	268.0	196.6	36.3%	354.2	325.8	8.7%
Pre-tax profit	88.2	82.9	6.4%	181.9	189.4	-4.0%	354.1	321.3	10.2%
Net profit	71.5	67.0	6.7%	147.9	153.1	-3.4%	286.8	258.5	11.0%

TV Polsat consolidation boosts earnings

Cyfrowy Polsat's earnings for Q2'11 will be marked by the launch of the consolidation of TV Polsat (20 April). The new segment will nearly double the Company's operating earnings. We estimate that in Q2'11 as a whole, which is statistically the year's best quarter for companies that rely on advertising income, TV Polsat will generate an EBITDA of PLN 117.0m and an EBIT of PLN 105.5m, of which CPL will consolidate PLN 87.5m and PLN 79.1m, respectively. Consolidated revenues will increase by 70.8%, with the TV segment contributing ca. PLN 236.5m. We believe that subscription fees from individual subscribers will remain stable q/q (taking into account contractual penalties included in this category in Q1) at PLN 379.0m. The costs of the Pay TV segment will be stable vs. Q1, with a slight increase in programming expenses (+PLN 1.5m). As far as financing operations are concerned, the Company will recognize high costs of debt taken out to acquire TV Polsat. We forecast the period's financing expenses at PLN 84m, including ca. PLN 25m in interest expenses and fees related to the bridge loan that was taken out and repaid during the period. Moreover, the Company will recognize F/X losses on Eurobonds issued in May (ca. PLN 18.5m).

TVN Hold

Media

Analyst:	FY10E P/E	19.3	FY10E EV/EBITDA	10.2	**Current price**	**PLN 15.87**
Piotr Grzybowski	FY11E P/E	13.8	FY11E EV/EBITDA	8.1	**Target price**	**PLN 18.10**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	716.6	658.2	8.9%	1 299.0	1 206.6	7.7%	2 753.9	2 490.7	10.6%
EBITDA	238.8	226.6	5.4%	355.3	324.7	9.4%	755.7	610.7	23.7%
margin	33.3%	34.4%	-	27.4%	26.9%	-	27.4%	24.5%	-
EBIT	173.8	163.2	6.5%	226.4	203.2	11.4%	499.0	363.8	37.2%
Pre-tax profit	118.9	-84.0	-	93.1	2.4	-	324.5	118.3	174.4%
Net profit	91.9	-98.1	-	51.5	-34.3	-	280.8	42.8	556.2%

Improvement at the operating level

We expect TVN to increase its advertising revenues by 5.9% y/y in Q2'11, thanks both to the impact of the low base of Q2'10 (period of national mourning) and to a slight improvement in the situation in the industry vs. Q1'11. Advertising revenue will still be driven by online advertising, where we expect 20% sales growth to persist. The segment's excellent performance will lead to a ca. PLN 7m increase in the EBITDA. An improvement in earnings can also be expected at 'n'. Although in this case last year was marked by positive one-offs (PLN 15m), growth in subscriber base and subscription fee hikes introduced in April will allow it to generate an EBITDA of PLN 4.0m compared to PLN 0.8m in Q2 2010. We will see the least impressive improvement in the TV segment, where intensifying competition from Polsat will lead to higher content expenses, which will eat up most of the advertising revenue growth. As a result, the broadcasting segment will improve its EBITDA by a mere PLN 2m. As far as financing operations are concerned, we expect PLN 17.4m in F/X gains. Taxes will figure to an estimated PLN 27.0m.

IT

IT — AB — Accumulate

Analyst: Piotr Grzybowski

FY10E P/E	7.2	FY10E EV/EBITDA	6.1	**Current price**	**PLN 22.79**
FY11E P/E	8.2	FY11E EV/EBITDA	6.3	**Target price**	**PLN 27.60**

(PLN m)	4Q10/11F	4Q09/10	change	2010/11F	2009/10	change	2011/12F	2010/11F	change
Revenue	779.6	654.6	19.1%	3 543.1	2 882.1	22.9%	3 298.9	3 543.1	-6.9%
EBITDA	16.1	23.9	-32.7%	71.9	66.3	8.5%	68.4	71.9	-4.9%
margin	2.1%	3.7%	-	2.0%	2.3%	-	2.1%	2.0%	-
EBIT	13.7	22.0	-37.8%	62.8	58.3	7.8%	60.5	62.8	-3.6%
Pre-tax profit	10.7	10.1	6.4%	62.4	37.5	66.4%	58.3	62.4	-6.6%
Net profit	8.2	7.5	9.7%	51.6	35.2	46.9%	42.8	51.6	-17.1%

Another quarter of Y/Y improvement

In the final quarter of fiscal year 2010/2011, AB's revenues will increase by 19.1%, driven by the Polish market, just as in the past few quarters. We project the gross margin at 5.4%, with SG&A expenses at PLN 26.7m. We estimate other net operating expenses at ca. -PLN 1.7m. We do not expect the Company to recognize any provisions for payables to retailers. All told, we expect AB to report an operating profit of PLN 13.7m. Net finance expenses will amount to an estimated PLN 3.0m, which will allow the Company to report net profit growth in the single digits (PLN 8.2m).

IT — Action — Accumulate

Analyst: Piotr Grzybowski

FY10E P/E	10.1	FY10E EV/EBITDA	7.3	**Current price**	**PLN 19.00**
FY11E P/E	8.8	FY11E EV/EBITDA	6.5	**Target price**	**PLN 18.16**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	564.9	487.4	15.9%	1 105.0	970.7	13.8%	2 320.1	2 160.7	7.4%
EBITDA	13.3	4.0	231.8%	27.5	17.7	55.4%	53.8	48.8	10.2%
margin	2.4%	0.8%	-	2.5%	1.8%	-	2.3%	2.3%	-
EBIT	10.4	1.0	-	21.7	11.8	83.6%	44.8	37.2	20.5%
Pre-tax profit	9.4	0.0	-	19.6	9.9	98.6%	39.9	33.2	20.0%
Net profit	7.5	0.1	-	16.0	8.1	98.4%	32.3	26.4	22.6%

A quarter without problems

We expect Action to increase its revenues by 15.9%. We project the gross margin at 7.1%, with SG&A expenses at PLN 30.2m. The margin will thus decline from the 7.3% figure recorded in Q1 (after adjustment for revenues recognized as other operating income), due mostly to seasonal factors ant the lack of material public-sector contracts. We estimate other net operating income at PLN 0.5m (we expect that all transactions with customers will be recognized in the gross margin). The EBIT will figure to PLN 10.4m, net financing expenses to PLN 1.0m, and the bottom line to PLN 7.5m.

IT

ASBIS

Accumulate

Analyst:	FY10E P/E	5.7	FY10E EV/EBITDA	4.2	Current price	PLN 2.24
Piotr Grzybowski	FY11E P/E	3.5	FY11E EV/EBITDA	3.2	Target price	PLN 4.32

(USD m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	301.6	269.6	11.9%	651.3	600.6	8.4%	1 490.8	1 435.1	3.9%
EBITDA	3.3	-0.3	-	7.8	2.2	246.3%	19.0	12.4	52.9%
margin	1.1%	-0.1%	-	1.2%	0.4%	-	1.3%	0.9%	-
EBIT	2.5	-1.1	-	6.2	0.8	-	16.0	9.4	69.6%
Pre-tax profit	-0.2	-1.9	-	0.9	-1.7	-	9.9	2.2	345.9%
Net profit	-0.7	-2.1	-	0.1	-2.0	-	7.8	0.9	-

Problems in Belarus not as great as feared?

Although we expect Asbis to post its "traditional" net loss in Q2, it will not be as big as in Q2'10, and not as big as could be expected given the devaluation of the Belarusian ruble. Revenues will increase by 11.9% y/y to USD 301.6m. We project the gross margin at 5.2%, with the negative impact of the devaluation of the ruble (ca. USD 0.4m) offset by the appreciation of other European currencies vs. the USD. We estimate general expenses at USD 13.2m, and the resultant EBIT at USD 2.5m. The Company's persistently high working capital levels will lead to significant financing expenses of USD 2.7m. The net loss will be reduced from USD 2.1m to USD 0.7m.

IT

Asseco Poland

Buy

Analyst:	FY10E P/E	9.6	FY10E EV/EBITDA	5.7	Current price	PLN 48.01
Piotr Grzybowski	FY11E P/E	8.8	FY11E EV/EBITDA	5.3	Target price	PLN 65.00

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	1 136.9	761.7	49.2%	2 333.8	1 452.4	60.7%	4 641.3	3 237.7	43.4%
EBITDA	206.1	161.0	28.0%	426.7	312.3	36.6%	812.5	695.0	16.9%
margin	18.1%	21.1%	-	18.3%	21.5%	-	17.5%	21.5%	-
EBIT	167.1	132.5	26.1%	348.7	253.9	37.4%	660.0	569.0	16.0%
Pre-tax profit	166.1	106.2	56.4%	346.9	240.1	44.5%	671.1	499.0	34.5%
Net profit	87.8	109.9	-20.1%	185.0	205.4	-9.9%	389.3	415.1	-6.2%

Good quarter for Formula Systems

Asseco Poland will record another quarter of rapid revenue and EBIT growth, attributable above all to the consolidation of Formula Systems. Consolidated revenues will increase by 49.2% y/y, but decline by 7.8% after adjustment for Formula Systems due to declining revenues at the parent company (lower revenues from the PKO BP contract, reduced infrastructure sales by Asseco Systems, which has become a part of the parent company early this year, and a seasonal decline in revenues from contracts with the Social Insurance Institution). All in all, the operating profit of the parent will decline to PLN 73.0m. Asseco Business Solutions will bring an EBIT of PLN 7.5m, Asseco Central Europe PLN 16.3m and Asseco South Eastern Europe, PLN 12.8m. We expect that Asseco Poland will consolidate PLN 43.0m EBIT from Formula Systems. As far as financing operations are concerned, we expect net financing expenses of PLN 1.0m. Minority profits will amount to PLN 45.2m.

IT

Comarch

Hold

Analyst:
Piotr Grzybowski

FY10E P/E	12.4	FY10E EV/EBITDA	5.0	**Current price**	**PLN 66.90**
FY11E P/E	10.5	FY11E EV/EBITDA	4.2	**Target price**	**PLN 88.00**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	168.4	174.4	-3.4%	315.9	320.1	-1.3%	803.5	761.7	5.5%
EBITDA	5.9	9.4	-37.6%	5.7	17.8	-67.9%	86.1	64.0	34.5%
margin	3.5%	5.4%	-	1.8%	5.6%	-	10.7%	8.4%	-
EBIT	-2.3	-2.3	-	-9.7	-5.4	-	47.1	23.5	100.7%
Pre-tax profit	-1.2	-1.8	-	-7.1	-3.8	-	51.6	23.7	117.7%
Net profit	3.2	5.4	-	2.3	5.2	-55.6%	43.6	43.4	0.5%

Another weak quarter

In Q2 2011, just as in Q1, Comarch will not advantage of its big contract backlog (at the time of publication of Q1'11 earnings report, it was 20% bigger than at the same time last year, but most of the contracts will be worked on in the second half of the year). As a result, consolidated revenues will decline by 3.4% y/y, mostly due to an 18.0% y/y decline in the sales of Comarch Software Und Beratung. The German subsidiary will generate a loss of EUR 1.7m, compared to its EUR 1.7m loss in Q1 and EUR 1.4m loss in Q2'10. The subsidiaries grouped in Comarch FIZ will perform a little better, reducing their loss from last year's PLN 2.6m to PLN 1.3m. The EBIT generated by the "old" Comarch group will fall from PLN 9.5m to PLN 9.1m. All told, at the consolidated level Comarch will sustain its operating loss at last year's level of PLN 2.3m. We project minority losses at PLN 4.1m, which, with given a PLN 0.3m tax asset, will put the bottom line at PLN 3.2m.

IT

Sygnity

Hold

Analyst:
Piotr Grzybowski

FY10E P/E	15.9	FY10E EV/EBITDA	6.8	**Current price**	**PLN 21.66**
FY11E P/E	9.7	FY11E EV/EBITDA	5.0	**Target price**	**PLN 28.00**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	116.0	118.6	-2.2%	228.0	222.8	2.3%	552.0	524.0	5.3%
EBITDA	5.1	-6.7	-	11.0	-16.6	-	38.3	-7.5	-
margin	4.4%	-5.6%	-	4.8%	-7.5%	-	6.9%	-1.4%	-
EBIT	0.6	-13.7	-	2.0	-31.1	-	17.8	-34.3	-
Pre-tax profit	-1.4	-15.0	-	-2.3	-34.3	-	8.5	-43.8	-
Net profit	-1.8	-13.7	-	-2.9	-30.7	-	4.7	-42.8	-

EBIT just above zero once again

We expect Sygnity to report a positive EBIT for the second time this year. Revenues will increase by 3.6% q/q, but the gross margin will decline (19.0% vs. 20.4% in Q1'11). Selling, general and administrative expenses will also fall, however, by 1.3% to PLN 21.6m. With its employment reduced following layoffs in Q1, the Company will save ca. PLN 1.5m vs. Q1, of which PLN 0.4m will be spent on the establishment of the new SMB division. All told, Sygnity's operating profit will amount to PLN 0.6m. Thanks to the optimization of credit line use, financing expenses will decline to PLN 2.0m. The bottom line loss will figure to PLN 1.8m.

Mining & Metals

Metals

KGHM

Accumulate

Analyst:
Michał Marczak

FY10E P/E	6.0	FY10E EV/EBITDA	4.1	**Current price**	**PLN 187.3**
FY11E P/E	10.0	FY11E EV/EBITDA	6.4	**Target price**	**PLN 189.6**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	4 657.0	3 925.0	18.6%	9 430.5	7 199.6	31.0%	18 649.6	15 945.0	17.0%
EBITDA	2 542.8	2 009.9	26.5%	5 131.1	3 070.6	67.1%	8 359.0	6 253.6	33.7%
margin	54.6%	51.2%	-	54.4%	42.6%	-	44.8%	39.2%	-
EBIT	2 374.9	1 858.3	27.8%	4 796.4	2 764.5	73.5%	7 725.6	5 638.1	37.0%
Pre-tax profit	2 367.9	1 849.0	28.1%	4 781.4	2 747.9	74.0%	7 695.6	5 605.6	37.3%
Net profit	1 918.0	1 501.2	27.8%	3 876.4	2 226.6	74.1%	7 016.4	4 568.6	53.6%

Only slightly worse than in Q1

Q2’11 was marked by declining copper prices but rising prices of silver, hedging gains and dividends from subsidiaries. The average price of copper in the quarter was USD 9,163/t, i.e. 5% less than in Q1. In the same period, the average price of silver increased by 20.4% to USD 1,251/kg. A negative factor for KGHM was the 4.6% appreciation of the PLN vs. the USD (2.75). As a result, the price of copper expressed in zlotys was nearly 10% lower than in the preceding quarter. We expect that the Company was able to sell 140 kt of copper (+5% q/q) and 255 t of silver (-3% q/q). Taking into account the rising payroll expenses and costs of preparatory work, the unit cost of production should amount to ca. PLN 13,000/t, i.e. 2.9% less than in Q1’11, thanks to the decline in the price of copper (i.e. third-party feedstock) and rising silver prices. In addition, KGHM's EBIT will be boosted by dividends from Polkomtel and Tauron (ca. PLN 277m in other income).

Coal Mining

LW Bogdanka

Buy

Analyst:
Michał Marczak

FY10E P/E	14.0	FY10E EV/EBITDA	7.0	**Current price**	**PLN 114.2**
FY11E P/E	9.6	FY11E EV/EBITDA	4.9	**Target price**	**PLN 130.5**

(PLN m)	2Q2011F	2Q2010	change	1H2011F	1H2010	change	2011F	2010	change
Revenue	265.6	284.0	-6.5%	575.5	578.1	-0.4%	1 369.7	1 230.4	11.3%
EBITDA	40.6	64.5	-37.1%	84.3	126.6	-33.5%	402.5	414.5	-2.9%
margin	15.3%	22.7%	-	14.6%	21.9%	-	29.4%	33.7%	-
EBIT	3.6	64.5	-94.5%	47.3	126.6	-62.7%	244.5	276.5	-11.6%
Pre-tax profit	6.6	67.0	-90.2%	51.4	132.8	-61.3%	240.1	288.2	-16.7%
Net profit	5.2	53.3	-90.2%	41.1	106.2	-61.3%	185.4	230.4	-19.6%

A tough period...

Q2’11 was a tough period for LWB. While in Q1’11 the Company was able to control the impact of the declining quality of its mining output (due to preparatory work) by selling stockpiled coal, in Q2'11 the reverse may have been the case. With output at a similar level (1.3 Mt), we expect that the Company was rebuilding its stocks from the very low level recorded at the end of March (17 kt), which led to lower sales volumes. Our expectation in this respect is 1230 kt (-10% q/q). Given the rising price of steam coal that the Silesian mines are benefiting from, we expect a similar effect at LWB as well, though smaller in size (no coal to sell on the spot market). We expect that Bodganka's average price of coal will increase by 0.76% q/q. Costs remain a major unknown. In our forecasts we assume that they will remain at a level close to Q1, which means that the Company will generate a weak operating and net profit given the declining sales volumes. The major question that remains to be answered is when production is launched at the Stefanów field, and when "normal" relations between costs and the price of coal get reestablished. Q2’11 may disappoint investors, but we still believe this is a short-term situation.

Manufacturers

Astarta

Food

Sell

Analyst: Jakub Szkopek

2011 P/E	9.0	2011 EV/EBITDA	1.2	**Current price**	**PLN 85.0**
2012 P/E	17.1	2012 EV/EBITDA	1.7	**Target price**	**PLN 63.6**

(UAH m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	875.3	487.2	79.7%	1 428.9	908.1	57.3%	2 164.4	2 328.2	-7.0%
EBITDA	602.2	306.1	96.7%	878.8	538.5	63.2%	944.8	1051.4	-10.1%
margin	68.8%	62.8%	-	61.5%	59.3%	-	43.7%	45.2%	-
EBIT	564.4	262.6	115.0%	801.1	455.1	76.0%	757.8	911.7	-16.9%
Pre-tax profit	534.6	251.8	112.3%	757.7	443.7	70.8%	708.3	829.1	-14.6%
Net profit	498.3	234.0	113.0%	718.1	432.5	66.0%	675.6	834.9	-19.1%

Biological asset gains, stronger OCF

Sugar prices in the Ukraine were 23.5% higher on average in Q2 2011 than in the same period a year ago. We estimate that Astarta sold 57,300 tons of sugar in the period (-10.4% y/y), including 10kt as a trader. In the crops segment, the company will have sold its entire corn inventories (export quotas in the Ukraine were canceled on 5 May) and a portion of the wheat and barley stocks (export quotas canceled on 4 June). At 31 December 2010, Astarta's grain inventories totaled about 146,000 tons. We estimate Q2 2011 grain sales at 71.8kt (+64.4% y/y). For the cattle farming segment, we anticipate a second-quarter milk production volume of 15.2kt (+13% y/y), with sales prices 1.2% lower than in Q2 2010. Higher prices of the sugar sold in Q2 2011 will more than offset the increased production costs experienced in the period (in 2010, Astarta processed 78% of its own sugar beets compared to 90% a year earlier). Astarta's Q2 2011 earnings results will be supported by gains on changes in the fair value of milk cattle (UAH 77.7m vs. UAH -28.9m in Q2 2010) (in Q2 2011, milk prices were on an upward trend) and grain assets (the gains stem from a 25% y/y increase in the growing areas paired with 68%-100% higher grain prices, and they are estimated at UAH 204.7m vs. UAH 163.7m in Q2 2010). Other one-time events will include F/X expenses in the amount of UAH 4m incurred on dollar- and euro debt revaluations (the USD/UAH exchange rate was up 0.16%, and EUR/UAH increased 2.54%, in Q2 2011). Owing to canceled export quotas and the ensuing increase in grain sales volumes, we expect Astarta to report improved operating cash flows for Q2 2011.

Boryszew

Manufacturing

Buy

Analyst: Jakub Szkopek

2011 P/E	14.1	2011 EV/EBITDA	7.9	**Current price**	**PLN 0.83**
2012 P/E	11.1	2012 EV/EBITDA	6.3	**Target price**	**PLN 1.20**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	953.3	718.8	32.6%	1 974.9	1 390.5	42.0%	4 112.0	3 133.8	31.2%
EBITDA	73.2	64.2	14.0%	146.6	113.6	29.1%	336.3	272.0	23.7%
margin	7.7%	8.9%	-	7.4%	8.2%	-	8.2%	8.7%	-
EBIT	49.2	46.1	6.8%	97.6	75.6	29.1%	240.2	192.3	24.9%
Pre-tax profit	39.7	38.5	3.1%	81.9	61.1	34.0%	203.0	151.6	33.9%
Net profit	22.3	21.1	5.8%	41.0	29.5	39.2%	133.2	90.4	47.4%

Unfavorable base effects

We expect Boryszew to report year-on-year sales growth by 22.1% in the polymer and polyester segment (comprising the companies Elana, Elana PET, Elana Energetyka, and Torlen), 5.1% in the segment of other chemicals (Boryszew ERG, Elimer, Nylonbor), and 6.8% at Impexmetal (in Q2 2011, aluminum prices were 13.4% higher than in Q2 2010, lead traded 7.9% higher, zinc prices decreased 6.8%, and copper prices surged 20.6%). The aluminum wire rod manufacturer NPA Skawina is expected to report 68.8% revenue growth driven by higher aluminum prices and stronger sales volumes (+27.7% y/y). In the automotive segment, there will be a 10% quarter-on-quarter increase in sales of auto parts. Moving down the P&L, NPA Skawina is expected to report EBIT growth by an impressive 352.3% relative to Q2 2010 (achieved on higher sales volumes and margins). In the automotive segment, EBIT will be low at ca. PLN 5.1m (+16.6% Q/Q) due to low capacity utilization at Boryszew's international production facilities in Italy, Brazil, and China which offset the good results generated by the Polish operations. Boryszew's consolidated operating profit for the second quarter of 2011 will be lower than the year-ago figure which was boosted by a number of one-time gains (PLN 6.3m proceeds from carbon credits, PLN 10.3m gain from the sale of Elana assets) in a total amount of PLN 19.3m. The Q2 2011 EBIT will be supported by carbon credit sales expected to add PLN 3.5m to the consolidated operating profit. On the other hand, Boryszew is expected to post a PLN 1.0m loss on foreign exchange hedges because of a 7.6% drop in aluminum prices and a 4.1% decline in copper prices in the course of the second quarter. According to our estimates, Boryszew will deliver 50.2% of its full-year revenue target, 43.5% of the estimated EBITDA, and 37.9% of the net profit target, in the first half of 2011.

Food

CEDC

Buy

Analyst:
Gabriela Borowska

2011 P/E	12.8	2011 EV/EBITDA	9.6	**Current price**	**PLN 29.1**
2012 P/E	9.2	2012 EV/EBITDA	8.4	**Target price**	**PLN 36.8**

(USD m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	212.2	175.6	20.9%	368.9	325.4	13.4%	982.4	711.5	38.1%
EBITDA	26.0	45.2	-42.6%	40.5	74.9	-46.0%	209.3	-6.6	-
margin	12.2%	25.8%	-	11.0%	23.0%	-	21.3%	-0.9%	-
EBIT	20.8	41.2	-49.4%	30.2	66.5	-54.6%	188.8	-23.6	-
Pre-tax profit	-5.9	-90.3	-	6.7	-73.8	-	111.8	-135.3	-
Net profit	-5.9	-70.1	-	-4.8	-58.6	-	79.5	-104.7	-

Weak second-quarter outlook

After a weak first quarter, CEDC issued a second-quarter profit warning, saying it was not expecting major improvement until Q3 2011 when sales in Russia are set to increase after the company's customers renew their wholesale licenses. The fourth quarter is set for an upturn relative to Q4 2010 which was marked by high investment. The Q2 2011 volume dynamics in Poland and Russia are expected to be steady at Q1 2011 levels. Most of CEDC's vodka production units had their licenses renewed in July, but even more important from the standpoint of sales is successful re-licensing by the company's wholesale customers, many of whom are still waiting for their renewals. CEDC's Q2 2011 gross margin will most probably be lower than in the same period a year ago because of higher SG&A expenses related to the consolidation of Whitehall which generates lower profits and sales in Russia. The core 2011 second-quarter earnings are expected to be lower than in Q2 2010, but the reported figures will be better compared to the year-ago base when the company recognized an unrealized F/X loss of USD 111.7m.

Building Materials

Centrum Klima

Buy

Analyst:
Jakub Szkopek

2011 P/E	11.2	2011 EV/EBITDA	7.2	**Current price**	**PLN 13.09**
2012 P/E	9.1	2012 EV/EBITDA	5.9	**Target price**	**PLN 16.90**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	24.1	22.1	9.5%	45.6	39.1	16.5%	111.3	84.5	31.7%
EBITDA	3.4	2.5	32.9%	6.3	4.6	37.3%	15.8	10.3	53.5%
margin	13.9%	11.5%	-	13.7%	11.6%	-	14.2%	12.2%	-
EBIT	2.6	2.1	20.3%	4.7	3.6	29.5%	12.6	7.9	59.4%
Pre-tax profit	2.5	2.3	11.3%	4.7	3.9	20.7%	12.3	8.4	47.1%
Net profit	2.1	1.9	8.5%	3.7	3.2	17.2%	10.0	6.6	50.2%

Profits grow faster than revenues

Centrum Klima's production business will report continued sales growth by an estimated 24.2% y/y in Q2 2011 owed to higher volumes provided by the new facilities in Wieruchów combined with a 14.7% increase in steel prices. In Distribution, we expect revenues to rise 4.5% relative to Q2 2010. Operating profitability will be supported by the zloty's 4.6% appreciation relative to the dollar witnessed in the course of the second quarter which lowered the costs of the merchandise purchased for distribution. The operating profit in Production will be additionally supported by a 3.5% Q/Q decline in the costs of steel. Year-on-year revenue growth should be slower than operating profit growth because of base effects.

Building Materials

Cersanit

Hold

Analyst:
Jakub Szkopek

2011 P/E	15.1	2011 EV/EBITDA	8.3
2012 P/E	11.0	2012 EV/EBITDA	6.7

Current price PLN 8.0
Target price PLN 10.7

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	448.2	397.5	12.8%	816.1	697.1	17.1%	1 744.2	1 531.5	13.9%
EBITDA	70.5	69.4	1.6%	125.6	123.525	1.7%	296.0	253.5	16.7%
margin	15.7%	17.5%	-	15.4%	17.7%	-	17.0%	16.6%	-
EBIT	42.2	44.2	-4.4%	69.2	69.435	-0.3%	184.3	142.0	29.8%
Pre-tax profit	26.4	55.1	-52.1%	19.5	124.807	-84.4%	141.7	128.5	10.2%
Net profit	21.6	52.1	-58.5%	15.7	110.844	-85.8%	114.8	103.0	11.4%

Unfavorable base effects

Relative to Q2 2010, Cersanit is expected to have increased quarterly sales volumes by 7.1% in ceramic tiles and 4.4% in ceramic sanitaryware in Q2 2011, combined with higher sales prices which rose by an estimated 7.2% and 5.7%, respectively (the building materials wholesaler PSB reported 7.1% price hikes in Q2 2011). Sales of “other” products amounted to ca. 4.8%. The year-on-year expansion in Cersanit's consolidated Q2 2011 revenue is estimated at 12.8%, less than the dynamics recorded in Q1 2011 relative to a low Q1 2010 base. The second-quarter gross margin is expected to widen to 37.8% from 34.6% in the preceding quarter resulting from a 3.8% increase in sales prices. In spite of rising sales and gross margin, the Q2 2011 EBIT is expected to show a 4.4% year-on-year decline relative to the year-ago figure (in Q2 2010, the gross margin amounted to 43.2%). After F/X losses on foreign-currency debt revaluations estimated at PLN 3.8m (compared to a gain of PLN 26.1m posted in Q2 2010), Cersanit’s bottom-line profit for Q2 2011 is set to be less than half of what was reported in the same period in 2010.

Machinery

Famur

Hold

Analyst:
Jakub Szkopek

2011 P/E	17.4	2011 EV/EBITDA	7.5
2012 P/E	12.2	2012 EV/EBITDA	6.8

Current price PLN 3.85
Target price PLN 3.90

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	312.1	183.6	70.0%	594.3	343.5	73.0%	1 152.4	885.8	30.1%
EBITDA	70.0	38.1	83.6%	139.1	56.7	145.2%	278.0	140.6	97.7%
margin	22.4%	20.8%	-	23.4%	16.5%	-	24.1%	15.9%	-
EBIT	41.6	27.0	53.8%	80.8	37.9	113.2%	170.1	94.1	80.7%
Pre-tax profit	39.8	22.2	79.1%	77.8	46.7	66.8%	135.2	103.6	30.5%
Net profit	31.0	17.4	78.0%	60.2	38.4	56.7%	106.5	80.0	33.1%

Strong second quarter outlook

Famur’s Q2 2011 revenues in the segment of mining machinery are expected to show 94.7% y/y growth owing to the acquisition of Remag in Q1 and two major orders, one for delivery of 118 roof support units for PLN 27.9m, and the other for a longwall system with a net value of PLN 70.7m. Thanks to favorable macroeconomic conditions, strong sales growth is also expected in lifting and loading equipment (an increase from PLN 6.0m to PLN 36.2m) and castings (+52.1% Y/Y). Added to the core topline will be an estimated PLN 43.0m in revenues generated from coal sales. Famur’s second-quarter profits were positively impacted by a recovering coal industry, with gross margins estimated at 34% in mining machinery and 30% in other mining equipment. As for one-time events, we expect Famur to reverse a PLN 3m provision related to Remag recognized in Q4 2010, a PLN 1.3m discount on KHW bonds (at 31 March 2011, the value of the bonds stood at PLN 43.0m), and PLN 0.8m F/X gains on forward contracts (Famur had PLN 136.3m in open forward sale contracts on euros as of 31 March, and the zloty appreciated 0.6% versus the euro in the course of the second quarter). Minority interests (Remag) are estimated at PLN 0.9m.

Impexmetal — Buy

Metals

Analyst: Jakub Szkopek

2011 P/E	10.6	2011 EV/EBITDA	7.0	**Current price**	**PLN 4.75**
2012 P/E	8.8	2012 EV/EBITDA	5.8	**Target price**	**PLN 5.70**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	635.0	594.6	6.8%	1 354.4	1 159.8	16.8%	2 719.5	2 417.6	12.5%
EBITDA	47.6	47.3	0.6%	99.7	87.0	14.6%	189.6	169.0	12.2%
margin	7.5%	8.0%	-	7.4%	7.5%	-	7.0%	7.0%	-
EBIT	32.9	31.9	3.2%	70.1	55.9	25.4%	130.9	107.5	21.8%
Pre-tax profit	27.9	26.7	4.4%	65.5	49.6	32.2%	107.0	96.1	11.3%
Net profit	22.7	19.0	19.4%	53.8	37.3	44.4%	89.7	76.9	16.6%

Unfavorable base effects

Q2 2011 witnessed a 13.4% y/y increase in aluminum prices, a 7.9% increase in lead prices, a 6.8% decrease in zinc prices, and a 20.6% surge in copper prices. Our predictions with respect to Impexmetal's sales volumes are a 2.5% y/y increase at HAK and a 2.3% increase at ZM Silesia, and a contraction by 2.8% at Hutmen, 5.3% at Dziedzice, and 4.9% at Baterpol. Sales of copper products will be lower than in Q2 2010 as customers held off purchases in hopes that copper prices would drop even more. The lower sales generated by Baterpol can be explained with a milder winter which resulted in fewer car-battery replacements, and a shortage of used batteries for recycling caused by a new tax regime for scrap traders which entered into force on April 1st. Many scrap yards were shut down, and the resulting deficit was partly offset by recycling lead dross. As far as operating profits are concerned, we expect improvement at HAK (+25.8% Y/Y, +3.8% Q/Q), Baterpol (+158.6% Y/Y, -37.0% Q/Q), and FŁT Polska (+21.2% Y/Y, -11.1% Q/Q), and a negative EBIT at WM Dziedzice (PLN -0.1m vs. PLN 0.3m in Q2 2010). The consolidated Q2 2011 EBIT is expected to approximate PLN 32.9m, marking an increase by just 3.2% relative to the same period a year ago when earnings were boosted by one-time events like the sale of SM DOM for PLN 9.4m. The one-offs we expect to see in Q2 2011 include PLN 1.0m F/X hedging losses (the zloty prices of aluminum decreased by 7.6% during the second quarter, and prices of copper fell 4.1%), lower than the PLN 6.8m losses reported in Q2 2010, and minority interests of PLN 0.1m.

Kernel — Accumulate

Food

Analyst: Jakub Szkopek

2011 P/E	8.6	2011 EV/EBITDA	6.7	**Current price**	**PLN 70.0**
2012 P/E	8.8	2012 EV/EBITDA	5.8	**Target price**	**PLN 87.8**

(USD m)	Q2 2011F	Q2 2010	change	2010/11F	2009/10	change	2010/11F	2011/12F	change
Revenue	373.7	238.5	56.7%	1 801.6	1020.5	76.5%	1801.6	1 964.1	9.0%
EBITDA	66.8	48.6	37.3%	298.2	190.7	56.4%	298.2	280.6	-5.9%
margin	17.9%	20.4%	-	16.6%	18.7%	-	16.6%	14.3%	-
EBIT	59.0	40.9	44.3%	266.0	168.2	58.2%	266.0	250.2	-6.0%
Pre-tax profit	52.5	30.4	72.9%	204.2	152.6	33.9%	204.2	224.7	10.0%
Net profit	49.1	30.5	61.0%	213.0	153.0	39.3%	213.0	209.2	-1.8%

Kernel delivers annual earnings targets

In Q2 2011, prices of sunflower oil were 67.3% higher than in the same period a year ago and 2.9% lower than in the previous quarter. We estimate that Kernel crushed 370kt of sunflower seeds and sold 140.4kt of bulk sunflower oil and 23.3kt of bottled oil in the second quarter. In the segment of grain trade, the company is expected to have increased the export volumes of corn, wheat, and barley (following the removal of export restrictions on 4 June, the monthly wheat and barley export volume amounted to 0.96 MT; June exports of corn amounted to 0.5 MT after the May 5th quota cancelation) to an estimated 0.3MT. The second-quarter profitability of bulk oil sales was supported by the use of low-priced feedstock purchased in Q3 and Q4 2010 (when sunflower seed prices were 26% lower than in Q2 2011), with EBITDA per ton of crushed seed at an estimated USD 135 compared to USD 129.9 in Q1 2011. In case of bottled oil, per-ton EBITDA is expected to remain close to the Q1 2011 level at USD 80.0 (vs. USD 79.3/T in Q1'11). Profit margins on grain trade continued to trend higher than in the second quarter of 2010 (reaching USD 30.0/T in Q2'11 vs. USD 17.3/T in Q2'10) owing to the wide gap between local and global grain prices (which stood at 4.8% for wheat and 22.3% for corn in Q2 2011). We expect Kernel to recognize a USD 6.4m charge against Q2'11 pre-tax profit stemming from financial expenses (debt revaluations produced a small, USD 0.015m loss). As of 30 June 2011, which marked the end of Kernel's fiscal year 2010/2011, the company delivered an estimated 100.09% of its annual revenue target, 99.4% of the EBITDA target, and 94.6% of the net profit target.

Metals

Kęty

Hold

Analyst:
Jakub Szkopek

2011 P/E 11.3
2012 P/E 10.3
2011 EV/EBITDA 6.7
2012 EV/EBITDA 6.2

Current price **PLN 117.5**
Target price **PLN 131.0**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	353.5	285.0	24.0%	676.1	537.2	25.8%	1 352.9	1 210.5	11.8%
EBITDA	58.3	44.1	32.2%	101.1	76.2	32.8%	205.2	185.3	10.8%
margin	16.5%	15.5%	--	15.0%	14.2%	-	15.2%	15.3%	-
EBIT	39.6	26.9	47.2%	65.8	42.1	56.4%	130.5	118.0	10.7%
Pre-tax profit	35.1	24.1	45.8%	58.3	44.4	31.4%	118.7	112.3	5.8%
Net profit	28.2	19.3	46.1%	47.0	34.3	37.1%	96.2	89.7	7.2%

Year-on-year profit growth

Kęty expects to report the strongest, 140% Y/Y revenue growth in the segment of building services in Q2 2011, driven by the SKY Tower project. An increase of about 20% is anticipated in sales of extruded products (aluminum prices were 13.4% higher on average in Q2 2011 than in Q2 2010) and aluminum systems. In flexible packaging and building accessories, sales grew by an estimated 15% and 10%, respectively. The Q2 2011 operating profit is estimated at PLN 38-40m, and the bottom-line profit will fall in the range of PLN 26m and 28m. Our own second-quarter estimates are in line with the company's. According to our calculations, Kęty will have delivered 50.0% of its annual revenue estimate, 49.3% of the EBITDA estimate, 50.4% of the EBIT estimate and 48.9% of the net-earnings target, in H1 2011.

Machinery

Kopex

Hold

Analyst:
Jakub Szkopek

2011 P/E 14.9
2012 P/E 10.9
2011 EV/EBITDA 8.2
2012 EV/EBITDA 6.3

Current price **PLN 21.4**
Target price **PLN 22.5**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	591.7	485.3	21.9%	1 150.8	1 118.9	2.9%	2 448.1	2 365.2	3.5%
EBITDA	66.4	32.4	104.8%	140.7	76.4	84.3%	255.5	184.6	38.4%
margin	11.2%	6.7%	-	12.2%	6.8%	-	10.4%	7.8%	-
EBIT	44.2	12.2	263.3%	94.9	35.6	166.6%	166.6	100.1	66.4%
Pre-tax profit	39.1	19.1	104.6%	80.3	32.1	150.4%	140.9	56.2	150.8%
Net profit	27.8	12.0	132.1%	55.2	20.8	165.0%	106.6	33.3	220.5%

Favorable base effects

Kopex was working on two longwall systems for the coal miner JSW in Q2 2011, one with a net value of PLN 99.4m and the other priced at PLN 43.9m. Owing to the acquisition of Ryfama and rising orders for longwall shearers and roof supports, the segment of mining machinery is expected to report year-on-year revenue growth by 104.3%. Sales of electronic and electrical equipment will show 8.3% Y/Y growth driven by strong demand from Russia. We suspect the scope of Kopex's mining services in Indonesia was limited pending necessary permits, and in Poland a water well stalled the construction of a mine shaft for JSW, resulting in a 26.6% year-on-year drop in revenues from mining services. The Q2 2011 core revenues will be supported by PLN 38m coal sales and PLN 71.8m electricity sales. Other one-time events will include PLN 5m provision charges, a PLN 0.6m discount on KHW bonds, and PLN 0.7m F/X differences (at 31 March 2011, Kopex had open forward contracts for the sale of USD 8.5m and EUR 5.1m). We expect Kopex to double its EBIT, EBITDA, and net earnings figures for Q2 2011 relative to the same period a year ago.

Paper

Mondi

Accumulate

Analyst:
Michał Marczak

2011 P/E	9.8	2011 EV/EBITDA	6.8	**Current price**	**PLN 78.5**
2012 P/E	10.3	2012 EV/EBITDA	7.2	**Target price**	**PLN 88.7**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	706.9	567.9	24.5%	1 397.5	1 041.9	34.1%	2 579.0	2 263.7	13.9%
EBITDA	157.9	132.0	19.6%	318.1	201.3	58.0%	593.2	488.1	21.5%
margin	22.3%	23.2%	-	22.8%	19.3%	-	23.0%	21.6%	-
EBIT	120.0	92.6	29.6%	242.2	123.7	95.8%	440.6	330.7	33.2%
Pre-tax profit	109.8	59.3	85.1%	222.7	75.9	193.4%	425.3	263.7	61.3%
Net profit	107.7	59.3	81.5%	219.2	77.1	184.4%	401.1	249.3	60.9%

Paper market remains favorable

Demand for corrugated cardboard materials is back to the 2008-2009 pre-crisis levels in Western Europe, and it is even higher in Central and Eastern Europe. Mondi predicts a steadying in Western European demand in the next few months, accompanied by ca. 5% increases in CEE and Russia. The upward momentum in demand, paired with steady supply, continues to drive the prices of recycled paper. Q2 2011 witnessed an 8.8% quarter-on-quarter increase in the average euro prices of testliner and fluting, which translated into a 9.1% increase in zloty terms owed to the Polish currency's slight depreciation versus the European currency. The zloty prices of recycled paper surged 16.8% in Q2. Given that it takes 1.17 tons of recycled paper to produce 1 ton of CCM, Kęty's theoretical margin (without taking into account other costs of production) on testliner came close to PLN 1220/T in Q2 2011, 4.7% more than in the first quarter. The numbers for CCM produced using wood pulp look less favorable, with the zloty price of kraftliner averaging PLN 2308/T in Q2 2011, 1.9% less than in Q1 2011. Wood prices are not likely to have continued increasing at the high 10% rate reported in Q1 2011, but Kęty's margins on pulp-based products are bound to contract in Q2 2011. The 2011 second-quarter CCM production and sales volumes are expected to remain steady at the Q1 2011 levels and show a continued increase in recycled paper-based products paired with decreasing kraftliner volumes.

Construction

Budimex — Hold

Construction

Analyst:
Maciej Stokłosa

2011 P/E 9.4
2012 P/E 9.0

2011 EV/EBITDA 6.1
2012 EV/EBITDA 6.1

Current price **PLN 82.6**
Target price **PLN 90.0**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	1 294.0	1146.2	12.9%	2 091.8	1 723.4	21.4%	4 865.0	4 430.3	9.8%
EBITDA	76.2	100.3	-24.0%	140.7	173.0	-18.6%	284.5	352.6	-19.3%
margin	5.9%	8.7%	-	6.7%	10.0%	-	5.8%	8.0%	-
EBIT	69.5	95.3	-27.1%	127.4	162.9	-21.8%	262.9	331.4	-20.7%
Pre-tax profit	76.6	90.5	-15.3%	134.4	156.2	-13.9%	275.8	331.8	-16.9%
Net profit	62.1	73.2	-15.2%	108.7	126.6	-14.1%	223.4	267.4	-16.5%

Strong profits, negative OCF

We expect Budimex's Q2 2011 revenue to show year-on-year expansion by a little under 13%, driven by a higher volume of road contracts. By operating segment, revenues will amount to PLN 1.13bn in construction, PLN 25m in real estate, and PLN 137.8m in "other". The Q2 gross margin is estimated at 8.1% (8.4% in construction, 14% in real estate, 4.5% in other).

General expenses will amount to PLN 39.6m (vs. PLN 37.0m in Q1). We expect to see other operating income of PLN 4.0m and other financial income of PLN 7.1m. A bottom-line profit of PLN 62.1m will be lower than in Q2 2010 because of weaker housing sales (estimated at PLN 25m vs. PLN 129.1m generated a year earlier).

The operating cash flow for the second quarter will fall in the negative range of PLN 30m to PLN 50m, stemming among others from a PLN 231.8m dividend payout.

Elektrobudowa — Hold

Construction

Analyst:
Maciej Stokłosa

2011 P/E 14.9
2012 P/E 13.2

2011 EV/EBITDA 9.0
2012 EV/EBITDA 7.8

Current price **PLN 155.9**
Target price **PLN 163.1**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	206.0	183.2	12.4%	351.1	312.6	12.3%	867.2	786.7	10.2%
EBITDA	15.2	22.3	-31.8%	22.5	31.7	-29.1%	71.8	65.3	9.9%
margin	7.4%	12.2%	-	6.4%	10.1%	-	8.3%	8.3%	-
EBIT	12.2	19.6	-37.6%	16.5	26.2	-37.2%	57.9	53.1	9.1%
Pre-tax profit	12.5	19.9	-37.2%	16.3	26.2	-37.8%	61.4	54.9	11.9%
Net profit	10.1	15.5	-34.7%	13.6	21.4	-36.7%	49.7	45.1	10.2%

Last weak quarter

We expect a relatively weak second-quarter showing from Elektrobudowa caused mainly by low switchgear capacity utilization rates which averaged 40% in H1 2011. We estimate that idle capacity cost the company about PLN 8m in the 2011 first-half profits. The switchgear factory incurs high general expenses, so its profits fall dramatically when sales are slow. In the second half of the year, we expect the factory to return to last year's operating rates of 100-105%. Elektrobudowa will most likely achieve its full-year net profit target of PLN 48.6m on higher revenues.

Our estimates for Q2 2011 include sales of PLN 206m and a gross profit margin of 8% (compared to 5.5% in Q1'11 and 10.5% in Q4'10). SG&A expenses will amount to ca. PLN 4.4m, other operating income will approximate PLN 0.1m, and other financial gains should reach PLN 0.3m. A bottom-line profit of an estimated PLN 10.1m will be much lower than in Q2 2010. Elektrobudowa is set for an earnings acceleration in H2 2011.

Construction

Erbud

Buy

Analyst: Maciej Stokłosa	2011 P/E	19.5	2011 EV/EBITDA	10.3	Current price	PLN 23.85
	2012 P/E	7.0	2012 EV/EBITDA	4.2	Target price	PLN 37.60

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	368.2	339.8	8.4%	644.2	524.2	22.9%	1 281.5	1 108.1	15.6%
EBITDA	8.0	22.1	-63.6%	-5.1	31.5	-	24.8	33.0	-24.8%
margin	2.2%	6.5%	-	-0.8%	6.0%	-	1.9%	3.0%	-
EBIT	6.7	19.6	-65.9%	-7.8	27.6	-	16.6	24.9	-33.2%
Pre-tax profit	5.8	19.0	-69.3%	-9.6	25.0	-	19.1	23.2	-17.4%
Net profit	4.7	14.6	-67.6%	-9.5	19.1	-	15.4	15.2	1.1%

Small profit, negative OCF

Erbud's Q2 2011 net profit may fall short of our previous estimate (PLN 7-9m) due to lower than expected margins yielded by construction contracts, and a provision charge. We expect the company to see improvement in Q3 2011 and achieve a full-year bottom-line profit of PLN 10m.

The 2011 second-quarter revenue will be high thanks to a large backlog (+8.4% y/y). The gross margin is estimated at 5.5%, and the EBIT margin will approximate 2% after PLN 13.2m general expenses. With other operating expenses at PLN 0.5m and other financial expenses at PLN 0.9m, the Q2 2011 net profit will hover around PLN 4.7m.

We suspect Erbud will report operating cash flows of a negative PLN 40-60m for the second quarter, resulting from receivables and payables turnover ratios which have increased after the company decided to make faster payments to subcontractors as a way of achieving higher margins. We reckon that with the PLN 50m raised through the bond offering Erbud will be able to grow its margins by about 1 ppt.

Construction

Mostostal Warszawa

Buy

Analyst: Maciej Stokłosa	2011 P/E	16.9	2011 EV/EBITDA	5.2	Current price	PLN 29.99
	2012 P/E	9.9	2012 EV/EBITDA	3.4	Target price	PLN 54.00

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	801.9	611.1	31.2%	1 351.2	1 139.2	18.6%	2 773.3	2 615.7	6.0%
EBITDA	13.0	35.9	-63.8%	22.6	68.0	-66.8%	75.4	114.0	-33.9%
margin	1.6%	5.9%	-	1.7%	6.0%	-	2.7%	4.4%	-
EBIT	3.4	28.5	-88.1%	3.4	51.3	-93.5%	38.3	77.9	-50.8%
Pre-tax profit	2.6	29.2	-91.1%	6.6	56.5	-88.3%	49.3	84.4	-41.6%
Net profit	1.8	23.4	-92.1%	2.5	42.0	-94.1%	35.5	60.9	-41.7%

Small profit, weak OCF

We think MSW will be able to post a small profit for Q2 2011 based on the fact that prices of building materials remained steady in the period and therefore did not affect contract margins. The operating cash flow for the period will be a negative PLN 60-70m stemming from longer receivables cycles (in road construction, contractor invoice deadlines are 45-60 days while small subcontractors require payments within 15-20 days).

We predict Mostostal will post record revenues as a standalone company (PLN 597.6m) as well as on a consolidated basis (PLN 801.9m) in Q2 2011, with Mostostal Płock contributing PLN 24m, Remak PLN 55m, and other operations adding PLN 125.3m. The overall gross profit margin is estimated at 3.4% (vs. 2.2% in Q1). Standalone margins will approximate 2.0% at the parent company, 1.5% at Mostostal Płock, 11% at Remak, and 6.5% at other companies.

Q2 general expenses will approximate PLN 22.0m, other operating expenses will be PLN 2.0m, and other financial expenses will hover around PLN 0.8m. The consolidated bottom line will be a profit of ca. PLN 1.8m, with Remak reporting a PLN 2.7m profit and Mostostal Płock a PLN 1.6m loss.

Construction

PBG

Buy

Analyst:
Maciej Stokłosa

2011 P/E	10.8	2011 EV/EBITDA	6.4	**Current price**	**PLN 148.8**
2012 P/E	11.0	2012 EV/EBITDA	6.3	**Target price**	**PLN 167.9**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	842.8	729.3	15.6%	1 320.5	1 198.3	10.2%	2 396.1	2 740.3	-12.6%
EBITDA	90.2	86.0	4.9%	134.9	121.5	11.0%	292.3	319.4	-8.5%
margin	10.7%	11.8%	-	10.2%	10.1%	-	12.2%	11.7%	-
EBIT	79.0	73.9	6.9%	112.4	97.8	15.0%	239.5	272.7	-12.2%
Pre-tax profit	75.5	74.1	1.9%	105.9	97.0	9.2%	249.9	267.6	-6.6%
Net profit	59.9	62.5	-4.3%	83.9	80.3	4.5%	197.5	224.3	-11.9%

Steady year-on-year growth, better EBIT

We expect PBG to report year-on-year growth in sales (+15.6%) and EBIT, and a steady net profit, in Q2 2011. The gross margin is estimated at 13.3%, showing an improvement relative to the preceding quarters (11.6% in Q1'11, 11.2% in Q4'10, 13.1% in Q3'10).

General expenses are expected to amount to PLN 33.1m, other operating expenses will be neutral, and other financial expenses will approximate PLN 3.4m. Minority interests will come in at PLN 3.6m. The operating cash flow will be a small but positive number.

For PBG's subsidiary Hydrobudowa, we predict a revenue of PLN 486.6m, an EBIT of PLN 17.6m, and a net profit of PLN 10.8m. Hydrobudowa will be the main reason behind PBG's positive operating cash flow in Q2 2011.

Construction

Polimex Mostostal

Hold

Analyst:
Maciej Stokłosa

2011 P/E	14.1	2011 EV/EBITDA	7.5	**Current price**	**PLN 2.99**
2012 P/E	10.5	2012 EV/EBITDA	6.4	**Target price**	**PLN 3.41**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	1 123.1	1 034.3	8.6%	2 002.8	1 806.2	10.9%	4 719.9	4 160.9	13.4%
EBITDA	52.7	72.9	-27.8%	106.4	130.6	-18.6%	279.2	300.4	-7.1%
margin	4.7%	7.0%	-	5.3%	7.2%	-	5.9%	7.2%	-
EBIT	28.9	50.3	-42.6%	58.9	82.2	-28.4%	169.2	212.7	-20.4%
Pre-tax profit	11.2	41.6	-73.1%	31.5	63.2	-50.2%	117.3	155.2	-24.4%
Net profit	8.8	25.9	-65.9%	21.3	42.7	-50.1%	110.3	109.7	0.6%

A weak quarter

On 8.6% higher revenue, we expect a shrinkage in Polimex's Q2 2011 gross margin to 8.2% from 9.8% posted in Q2 2010, led by very weak performance in steel frames and power engineering. The steel frames manufacturing business suffered due to high prices of its main raw material which could not be offset against the sales prices of the finished products. In power engineering, weak profits were a consequence of high costs incurred on preparation of offers for future power-plant contracts.

Polimex's Q2 2011 general expenses are estimated at PLN 61.9m (compared to PLN 57.0m in Q1 2011). Other operating expenses will approximate PLN 1.25m, other net financial expenses will be ca. PLN 17.7m, and minority interests will come in at PLN 0.2m.

Because of longer receivables cycles, the Q2 operating cash flow will be in a negative range of PLN 50m to PLN 80m.

Construction

Rafako

Accumulate

Analyst:
Maciej Stokłosa

2011 P/E	15.2	2011 EV/EBITDA	8.6	**Current price**	**PLN 12.29**
2012 P/E	14.0	2012 EV/EBITDA	7.9	**Target price**	**PLN 12.80**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	345.0	334.7	3.1%	547.1	574.5	-4.8%	1 418.2	1 135.6	24.9%
EBITDA	17.2	19.5	-12.2%	32.3	39.7	-18.7%	77.5	64.6	20.0%
margin	5.0%	5.8%	-	5.9%	6.9%	-	5.5%	5.7%	-
EBIT	14.1	16.5	-14.8%	26.1	33.8	-22.6%	63.7	52.7	20.9%
Pre-tax profit	15.5	15.1	2.8%	29.4	28.4	3.5%	70.7	52.1	35.7%
Net profit	12.3	11.5	7.5%	23.2	21.5	7.7%	56.3	40.1	40.4%

Y/Y earnings growth, positive OCF

We expect Rafako to report some improvement relative to Q2 2010, and a positive operating cash flow. Rafako is about to become a subject of a due diligence review preceding its acquisition by PBG.

Q2 2011 revenue will show year-on-year growth by about 3.1%, and the gross margin will amount to 9.5%, General expenses will approximate PLN 17.9m (vs. PLN 15.9m in Q2 2010), other net operating expenses are estimated at PLN 0.75m, other net financial income will amount to ca. PLN 1.4m, and minority interests will come in at PLN 0.25m.

Rafako's results generated in the first half of the year indicate that our full-year forecasts for the company, especially when it comes to revenues, may be overly optimistic. At the same time, we stand by our predictions for 2013, the year we expect Rafako to start work on large power plant contracts (PLN 2-3bn revenue, PLN 80m net profit).

Construction

Trakcja Tiltra

Buy

Analyst:
Maciej Stokłosa

2011 P/E	8.8	2011 EV/EBITDA	6.2	**Current price**	**PLN 2.75**
2012 P/E	8.0	2012 EV/EBITDA	5.5	**Target price**	**PLN 3.50**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	724.4	100.1	-	802.5	150.4	433.5%	2 259.2	484.8	366.0%
EBITDA	36.8	18.4	100.3%	38.8	25.4	52.5%	173.4	53.0	227.1%
margin	5.1%	18.4%	-	4.8%	16.9%	-	7.7%	10.9%	-
EBIT	34.0	15.7	116.5%	33.0	20.2	63.6%	127.7	42.4	200.8%
Pre-tax profit	25.4	15.9	59.7%	25.1	20.7	21.0%	90.2	45.6	98.1%
Net profit	20.4	12.8	58.5%	19.9	16.5	21.0%	72.6	36.4	99.4%

Tiltra acquisition gives boost to Q2 profits

Trakcja's Q2 2011 results are not comparable with the year-ago figures. The company has been consolidating Tiltra's financial statements since 1 April, and as of 19 April it recognizes the debt that financed the acquisition. Without the acquisition, Trakcja's second-quarter results would look as follows: PLN 292m revenue, 5.7% gross margin, PLN 7.4m EBIT, and PLN 6.5m net profit.

In actuality, Tiltra is expected to add PLN 432m to the consolidated Q2 revenue, PLN 26.6m to EBIT, and PLN 18.3m to net profit less PLN 4.4m acquisition costs.

As a result, the consolidated results of the merged Trakcja-Tiltra are expected to include a revenue of PLN 724.4m, a gross margin of 8.4%, and general expenses of PLN 24.3m. Other net operating expenses are estimated at PLN 2.5m, and other financial expenses will approximate PLN 8.5m. The bottom-line profit will come in at PLN 20.4m.

Thanks to the acquisition, Trakcja-Tiltra will be one of the first companies to report notable earnings growth this year. On a standalone basis, Trakcja Polska is poised for a major profit expansion in 2012 (with net earnings reaching PLN 55-60m) thanks to D&B contracts.

Construction

Ulma Construccion

Accumulate

Analyst:	2011 P/E	11.8	2011 EV/EBITDA	4.0	Current price	PLN 76.2
Maciej Stokłosa	2012 P/E	12.6	2012 EV/EBITDA	4.2	Target price	PLN 91.4

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	67.5	55.2	22.2%	116.5	95.5	22.0%	258.9	215.4	20.2%
EBITDA	36.2	25.2	43.2%	59.6	42.1	41.6%	128.8	104.2	23.6%
margin	53.6%	45.7%	-	51.2%	44.1%	-	49.8%	48.4%	-
EBIT	16.6	6.0	178.1%	20.6	4.0	416.9%	56.3	27.3	106.2%
Pre-tax profit	13.4	1.9	-	14.2	-2.9	-	42.5	13.5	215.7%
Net profit	10.7	1.4	-	11.5	-2.6	-	34.1	10.2	233.1%

Net profit over PLN 10m

It looks like Ulma had a much better second quarter than we had predicted thanks to larger formwork rental volumes. However, our full-year estimates putting revenue at PLN 258.9m and net profit at PLN 34.1m stay intact except for their distribution across quarters. Instead of 41.8%, we believe Ulma achieved 45.0% of the FY2011 revenue forecast during the first six months.

In Q2 2011, the company will post a revenue of an estimated PLN 67.5m. COGS will total PLN 46.2m, marking an increase from the PLN 40.5m posted in Q1, driven by formwork maintenance expenses of about PLN 3m spent in anticipation of large rentals in the second half of the year.

General expenses will approximate PLN 4.6m, other net operating expenses will be PLN 0.15, and other financial expenses will total PLN 3.2m. A quarterly bottom-line profit of an estimated PLN 10.7m will be Ulma's best since Q1 2008.

Construction

Unibep

Buy

Analyst:	2011 P/E	11.1	2011 EV/EBITDA	8.7	Current price	PLN 6.35
Maciej Stokłosa	2012 P/E	5.3	2012 EV/EBITDA	5.2	Target price	PLN 9.78

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	215.3	160.7	34.0%	355.2	286.2	24.1%	780.6	657.9	18.7%
EBITDA	7.3	6.6	11.5%	12.6	14.2	-11.6%	33.3	35.7	-6.6%
margin	3.4%	4.1%	-	3.5%	5.0%	-	4.3%	5.4%	-
EBIT	5.6	5.2	9.2%	9.2	11.5	-19.8%	26.8	29.8	-9.9%
Pre-tax profit	4.7	5.8	-18.0%	7.7	10.9	-29.9%	24.3	29.4	-17.3%
Net profit	3.8	4.7	-19.2%	6.0	8.6	-30.4%	19.5	22.7	-14.1%

Y/Y slowdown against high H1 2010 base, positive OCF

Unibep's Q2 2011 profits will be weaker than the high figures posted in the same period a year ago on much higher revenues. The gross margin is estimated at 5.8%,

By operating segment, we expect revenues and gross margins respectively at PLN 117m and 5.5% in domestic general construction, PLN 15.4m and 4.7% in road construction, PLN 36.4m and 4.5% in Russian general construction, PLN 35.3m and 6.5% in production, and PLN 11.2m and 12.5% in real estate development.

Q2 2011 general expenses will amount to PLN 6.4m (vs. PLN 5.4m in Q1). Other operating expenses will approximate PLN 0.5m, and other net financial expenses will reach PLN 0.9m. The quarterly bottom line will show a profit of PLN 3.8m. Unibep is poised for accelerated profit growth going forward thanks to valuation gains on the office project in Warsaw.

Q2 2011 operating cash flow will amount to an estimated PLN 10m.

Construction	ZUE			Buy	
Analyst: Maciej Stokłosa	2011 P/E 11.6	2011 EV/EBITDA 6.7		**Current price**	**PLN 11.03**
	2012 P/E 11.0	2012 EV/EBITDA 5.6		**Target price**	**PLN 13.20**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	98.1	62.8	56.2%	144.0	91.5	57.3%	530.0	392.4	35.1%
EBITDA	7.7	11.4	-32.3%	6.1	8.0	-24.4%	39.8	32.4	22.9%
margin	7.9%	18.1%	-	4.2%	8.8%	-	7.5%	8.2%	-
EBIT	6.0	9.7	-38.2%	2.6	4.5	-41.6%	31.5	25.6	22.8%
Pre-tax profit	4.7	7.0	-32.7%	1.1	1.4	-24.7%	28.2	21.1	33.5%
Net profit	3.7	5.2	-29.0%	1.0	1.1	-9.0%	20.9	16.8	24.2%

Seasonally slow H1 2011, negative OCF
ZUE will report a small net profit for Q2 2011 on seasonally low revenues (operating leverage effect) which will account for just 18.5% of the full-year top-line target.

The Q2 gross margin is estimated at 10.2% (compared to 0.3% in Q1 2010, 20.9% in Q2 2010, and -4.9% in Q1 2011). General expenses will hover around PLN 3.8m. Other operating expenses will approximate PLN 0.25m, and other net financial expenses will reach PLN 1.3m. A net profit of PLN 3.7m will be lower then in the same period a year ago when ZUE generated a gross margin of an impressive 20.9% (followed by a contraction to 8.7% in Q3 2010).

ZUE is expected to catch up in the third and fourth quarters when revenues are expected to average PLN 190m, and deliver our full-year earnings estimates. Because of longer receivables cycles, ZUE's Q2 2011 operating cash flow will be a negative PLN 20m.

Property Developers

Real Estate Developers

BBI Development — Buy

Analyst: Piotr Zybała

2011 P/E	17.8	2011 EV/EBITDA	26.7	**Current price**	**PLN 0.34**
2012 P/E	5.5	2012 EV/EBITDA	9.6	**Target price**	**PLN 0.53**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	6.0	46.9	-87.2%	45.1	47.5	-5.2%	53.3	66.6	-20.0%
EBITDA	-3.7	25.3	-	17.9	24.6	-27.2%	12.9	29.9	-56.8%
margin	-61.8%	54.0%	-	39.6%	51.7%	-	24.2%	44.8%	-
EBIT	-3.8	25.3	-	17.8	24.5	-27.4%	12.7	29.7	-57.2%
Pre-tax profit	-4.4	25.8	-	16.5	25.1	-34.0%	12.9	25.0	-48.4%
Net profit	-3.5	21.1	-	13.3	20.5	-35.1%	10.0	13.5	-26.2%

Predicting a second-quarter loss

In the past few quarters, BBI Development reported net losses whenever it did not recognize valuation gains on its “Plac Unii” project, and this will most probably be the case in Q2 2011. The large gain recognized in Q1 2011, combined with profits from home sales, resulted in a quarterly net profit ahead of our full-year estimate. In the second quarter, revenues will be shaped by continued home deliveries (expected to generate PLN 8.6m), small income from adjustments to debt and loan interest, and a property valuation loss of an estimated PLN 3m incurred due to foreign exchange trends. As a result, the total revenue for the quarter will approximate PLN 6.0m. SG&A expenses will be in line with the amounts posted for the preceding quarters at an estimated PLN 4.2m.

Other operating income, which includes rental income and revenues from the services provided by the subsidiary Juvenes-Projekt, should amount to ca. PLN 1.0m. After financial losses of PLN 0.6m (similar to the losses posted in Q1), BBI’s net loss for the second quarter will come close to PLN 3.5m. Going forward, we expect the company to continue reporting quarterly losses until commencement of home deliveries in the “Rezydencja Foksal” project in Q1 2012.

Real Estate Developers

Dom Development — Accumulate

Analyst: Piotr Zybała

2011 P/E	13.8	2011 EV/EBITDA	12.8	**Current price**	**PLN 46.51**
2012 P/E	8.8	2012 EV/EBITDA	6.7	**Target price**	**PLN 53.5**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	117.3	142.8	-17.9%	137.5	302.7	-54.6%	625.6	513.7	21.8%
EBITDA	17.9	19.7	-8.9%	3.7	37.7	-90.2%	101.3	61.4	64.9%
margin	15.3%	13.8%	-	2.7%	12.4%	-	16.2%	12.0%	-
EBIT	17.4	19.1	-9.0%	2.6	36.5	-93.0%	98.9	59.1	67.5%
Pre-tax profit	17.3	16.7	4.0%	2.3	31.6	-92.7%	101.9	51.1	99.5%
Net profit	14.0	13.2	6.5%	1.8	25.0	-92.8%	82.5	40.4	104.1%

Making up for Q1 losses

After a weak Q1 2011 showing resulting from delivery of just 20 flats, Dom Development’s 2011 second-quarter results are expected to be much better thanks to completion of three projects (Derby 9, Klasyków E1, Saska E1 F1) and delivery of an estimated 290 homes which will generate a gross margin over 30% on a revenue totaling PLN 117.3m. Selling expenses will decrease from PLN 8.4m in Q1 to PLN 6.8m, in line with seasonal patterns. We expect to see a 3% increase in general expenses and PLN 0.5m in other operating losses. Financial operations will not impact pre-tax profit. We estimate the Q2 2011 net profit at PLN 14m, making for a 2011 first-half bottom line of PLN 1.8m.

Dom Development’s revenues are bound to accelerate in Q3 and Q4 2011, when it is scheduled to complete five more residential projects comprising about 800 units. The company’s existing developments as of 31 March 2011 offered ca. 200 finished flats, most of them in the “Grzybowska” project.

Real Estate Developers

Echo Investemnt Buy

Analyst: Piotr Zybała

2011 P/E	9.8	2011 EV/EBITDA	7.6	**Current price**	**PLN 4.57**
2012 P/E	4.7	2012 EV/EBITDA	4.1	**Target price**	**PLN 6.17**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	93.8	117.7	-20.3%	179.7	231.9	-22.5%	400.1	427.8	-6.5%
EBITDA	44.5	203.2	-78.1%	172.2	141.5	21.7%	367.0	169.6	116.4%
margin	47.4%	172.6%	-	95.8%	61.0%	-	91.7%	39.7%	-
EBIT	43.6	202.3	-78.4%	170.4	139.7	22.0%	361.9	167.6	116.0%
Pre-tax profit	24.6	35.7	-31.1%	93.7	71.4	31.2%	242.5	137.5	76.3%
Net profit	19.9	27.3	-27.0%	74.9	57.1	31.3%	196.4	146.9	33.7%

Gross profit improves, valuation gains decline

Echo is expected to report continued improvement in Q2 2011, with revenues about 9% higher than in the preceding quarter thanks to a larger number of home deliveries (resulting from completion of the "Klimt House" project in Warsaw). The gross profit will increase to PLN 64.8m from PLN 62.3m in Q1, driven by home sales as well as increasing rental income generated by the "Malta II" and "Oxygen" office buildings. Second-quarter profits will also be supported by gains in the estimated amount of PLN 10m from property sales including the “Galeria Echo” shopping center in Bełchatów. Fair value changes are expected to produce a loss due to unfavorable F/X trends. Gains should be posted in Q3 2011 following settlement of a Kielce shopping center project and capitalization rate adjustments. Second-quarter general expenses will be about 2% higher than in the preceding quarter, and we will see other operating income of PLN 1.5m.

Financial expenses will approximate PLN 35.0m even after a PLN 16m mark-to-market gain on forward contracts and foreign-currency loans produced by a weaker euro. All told, Echo’s Q2 2011 net profit is expected to come in at PLN 19.9m (-27% Y/Y and -63% Q/Q).

Real Estate Developers

GTC Buy

Analyst: Piotr Zybała

2011 P/E	7.8	2011 EV/EBITDA	10.1	**Current price**	**PLN 15.78**
2012 P/E	4.9	2012 EV/EBITDA	8.0	**Target price**	**PLN 23.36**

(EUR m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	35.6	40.8	-12.8%	76.2	77.9	-2.2%	166.9	169.0	-1.2%
EBITDA	25.8	31.1	-17.1%	79.4	49.8	59.4%	211.1	111.1	89.9%
margin	72.5%	76.2%	-	104.2%	63.9%	-	126.5%	65.8%	-
EBIT	25.7	31.0	-17.2%	79.0	49.5	59.5%	210.5	110.6	90.3%
Pre-tax profit	10.4	10.5	-0.9%	48.9	16.2	202.0%	153.3	45.7	235.1%
Net profit	9.6	2.5	284.4%	35.8	8.7	310.8%	110.9	41.9	164.5%

Flat Q/Q growth

We expect GTC to report a slight, 1.2% Q/Q increase to EUR 31.22m in the revenues of its commercial real-estate operations, owed to new rental contracts signed in the first quarter. Housing revenues will continue to be under downward pressure from a weak SEE market, and margins in this segment may remain in the negative territory until the company commences deliveries of the houses it is developing in Konstancin near Warsaw in the following quarters. We estimate GTC’s overall Q2 2011 revenue at EUR 35.6m (+2.4% Q/Q, -12.8% Y/Y).

The second-quarter results will probably receive a boost from revaluations of some of GTC’s Polish properties (EUR 9.5m). SG&A expenses are estimated at EUR 6.4m (+1.1% Q/Q), and financial expenses will be flat at ca. EUR 17.1m. Unlike in Q1, GTC will probably report income of about EUR 0.5m from investments in associates. All told, the Q2 2011 bottom-line profit will approximate EUR 8.4m after minority interests. The net earnings attributable to GTC will be flat at Q1 level at an estimated EUR 9.6m.

Real Estate Developers

J.W. Construction

Hold

Analyst: Piotr Zybała					
2011 P/E	7.6	2011 EV/EBITDA	7.0	**Current price**	**PLN 13.49**
2012 P/E	9.9	2012 EV/EBITDA	10.0	**Target price**	**PLN 16.30**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	83.3	122.9	-32.2%	208.9	241.2	-13.4%	528.3	620.0	-14.8%
EBITDA	17.2	23.0	-25.3%	51.6	55.0	-6.3%	153.0	155.3	-1.5%
margin	20.6%	18.7%	-	24.7%	22.8%	-	29.0%	25.0%	-
EBIT	14.3	19.9	-28.2%	45.8	48.7	-5.8%	136.2	142.4	-4.4%
Pre-tax profit	4.7	17.6	-73.1%	28.3	39.3	-28.0%	119.0	113.4	4.9%
Net profit	3.8	14.4	-73.4%	23.1	32.0	-27.8%	96.4	92.0	4.8%

Q2 revenue determined by Q1 housing sales

J.W. Construction did not complete any new residential projects in the second quarter of 2011, meaning that all the flats it delivered in the period were units in existing developments sold in Q1 2011 The company sold 256 (before cancellations) flats in the first quarter, and about the same amount of deliveries is expected to be recognized in the second quarter. This will make for a revenue of PLN 76m and a gross profit margin over 33%. JWC's overall Q2 2011 revenue is estimated at PLN 83m, with gross margin over 30%.

SG&A expenses are expected to be flat at Q1 level, and financial expenses will amount to PLN 9.5m. The second-quarter bottom line will come in at PLN 3.8m, marking a 80% drop relative to Q1 and a 78% plunge relative to Q2 2010, caused by lower sales and a lack of new projects. JWC's profits are set for a rebound in Q4 2011 following commencement of flat deliveries in the "Słoneczny Park" project.

Real Estate Developers

P.A. Nova

Buy

Analyst: Piotr Zybała					
2011 P/E	15.4	2011 EV/EBITDA	13.4	**Current price**	**PLN 27.0**
2012 P/E	15.1	2012 EV/EBITDA	15.8	**Target price**	**PLN 37.4**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	39.8	38.4	3.6%	74.8	68.6	9.0%	169.3	146.5	15.6%
EBITDA	5.7	2.9	96.1%	12.3	12.8	-3.9%	29.6	27.9	5.9%
margin	14.3%	7.6%	-	16.4%	18.6%	-	17.5%	19.1%	-
EBIT	5.0	1.8	179.2%	10.9	11.1	-1.8%	27.0	25.7	4.9%
Pre-tax profit	4.4	1.8	150.4%	9.4	11.0	-14.5%	21.7	24.5	-11.6%
Net profit	3.6	1.4	159.4%	7.9	8.9	-10.7%	17.6	20.2	-12.8%

Revenues increase in spite of fewer construction contracts

P.A. Nova recognized revenues from seven construction contracts in Q2 2011, but profits are expected to be posted on only four of them (Tesco stores in Nowy Sącz, Poznań, Krapkowice, and Gliwice). The company recognizes increasing revenues and profits from retail space rental in the "Galeria Sanowa" shopping center as more and more tenants move in (PA Nova's rental income is determined by tenant sales). We predict Galeria Sanowa will achieve its target earnings potential some time next year, after which it will probably be sold.

The recently commenced shopping center project in Kędzierzyn Koźle is expected to raise the Q2 2011 general expenses to PLN 0.7m. After neutral contributions from other operating income, and lower debt service costs achieved thanks to renegotiated loan terms, the 2011 second-quarter bottom line will come in at an estimated PLN 3.6m (-17% Q/Q).

Real Estate Developers

Polnord

Buy

Analyst: Piotr Zybała

2011 P/E	8.4	2011 EV/EBITDA	9.1	**Current price**	**PLN 22.2**
2012 P/E	4.9	2012 EV/EBITDA	4.5	**Target price**	**PLN 43.5**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	45.9	53.8	-14.6%	67.4	96.3	-30.1%	352.9	180.3	95.8%
EBITDA	50.1	12.3	307.0%	69.1	30.6	125.7%	91.2	50.4	80.9%
margin	109.0%	22.9%	-	102.6%	31.8%	-	25.8%	28.0%	-
EBIT	49.5	11.8	319.9%	67.9	29.6	129.5%	89.1	48.1	85.1%
Pre-tax profit	44.1	16.6	165.6%	64.8	36.3	78.5%	72.7	73.1	-0.5%
Net profit	35.7	10.4	244.0%	51.4	25.6	100.5%	58.9	51.6	14.2%

Q2 profit boosted by compensation payment

Polnord delivered 150 homes inn Q2 2011, the same number as in Q2 2010 and over 90 more than in Q1 2011. Since the majority of these deliveries were in the "City Park" project in Łódź which generates zero margins, the quarter's average gross margin is expected to decrease to ca. 15%. The revenue from the home sales is estimated at PLN 46m, and the gross profit will approximate PLN 7.1m. Selling and general expenses will probably remain high at the Q1 level at PLN 16.6m, and they are expected to decrease in Q3 as a result of cost-cutting initiatives.

The 2011 second-quarter earnings will be supported by another payment from the company which had purchased Polnord's land compensation claims against Warsaw, estimated at PLN 66m. Other operating expenses will approximate PLN 7m, and we expect to see other financial expenses in the amount of PLN 5.4m. All told the Q2 bottom-line profit will come in at PLN 36m. We predict that Polnord will recognize strong operating cash flows for the quarter.

Real Estate Developers

Robyg

Buy

Analyst: Piotr Zybała

2011 P/E	13.4	2011 EV/EBITDA	14.9	**Current price**	**PLN 1.86**
2012 P/E	4.8	2012 EV/EBITDA	4.3	**Target price**	**PLN 2.52**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	25.2	65.8	-61.7%	60.0	141.1	-57.5%	234.7	284.8	-17.6%
EBITDA	2.8	12.6	-78.0%	5.1	26.0	-80.4%	50.7	47.6	6.6%
margin	11.1%	19.2%	-	8.5%	18.5%	-	21.6%	16.7%	-
EBIT	2.6	12.4	-78.9%	4.7	25.6	-81.5%	49.8	46.9	6.2%
Pre-tax profit	1.8	11.7	-84.8%	3.6	26.7	-86.6%	51.8	47.5	8.9%
Net profit	0.6	8.5	-92.7%	1.6	17.5	-91.1%	35.7	31.7	12.6%

Few home deliveries, land valuation

Robyg's home deliveries are set to peak in the fourth quarter after completion of four residential projects comprising over 500 flats. At 31 March, the company had only 151 homes left in existing projects, of which 50 were pre-sold. We suspect about 50 deliveries will therefore be recognized in Q2 2011 results. Robyg's quarterly revenues will be supported by construction services provided to Robyg Ogród Jelonki, and they are expected to total PLN 25.2m. The Q2 gross profit is estimated at PLN 5.2m. General expenses will increase to PLN 5m, driven by Robyg's incentive program whose negative impact is expected to diminish from quarter to quarter.

The 2011 second-quarter profits will receive a boost from a ca. PLN 5m mark-to-market gain on the land property on which Robyg is planning to build an office complex called "Wilanów Office Center."

Other operating expenses will approximate PLN 0.3m, and financial expenses will amount to PLN 0.8m. All told, Robyg's Q2 2011 bottom-line profit will be steady at the quarter-before level at some PLN 0.6m.

Retail\Wholesale

Retailers & Wholesalers	Eurocash		Buy	
Analyst: Gabriela Borowska	2011 P/E 19.6	2011 EV/EBITDA 10.8	**Current price**	**PLN 28.91**
	2012 P/E 13.8	2012 EV/EBITDA 8.0	**Target price**	**PLN 37.00**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	2 509.1	1 764.4	42.2%	4 588.5	3 305.0	38.8%	13 895.0	7 834.2	77.4%
EBITDA	62.1	52.4	18.7%	94.8	81.9	15.8%	411.0	236.5	73.8%
margin	2.5%	3.0%	-	2.1%	2.5%	-	3.0%	3.0%	-
EBIT	44.1	38.8	13.7%	58.7	55.1	6.6%	319.6	176.8	80.8%
Pre-tax profit	37.2	38.4	-3.0%	46.9	53.4	-12.1%	237.0	149.7	58.3%
Net profit	32.6	33.5	-2.4%	41.4	46.9	-11.7%	202.0	131.3	53.8%

Consolidation effects, late Easter

Eurocash's Q2 2011 sales and profits will be supported by the consolidation of Premium Distributors, combined with a late Easter which moved the peak holiday shopping season to the second quarter (last year, Easter fell in the first quarter). Segmental EBITDA margins are expected to be steady, however, had it not been for the consolidation of Premium Distributors, the overall margin would have been closer to 3% than the 2.5% we expect to see in Q2 2011. Second-quarter sales will show 42.2% y/y growth, and EBITDA will increase 18.7%. There will be other financial expenses of PLN 3.0m. The bottom line will display slower growth than EBIT because of financial expenses totaling PLN 6.9m, the bulk of which are interest charges on the loan taken out to fund the acquisition of Premium Distributors.

Retailers & Wholesalers	LPP		Accumulate	
Analyst: Gabriela Borowska	2011 P/E 18.0	2011 EV/EBITDA 10.2	**Current price**	**PLN 2225**
	2012 P/E 15.2	2012 EV/EBITDA 9.0	**Target price**	**PLN 2300**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	579.1	481.6	20.3%	1 079.6	906.1	19.2%	2 393.8	2 062.3	16.1%
EBITDA	105.1	63.7	65.0%	139.5	95.2	46.4%	398.1	311.4	27.8%
margin	18.2%	13.2%	-	12.9%	10.5%	-	16.6%	15.1%	-
EBIT	79.5	39.8	99.9%	90.3	48.2	87.3%	292.9	215.8	35.7%
Pre-tax profit	73.9	50.5	46.2%	93.0	49.7	87.2%	274.9	195.3	40.8%
Net profit	58.0	37.9	53.3%	72.2	33.1	118.2%	217.4	154.5	40.8%

Record profits

The monthly sales data reported by LPP indicate that the company's 2011 second-quarter sales were 20% higher than in the same period in 2010. Relative to a low 2010 base (store closures after the presidential plane crash), April sales were a whopping 42% higher, slowing down in the two following months to annual increases of 17% and 8%, respectively. The slowdown was an effect of two factors: an increasing 2010 comparable base, and the fact that thanks to strong same-store growth LPP is not forced to conduct markdown campaigns, and generates higher margins on slower sales (the gross margin for Q2 2011 is estimated at 60.3% compared to 55.7% in Q2 2010). We expect LPP to report other operating expenses of PLN 8m resulting from bonuses, and we predict EBIT will amount to PLN 79.5m, marking a 99.9% y/y surge. Without considering F/X gains (which contributed PLN 7.3m to the Q2 2010 net profit) LPP's bottom-line for Q2 2011 should reach PLN 58.0m.

Retailers & Wholesalers

NFI EMF

Hold

Analyst:
Gabriela Borowska

2011 P/E	20.3	2011 EV/EBITDA	8.5	**Current price**	**PLN 17.0**
2012 P/E	16.2	2012 EV/EBITDA	7.1	**Target price**	**PLN 19.0**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	707.5	645.3	9.6%	1 337.7	1 245.1	7.4%	3 281.2	2 908.2	12.8%
EBITDA	48.7	59.8	-18.6%	63.1	80.1	-21.2%	265.0	246.1	7.7%
margin	6.9%	9.3%	-	4.7%	6.4%	-	8.1%	8.5%	-
EBIT	21.6	33.9	-36.1%	9.1	31.4	-71.2%	153.3	141.6	8.3%
Pre-tax profit	9.4	18.3	-48.5%	-2.4	8.6	-	117.9	100.2	17.7%
Net profit	7.1	7.6	-6.1%	-4.7	-0.9	-	87.3	74.8	16.8%

Fashion and beauty weigh on Q2 results

We expect NFI EMF to report decent but weaker than average Q2 results across all business segments except for Fashion and Beauty where sales were depressed by a lagging Russia. Like-for-like growth in the range of 2 to 5 percent should be reported by the Empik and Smyk stores as well as the foreign language schools. Book and children clothes sales at Empik and Smyk were supported by seasonal factors and a late Easter. The slump in Russia was due to price hikes, including at Peacocks stores which account for about 40% of NFI EMF's sales there. The consolidated second-quarter results may be supported by a PLN 5.0m compensation payment. We made no estimates for financial instrument valuations. The segmental Q2 2011 gross margins will be comparable to the year-ago figures except in Fashion and Beauty. All in all, we predict NFI EMF will report an operating profit 36.1% lower than in Q2 2010, with net profit down 6.1%.

Retailers & Wholesalers

NG2

Accumulate

Analyst:
Gabriela Borowska

2011 P/E	14.9	2011 EV/EBITDA	10.2	**Current price**	**PLN 56.0**
2012 P/E	12.5	2012 EV/EBITDA	8.5	**Target price**	**PLN 66.0**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	298.3	244.6	22.0%	483.2	440.3	9.8%	1 179.1	1 028.6	14.6%
EBITDA	65.2	43.8	48.9%	69.2	58.7	17.9%	213.6	151.3	41.2%
margin	21.9%	17.9%	-	14.3%	13.3%	-	18.1%	14.7%	-
EBIT	59.8	38.7	54.8%	57.9	47.8	21.0%	188.9	129.1	46.3%
Pre-tax profit	56.6	36.3	56.0%	52.9	43.4	21.7%	178.8	122.6	45.8%
Net profit	45.6	47.7	-4.4%	39.4	52.8	-25.4%	144.2	117.9	22.4%

Net earnings will come close to PLN 50m

Based on monthly sales data, we estimate that NG2's revenue for Q2 2011 will show a year-on-year increase by 22%, thanks mainly to strong sales generated in April and May relative to a low year-ago base (-18% y/y). June 2011 sales were flat relative to the year-ago figure which represented a 26% Y/Y rebound compared to the two preceding months of 2010. The Q2 2011 profitability achieved on wholesale and retail sales is expected to be flat, which, given the higher retail sales, should lead to a +0.9ppt year-on-year expansion in the gross margin. SG&A expenses are estimated at PLN 114.5m (+14%% y/y), including PLN 1.5m in incentive costs. We made no estimates of F/X gains and losses which are recognized under other operating income / expenses. The operating profit is estimated at PLN 59.8m. The recurring Q2 2011 bottom line will be 55% higher than in the same period a year ago, but the reported figure will be 4.4% lower due to a deferred tax asset which added PLN 18.3m to net earnings in Q2 2010.

Retailers & Wholesalers

Vistula

Hold

Analyst:
Gabriela Borowska

2011 P/E	16.5	2011 EV/EBITDA	8.0	**Current price**	**PLN 1.53**
2012 P/E	8.1	2012 EV/EBITDA	6.3	**Target price**	**PLN 2.10**

(PLN m)	Q2 2011F	Q2 2010	change	H1 2011F	H1 2010	change	2011F	2010	change
Revenue	96.4	87.1	10.7%	175.4	163.6	7.2%	405.2	359.1	12.8%
EBITDA	12.3	11.9	4.0%	19.3	20.1	-3.7%	49.6	44.7	11.0%
margin	12.8%	13.6%	-	11.0%	12.3%	-	12.3%	12.5%	-
EBIT	8.7	7.9	10.1%	12.0	11.9	1.5%	34.1	28.8	18.4%
Pre-tax profit	2.4	1.5	56.3%	-0.1	0.9	-	12.8	7.5	70.9%
Net profit	2.0	1.1	85.4%	0.0	1.1	-	10.3	6.1	70.9%

Y/Y growth without help from on-offs

Vistula is expected to report strong, 13% y/y sales growth in the fashion segment (Vistula, Wólczanka, Deni Cler, other) achieved on a store floor area only 1% larger than a year earlier. The segment's gross profit will be steady. In the jewelry segment, Q2 2011 results will be depressed by several factors: (i) high prices of gold weighing on gross margins, (ii) weak sales per square meter caused by expensive gold and low demand for luxury goods, and (iii) low inventories accumulated by the W. Kruk stores which also affect per-square-meter sales. On the same store floor area, jewelry sales are expected to be 7% higher than in Q2 2010, while the gross margin will be 53.5% compared to 54.3% a year earlier. Vistula's total SG&A expenses will have increased in Q2 2011, driven by store expansion and higher sales. There will be a 10.1% y/y increase in the operating profit and an 85% surge in the bottom-line profit (Vistula paid a 30% tax on its Q2 2010 earnings).

Earnings Calendar

Company	Q2 2011 standalone	Q2 011 consolidated	H1 2011 consolidated
AB			2011-08-29*
ACTION			2011-08-31
AGORA	2011-08-12	2011-08-12	2011-08-19
ASBIS			2011-08-10
ASSECO POLAND			2011-08-26
ASTARTA			2011-08-23
BBI DEVELOPMENT			2011-08-31
BORYSZEW			2011-08-30
BRE Bank			2011-08-03
BUDIMEX			2011-08-31
CENTRUM KLIMA			2011-08-30
CERSANIT			2011-08-31
CEZ		2011-08-09	2011-08-31
CIECH			2011-08-30
CINEMA CITY			2011-08-31
COMARCH			2011-08-31
CYFROWY POLSAT			2011-08-31
DOM DEVELOPMENT			2011-08-25
ECHO INVESTMNET			2011-08-31
ELEKTROBUDOWA			2011-08-31
ENEA			2011-08-29
ERBUD			2011-08-30
EUROCASH			2011-08-26
FAMUR			2011-08-31
GETIN			2011-08-30
GTC			2011-08-22
HANDLOWY	2011-08-09	2011-08-09	2011-08-31
IMPEXMETAL			2011-08-23
ING BSK			2011-08-04
J.W.C.			2011-08-30
KERNEL			2011-08-29**
KĘTY			2011-08-10
KGHM	2011-08-12	2011-08-12	2011-08-31
KOPEX			2011-08-31
KREDYT BANK			2011-08-09
KRUK			2011-08-30
LOTOS			2011-08-25
LPP			2011-08-29
LW BOGDANKA			2011-08-31
MILLENNIUM			2011-07-26
MONDI			2011-08-04
MOSTOSTAL WAR.			2011-08-31
NETIA			2011-08-04
NFI EMPIK			2011-08-29
NG2			2011-08-29
PA. NOVA			2011-08-30
PBG			2011-08-31
PEKAO			2011-08-03
PGE			2011-08-31
PGNiG			2011-08-31
PKN ORLEN		2011-07-26***	2011-08-05
PKO BP			2011-08-11
POLICE			2011-08-17
POLIMEX MOSTOSTAL			2011-08-31
POLNORD			2011-08-31
PZU			2011-08-25
RAFAKO			2011-08-31
ROBYG			2011-08-25
SYGNITY			2011-08-31
TAURON			2011-08-18
TPSA			2011-07-27
TRAKCJA POLSKA			2011-08-31
TVN	2011-08-11	2011-08-11	2011-08-11
ULMA CP			2011-08-31
UNIBEP			2011-08-31
VISTULA			2011-08-31
ZA PUŁAWY	2011-08-29****	2011-08-29****	2011-10-04*****
ZUE			2011-08-31

*Source: Companies; * FQ4 2010/2011 report; ** FQ4 2011 report; *** Preliminary Q2 2011 data; **** Q4 2010/2011 report; ***** FY2010/2011 report*

Current recommendations of BRE Bank Securities S.A.

Company	Recommendation	Date issued	Price on report date	Target price	Current price	Upside / Downside	P/E 2011	P/E 2012	EV/EBITDA 2011	EV/EBITDA 2012
Banks										
GETIN	Reduce	2011-06-01	13,86	12,70	11,70	8,5%	7,4	11,0		
HANDLOWY	Hold	2011-01-18	93,00	88,30	84,35	4,7%	12,2	10,3		
ING BSK	Buy	2011-05-20	833,00	960,00	833,00	15,2%	12,0	10,5		
KREDYT BANK	Hold	2011-06-03	17,60	17,00	17,30	-1,7%	14,2	10,7		
MILLENNIUM	Reduce	2011-03-03	5,59	5,00	5,25	-4,8%	14,2	10,6		
PEKAO	Hold	2011-03-03	164,00	148,20	159,00	-6,8%	13,5	12,1		
PKO BP	Buy	2011-05-23	42,99	49,00	39,95	22,7%	12,6	10,6		
Insurance										
PZU	Hold	2011-06-03	391,00	390,00	366,70	6,4%	12,7	11,6		
Financial services										
KRUK	Buy	2011-06-22	39,70	53,00	40,90	29,6%	10,9	9,4		
Fuels, chemicals										
CIECH	Accumulate	2011-07-05	23,29	30,10	20,64	45,8%	21,1	9,5	4,4	3,9
LOTOS	Sell	2011-01-18	38,49	28,40	38,60	-26,4%	9,9	5,3	6,1	5,0
PGNiG	Accumulate	2011-07-06	4,40	4,83	4,16	16,1%	14,3	10,7	7,3	5,0
PKN ORLEN	Sell	2011-03-16	50,00	41,60	46,49	-10,5%	11,4	10,8	6,5	6,3
POLICE	Sell	2011-04-07	12,80	9,70	11,45	-15,3%	9,9	17,8	6,4	8,1
ZA PUŁAWY	Reduce	2011-06-03	126,00	106,10	100,50	5,6%	10,2	9,9	5,8	5,5
Power Utilities										
CEZ	Reduce	2011-05-17	151,50	134,70	139,00	-3,1%	10,4	9,9	7,3	6,9
ENEA	Accumulate	2011-05-17	18,88	21,68	18,25	18,8%	10,7	9,1	3,7	3,7
PGE	Accumulate	2011-05-17	24,15	27,74	23,00	20,6%	10,7	9,5	5,8	5,4
TAURON	Buy	2011-05-17	6,33	9,09	6,24	45,7%	8,8	8,0	4,0	3,9
Telecommunications										
NETIA	Hold	2011-01-18	5,15	5,40	5,62	-3,9%	20,0	15,7	4,7	4,2
TPSA	Hold	2011-04-05	17,75	16,10	16,58	-2,9%	17,3	15,9	4,7	4,6
Media										
AGORA	Buy	2011-06-03	20,29	28,40	16,86	68,4%	12,6	10,0	4,0	3,3
CINEMA CITY	Accumulate	2011-03-03	36,06	42,90	34,00	26,2%	12,4	9,5	6,8	5,5
CYFROWY POLSAT	Hold	2010-12-17	17,30	15,30	15,80	-3,2%	14,8	14,6	9,3	8,5
TVN	Hold	2011-04-05	18,40	18,10	15,79	14,6%	19,2	13,7	10,1	8,1
IT										
AB	Accumulate	2011-01-18	25,42	27,60	22,41	23,2%	7,1	8,1	6,0	6,2
ACTION	Accumulate	2011-01-18	16,65	18,16	18,71	-2,9%	10,0	8,6	7,2	6,4
ASBIS	Accumulate	2011-01-18	3,80	4,32	2,24	92,9%	5,6	3,5	4,2	3,2
ASSECO POLAND	Buy	2011-05-27	49,60	65,00	47,70	36,3%	9,5	8,8	5,7	5,3
COMARCH	Hold	2011-01-18	88,95	88,00	68,70	28,1%	12,7	10,8	5,1	4,3
SYGNITY	Hold	2011-06-09	27,29	28,00	21,99	27,3%	55,5	12,0	6,9	5,1
Mining & Metals										
KGHM	Accumulate	2011-05-13	180,20	189,60	186,90	1,4%	6,0	10,0	4,1	6,4
LW BOGDANKA	Buy	2011-05-13	108,40	130,50	112,40	16,1%	13,7	9,5	6,9	4,8
Manufacturers										
ASTARTA	Sell	2011-01-18	101,00	63,6	86,50	-26,5%	9,0	17,2	1,2	1,7
BORYSZEW	Buy	2011-07-01	0,91	1,2	0,83	44,6%	14,1	11,1	7,9	6,3
CENTRUM KLIMA	Buy	2011-07-05	14,60	16,9	13,55	24,7%	11,6	9,4	7,4	6,1
CERSANIT	Hold	2011-07-05	9,80	10,7	8,79	21,7%	16,6	12,1	8,9	7,2
FAMUR	Hold	2011-05-25	3,70	3,9	3,85	1,3%	17,4	12,2	7,5	6,8
IMPEXMETAL	Buy	2011-03-18	4,67	5,7	4,65	22,6%	10,4	8,6	6,9	5,7
KERNEL	Accumulate	2011-02-28	79,25	87,8	70,60	24,4%	9,2	8,8	6,9	5,8
KĘTY	Hold	2011-05-02	131,20	131,0	121,00	8,3%	11,6	10,6	6,9	6,3
KOPEX	Hold	2011-07-05	23,11	22,5	21,45	4,9%	15,0	11,0	8,2	6,3
MONDI	Accumulate	2011-07-05	80,50	88,7	80,20	10,6%	10,0	10,5	6,9	7,4
Construction										
BUDIMEX	Hold	2011-05-20	100,00	90,00	84,80	6,1%	9,7	9,2	6,3	6,3
ELEKTROBUDOWA	Accumulate	2011-03-03	158,00	178,60	156,60	14,0%	14,1	12,6	8,8	7,7
ERBUD	Buy	2011-05-20	29,70	37,60	24,70	52,2%	20,2	7,2	10,7	4,4
MOSTOSTAL WAR.	Buy	2011-05-20	34,00	54,00	28,70	88,2%	16,2	9,5	4,9	3,2
PBG	Buy	2011-05-20	142,00	167,90	148,00	13,4%	10,7	11,0	6,9	6,9
POLIMEX MOSTOSTAL	Hold	2011-07-05	3,32	3,41	3,17	7,6%	15,0	11,1	7,8	6,7
RAFAKO	Accumulate	2011-07-05	12,51	12,80	12,60	1,6%	15,6	14,3	8,9	8,2
TRAKCJA TILTRA	Buy	2011-05-20	2,71	3,50	2,90	20,7%	9,3	8,5	6,4	5,7
ULMA CP	Accumulate	2011-06-09	83,00	91,40	78,00	17,2%	12,0	12,9	4,1	4,3
UNIBEP	Buy	2011-05-20	6,56	9,78	6,25	56,5%	10,9	5,2	8,6	5,1
ZUE	Buy	2011-07-05	9,95	13,20	11,24	17,4%	11,8	11,2	6,8	5,7
Property Developers										
BBI DEVELOPMENT	Buy	2011-03-08	0,44	0,53	0,35	51,4%	18,3	5,6	27,2	9,7
DOM DEVELOPMENT	Accumulate	2011-07-05	47,89	53,50	45,41	17,8%	13,5	8,6	12,5	6,5
ECHO	Buy	2011-04-05	4,94	6,17	4,77	29,4%	10,2	4,9	10,3	7,1
GTC	Buy	2011-05-27	19,25	23,36	16,08	45,3%	7,9	5,0	10,1	8,0
J.W.C.	Hold	2011-05-06	15,45	16,30	13,99	16,5%	7,8	10,3	7,1	10,2
PA NOVA	Buy	2011-05-17	30,76	37,40	26,90	39,0%	15,3	15,1	13,3	15,8
POLNORD	Buy	2011-01-07	32,20	43,50	24,01	81,2%	9,0	5,3	13,5	7,4
ROBYG	Buy	2011-01-07	1,86	2,52	1,91	31,9%	13,8	4,9	16,1	4,8
Retail\Wholesale										
EUROCASH	Buy	2011-02-04	30,50	37,03	30,00	23,4%	21,9	16,5	12,0	9,5
LPP	Accumulate	2010-12-03	2 140,00	2 300,00	2 225,00	3,4%	17,9	15,1	10,2	8,9
NFI EMPIK	Hold	2011-05-27	18,20	19,00	17,00	11,8%	20,3	16,2	8,6	7,1
NG2	Accumulate	2011-06-10	59,80	66,00	56,00	17,9%	14,9	12,5	10,2	8,5
VISTULA	Hold	2011-03-03	2,10	2,10	1,42	47,9%	15,3	7,5	7,7	6,1

Ratings issued in the last month

Company	Rating	Previous Rating	Target Price	Rating Day
BORYSZEW	Buy	Accumulate	1.20	2011-07-01
CEDC	Buy		36.80	2011-07-21
CENTRUM KLIMA	Buy	Accumulate	16.90	2011-07-05
CERSANIT	Hold	Reduce	10.70	2011-07-05
CIECH	Accumulate	Hold	30.10	2011-07-05
DOM DEVELOPMENT	Accumulate	Buy	53.50	2011-07-05
ELEKTROBUDOWA	Hold	Accumulate	163.10	2011-07-20
KOPEX	Hold	Accumulate	22.50	2011-07-05
KRUK	Buy		53.00	2011-06-22
MONDI	Accumulate	Hold	88.70	2011-07-05
PGNiG	Accumulate	Hold	4.83	2011-07-06
POLIMEX MOSTOSTAL	Hold	Accumulate	3.41	2011-07-05
RAFAKO	Accumulate	Buy	12.80	2011-07-05
ZUE	Buy	Accumulate	13.20	2011-07-05

Rating Statistics

	All					Issuers who are clients of BRE Bank Securities				
Statistics	Sell	Reduce	Hold	Accumulate	Buy	Sell	Reduce	Hold	Accumulate	Buy
count	4	4	24	13	23	0	2	7	6	15
percentage	5.9%	5.9%	35.3%	19.1%	33.8%	0.0%	6.7%	23.3%	20.0%	50.0%

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

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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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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.