

6 January 2009

Periodic Report

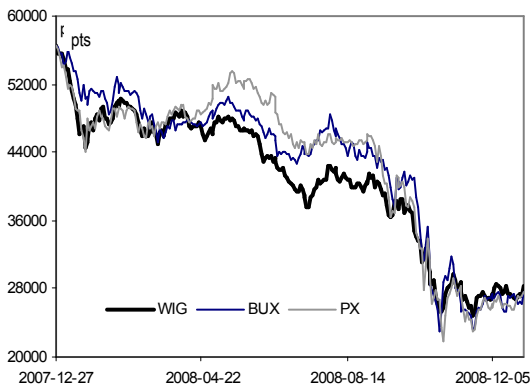

Equity Market
 Macroeconomics

WIG	28 332
Average 2009E P/E	9.5
Average 2010E P/E	8.9
Avg daily trading volume	PLN 1 205m

Monthly Report

January 2009

WIG vs. indices in the region



Equity Market

We maintain a bullish outlook on the equity market, which will soon see an inflow of capital shifted from the debt market. For a more in-depth analysis, look out for our "Strategy 2009" release later this month.

Company Outlook

Banks. We are preparing a 2009 strategy for the bank sector, set for release in a few days' time. In short, we expect bank earnings to shrink by one-third this year – a trend which is already discounted in stock prices. We have a positive outlook on large banks with liquid balance sheets, low C/I ratios, and sizeable customer bases. Smaller players are more sensitive to economic trends, and, after a period of prosperity, they are going to head downwards.

Gas & Oil. Sentiment in the oil market has improved, even if mainly for geopolitical reasons, potentially increasing interest in PKN Orlen and Lotos shares among index investors. That is why we predict that the refineries will outperform the gas giant PGNiG in January.

Telecommunications. An increase in the price of TPSA shares prompted a downgrade to hold. Netia still has some upside potential.

Media. January is not looking good for media companies. WSiP, Cyfrowy Polsat, and TVN will underperform, while Agora could bring higher rates of return.

IT. Our recommendation for January remains to overweight IT integrators, and underweight hardware distributors who went through a weak holiday shopping season, and face slowing demand going forward.

Metals. Commodity prices are poised for a rebound from their recent lows, driving positive sentiment toward KGHM. The first few months of the year are marked by a seasonal increase in demand, paired with low capacity utilization, which will partly offset the recession-induced demand slowing.

Construction. We maintain a positive outlook on companies focusing on infrastructure development, chemical-plant engineering, and power-plant engineering (Mostostal Warszawa, Polimex, PBG, Budimex, Elektrobudowa, Trakcja Polska). We also like some of the firms operating in the slowing sector of building construction (Erbud).

Retail. Sentiment toward both Emperia and Eurocash should stay more or less intact in the month ahead. Both companies are expected to perform better than their FMCG competition.

Ratings. As of the date of this Monthly Report, we are downgrading our investment rating for TPSA (Hold), and temporarily suspending ratings for BZ WBK, Handlowy, ING BSK, Kredyt Bank, Millennium, Noble Bank, Pekao, PKO BP.

Analysts:

Michał Marczak
 (+48 22) 697 47 38
 michal.marczak@dibre.com.pl

Marta Jeżewska
 (+48 22) 697 47 37
 marta.jezewska@dibre.com.pl

Kamil Kliszcz
 (+48 22) 697 47 06
 kamil.kliszcz@dibre.com.pl

Piotr Grzybowski
 (+48 22) 697 47 17
 piotr.grzybowski@dibre.com.pl

Maciej Stokłosa
 (+48 22) 697 47 41
 maciej.stoklosa@dibre.com.pl

Macroeconomic Analyst
 BRE Bank Macroeconomics Team

Table of Contents

1.	Macroeconomics	3
2.	Current recommendations by BRE Bank Securities S.A.	5
3.	Recommendation statistics	6
4.	Financial Sector	7
4.1.	BZ WBK	13
4.2.	Handlowy	14
4.3.	ING BSK	15
4.4.	Kredyt Bank	16
4.5.	Millennium	17
4.6.	Noble Bank	18
4.7.	Pekao SA	19
4.8.	PKO BP	21
5.	Gas & Oil, Chemicals	23
5.1.	Ciech	23
5.2.	Lotos	24
5.3.	PGNiG	26
5.4.	PKN Orlen	27
5.5.	Police	28
5.6.	ZA Puławy	29
6.	Telecommunications	30
6.1.	Netia	31
6.2.	TP SA	32
7.	Media	34
7.1.	Agora	35
7.2.	Cyfrowy Polsat	36
7.3.	TVN	37
7.4.	WSiP	39
8.	IT Sector	40
8.1.	AB	42
8.2.	Action	43
8.3.	ASBIS	44
8.4.	Komputronik	45
9.	Metals	46
9.1.	Kęty	46
9.2.	KGHM	47
10.	Construction	48
10.1.	Budimex	52
10.2.	Elektrobudowa	53
10.3.	Erbud	54
10.4.	Mostostal Warszawa	54
10.5.	PBG	55
10.6.	Polimex Mostostal	56
10.7.	Trakcja Polska	57
10.8.	Ulma Construcccion Polska	57
11.	Real Estate Development	58
12.	Retail\Wholesale	62
12.1.	Emperia Holding	62
12.2.	Eurocash	62
13.	Other	63
13.1.	Mondi	63

Macroeconomics

In December, we saw a slump in the general economic indicators in industry, construction and retail. Businesses surveyed expect their business to shrink. Manufacturing and construction, where sales are 30pts below last year's level, have been joined by retail, where deceleration has been gaining strength over the past three months. Financial situation estimates are getting worse as well. As operations are becoming less liquid, employment projections are getting worse. Manufacturing was the first area in which layoff plans were signaled (in fact, they were even observed in the "hard" data). At present, retailers and the construction industry are also signaling that they will be cutting employment (this is particularly pronounced in the latter sector). Employment will certainly not be boosted by the shrinking order portfolios (in manufacturing and construction) and the decreasing demand for consumer goods (retail). As businesses reduced their operations and accumulated inventories, prices fell (most clearly in manufacturing and construction). Nonetheless, because the retail sector reacts with a delay, prices paid by consumers are only starting to fall. Early disinflationary processes can already be observed in retail sales deflators (even when food and fuel prices are excluded), as well as in the CPI indicator. In December, the sentiment indicators fell quite dramatically. This means that the Poland has entered the new year at much lower levels of economic activity. With the economic cycle delayed vs. Euroland, this will continue to be the case for at least 2-3 quarters (cf. the Euroland leading indicators, suggestive of a recession), with all the negative consequences for the labor market and private consumption. The hopes that the negative trends may be offset by consumption may turn out to be futile: we are already observing an increase in the savings rate. Combined with slower income growth and a decrease in net asset valuation, retail consumption is unlikely to grow significantly.

The Monetary Policy Council (RPP) cut interest rates by 75bps. The press release pointed out several risks to economic growth, including the sharp slowdown in investment seen in Q3'08 (we believe that an outright decrease in gross outlays on PP&E is possible in Q4'08), the economic slowdown faced by Poland's key trading partners, the decrease in business sentiment and the lower availability and higher cost of credit. As far as inflation is concerned, in the upcoming months it should fall within the deviation brackets of the target. In the medium term, it will be reduced by the slower growth of GDP, demand for labor and earnings. Regulated prices and the PLN depreciation we have recently been observing are the only inflationary triggers left standing, but their impact will be limited during a slowdown. All in all, the MPP decided that the likelihood that medium-term inflation will be below the target is greater than the likelihood that it will be above the target, and this motivated its decision to cut the rates. The Council stressed that "monetary loosening will help stabilize growth at the level of potential growth, which will facilitate meeting the target in the medium term". Monetary loosening will be more likely if fiscal discipline is maintained.

In November, retail sales slowed down from 7.9% y/y to 2.7% y/y. Decreases were observed in vehicles (-16.9% y/y), fuels (-4.0% y/y) and food (-7.3% y/y). Although some of it is certainly due to the lower number of working days, this effect is unlikely to explain the slowdown in sales excluding food and fuel (from 12.2% y/y to 6.9% y/y). A significant drop was also seen in the category "other" (where construction product retailers are counted), which may be due to the slowdown in the construction industry. Interestingly, fast growth (21%) was sustained in furniture and household equipment. Could this be due to new home completions? This appears to be the most reasonable hypothesis at the moment. Consumer optimism is an unlikely alternative - sales of other durable goods, such as cars, are plunging.

The slew of weak economic data was completed by production, which fell 13.1% m/m and as much as 8.9% y/y in November (vs. a revised 0.1% y/y decline recorded in October). Seasonally adjusted year-on-year growth in industrial production figured to a negative 4.2%. This decline was led mainly by the manufacturing (-8.4% y/y), and utilities. In the months ahead, we expect production to continue decelerating due to weaker demand from abroad (most notably Poland's key account Germany) and fewer new investments (the continuing increase in annual gross PP&E expenditure is an effect of earlier decisions; at the moment, capacity building and replacement does not seem a priority). A fast-paced decrease in production is a threat to jobs and private consumption (which will be further suppressed by an increase in the savings rate). This might make us reconsider our already very pessimistic GDP growth forecast of 1.8% in 2009.

Producer prices of finished goods were down 0.5% in November compared to October, for which price estimates were revised upward (a m/m decline of 0.1% was determined in the end). As a result of this revision, year-on-year growth of producer prices did not fall below 2.2%. Prices fell most in mining (2.3% m/m) and manufacturing (0.8% m/m), and rose in utilities distribution (2.4% m/m) after gas and electricity and price hikes in November. Producer prices are expected to continue to decline in coming months on cheaper raw materials and expanding inventories. Further, companies which have maintained high margins will reduce

them and the slower salary growth will help moderate the effect of price decreases in the case of labor-intensive goods. Cheaper finished goods are another indication of disinflation in consumer goods.

In November, the annual inflation rate decreased to 3.7% from 4.2% (vs. 3.8% in the forecast consensus), primarily due to the moderate growth of food prices (0.7% m/m) and the decrease in fuel prices (by 5.8% m/m). The growth in the prices of energy carriers was also slower than expected (1.7% m/m). We estimate core inflation without food and fuel prices at 4.6-4.7% (vs. 4.5% in October). The new core inflation measure – excluding food and energy – has probably steadied at 2.9% y/y.

In November, employment shrank. In absolute terms, 12,000 jobs were lost, bringing y/y employment growth down from 3.6% to 3.1% (market consensus 3.3%, our forecast 3.2%). The more difficult situation as regards costs has forced salary adjustments – as a result, salary growth slowed down to 7.4% (consensus 8.6%, our forecast 9.8%) from the 9.8% seen in the previous month. It should be noted that salary growth slowed down despite annual bonuses (e.g. the traditional December bonuses at some of the mines), as well as one-off, non-cyclical bonuses on earnings. In the upcoming months, we can expect employment growth to slow down further (cf. news of layoff plans), which will reduce the unions' bargaining power and put a cap on the demands of workers hired as part of the natural rotation of the labor force. Another factor that will slow salary growth down in the upcoming year will be the lower scale of one-off or discretionary bonuses – this will be the natural consequence of the companies' lower earnings, something we will see in the upcoming quarters.

In October, the current account deficit increased to EUR 2,219m, from EUR 1,967 in the previous month and above expectations (EUR 2,015m). This deterioration was driven by the surge in trade deficit (from EUR 1,124m in September to EUR 1,664m) which was driven by a shrinkage in exports (in absolute terms). In October, exports decreased for the first time since 2002 (by 1.2% y/y vs. +22.5% y/y a month earlier and the 9.6% y/y consensus.) The weakness of exports can only partially be attributed to foreign exchange rate fluctuations. We believe it is also an effect of the weakening demand for Polish products. We should remember that the change in the structure of the Polish exports seen in the recent years (higher share of machinery and metallurgy, increase in the value of intra-corporation trade) has made it particularly sensitive to cyclical trends in Western Europe - where recession is the base scenario. The drop in exports will weigh down on investments, which were slowing down in Q3 already. Imports decreased as well (from 21.2% y/y to 4.5% y/y, vs. 12.2% expected). We believe this is not merely a consequence of the PLN depreciation, but of a weakening in investments as well. In October, the downward trend in transfers continued – they were only symbolically in the black at EUR 17m, while in the previous months this was the position that improved the current account balance. This was mostly due to the deficit in settlements with the EU (-EUR 405m), while other transfers remained relatively high. The income account improved only slightly (from EUR 1,059 in September to EUR 980m), due among other things to lower coupon payments on bonds. We would like to point out, however, that more than half of the deficit in the income account was used to finance the current account deficit via reinvested profits. We are estimating that the C/A deficit increased to 5.3% of GDP in October. We believe it likely that the deficit will grow further over the next few months, due to the worsening balance of trade in goods. In this context, the exports data seem to bode worse for the Polish economy than the current projections.

Current ratings by BRE Bank Securities S.A.

Company	Rating	Target price	Date issued
AB	Hold	12.80	2008-08-18
ACTION	Accumulate	24.00	2008-08-18
AGORA	Buy	35.60	2008-11-14
ASBIS	Hold	3.70	2008-11-18
BUDIMEX	Buy	80.00	2008-11-25
BZWBK	Suspended		2009-01-06
CIECH	Hold	34.20	2008-11-26
CYFROWY POLSAT	Accumulate	15.80	2008-11-26
ELEKTROBUDOWA	Buy	225.90	2008-11-25
EMPERIA HOLDING	Buy	70.30	2008-11-28
ERBUD	Buy	31.90	2008-11-25
EUROCASH	Hold	9.90	2008-11-28
HANDLOWY	Suspended		2009-01-06
ING BSK	Suspended		2009-01-06
KĘTY	Buy	109.40	2008-08-04
KGHM	Buy	49.20	2008-11-27
KOMPUTRONIK	Accumulate	33.90	2008-12-02
KREDYT BANK	Suspended		2009-01-06
LOTOS	Buy	29.40	2008-11-25
MILLENNIUM	Suspended		2009-01-06
MONDI	Buy	54.20	2008-10-31
MOSTOSTAL WARSZAWA	Buy	68.90	2008-11-25
NETIA	Buy	3.80	2008-11-14
NOBLE BANK	Suspended		2009-01-06
PBG	Accumulate	219.40	2008-11-25
PEKAO	Suspended		2009-01-06
PGNiG	Accumulate	3.94	2008-11-18
PKN ORLEN	Buy	39.30	2008-11-20
PKO BP	Suspended		2009-01-06
POLICE	Hold	8.00	2008-11-27
POLIMEX MOSTOSTAL	Buy	4.10	2008-11-25
TELEKOMUNIKACJA POLSKA	Hold	20.50	2009-01-06
TRAKCJA POLSKA	Buy	6.00	2008-11-25
TVN	Hold	13.00	2008-11-12
ULMA CONSTRUCCION POLSKA	Hold	76.30	2008-11-25
WSiP	Buy	18.90	2008-12-09
ZA PUŁAWY	Hold	68.40	2008-10-31

Ratings issued in the past month

Company	New rating	Old rating	Target price	Date issued
WSiP	Buy	Buy	18.90	2008-12-09

Ratings changed as of 6 January 2009

Company	Rating	Old rating	Target price	Date issued
BZWBK	Suspended	Accumulate	155.80	2009-01-06
HANDLOWY	Suspended	Buy	78.20	2009-01-06
ING BSK	Suspended	Buy	554.00	2009-01-06
KREDYT BANK	Suspended	Hold	12.20	2009-01-06
MILLENNIUM	Suspended	Hold	5.49	2009-01-06
NOBLE BANK	Suspended	Accumulate	7.59	2009-01-06
PEKAO	Suspended	Hold	136.20	2009-01-06
PKO BP	Suspended	Hold	37.20	2009-01-06
TELEKOMUNIKACJA POLSKA	Hold	Accumulate	20.50	2009-01-06

Ratings Statistics

Statistics	All					Issuers who are clients of BRE Bank Securities				
	Sell	Reduce	Hold	Accumulate	Buy	Sell	Reduce	Hold	Accumulate	Buy
count	0	0	9	5	15	0	0	0	2	6
% of total	0.0%	0.0%	31.0%	17.2%	51.7%	0.0%	0.0%	0.0%	25.0%	75.0%

Financial Sector

Pengab down again to a record low level

In December, the Pengab confidence indicator for the banking industry fell from 24.2 pts to 21.1 pts. The slump was brought about by the expectations for the future. Within one month, bankers changed their expectations as regards the zloty. They are now expecting the euro to cost PLN 3.86 and the dollar PLN 3.03 at the end of the year (vs. PLN 3.65 and 2.81 previously). The downturn can already be seen. Banks are recording defaults under corporate currency option contracts, credit requirements are being tightened, and deposits are paying well above the WIBOR interest rate. Confidence among bankers is bound to continue moving downward. In 2008, its average level was a little over 33.5 pts, 4.6 pts less than in 2007.

Lending down in October

Banks extended fewer mortgage loans in October. Total mortgage debt at 31 October was PLN 189.68bn. According to the Head of the Polish Banks Association (ZBP), the situation in the credit market in 2009 will depend on two factors: the macroeconomic environment, and, more importantly access to financing sources. This is hardly new. In our opinion, October lending was just a taste of what we can expect in 2009. It included credit granted in the preceding months, and disbursements toward new homes, all of which are decreasing. We maintain that mortgage loan sales in 2009 will be half of the 2008 level. It cannot be forgotten that the banks have significantly tightened their lending criteria.

Option losses will not undermine stability of the banking system

According to a report by the Financial Supervision Authority (KNF), the banks' losses stemming from financial problems faced by their customers who have incurred large losses on options will not exceed PLN 550-825m. Option losses as of the date of the KNF's valuation amounted to PLN 5.5bn. The analysis would remain valid on constant exchange rates. According to the KNF, the stability of the Polish banking sector is not threatened. At the same time, it was revealed that 99 listed companies had such instruments, and 35 of them have already recorded valuation losses totaling of PLN 155m. The total loss on the valuation of such instruments amounts to PLN 5.5bn at the exchange rates the KNF used in its report. This is not, however, the whole story. Many companies will benefit from higher revenues (due to the higher EUR/PLN exchange rate). We expected the banks would incur greater losses. The losses, as currently estimated, are significant for the quarterly results, but it will be a one-off effect. Given that the amount will be divided among several banks, none of them should see an outright loss in Q4'08.

November deposits

In November, the deposit portfolio stood at PLN 549bn (+19.5% y/y and +2.3% m/m), with household deposits at PLN 315.2bn (+24.9% y/y and +2.4% m/m, an increase of a whopping PLN 7.4bn within one month). In turn, corporate deposits stood at PLN 143.6bn (+2.3% y/y and +0.9% m/m, i.e. +PLN 1.2bn). All in all, deposits grew by PLN 12.4bn. This is partially an effect of the weakening PLN and the increase in foreign-currency deposits. Excluding foreign currency deposits, the increase was by PLN 10.8bn. In turn, social security funds increased by PLN 2.7bn, as the subsidy came in earlier than usual. Good earnings, showing that the banks' offensive in deposits is starting to bear fruit. It should be noted that the funds bear high interest rates, which means that the banks' interest margins will contract.

Was the "Savings War" just a promotional campaign?

According to *Parkiet*, the "Savings War" newspapers wrote about turned out to be no more than a promotional campaign by banks wanting to acquire and keep customers. The banks can afford to boost APRs on 3-month term deposits to acquire clients. In the future, 8-9% APRs will not be available. We agree, given that interest rates in the market will be going down. For sure, the "Savings War" will not cause the banks to "bleed to death", which is what some of the media suggested, but it is bound to affect the interest margin. The key threat with high interest rates were not the APRs as such, but the fact that interest rates on offer exceeded the current WIBOR. The "Savings War" illustrates the problem of the high cost of money in the interbank market. We believe APRs offered on deposits will go down in 2009. Deposit spread will shrink anyway, also due to the expected drop in market interest rates.

Loans in November

Household loans increased by 37.9% y/y (at the end of October, the growth rate was 40.5% y/y). The growth is partially attributable to the weaker PLN. Household loans increased by PLN 2.5bn. Corporate loans increased by PLN 4.7bn (+26.5% y/y), which is believed to stem from the greater utilization of the open credit lines. Economists are also expecting lending to slow down in the upcoming months. In November, the gap between loans and deposits shrank, from PLN 75.2bn to PLN 69.1bn. All in all, loans amounted to PLN 618.5bn. The loans/deposits ratio reached 112%. The banks' loan portfolios continue to exceed their deposit portfolios. We believe this may change. The banks have significantly tightened their lending criteria, hoping to

reduce lending. At the same time, they are promoting deposits, which, combined with the risk-averseness of retail consumers and the falling interest rates, drives the savings rate up.

Mortgage loans up in November

Home loans amounted to PLN 177.3bn at 30 November after rising by just PLN 616.3m compared to the month before. Zloty loans increased by PLN 633.5m, while foreign-currency loans fell by PLN 17.2m. This was an effect of a weakening of the Swiss franc in November (-2%). Assuming a steady exchange rate, the portfolio would have risen by just under PLN 3.6bn, less than the average PLN 4bn recorded in preceding months. The decline in the value of the Swiss-franc loan portfolio is also an effect of changed lending policies as banks significantly trimmed their foreign-currency loan offerings in October. This is why zloty loans gained popularity.

KNF approves Recommendation SII

In line with what was suggested by the press, the KNF approved an amendment to the S Recommendation, which introduces additional disclosure requirements pertaining to the spread between the purchase and sell prices of foreign currencies and the costs and risks this entails for foreign-currency loans. According to the new recommendations, banks should allow customers to repay their loans in the currency in which the loan is denominated (the change will apply to all the future installments, which means that it can only be made once during the duration of the agreement). We are awaiting the "T" recommendation, which will put a cap on the LTV of foreign-currency loans. The amendment to the "S" recommendation will result in a slight increase in the banks' costs (due to the need to introduce disclosure procedures) and it will make customers more aware of the total costs of their loan.

The "T" recommendation: overview of the solutions planned

The recommendation will address the general principles of prudence to be applied by banks when they estimate the applicant's creditworthiness. The biggest change to be introduced concerns setting the maximum loan repayment burden at 50% of the household's disposable income. At the same time, the recommendation will stipulate that in case the loan is denominated in a currency that is not the currency of the household's income or the currency in which the value of the collateral is determined, the security buffer against the fluctuations in the value of the collateral should be 10% of LTV for loans with tenor of 5 years or less, and 20% for loans with longer tenor. No such restrictions will apply to zloty-denominated loans. At present, the banks are much more conservative as regards the minimum LTV requirement than the Financial Supervision Authority requires. In addition, their loan-granting procedures have recently been sharply tightened. We believe that the requirement that the combined loan installments of a households are not to exceed 50% of their income will eliminate the most aggressive banks, not affecting the ones whose credit capacity evaluation policies have been reasonable.

BIK issued 1.42m credit reports in November 2008

This is a 5% increase over November 2007, but a whopping 21% decrease vs. October. Year to date, the Credit Information Bureau issued 17.5m million credit reports, 31% more than in the same period a year earlier. A slowdown is approaching, and it can already be seen in m/m comparisons. We believe that with the exception of December (when many small cash loans get granted) this downward trend will continue.

Mortgage loan sales in FY2008 at PLN 65–68bn

The President of the Polish Bank Association (ZBP) has reiterated the forecast of PLN 65–68bn in new mortgage loans in 2008. After the first three quarters of 2008, the value of loans extended has increased by 8%. In Q4'08, we should see a slight decline in the number of extended loans. According to the Association's President, lending will continue to decelerate. He said that a decline in sales by a dozen or so percent in 2009 would be an excellent result. We believe the decline will be much deeper, by more than a half.

In November, the share of zloty loans at Expander increased from 13% to 43%

In November, the share of applications for PLN-denominated mortgages in all mortgage applications Expander forwarded to banks increased from 13% to 43%. In September, such applications accounted for a mere 5% of all applications. Expander announced that it forwarded loan applications for a total of PLN 1.3bn in Q1'08, PLN 1.6bn in Q2'08 and PLN 1.5bn in Q3'08. Not only will the number of applications forwarded to banks shrink, but we are also expecting banks to revise their lending policies and reject more of them. In 2009, there will be few applications for Swiss franc loans. Perhaps other types of foreign-currency loans will appear in the market (e.g. in EUR), but we are expecting a plunge in sales.

The Poles' credit capacity shrinks y/y

During last year, the availability of mortgages plunged, despite the almost 10% increase in salaries. Swiss franc loans are currently the least accessible. The average family of four, with a monthly income of PLN 3,500 and without any debt, will get its maximum PLN loan from Pekao (PLN 298,000). Over the past year, there has been only a minimum tightening to Pekao's lend-

ing standards for PLN loans. The same family would get the maximum Swiss franc loan at Eurobank (PLN 203,100). mBank is the most conservative bank in its credit capacity estimation, both for PLN- and CHF-denominated loans. It would grant to the family in question loans of only PLN 145,000 and 120,000, respectively. Over the last year, the credit capacity of the average family decreased by 27% for PLN-denominated loans and by the whopping 42% for CHF-denominated loans. In other words, in order to keep their credit capacity at last year's level, the average person would have to earn 1/3 more. As a downturn is approaching and liquidity becomes an issue (with loans/deposits at over 100%), the banks have tightened their lending standards. Fearing that their customers' financial situation will deteriorate, banks have turned conservative. The risk of NPLs arises for borrowers from the recent past, not for the new ones. The plunge in credit capacity has also been driven by the growing interest rates, which affects the customer's monthly installment. Interest rate hikes in Poland have also affected the accessibility of CHF-denominated loans, as these require credit capacity at 120% of the capacity required for a PLN-denominated loan.

Mortgage loan quality

Polish mortgage loans are characterized by prime quality. According to InfoMonitor BIG, only 0.88% of borrowers are overdue with payments by more than one month. This is an effect of the lending boom observed in the past few years, as "Young" loans are the most likely to be repaid on time. According to analysts, problems start around the fourth or fifth year. The InfoMonitor BIG report points out the increase in credit information requests filed by banks in recent weeks, which probably stems from the fact that more and more borrowers apply for credit at several banks. This confirms that banks are tightening their lending criteria. The report also reveals that the number of borrowers who are 60 days or longer in default has exceeded 1.26 million. The total value of overdue loan, lease, and other credit payments stands at PLN 8.12bn compared to PLN 5.6bn a year ago. Loan quality is bound to deteriorate as the economy slows down and some borrowers face the possibility of job losses. However, we predict that mortgage loans will remain the best-quality asset, albeit defaults will increase in this case as well. Home payments are a priority even if they require spending cuts or defaulting on other borrowings.

ZPB's aid package proposal

In response to the turmoil in financial markets, the Polish Bank Association (ZBP) prepared a package of solutions it believes would help sustain housing construction growth and bank liquidity. The ZBP believes all the financial institutions should be subject to supervision, while the reserve requirement on the amounts received from the banks' parent companies should be reduced. The bankers are also suggesting that "Belka's tax" (capital gains tax) should be waived for deposits with a 1-year term or longer, as well as for long-term equity investment. The ZBP is also proposing that guarantees be introduced for interbank loans and that taxation rules on repo transactions and securitization be modified. Some of these ideas have been pitched by the banks' CEO's for a while. We approve of most of them. The guarantee fund is a novel idea. We do not know the broader context of this proposal, but it appears risky. If it is to be funded by the banks, this will have an impact on loan margins. In addition, we believe that the key issue currently is not securing loan repayment, but accessing funds to continue lending.

Bank earnings after Q3'08

Pre-tax earnings increased to PLN 15.43m and net income to PLN 12.66m (vs. PLN 12.89m and PLN 10.49m a year earlier, respectively). Pre-tax income increased by PLN 19.2% y/y, and net income by 20% y/y. Income from banking operations amounted to PLN 36.88bn, having increased by 20.1% y/y. Operating expenses increased by 16.3% y/y, reaching PLN 17.92bn after Q3. Operating income reached PLN 15.43bn (+19.7% y/y). The Central Statistical Office announced that the sector's pre-tax and net margins were much lower after the first three quarters of 2008 than after the same period last year (11.8% and 9.7%, respectively, vs. 14.9% and 12.1%), because revenues increased much faster than profits. These results illustrate the time of boom that is now a thing of the past. They do show the first signs of a weakening, however, i.e. a drop in profitability.

Network expansion plans downscaled?

According to *Parkiet*, in Q3'08 there were 2,500 customers per each newly-opened bank branch. This is more than in H1'08 (2360). New players see the downturn as an opportune moment to enter the market. They can wait with the launch of further branches until rental rates decrease. The current market heavyweights may decide to downscale their growth plans. We believe all the banks that have been planning to expand their networks will downscale their plans in 2009. Due to the nature of the process (the space for a branch need to be reserved even a few quarters in advance), only the branches for which space has already been booked will be opened.

Banking sector stable, but capitals need strengthening, says the KNF

The Financial Supervision Authority (KNF) believes that the banking sector remains in a good and stable condition. It stresses, however, the need to review risk management, adjusting it to

the current market conditions, as well to continue strengthening the banks' equity. The KNF also pointed out the necessity of adjusting the level of liquid assets to the specific situation of the individual banks, while taking into account the situation in the financial markets. The KNF concludes that actions must be taken to guarantee stable, long term sources of financing. At present the situation of the sector is good, but this will be different in Q4'08 and in 2009.

Car loans

According to the CEO of Toyota Bank Polska, there is no risk of a crash in the Polish car credit market; new car purchases will continue to grow in 2009, although at single digits. This is in line with expectations. We predict that car loan sales will decline, but the loan portfolio will keep growing because buyers pay off their cars for longer than one year.

Payment cards

According to the NBP, the number of payment cards in the Polish banking sector reached PLN 29.2m at the end of Q3'08 (+12.6% y/y). In this respect, the growth was in line with the trends observed so far (10-20% annual growth rate). However, we are observing a gradual slowdown in the credit card segment. There were no 8.9m of them at the end of Q3'08, which entails 19% y/y growth. This was the first time since 2000 that the number of credit cards increased by less than 20% y/y. We believe this trend will solidify. Banks have issued very many cards over the past few years; now, they will attempt to take advantage of the customers they acquired and make them more active credit users. This will boost cashless transactions. In 2009, account service fees and customer transactions will be among the few components of fee income that will register growth.

Allianz Bank Polska hoping to acquire 0.5m customers within 5 years

The bank will start offering mortgage loans in Q1'09. We are awaiting the launch. The goal to acquire 100k customers per year seems realistic, given the fact that the Allianz brand is recognizable in the Polish financial segment.

HSBC expanding in the corporate sector

The Bank's offer is primarily targeted at companies operating in Poland, but those wishing to expand abroad will also be served. The Bank is still building its market position. It is serving 700 companies (less than 1% of the market). The Bank had been active in corporate banking for 2 years; in 2008, it entered the SME sector. Its strategic target is to win several percent of the market by 2012. It appears that despite the slowdown, the competition is not going to lay low. Banks must continue with growth efforts, strengthening their market standing so as not to lose market position to new entrants.

BGŻ will not be sold in 2008

The negotiations between the Government and Rabobank continue, but a deal cannot be expected in 2008. According to *Rzeczpospolita*, the parties will return to the table in early 2009. Rabobank made a bid for all the shares in BGŻ that remain with the State Treasury (37.28%). At present, the Dutch have 59.35% of the Bank's shares. We are waiting for the negotiations to be finalized. We believe that it is more likely that the shares will be sold to Rabobank, rather than through a public offering, which was the Treasury's earlier plan.

Problems with corporate guarantees?

BGK is supposed to increase the availability of corporate credit by guaranteeing loans. It is unclear whether it will be possible to accelerate the process and what the guarantees will apply to. According to some businesses, the procedure is too complex for the smallest companies. There are no signals suggesting that this might change, and it is far from clear that BGK is prepared for the operation. Analysts point out that commercial banks consider the SME sector risky, because it lacks transparency. It may take several months to prepare the risk-assessment procedures, which means that the program will not be launched before H2 2009. The banks' approach to businesses is so cautious not only because a slowdown is expected, but also due to the lack of funds for lending. We believe that the guarantees will not change the situation in the market. They will give businesses one more option, however.

ZBP wants changes in securitization and mortgage bond laws

The Polish Bank Association (ZBP) would like all the banks to be able to issue mortgage bonds. It also wants amendments to tax laws. Drafts of the amendments will be soon sent to the Financial Supervision Authority (KNF) for consultation. We believe this development would give the banks more business options, but it is unlikely to become very popular in the current situation. We do not know what proposals the ZBP will submit to the KNF. When changes are introduced, certain standards should be maintained, i.e. a rapid expansion of loan-backed (especially mortgage-backed) securities should not be allowed.

Will lending come to a screeching halt?

According to the president of Capital Strategy, a consultancy, Poland is facing the threat of a

sharp deceleration that will not reflect economic reality. He believes the risk lies in the fact that 2/3 of banking assets are owned by international groups, headquartered in countries that are now in the eye of the storm. According to Mr. Kawalec, the economic situation in Poland is further exacerbated by the bad situation of other economies in the region (Ukraine, Hungary, Latvia). We believe Poland is facing a risk of deceleration, but we do not agree with Mr. Kawalec's arguments. We believe lending is being reduced for two reasons: expectations of an economic slowdown, which makes banks more careful in their approach to credit analysis, and, above all, the current lack of trust in the interbank market. If the bank has to pay interest on deposits in excess of the WIBOR rate, it makes no economic sense to lend at this rate. Moreover, high margins dampen the demand for loans as well. The situation of the strategic investors is for sure a factor, but not a decisive one.

Private banking losing steam

As recently as the start of 2008, the bankers estimated that the private banking market will be growing at 30–40% per year. According to some estimates, there are currently over 100,000 people in Poland with over PLN 0.5m in liquid assets. The financial crisis and the breakdown in the equity market have slashed the growth of assets customers bring for management by half. The economic slowdown and financial crisis will make its impact on all spheres of the economy; it is hard to expect the private banking sector to remain unaffected.

Corporate loans drying out

Banks are strongly tightening their lending criteria. They are also withholding their decisions as they await new lending guidelines. The time approaches when short-term loans are rolled forward. Not all the companies will have their loans renewed in full, and margins are bound to go up. According to Kolaja & Partners, the banks will fail to roll ca. PLN 40bn in loans; PLN 98bn worth of loans matures within 12 months. We believe the portfolio will remain flat vs. the end of 2008, which means that some of the debt will not be rolled forward. Therefore, lending will shrink. It will be very hard to obtain financing for new investment projects, with banks focusing on efficient risk management for the existing portfolios.

30,000 customers at Alior Bank

Since its launch in November, Alior Bank has attracted 30,000 customers, gathering PLN 450m in deposits and granting PLN 100m in loans. The Bank has decided to accelerate its network expansion program. Its loan volumes are dominated by SME loans and cash loans, and most of the savings it has gathered are term deposits. By the end of 2008, the Bank would like to have 81 branches. Their number is set to grow to 94 in early January, and the total should reach 200 by the end of 2010. If there is a change to the strategy, the target of 200 branches will be moved forward to year-end 2009. AB has previously informed that it wants to win 2–4% of the market by 2012, with 1m customers, EUR 100m in net income and EUR 300m in revenue. AB constitutes competition to retail-oriented banks, with focus on higher-than-average earners and small companies. Its promotional campaign is very visible and it seems to be paying off.

Hard times for loan intermediaries

Tight credit requirements and aversion to investment are hurting financial intermediaries. There are rumors that firms like Goldenegg, Money Expert, and Finamo may close shop in a matter of months. Goldenegg has already started downsizing. Market leader Open Finance, too, is in for a tough year, which will include restructuring measures. While the failure of competition leaves more of the market for OF, the overall weakness of the financial industry will cause the intermediary to post significantly weaker earnings in 2009.

GE Money reduces CHF downpayment requirement

GE Money Bank cut the amount of downpayment required toward Swiss franc loans to 20% from 35% after determining that the situation in the Polish market is going back to normal. The leading players raised their downpayment requirements after the turmoil witnessed in October. GEMB's decision might have been supported by the proposal to set minimum LTV at 80%. The banks already know what the KNF's expectations are. Earlier, KNF representatives and market speculations suggested that they would be even stricter. Mortgage loans are usually granted for 30 years, and, during that period, a bank is certain to go through more than one slowdown cycle. The easing of lending criteria from quarter to quarter stems from the banks' awareness of the KNF's future lending guidelines.

Banks ease lending standards

After an unexpected reduction in home downpayment by GE Money Bank, other banks are also easing lending requirements. BRE Bank is reportedly cutting loan margins as of January, and its e-banking outlet is reducing margins on Swiss franc loans from 3% to an average 2%. Home-loan specialist DomBank has reduced the zloty loan downpayment from 25% to 20%. This is a response to the regulatory changes proposed by financial supervision (KNF's Recommendations S and T). The banks' credit policies are sure to tighten, but the developments we observed recently were an effect of the crisis of confidence, which is easing now.

BPH: KNF wants a new share exchange ratio, says CEO

Due to the significant changes in the macroeconomic setting, compared to the period when the merger strategy was approved and the share exchange ratio was established, BPH and GE Money Bank decided to postpone the merger to Q3'08. In an interview for *Parkiet*, CEO J. Wancer said that the Financial Supervision Authority (KNF) had asked that the submitted documents be revised. New business assumptions, adjusted to the current circumstances, could result in a different share exchange ratio. The assumptions will be made public in a few months, after the planning process has been repeated. The Bank is planning to open many fewer branches than previously planned. This, among other things, will be factored into the plans. The CEO admits that the delay will push the cost of the merger up (with the need to create a new merger plan, delayed synergy effects, etc.) The economic slowdown will have an impact on BPH's earnings, but the CEO believes a net loss is unlikely. The Bank will face difficulties, dealing with the merger at the same time as it faces an economic slowdown. The delay is not a good thing, but it is justified by macroeconomic trends. The merger strategy announced in September was unfeasible in the current market conditions, and any viable goal revisions at the moment are impossible because of financial market volatility and a lack of consensus as to future economic growth. For the minority shareholders of BPH, the delay means many more months of waiting until the bank's ownership situation is resolved. What is more, the price at which GEMB originally asked them to tender BPH shares no longer applies. In the July tender offer for 0.1% of BPH shares, the price was PLN 89.02 per share. If GEMB exceeded the 66% ownership threshold within a year from the July tender offer, the price in the next tender offer would have to be at least equal to the July price or to the average price for the six months preceding the tender offer. If the merger takes place after one year from the July tender offer, the PLN 89.02-per-share price no longer applies. In such a case, GEMB can either purchase outstanding BPH shares at a price calculated as a six-month average, which would be a far cry from the takeover price, or, it is very likely that GEMB will find a legal loophole and avoid a tender offer altogether.

BPH: GE Money Bank had PLN 35.5m net income in Q3'08

After the first three quarters of 2008, its net income amounts to PLN 255.5m. After H1, its net income was PLN 220.1m, vs. PLN 224.4m a year earlier. Interest income after the first three quarters was PLN 620.9m, and fee income, PLN 239.6m. Revaluation write-offs amounted to PLN 122.4m. Assets increased from PLN 18.6bn at the end of H1 to PLN 20.2bn at the end of Q3. In Q3'08, the net loan portfolio increased by 9.6%, reaching PLN 17.9bn at the end of September. According to the bank, this was mostly due to higher sales volumes of installment and cash loans, as well as the higher sales volumes and credit line use on credit cards. In Q3'08, GEMB issued 120k credit cards, which brought the total number of credit cards issued by the Bank to 1.35m at 30 September.

BPH: Master Services Agreement

BPH and GE Consumer Finance International Holdings signed a consulting agreement, the so-called Master Service Agreement, which will govern the cooperation between them. GECF will provide to BPH consulting services in diverse areas, such as accounting and finance, HR, security, risk, IT, public relations and internal audit. It is a 5-year agreement, with an option of automatic extension unless one of the parties submits a 6-month notice. Estimated cost is EUR 750,000 in 2008 and EUR 6m in 2009. These are estimates only, as the real costs may turn out to be lower, pending an opinion by an external analyst. The agreement was needed due to BPH's situation. On June 17, it has become a part of the General Electric Company; it is therefore required to adjust its operations to the GEMB model as integration progresses. This way, BPH will become another bank that's heavily influenced by its foreign investor.

Getin Holding: Intra-group sales agreement cancelled

Getin International and Getin Holding cancelled the agreement pursuant to which GH was to sell GI a 99.9% stake in the Kaliningrad-based OOO Carcade. The companies informed about the agreement and the transaction in press releases issued on February 28 and May 8, 2008. GI chose not to acquire the shares and GH did not object. We do not know the reason. This has no impact on the operations of the group, but it could indicate a change in direction.

Getin Holding: M. Handzlik appointed new CEO of Getin Bank

Mr. Handzlik will replace L. Dowbaj in January as Getin Bank CEO. He has been a VP for a month. He would like to change GB into a universal bank, replacing income from mortgage loans with income from cash loans. He also wants to change the loans/deposits ratio at the bank. At present, GB is acquiring PLN 50m in deposits per day. Mr. Handzlik has a lot of experience from Poland's biggest bank, PKO BP, which is a universal, but retail-oriented bank. We believe the situation will be similar with Getin Bank. We are skeptical, however, that income from mortgage loans can be fully replaced with cash loan income. We believe GB will see its earnings shrink in 2009, like the sector as a whole.



BZ WBK (Suspended)

Current price: PLN 116.4 Target price: -

Analyst: Marta Jeżewska

Last Recommendation: 2009-01-06

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	1 031.7	1 286.7	24.7%	1 612.5	25.3%	1 730.0	7.3%	Number of shares (m)	73.0
Interest margin	3.3%	3.5%		3.4%		3.1%		MC (current price)	8 492.6
Revenue f/banking oper.	2 365.2	2 940.6	24.3%	3 223.2	9.6%	3 338.8	3.6%	Free float	29.5%
Operating income	1 084.1	1 395.2	28.7%	1 480.7	6.1%	1 417.6	-4.3%		
Pre-tax income	1 065.5	1 391.4	30.6%	1 385.9	-0.4%	1 249.0	-9.9%		
Net income	758.2	954.7	25.9%	1 017.4	6.6%	930.8	-8.5%		
ROE	20.7%	23.0%		21.0%		16.4%		Price change: 1 month	14.1%
P/E	11.2	8.9		8.3		9.1		Price change: 6 month	-14.5%
P/BV	2.1	2.0		1.6		1.4		Price change: 12 month	-52.5%
D/PS	6.0	6.0		3.0		4.2		Max (52 week)	244.8
Dyield (%)	5.2	5.2		2.6		3.6		Min (52 week)	92.9



We are suspending our rating for BZ WBK. Within a few days, we will release our FY2009 strategy for the banking sector; we are planning to revise our target. We still consider BZ WBK an attractive investment within the banking sector.

Moderation in earnings distribution

The CEO of BZ WBK warned that the bank would be less generous with dividends from FY2008 earnings because it needs capital to finance lending and network expansion. In fact, there might be no dividends at all. All banks will no doubt reduce dividend payments, with negative effects on their valuation. In case of BZ WBK, the penalty is less severe than in case of other banks. In our last research, we assumed that dividends will increase from PLN 3 to PLN 4.2 per share, but we plan to revise these assumptions. We believe no dividends will be paid on FY2008 profits.

Good Q4'08 results

The CEO said that he was expecting excellent results in Q4'08, given the market setting. Q3'08 net income was PLN 247m; Q4'08 projection is PLN 170m. Our Q4'08 preliminary forecast is PLN 200m bottom line, which will be worse than in Q3'08, but still higher than in Q4'07 – a good result in the current situation of the sector. As a result, the Bank's FY net income will exceed PLN 1bn. In 2009, however, we are expecting a significant drop in net income, which will be the case in the sector as a whole.

Freeze on salaries and hiring

The bank put a freeze on salaries and on the number of employees. It is a consequence of the economic slowdown. Other banks have said that salaries will go up by a few percent. We believe all the banks will start saving, with the average salary increasing by no more than 5%. Some banks have the potential to optimize employment, and they could go in that direction.

Fitch puts the Bank's ratings on negative watchlist

On Friday, Fitch put the Bank's Long-Term IDR rating (A+) and Short-Term IDR rating (F1) on a negative watchlist. The individual rating (C) and support rating (1) were reiterated. The decision is a direct consequence of the same move having been made towards the main shareholder, AIB ("AA-"). BZ WBK's IDR, short-term and support ratings reflect the very high likelihood of receiving support from AIB in the case of need. The fact that BZ WBK's individual rating was reiterated reflects its stable market position, solid balance sheet, liquidity, profitability and adequacy of capital. A direct consequence of the fact that ratings have been revised for AIB.

More bidders for AIG Bank Polska

According to *Rzeczpospolita*, PKO BP is not the only prospective buyer of AIG Bank Polska. BZ WBK is another one. ING BSK did not make a bid. AIG has confirmed that it is in negotiations with several entities. Negotiations fare best when they are kept secret. It therefore comes as no surprise that other bidders chose not to reveal their interest. The takeover of AIG Bank Polska by BZ WBK would allow the latter to rapidly expand the operations of the BZ WBK Partner network (formerly Minibank), which was supposed to serve customers similar in profile to those of AIG Bank Polska, offering simple banking products. We believe that the risk of failed operational merger is smaller for BZ WBK than for PKO BP. BZ WBK will have to, however, find financing for AIG's lending.

Michael McCarthy appointed Management Board member

The Supervisory Board appointed Mr. Michael McCarthy Management Board member in charge of corporate banking, as of Feb 1, 2009.



Handlowy (Suspended)

Current price: PLN 50 Target price: -

Analyst: Marta Jeżewska

Last Recommendation: 2009-01-06

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	1 026.4	1 204.4	17.3%	1 317.8	9.4%	1 410.2	7.0%	Number of shares (m)	130.7
Interest margin	3.0%	3.2%		3.3%		3.4%		MC (current price)	6 533.0
Revenue f/banking oper.	2 096.3	2 447.1	16.7%	2 507.2	2.5%	2 636.4	5.2%	Free float	25.0%
Operating income	801.8	990.3	23.5%	1 028.9	3.9%	1 110.1	7.9%		
Pre-tax income	832.1	1 034.2	24.3%	959.2	-7.3%	1 010.1	5.3%		
Net income	657.1	824.2	25.4%	777.0	-5.7%	818.2	5.3%		
ROE	12.3%	15.0%		13.7%		13.9%		Price change: 1 month	13.1%
P/E	9.9	7.9		8.4		8.0		Price change: 6 month	-28.6%
P/BV	1.2	1.2		1.1		1.1		Price change: 12 month	-49.4%
D/PS	12.0	4.1		4.8		4.5		Max (52 week)	98.9
Dyield (%)	23.9	8.2		9.5		9.0		Min (52 week)	40.6



We are suspending our rating for Bank Handlowy. Within a few days, we will release our FY2009 strategy for the banking sector; we are planning to revise our target prices. We do not think our outlook on BH (relative to the sector) will change much.

Bank Handlowy wants to sell its stake in PTR

Bank Handlowy responded to the tender offer made by Fairfax Financial Holdings, offering 17.5m shares (16.64% of all shares). Fairfax Financial Holdings made a tender offer for 105,180,000 shares in PTR, at PLN 1.6 per share. The Bank's gain will be PLN 28m, recognized in Q4'08. A one-off, with possible positive impact on dividends.

Citi once again denies that it plans to sell Bank Handlowy

Citigroup's CEE representative said that Bank Handlowy will not be sold, because it is an important asset in the group. Unless Citi is forced to do this, it will not divest. Nonetheless, this cannot be excluded, given that we do not know how the current crisis will end.



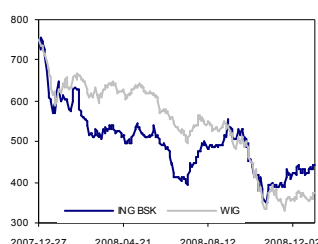
ING BSK (Suspended)

Current price: PLN 442.1 Target price: -

Analyst: Marta Jeżewska

Last Recommendation: 2009-01-06

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	936.3	1 048.6	12.0%	1 140.8	8.8%	1 277.4	12.0%	Number of shares (m)	13.0
Interest margin	2.1%	2.1%		2.0%		2.0%		MC (current price)	5 751.7
Revenue f/banking oper.	1 752.2	2 009.5	14.7%	2 406.2	19.7%	2 544.8	5.8%	Free float	19.6%
Operating income	547.6	639.1	16.7%	870.7	36.2%	872.8	0.2%		
Pre-tax income	753.3	787.7	4.6%	961.7	22.1%	810.9	-15.7%		
Net income	591.4	631.4	6.8%	778.9	23.4%	656.8	-15.7%		
ROE	16.2%	16.6%		18.4%		13.5%		Price change: 1 month	7.8%
P/E	9.7	9.1		7.4		8.8		Price change: 6 month	9.2%
P/BV	1.5	1.5		1.2		1.1		Price change: 12 month	-40.6%
D/PS	27.5	27.9		11.7		15.0		Max (52 week)	744.0
Dyield (%)	6.2	6.3		2.6		3.4		Min (52 week)	350.0



We are suspending our rating for ING BSK. Within a few days, we will release our FY2009 strategy for the banking sector, we are planning to revise our target prices. The recent excellent performance of ING BSK stock means, in our view, that investors priced the positives in (liquidity, prospects of interest rate reductions, conservative lending policies). The Bank will, however, have to face the upcoming economic slowdown. In this context, the biggest risk lies in exposure to the corporate segment (loans, client forward transactions) and the equity market, as well as its high cost/income ratio.

ING BSK will not extend Swiss-franc loans

ING BSK has decided to stop extending CHF-denominated loans. The decision comes into force on December 3 and it is motivated by the situation in financial markets, including exchange rate volatility and the difficulty with forecasting it in the future. The Bank has said that all the applications filed prior to December 2 will be considered under previous rules. That was a very short adventure with foreign-currency lending. The Bank introduced such loans in Q2'08, arguing that it could not afford to give up on customers interested in mortgages (these were predominantly extended in the CHF at the time). Before, it had only extended PLN-denominated loans, justifying this with its risk policies. In 2009, most loans will be extended in the PLN; therefore, ING does not need foreign-currency loans in its offer.

Income growth to slow down

Brunon Bartkiewicz, the CEO of ING BSK, said that profit growth would slow down due to the economic slowdown. He believes the entire sector will be affected. He does not see this as a "crisis" in the banking sector, nor does he believe this will lead to a deterioration in security standards. The slowdown will be a natural consequence of lower levels of economic activity in the market, which entails slower growth in loans and deposits. Mr. Bartkiewicz made no comments on the impact of these factors on FY2008 dividends. We believe the sector-wide income will shrink by 30% in 2009. We agree with the CEO's other thoughts (i.e. his belief that security standards in the sector will not suffer). Banks may start growing fast again once the macroeconomic situation improves.



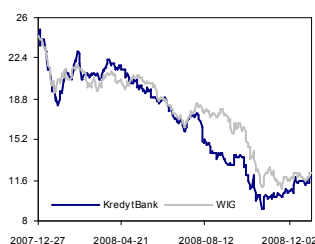
Kredyt Bank (Suspended)

Analyst: Marta Jeżewska

Current price: PLN 11.8 Target price: -

Last Recommendation: 2009-01-06

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	780.0	871.5	11.7%	1 041.0	19.5%	1 143.9	9.9%	Number of shares (m)	271.7
Interest margin	3.6%	3.5%		3.5%		3.1%		MC (current price)	3 205.6
Revenue f/banking oper.	1 202.8	1 362.5	13.3%	1 565.5	14.9%	1 708.2	9.1%	Free float	9.4%
Operating income	439.8	470.4	7.0%	499.3	6.1%	525.7	5.3%		
Pre-tax income	460.6	502.0	9.0%	380.2	-24.3%	336.0	-11.6%		
Net income	468.1	390.5	-16.6%	307.9	-21.1%	272.2	-11.6%		
ROE	24.8%	17.9%		13.1%		10.8%		Price change: 1 month	13.0%
P/E	6.8	8.2		10.4		11.8		Price change: 6 month	-29.6%
P/BV	1.5	1.4		1.3		1.2		Price change: 12 month	-50.8%
D/PS	0.2	0.4		0.5		0.4		Max (52 week)	24.0
Dyield (%)	1.9	3.1		4.4		3.4		Min (52 week)	9.0



We are suspending our rating for Kredyt Bank. Within a few days, we will release our FY2009 strategy for the banking sector; we are planning to revise our target prices. We have a negative outlook on Kredyt Bank. We believe that the economic slowdown will have a big impact on the Bank's earnings and its future growth potential.

Rating downgraded

Fitch downgraded Kredyt Bank's long-term IDR rating from A+ to A. At the same time, it removed the same rating from its "negative watchlist". The outlook is negative. This decision is a direct consequence of the downgrade to KBC Bank NV's (the Bank's parent company) long term IDR rating, from AA- to A+ (the outlook is negative as well). Other ratings were reiterated at the previous levels, i.e. short term IDR at F1, individual rating at C/D, support rating at 1. This could have been expected. Further downgrades are possible, not only for Kredyt Bank.



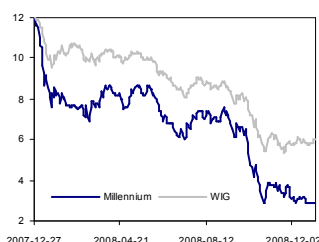
Millennium (Suspended)

Current price: PLN 2.9 Target price: -

Analyst: Marta Jeżewska

Last Recommendation: 2009-01-06

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	641.6	771.7	20.3%	973.7	26.2%	1 021.2	4.9%	Number of shares (m)	849.2
Interest margin	2.7%	2.8%		2.8%		2.6%		MC (current price)	2 420.2
Revenue f/banking oper.	1 253.0	1 648.2	31.5%	1 897.5	15.1%	1 980.8	4.4%	Free float	34.5%
Operating income	409.4	651.1	59.0%	698.7	7.3%	624.0	-10.7%		
Pre-tax income	370.7	584.6	57.7%	610.6	4.5%	443.3	-27.4%		
Net income	300.8	461.6	53.5%	494.6	7.1%	359.0	-27.4%		
ROE	13.1%	19.5%		18.4%		12.2%		Price change: 1 month	-8.1%
P/E	8.0	5.2		4.9		6.7		Price change: 6 month	-53.6%
P/BV	1.1	1.0		0.8		0.8		Price change: 12 month	-75.2%
D/PS	0.5	0.2		0.2		0.2		Max (52 week)	11.5
Dyield (%)	18.9	6.0		6.7		7.1		Min (52 week)	2.8



We are suspending our rating for Millennium. Within a few days, we will release our FY2009 strategy for the banking sector; we are planning to revise our target prices. The economic slowdown will be an important test for the strategy the Bank has been pursuing as of late. We are expecting a clear drop in its net income. We will revise our forecasts, which may have an impact on valuation. However, given the recent depreciation of its shares, the recommendation may remain unchanged.

No more Swiss franc loans

On November 12, the Bank's Management Board decided to stop granting mortgage loans denominated in foreign currencies. The main rationale cited is the unfavorable and unpredictable situation in international financial markets, which has made such loans much more risky. The risk is primarily borne by the bank, in particular as regards the hedging of cash flows from foreign-currency loans with derivatives. The customer bears risks as well (very sharp appreciation of the CHF, unemployment). However, with the exception of the exchange rate risk, the customer's situation is no different than with other loans. Moreover, the recent interest rate cut in Switzerland has reduced monthly payments. In fact, the Bank has already signaled that it wants to stop foreign-currency lending when it introduced a 35% minimum LTV requirement several weeks ago. This move will have an impact on earnings. Foreign exchange gains will not longer be there, and lower volumes will result in lower fee income and slower interest income growth, which will be partially offset by higher pricing. Another negative factor will be the higher hedging cost on the existing foreign currency loan portfolio. The effect will already be seen in Q4'08 earnings, especially as far as foreign exchange gains are concerned. In the following quarters, interest income growth will slow down as well.

Mortgage loans sales target reiterated

Millennium, which recently announced that it was discontinuing foreign-currency mortgage financing, reiterated that H2'08 home loan sales will be comparable with H1'08 sales, which totaled PLN 3.1 billion. The new zloty offer is said to be competitive, but not at the expense of margins. Millennium mortgage loans are only available to borrowers with a loan-to-value ratio of 80%. The discontinuation of F/X lending is not temporary, and the bank will revise its goal of having a 12% market share in the mortgage market by the end of 2009. At present, the Bank is revising its medium-term goals. Given that Millennium sold PLN 2bn-worth of mortgage loans in Q3'08 alone, the H2'08 sales target of PLN 3bn will be easily delivered. The market has already priced this in. Assuming PLN 1bn sales in Q4'08, the bank would record a 50% q/q drop, and lower profitability resulting from a complete reversal of the currency structure. Millennium cannot afford to reduce its margins on zloty loans due to high financing costs and intense competition in the deposit market. That is why, as long as financing prices stay level, higher loan margins will not translate into higher net interest margins. Given the changing macroeconomic conditions, we do not think that Millennium can deliver its medium-term objectives set for 2009 (although the bank already achieved some of them, like a 20% ROE, in 2008). A ROE of 20% is not sustainable in 2009. We expect Millennium to revise its financial goals, as well as its branch expansion plans (several dozen are currently scheduled for opening in 2009).



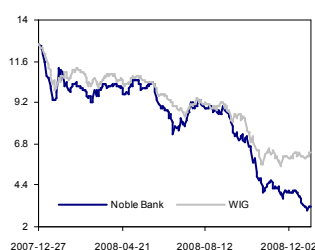
Noble Bank (Suspended)

Current price: PLN 3.3 Target price: -

Analyst: Marta Jeżewska

Last Recommendation: 2009-01-06

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	24.1	33.5	39.3%	66.9	99.6%	90.3	34.9%	Number of shares (m)	215.2
Interest margin	4.2%	2.6%		2.0%		1.5%		MC (current price)	699.3
Revenue f/banking oper.	97.3	244.5	151.3%	365.5	49.5%	389.3	6.5%	Free float	12.6%
Operating income	45.3	138.1	204.7%	220.4	59.6%	216.4	-1.8%		
Pre-tax income	64.8	155.6		207.5	33.4%	188.8	-9.0%		
Net income	52.6	126.5	140.2%	164.6	30.2%	150.6	-8.5%		
ROE	23.7%	32.4%		26.9%		19.5%		Price change: 1 month	-21.4%
P/E	12.4	5.5		4.2		4.6		Price change: 6 month	-58.3%
P/BV	2.6	1.3		1.0		0.8		Price change: 12 month	-73.8%
D/PS	0.0	0.0		0.0		0.0		Max (52 week)	12.2
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	2.9



We are suspending our rating for Noble Bank. Within a few days, we will release our FY2009 strategy for the banking sector; we are planning to revise our target prices. As we revise our earnings projections, Noble Bank valuation will drop significantly. We believe, however, that the discount at which it is trading is unjustified; therefore, a positive rating may be reiterated.



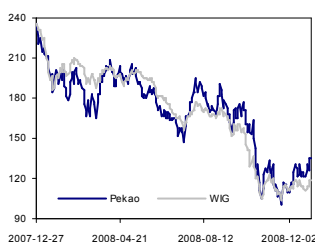
Pekao (Suspended)

Current price: PLN 134.9 Target price: -

Analyst: Marta Jeżewska

Last Recommendation: 2009-01-06

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	4 081.5	4 323.0	5.9%	4 714.8	9.1%	4 959.9	5.2%	Number of shares (m)	262.2
Interest margin	3.7%	3.6%		3.7%		3.6%		MC (current price)	35 372.5
Revenue f/banking oper.	7 328.1	8 314.2	13.5%	7 905.2	-4.9%	8 008.7	1.3%	Free float	36.7%
Operating income	3 587.6	4 509.5	25.7%	4 571.9	1.4%	4 202.1	-8.1%		
Pre-tax income	3 251.2	4 342.4	33.6%	4 500.1	3.6%	3 793.4	-15.7%		
Net income	2 562.3	3 547.2	38.4%	3 632.1	2.4%	3 059.6	-15.8%		
ROE	20.7%	24.7%		23.9%		19.1%		Price change: 1 month	23.9%
P/E	13.8	9.9		9.7		11.6		Price change: 6 month	-11.4%
P/BV	2.2	2.4		2.2		2.2		Price change: 12 month	-40.0%
D/PS	7.4	9.0		9.6		9.8		Max (52 week)	224.9
Dyield (%)	5.5	6.7		7.1		7.3		Min (52 week)	100.5



We are suspending our rating for Pekao. Within a few days, we will release our FY2009 strategy for the banking sector; we are planning to revise our target prices. The Bank is one of the two biggest players in the sector, it is very cost-efficient, has a wide customer base and a liquid balance sheet. We believe these factors will help big banks weather the bad times.

Cost of risk to go up in 2009

Mr. Luigi Lovaglio said that due to exposure to consumer loans, the cost of credit risk will increase in 2009 from 0.3% to around 0.6%. We believe the cost of risk may get much higher than that if there are losses on the corporate loan portfolio. Pekao is the biggest player in the segment. We are expecting a sharp deterioration in the economic and financial situation of some of the banks' customers, which will have an impact on Pekao's cost of risk. With the biggest corporate loan portfolio in the market, the Bank's customer base offers a cross-section of the entire sector.

Minority stake in a real-estate developer to be sold

Parkiet says that in April 2009, Pekao will sell the 25% stake in Pirelli Pekao that remains in its hands. The earlier sale of 75% for PLN 75m (in 2006) met with protests by the minority shareholders, as the company earned PLN 67m that very year. Moreover, six months later, Pirelli Pekao sold some of its projects for PLN 240m. At present, the Bank's negotiating position may be weaker due to the economic situation. The transaction will have little impact on Pekao's earnings. It is a good thing that Pekao is divesting non-banking assets, although the price it was paid in the previous transaction shows this was not to the benefit of all the shareholders.

UniCredit to withdraw from its agreement with the Treasury

UniCredit will pay the Treasury PLN 300m in exchange for the annulment of a put option executable by September 30, 2009. UniCredit owns a 59.36% stake in Pekao, while the Treasury owns 3.96%. The Ministry of the Treasury and UniCredit signed an appendix to their September 2, 2008 agreement on the put option for the 10.36m Pekao shares the Treasury owns. At the same time, UniCredit's call option, executable between December 23, 2008 and December 23, 2009 was also annulled. UniCredit also granted the Treasury a put spread option to be settled on June 30, 2009. If the Treasury chooses to execute this option, the ownership of Pekao's shares will not be transferred. The strike price was much higher than the current market valuation. At the current market prices, the Treasury's package costs over PLN 1.33bn. The strike price of the option was based on a 6-month average plus a 3% premium (PLN 159 per share as of today). This entails a PLN 1.65bn valuation, i.e. a difference of PLN 0.32bn. At present, it is not known what the Ministry will do with the shares. They could be sold in the stock market, or convertible bonds could be issued. We may have to wait up to six months for that, however.

Two new VPs

Pekao's Supervisory Board appointed two new VPs on Thursday: Diego Biondo and Marco Iannaccone, both affiliated with UniCredit. Mr. Diego Biondo will oversee the Risk Management division, and Mr. Marco Iannaccone will be in charge of finances. At the same time, Mr. Paolo Iannone resigned as VP and Management Board member as of January 1, 2009, after having been appointed to another important post in the UniCredit group.

Ratings reiterated by Standard&Poor's

S&P reiterated the Bank's long-term credit rating at "A", and short-term credit rating at "A-1", with stable outlook. The Bank's ratings reflect its long-term prospects as the key CEE subsidiary



of UniCredito Italiano SpA (whose ratings are A+ with negative outlook and A-1). Ratings also reflect the Bank's strong capitalization and good earnings. This reflects historical developments. Pekao is a stable bank with a strong market position,

Convertible bonds?

The Ministry of the Treasury will issue convertible bonds, after failing to sell the shares to the strategic investor. The offering could take place in H2 2009 (after the put spread option expires). The Treasury is hoping the situation in equity markets will improve. According to a deputy minister, the convertible bonds would come with coupon payments twice as low as regular bonds, thereby reducing the cost for the Treasury. Conversion would happen when a certain valuation threshold is reached. The bond offering idea returns, we are waiting to see it carried out. Perhaps the bonds will be transferred to PKO BP, which is what the press is suggesting.



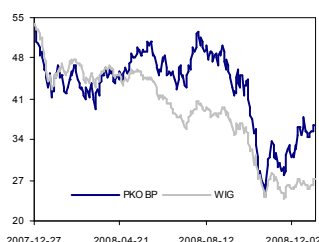
PKO BP (Suspended)

Current price: PLN 36.6 Target price: -

Analyst: Marta Jeżewska

Last Recommendation: 2009-01-06

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	3 832.2	4 643.7	21.2%	6 046.2	30.2%	6 042.8	-0.1%	Number of shares (m)	1 000.0
Interest margin	4.0%	4.4%		5.2%		4.4%		MC (current price)	36 550.0
Revenue f/banking oper.	6 206.0	7 447.1	20.0%	9 060.8	21.7%	9 139.4	0.9%	Free float	43.1%
Operating income	2 705.8	3 661.5	35.3%	4 941.7	35.0%	4 793.2	-3.0%		
Pre-tax income	2 701.5	3 609.2	33.6%	4 624.6	28.1%	4 202.5	-9.1%		
Net income	2 149.1	2 903.6	35.1%	3 717.6	28.0%	3 371.5	-9.3%		
ROE	22.9%	26.4%		28.1%		21.7%		Price change: 1 month	17.9%
P/E	17.0	12.6		9.8		10.8		Price change: 6 month	-21.1%
P/BV	3.6	3.1		2.5		2.2		Price change: 12 month	-27.6%
D/PS	0.8	1.0		1.1		1.4		Max (52 week)	52.5
Dyield (%)	2.2	2.7		3.0		3.8		Min (52 week)	24.6



We are suspending our rating for PKO BP. Within a few days, we will release our FY2009 strategy for the banking sector; we are planning to revise our target prices. The Bank has Poland's biggest retail customer base, it can introduce cost-cutting measures (e.g. downsizing) and its standing in deposits is consistently improving. Therefore, we think it will have a smoother ride through the difficult times than other banks.

Treasury's approach to PKO BP capital injection

The Ministry of the Treasury sees three alternative ways of injecting capital into PKO BP: cash from the state budget, from financial investors or shares in other state-owned companies. According to a deputy minister, PKO BP is one of the few banks that would be able to gather funds from the market, despite the economic slowdown. Unofficial speculation has it that PKO BP could be given shares in Pekao. Capital injection will strengthen the Bank, making bigger takeovers possible. It could, however, lead to EPS dilution if there is a capital increase. We believe that the scenario in which PKO BP receives shares in state-owned companies is the most likely one, although it doesn't have to be Pekao. This way EPS dilution will be avoided, and PKO BP will add gains from the sales of these securities to its capital.

Management wants to retain profits, Treasury may give up on dividends

The Bank's Management decided to recommend to the shareholders that FY2008 profits be retained in their entirety. The Minister of the Treasury said that the Treasury could agree not to be paid dividends on FY2008 profits, adding that if there is a capital injection into PKO BP, it will be used to finance concrete investment projects, including acquisitions. According to the Minister, it is too early to discuss the manner in which the capital injection will be carried out. We are thus back to the idea of injecting capital into the Bank, with the view to increasing its acquisition potential. The Minister of the Treasury stressed yesterday that PKO BP's capital needs had nothing to do with the financial crisis. We agree. The Bank's operating results are very strong, which increases its potential to absorb potential losses on loans.

Deposit products: PLN 100m per day

PKO BP's representatives indicate that in the recent period, ca. PLN 100m per day was being paid into the new deposit products. We do not know how much of this is cannibalization. If 50% of the new funds comes from new customers, PLN 50m per day gives ca. PLN 1bn per month. If all these funds are new funds, PKO BP is gathering ca. PLN 2bn per month. We should remember that the old customers are adding deposits as well. PKO BP's share of the deposit market is set to surge, but at the expense of the margin.

Mortgage loan sales

In October and November, the Bank extended PLN 1.8bn worth of mortgage loans. It is expecting Q4'08 sales results to match Q3'08. Sales in 2009 should grow at a double digit rate. In October, the Bank received many more applications than in November, selling over PLN 1bn in mortgage loans. The drop in November is largely the effect of the introduction of a 25% minimum downpayment requirement for CHF-denominated loans. In October, foreign currency loans accounted for 52% of all loans, in November – for a mere 21%. The Bank is expecting the share of CHF loans to drop even further, to 5–10%. In early December, the Bank also changed its offer of zloty-denominated loans. It now requires 10% minimum downpayment (5% in specific cases). Margins and fees were revised as well. Previously, the average LTV for CHF-denominated loans was 65%; by now, it has fallen to ca. 50%. Good sales results, but this is history now. We believe that in November, the sales of CHF-denominated loans could be sustained due to back-log from the preceding weeks. We believe that the assumption that lending will grow by a dozen percent or so in 2009 is too optimistic. We are expecting mortgage

loan sales to decrease by approximately 50%, with the share of foreign-currency loans at approximately 10%.

The Bank is negotiating the acquisition of AIG Bank and AIG Credit

Yesterday, PKO BP made a bid for 99.92% of shares in AIG Bank and 100% of shares in AIG Credit. The bid was accepted. Negotiations are ongoing, but they are not exclusive. The Bank will use its own funds to finance the purchase. AIG is Poland's 20th bank in terms of equity and it has 2m customers. Its return on equity was 45.9% at the end of Q3'08, and its assets amount to PLN 7.3bn. Thanks to this acquisition, PKO BP could significantly strengthen its position in the consumer finance segment. PKO BP has a much smaller share of the cash loan market than could be expected given the size of its retail and mortgage loan portfolios. As a bank the customers trust, PKO BP should be able to obtain funds to finance lending. The biggest risk lies in the merger process itself. If integration is smooth in the crucial areas (IT, employees), PKO BP will advance in a market where it has hitherto failed to use its potential in full. However, a takeover of a consumer-finance oriented bank requires careful approach to credit risk assessment. In 2009, the portfolio of such loans could generate losses.

Layoffs of 1,700 in 2009

This is what the Bank reported to labor offices. This is slightly more than has been the case so far (approximately 1,500 people laid off per year). A consequence of the fact that the implementation of the integrated IT system has been completed. We do not know whether all these people will indeed be laid off; in 2008, fewer than 1,500 will be. The Bank has a significant security buffer in its cost base (layoffs, for example, could continue for several years). In 2009, however, the positive effects of the savings will not be that pronounced due to the increase in D&A charges following the implementation of the Integrated IT System.

PLN 100m in aid to Kredobank

PKO BP granted the Lviv-based bank a USD 90m (PLN 270m) loan after the USD 6m subordinated loan granted in November. The loan is supposed to help solve liquidity problems stemming from the Ukrainian crisis, and to be used to guarantee deposits. It is a three year loan. PKO BP was not under obligation to disclose this, as the loan is small compared to its equity. Soon, however, PKO BP will have to spend a further UAH 130.8m (USD 17.5m) to take up shares from Kredobank's new offering. This is indeed small compared to the Polish operations, but the question arises whether the risk is not higher, and growth potential - smaller. PKO BP does, however, need to support its subsidiary at the time of market turmoil, having previously invested in it.

Board appointment

The Supervisory Board appointed Mr. Jarosław Myjak VP in charge of corporate banking.

PKO BP fined PLN 5.7m

Competition watchdog UOKiK imposed a PLN 5.7m fine on PKO BP for misinforming consumers during its "Max Lokata" advertising campaign. In addition, the Bank will have to display the decision on its website and to publish it in one of the 5 initial pages of a national daily twice. UOKiK believes PKO BP broke the law by failing to disclose important aspects of the offer. The decision is not final, and the bank can appeal to the Competition court. PKO BP has not decided yet whether it will indeed do so, but this is irrelevant. The amount of the fine is negligible from the standpoint of PKO BP's earnings and the profits earned on the MaxLokata deposit accounts.

Gas & Oil, Chemicals



Ciech (Hold)

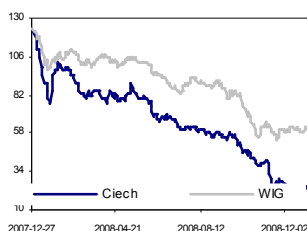
Current price: PLN 24

Target price: PLN 34.2

Analyst: Kamil Kliszcz

Last Recommendation: 2008-11-26

	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	2 174.3	3 415.0	57.1%	3 817.5	11.8%	3 917.1	2.6%	Number of shares (m)	28.0
EBITDA	287.8	493.0	71.3%	522.1	5.9%	507.2	-2.9%	MC (current price)	672.0
EBITDA margin	13.2%	14.4%		13.7%		12.9%		EV (current price)	2 194.3
EBIT	192.0	313.6	63.4%	305.8	-2.5%	279.6	-8.6%	Free float	42.7%
Net profit	195.7	240.2	22.7%	60.1	-75.0%	141.6	135.6%		
P/E	3.4	2.8		11.2		4.7		Price change: 1 month	-7.7%
P/CE	2.3	1.6		2.4		1.8		Price change: 6 month	-64.4%
P/BV	0.6	0.5		0.5		0.5		Price change: 12 month	-80.0%
EV/EBITDA	4.3	3.7		4.2		4.4		Max (52 week)	120.0
Dyield (%)	3.3	8.8		8.6		1.8		Min (52 week)	21.8



The prospects for a big loss on the valuation of currency options in Q4 (possibly as high as PLN 170m), and the consequent expectations that the FY forecast will be cut once again and that FY2008 will close in the red, will continue to weaken the sentiment towards Ciech stock in the initial months. That is why, even though the current valuation is very attractive in the long term perspective, we advise caution. In the upcoming quarters, we should see debt restructuring (consolidation, cash pooling, divestments, including PTU, and further cavern projects), improved profitability at the Romanian plant and higher volumes in the soda segment. All this will support the Company's earnings in these tough times.

SABIC set to pay a return visit to Poland in 2009

Representatives of the Saudi Basic Industries Corporation (SABIC) are set to come to Poland in early 2009. The concern is currently one of the main candidates to participate in the privatization of Polish chemical companies (Ciech, ZAT, ZAK, Anwil). Preliminary discussions were already conducted when a Polish delegation visited the Gulf region. An invitation to negotiate should be issued in Q2 2009. It is hard to predict whether the government can keep to the schedule, but the privatization is sure to be a catalyst for the stocks of Ciech and ZAT.



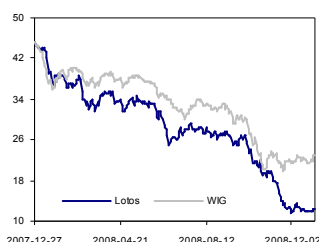
Lotos (Buy)

Current price: PLN 12.4 Target price: PLN 29.4

Analyst: Kamil Kliszcz

Last Recommendation: 2008-11-25

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	12 798.1	13 125.1	2.6%	15 696.7	19.6%	9 971.0	-36.5%	Number of shares (m)	113.7
EBITDA	1 095.7	1 019.9	-6.9%	604.3	-40.7%	872.8	44.4%	MC (current price)	1 414.4
<i>EBITDA margin</i>	8.6%	7.8%		3.8%		8.8%		EV (current price)	3 860.1
EBIT	798.3	713.7	-10.6%	288.0	-59.6%	455.7	58.3%	Free float	41.2%
Net profit	679.9	777.2	14.3%	-218.0		336.7			
P/E	2.1	1.8				4.2		Price change: 1 month	6.3%
P/CE	1.4	1.3		14.4		1.9		Price change: 6 month	-54.8%
P/BV	0.3	0.2		0.3		0.2		Price change: 12 month	-71.7%
EV/EBITDA	1.3	2.1		6.4		7.1		Max (52 week)	44.1
Dyield (%)	0.0	2.9		0.0		0.0		Min (52 week)	11.7



In the final days of 2008, investors warmed somehow towards Lotos stock, which as recently as October or November had been leading WIG20 companies in losses. However, the start of 2009 may not be very good for Lotos either, as nominally weak earnings are expected in Q4'08, and maintenance downtime is expected for late Q1/early Q2. The positive impact of the current improvement on the petroleum market will be smaller than in the case of Orlen, due to their relative weight in the indexes. We believe, however, that if the stock price does fall, this should be treated as opportunity to build investment position. We believe that as the '10+' project advances and new installations are launched, investors will be gaining confidence that the investment will be a success.

CEO on FY2009 prospects

The CEO, Mr. Olechnowicz hopes that Lotos's EBIT and cash flows in 2009 will be better than in 2008. He believes that the situation will start improving after the deployment of the diesel hydrodesulphurization system. We agree with Mr. Olechnowicz. We have a FY09 EBIT forecast of PLN 455m vs. PLN 288m expected in 2008 (although LIFO EBIT is expected to show a year-on-year decline), and a cash-flow forecast of PLN 807m vs. FY08 estimate of PLN 393m. Keep in mind, however, that our forecasts are based on more conservative throughput assumptions (5.1 million tons vs. 6.1 million expected in 2008) than Lotos's, which hopes that the HDS system and a new distillation plant will help maintain throughput at a level similar to 2008 in spite of the downtime scheduled for late Q1.

VP comments on Q4 results

VP Mariusz Machajewski told PAP yesterday that if the current market trends in petroleum and the PLN/USD exchange rate persist, Lotos's consolidated net loss in Q4 may exceed the PLN 238m net loss seen in Q3. Mr. Machajewski added that crack spreads are lower in Q4 than in Q3, but still relatively high for this time of the year. The Urals/Brent spread remains low. Lotos also announced that it had been granted approval by the Norwegian ministry of petroleum and energy for the purchase of the Yme field in the Northern Sea, where production is to be launched in 2009. What the VP said on Q4 earnings should hardly be a surprise. As we informed in our recent reports on Lotos and Orlen, these companies' earnings in the final months of the year will be negatively affected by revaluation losses on crude oil inventories and foreign-currency loans. As far as the Urals/Brent spread is concerned, we still believe that it is low because of the Russian export duties on crude oil, which have recently increased again relative to the price of Urals crude, despite the recent reductions in rates. For example, when in Q2'08 the price of Urals crude was USD 117/Bbl on average, export duties amounted to 41% of the price. With the Q4 average price at USD 54.3/Bbl, the ratio stands at 71%. We believe the situation will improve greatly in 2009, when the price of petroleum should stabilize, and export duties should be gradually adjusted to it, which will make exports more profitable for the Russian companies.

Lotos on 2009 macro conditions

Lotos is basing its 2009 budget on a deteriorated refinery macro environment and reduced margins. The Management also expect a decline in the Urals/Brent spread averages, but not below the average H208 level. Even so, Lotos is optimistic about 2009 due to crack-spread hedges and predicted stabilization of exchange rates at favorable levels. The Minister of Treasury announced that, after a contribution of a minority stake in Petrobaltic in exchange for Lotos shares in H1'09, the Treasury is not going to sell these shares, which are trading low at the moment. We agree that crack spreads are bound to narrow in 2009. The Urals/Brent differential, on the other hand, is expected to return to a level of \$3/Bbl after oil prices stabilize and Russia settles its customs mechanisms. We predict that Lotos will not recognize negative LIFO effects in 2009 (in 2008, the charge may be as high as PLN 300m; we estimated it at PLN

200m in our November research update, but, since then, the average oil price decreased even further; as a result the Q4 LIFO effect may be –PLN 560m vs. –PLN 480m forecasted earlier). The fourth quarter, during which Polish refiner earnings are expected to hit rock bottom, will be followed by a recovery on improved macro conditions. The predicted steadying of oil prices will be especially good for Lotos which struggles particularly hard in a volatile environment, not being able to maintain profitability on some of its products.

Contract with Lukoil

Lotos reported signing a fuel sales contract for 2009 with Lukoil Poland for an estimated PLN 675m. The contract is a continuation of Lotos's ongoing trade relationship with Lukoil service stations.



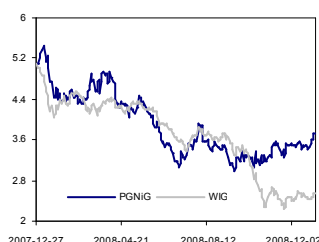
PGNiG (Accumulate)

Current price: PLN 3.7 Target price: PLN 3.94

Analyst: Kamil Kliszcz

Last Recommendation: 2008-11-18

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	15 197.7	16 629.8	9.4%	18 937.0	13.9%	18 667.1	-1.4%	Number of shares (m)	5 900.0
EBITDA	2 766.2	2 731.0	-1.3%	3 066.9	12.3%	3 656.4	19.2%	MC (current price)	22 066.0
<i>EBITDA margin</i>	18.2%	16.4%		16.2%		19.6%		EV (current price)	19 878.7
EBIT	1 470.0	1 301.9	-11.4%	1 674.4	28.6%	2 182.8	30.4%	Free float	15.3%
Net profit	1 327.4	1 251.3	-5.7%	1 450.8	15.9%	1 826.2	25.9%		
P/E	16.6	17.6		15.2		12.1		Price change: 1 month	6.9%
P/CE	8.4	8.2		7.8		6.7		Price change: 6 month	19.5%
P/BV	1.0	1.0		1.0		1.0		Price change: 12 month	-28.1%
EV/EBITDA	7.6	7.4		6.5		5.5		Max (52 week)	5.5
Dyield (%)	4.0	4.5		5.1		5.9		Min (52 week)	3.0



In the final months of 2008, PGNiG clearly outperformed the WIG20 index. In the first half of the year, the situation may be repeated, but the upcoming weeks might bring a temporary slump in share price, due to the gas crisis and the fact that the Management needs to make strategic decisions with the interest of the entire economy in mind, which is not always aligned with the Company's (storage facility management, eliminating the risk of an interruption in supplies through the purchases of expensive gas, despite the fact that prices are bound to fall under the pricing formula in force and that industrial demand is waning). This temporary depreciation, however, should be used to accumulate the stock, as earnings are set to improve significantly year-on-year in FY2009.

PLN 650m to be invested in the Norwegian fields

According to VP Radosław Dudziński, in 2009 PGNiG will spend ca. PLN 650m on its Norwegian oil deposits. This what the consortium budget entails (PGNiG has a 12% stake). In our forecast, we do not take into account any amounts needed to prepare the fields for exploration, nor any future cashflows on this account. The amount cited is not a surprise, however. The earlier estimate of the investment outlays the Company would have to make before production starts was USD 600m. In 2009, the Company will spend some USD 216m (at the current exchange rate). Production is to start in 2011.

Problems with the Skanled pipeline

The success of the Skanled pipeline project, in which PGNiG owns a 15% stake, is currently in doubt, after one of the consortium members withdrew (Hafslund, with a 10% share, but without gas transfer rights), as well as the inactivity on the part of Statoil, which was supposed to sign contracts for petroleum sales, which would guarantee that the capacity of the pipeline would be fully employed. The decision as to whether Skanled will be built will be made in the fall of 2009. At present, exploratory work is being carried out. The problems described above do not mean that the pipeline will not be built, but it may be delayed. This would be a neutral development as far as PGNiG is concerned (we are taking into account neither the CAPEX required for the project nor the future revenue it could generate), as hitherto the costs have been relatively low. If the Skanled project is delayed, however, the Baltic Pipe project could be impacted – without a connection with Norway, it will not be strategically or economically viable.

Gas conflict, smaller supplies from the Ukraine

PGNiG announced on Friday that natural gas supplies from the Ukraine remained stable after falling by 11%. The decrease has, however, been fully offset by increased supplies through the Belarusian pipeline. PGNiG Management stress that the Polish gas market is currently in an equilibrium, and that inventories provide an additional security buffer. The estimated demand for gas in Q1'09 is 4-4.5bn cubic meters. Storage facilities have capacity of approximately 1.6bn cubic meters, and domestic production amounts to 1bn cubic meters per quarter. For now, the situation appears to be under control as far as buyers are concerned. The CEO's declaration that storage facilities are full may, however, not bode very well for the Company as far as Q4'08 earnings are concerned. The gas was very expensive that quarter and we hoped that as demand from industry subsided, it would be possible to reduce purchases of imported gas, which would have boosted Trade&Storage earnings. This scenario may not have come to pass if PGNiG maintained its purchases from Russia at the usual level.



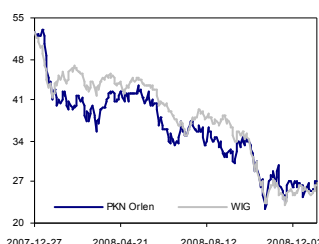
PKN Orlen (Buy)

Current price: PLN 27.1 Target price: PLN 39.3

Analyst: Kamil Kliszcz

Last Recommendation: 2008-11-20

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	52 867.2	63 793.0	20.7%	82 253.3	28.9%	59 538.1	-27.6%	Number of shares (m)	427.7
EBITDA	4 684.7	5 035.3	7.5%	4 709.3	-6.5%	5 045.2	7.1%	MC (current price)	11 582.4
EBITDA margin	8.9%	7.9%		5.7%		8.5%		EV (current price)	24 496.0
EBIT	2 576.6	2 603.9	1.1%	2 294.0	-11.9%	2 471.0	7.7%	Free float	72.5%
Net profit	1 986.0	2 412.4	21.5%	1 071.7	-55.6%	2 200.2	105.3%		
P/E	5.8	4.8		10.8		5.3		Price change: 1 month	3.4%
P/CE	2.8	2.4		3.3		2.4		Price change: 6 month	-24.5%
P/BV	0.6	0.6		0.6		0.5		Price change: 12 month	-48.3%
EV/EBITDA	4.8	4.6		5.2		5.1		Max (52 week)	52.9
Dyield (%)	0.0	0.0		6.0		0.0		Min (52 week)	22.4



The prospects for a very big loss in Q4'08 (inventory and foreign currency debt revaluation), and the likelihood that balance sheet-improving divestments will be postponed while CAPEX needs increase (purchase of shares in Polkomtel, purchase of the stake in Mazeikiu Nafta held by the Lithuanian government, possibly the purchase of a 50% stake in BOP) may hurt the Company's stock market valuation in the short term. In January, however, with the sentiment in the petroleum market clearly improved, PKN can be expected to outperform WIG20.

One-year fuel sales contracts

Mazeikiu Nafta signed one-year contracts for sales of gasoline and diesel to Trafigura Beheer, totaling \$750m, a \$600m contract for diesel supplies with ESC Trading and a \$360m gasoline contract with Switzerland's Vitol. The fuel will be shipped by sea. The buyers are recognized energy traders.

PKN seeks damages from Yukos

PKN Orlen filed a claim against Yukos International on grounds that the latter misrepresented facts about the Mazeikiu Nafta (MN) refinery during the time of sale. The claim is secured by an escrow account in which, in accordance with the MN sale agreement, Yukos had deposited \$250m. Yukos has 30 days to respond to the claim. PKN Orlen's claim is absolutely valid as MN's condition was clearly a far cry from what had been promised by Yukos (e.g. fire damage), but whether the refinery can recover the respective portion of the price remains to be seen. Yukos might take the case to court and start long proceedings. However, if damages are awarded, PKN would get a significant cash infusion.

Shell is selling its shares in CR?

Shell has probably decided to divest from Ceska Rafinerska, where it holds a 16.3% stake. The other shareholders, i.e. Unipetrol (51%) and ENI (32%) can exercise preemptive rights. Last year, ConocoPhillips made a similar move, and ENI bought a 16% stake. The press is speculating that Unipetrol will be keenly interested in acquiring Shell's shares, although Lukoil has expressed interest as well. Previously, the Orlen subsidiary offered USD 270m for the 16% stake, which was not enough. The key question is who will buy Shell's gas stations (divestment from CR suggests that a divestment from the retail business will come as well). We do not think this is a crucial issue for Unipetrol, as the 16% stake will not give it strategic control over the refinery; therefore, it is unlikely to bid aggressively.

Plans to sell transportation subsidiaries

Orlen representatives informed that the Company was considering outsourcing transportation services, which would entail spinning off its transportation subsidiaries. There are two of them: a railway company and a car company, with PLN 116m and PLN 162m in annual revenue, respectively. The Management are expecting that in addition to cash to be obtained from these divestments, Orlen could save ca. 20% on transportation costs. Allegedly, independent logistic operators are interested in purchasing these entities. These are nothing but declarations for now, however, and it is hard to guess what price Orlen would be able to negotiate. The PLN 250-300m bracket cited in the press appears unlikely.



Police (Hold)

Current price: PLN 5.1 Target price: PLN 8

Analyst: Kamil Kliszcz

Last Recommendation: 2008-11-27

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 676.2	1 824.2	8.8%	2 539.7	39.2%	2 238.2	-11.9%	Number of shares (m)	75.0
EBITDA	-226.4	235.1		415.8	76.8%	150.0	-63.9%	MC (current price)	378.8
<i>EBITDA margin</i>	<i>-13.5%</i>	<i>12.9%</i>		<i>16.4%</i>		<i>6.7%</i>		EV (current price)	226.6
EBIT	-288.6	187.5		352.4	88.0%	84.8	-75.9%	Free float	21.0%
Net profit	-304.3	204.0		262.6	28.7%	74.9	-71.5%		
P/E		1.9		1.4		5.1		Price change: 1 month	-9.2%
P/CE		1.5		1.2		2.7		Price change: 6 month	-67.3%
P/BV	0.5	0.4		0.3		0.3		Price change: 12 month	-69.8%
EV/EBITDA		1.0		0.5		1.6		Max (52 week)	25.3
Dyield (%)	5.8	8.6		0.0		20.8		Min (52 week)	4.8



The final part of the year was not that good for Police shareholders. Although the negative sentiment lost some of its strength after the dramatic depreciation in October and November (by 38% and 39%, respectively), the Management's press release on hedging and inventory losses pushed the share price further down (-16%). Currently, although the Company's shares appear attractive in the long-term horizon, there will be few things in the upcoming months to send them rallying. We are expecting several weak quarters. Although losses as big as in Q4'08 should not be repeated (-PLN 235m), investors will be discouraged.

How to increase liquidity in the farming business

The Company is negotiating with BGŻ on a loan package for farmers, to finance fertilizer purchases. Police want to make it easier for the farmers to build their working capital in the spring, i.e. in the fertilizer-purchasing season. The Company is also negotiating with Rabobank on its PLN 50m working capital credit line, which expired several months ago. Police may see difficulties in sales in Q1'09, not only because the distributors' warehouses are all but full, but also due to the decrease in the farmers' purchasing power (NPK fertilizers will stop being bought first). The idea of providing financing to the customers may turn out to be successful. As is well known, the market is based on distributors. If credited purchases only apply to Police's products, the Company could limit its losses from the demand slowdown (compared to its competitors).

Inventory, hedging losses in Q4

ZCH Police warned yesterday that investors should expect a PLN 150.45m charge against Q408 net earnings resulting from inventory adjustments to account for a global decrease in fertilizer prices (at the end of September, the company reported a big increase in inventories to PLN 617m). Earnings for the period will also be affected by EUR/PLN exchange rate hedges which generated a PLN 71.5m loss at the end of November. On the upside, the overall balance on realized hedges is a PLN 20.5m gain (most likely gains from the first three quarters). We had predicted inventory adjustments in our 27 Nov. Research Update on ZCH Police, with hedging losses then estimated at PLN 35m based on a lower EUR/PLN exchange rate. At the December 31 level, the loss could be as high as PLN 80.7m (the valuation was made on 30 Nov). Police hedges about 15% of its 2.5-year euro exposure. In November, we predicted that the company would post a PLN 79m net profit in Q408, but, after taking into account the inventory and hedging-loss announcement, it looks like bottom line will show a ca. PLN 235m loss



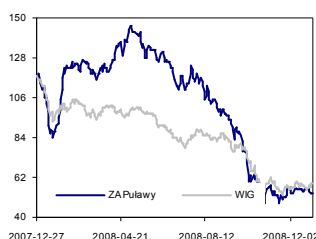
ZA Puławy (Hold)

Current price: PLN 53 Target price: PLN 68.4

Analyst: Kamil Kliszcz

Last Recommendation: 2008-10-31

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	2 205.3	2 503.5	13.5%	2 741.0	9.5%	2 551.4	-6.9%	Number of shares (m)	19.1
EBITDA	251.4	432.8	72.2%	389.3	-10.0%	225.3	-42.1%	MC (current price)	1 013.1
<i>EBITDA margin</i>	<i>11.4%</i>	<i>17.3%</i>		<i>14.2%</i>		<i>8.8%</i>		EV (current price)	524.9
EBIT	151.4	358.7	136.9%	305.0	-15.0%	126.0	-58.7%	Free float	29.2%
Net profit	130.0	330.8	154.5%	249.7	-24.5%	102.8	-58.8%		
P/E	7.8	3.1		4.1		9.9		Price change: 1 month	-4.6%
P/CE	4.4	2.5		3.0		5.0		Price change: 6 month	-52.3%
P/BV	0.8	0.7		0.6		0.6		Price change: 12 month	-54.0%
EV/EBITDA	2.7	1.1		1.3		2.8		Max (52 week)	145.9
Dyield (%)	3.8	3.2		8.1		7.5		Min (52 week)	47.5



In December, Puławy's shares declined by 5%. Even though this was worse than for the broad market as a whole, it was still the best result among the listed chemical companies (Police -16%, Ciech -11%, ZAT -16%, Synthos -27%). We expect that early 2009 should be similar in this respect, with investors attaching a premium to ZAP's stock on account of its huge cash reserves (after dividend payout in December, net cash amounts to over PLN 31 per share, which is 60% of the Company's market cap). We believe that ZAP will show the best Q4 earnings in the sector (small impact of inventory revaluation, smaller downtime losses). Even as far as currency hedging losses are concerned, ZAP's provisions should be smaller than competitors' (ca. -PLN 50m). In January, however, this may not be enough to help the stock outperform the WIG.

Deal on power plant construction

ZAP and Vattenfall Poland signed an agreement for the construction of a conventional power plant with a capacity of 1400 MW. Using this document, they will ask PSE to outline the conditions under which it will be connected to the network. The plant will be built on ZAP's land. The parties could agree to others joining in, for example the Bogdanka mine; for now, however, the project will be divided 50/50 between Vattenfall and ZAP. Given the planned capacity, the investment may cost as much as EUR 2bn, and its construction should be completed in 2014. At present, ZAP's CHP plant does not generate enough power to satisfy the Company's own needs. ZAP uses 910 GWh of electricity per year, of which 560 GWh is generated internally (130 MW). The new project will also likely supply energy to the new plants of Puławy II. If ZAP gets a proportional share of the generated energy, i.e. 3000 GWh, it will have to sell a lot of it.

A reduction in NOx production may bring in EUR 22m per year

Puławy, in cooperation with BASF, is installing catalysts on its nitric acid production lines. They should help it reduce nitrogen oxide emissions by over 80%. As a result, it should start earning income on the sales of emission reduction units (ERU) as soon as 2009. At present, there is one catalyst in place, and three more will be launched before the end of the year. The project is being financed by BASF, which will be paid 11% of the ERU saved. ZAP is estimating that by 2012, its revenue from the sales of NOx emission units may reach ca. EUR 22m per year. Given the current pricing, the NOx reduction project may indeed bring the Company significant financial benefits. We are conservative in our forecasts, however, and we do not factor these flows in. If the Company does reach the revenues it is projecting (which hinges on the confirmation of the level reduction emissions and ERU prices not decreasing through 2012), it would entail discounted FCF of PLN 216m, i.e. an additional PLN 11 per share. The assumption that ERU prices will stay flat is, however, very optimistic.

Telecommunications

TDC sells Polkomtel stake

TDC sold its entire 19.61% stake in Polkomtel to the other shareholders, Vodafone, KGHM, PKN Orlen, PGE, and Węglokoks, for a total of EUR 726m, thus passing full control (75.6%) over to Polish companies. As implied by the transaction, a 100% stake in Polkomtel is worth PLN 15.3bn, yielding a FY08E P/E of 10. In our valuations of KGHM and PKN Orlen, we had assumed the value of the mobile operator at PLN 16bn, suggesting a 4.8% premium to the price paid by Vodafone. According to unofficial sources, the Polish shareholders intend to cash out in the future. KGHM is the only one that could bear the financing burden entailed in this investment, but it will most likely yield to pressure from PKN and PSE, who in turn want to reduce their debts by selling their stakes in Polkomtel to Vodafone at a premium. The premium will be determined based on the price that Vodafone is about to pay to TDC. Accordingly, we think that a PLN 16bn valuation of Polkomtel is too modest. In case of KGHM, we predict that the company will pay the full tax due on the transaction, without using the tax shield stemming from the loss incurred on its investment in Telefonía Dialog. The tax shield would add PLN 2.2 per share. After selling its Polkomtel shares to Vodafone, KGHM will post a cash balance of PLN 4.77bn, i.e. PLN 23.5 per share, i.e. 82% of market cap.

UOKiK's targets alternative operators

The anti-trust agency UOKiK examined the prices and terms of telecommunications services, and, based on its findings, sued two cable providers (Aster and Toya) for violation of consumer rights. The UOKiK is also conducting proceedings against Dialog and Tele2. Any fines imposed on Tele2 or Netia should not be high enough to affect valuation.

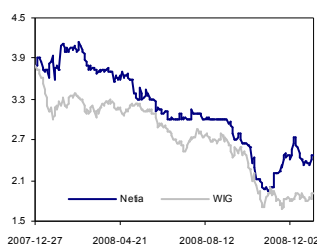


Netia (Buy)

Current price: PLN 2.5 Target price: PLN 3.8

Analyst: Michał Marczak
Last Recommendation: 2008-11-14

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	862.1	838.0	-2.8%	1 044.0	24.6%	1 503.1	44.0%	Number of shares (m)	389.2
EBITDA	-68.9	170.7		144.3	-15.5%	234.0	62.2%	MC (current price)	961.2
<i>EBITDA margin</i>	-8.0%	20.4%		13.8%		15.6%		EV (current price)	703.4
EBIT	-341.4	-103.8	-69.6%	-114.3	10.1%	-23.4	-79.5%	Free float	100.0%
Net profit	-378.9	-268.9	-29.0%	213.6		-9.9			
P/E				4.5				Price change: 1 month	2.9%
P/CE		170.5		2.0		3.9		Price change: 6 month	-17.4%
P/BV	0.5	0.6		0.5		0.5		Price change: 12 month	-36.7%
EV/EBITDA		5.8		4.9		2.8		Max (52 week)	4.1
Dyield (%)	5.1	0.0		0.0		0.0		Min (52 week)	2.0



Netia raised its FY08 EBITDA estimate to PLN 160m from PLN 145m, and we maintain that, this year, the operator will be one of the few companies on the WSE to show fast EBITDA growth (over 50%). The slower the subscriber growth, the higher the current FCFs and EBITDA. The main shareholder will be preparing the company for sale this year. We are reiterating a buy rating on Netia.

Two acquisitions add 31,000 new subscribers

Netia's subsidiary Interneta purchased two Internet service providers (Air Bites Polska, Easy Com) for a total price exceeding PLN 27.7m, and raised its 2008 broadband customer forecast to 410,000 from 385,000. Air Bites is a broadband access provider present in 14 Polish cities (mainly in the south), which caters to 24.5 thousand customers but has capacity to reach 105,000 households. Easy Com is a local network operator and broadband Internet service provider operating in Góra, Rawicz, Krotoszyn, Żary, and Ostrów Wielkopolski, who has 6.3 thousand active customers.

As the negotiations were being stalled, Netia announced that it would probably not be able to complete the acquisitions by the end of the year, and that it was cutting its M&A budget from PLN 45m to PLN 24m. This probably helped bring the talks to a successful conclusion. The price which Netia paid per user is similar to the prices paid in past acquisitions.

First offer to buy Novator

The MNI telecom group made a bid for the 31% stake in Netia owned by the Icelandic fund Novator. Talks are also being held on joint financing for this investment with financial institutions. Through the end of Q308, MNI had PLN 14.77m in profits on PLN 131.74m revenue. We are expecting that Netia will generate PLN 1.5bn in revenue and over PLN 240m in EBITDA in 2009. No details have been disclosed, but it appears MNI sees a "buy opportunity" (at close to the market price) in Novator's financial problems. We believe the transaction will not happen, and if the shares are indeed put up for sale, foreign bidders will emerge in upcoming weeks.

TPSA demands PLN 60m from Tele2 (Netia)

TPSA sued Netia's subsidiary Tele2, demanding PLN 60m plus statutory interest, arguing that Tele2 had not paid wholesale broadband access fees in full. Tele2 rejects these claims. The decision on Tele2's WLR rates was issued by the Head of the Office of Electronic Communications on December 29, 2006. On December 10, 2007, the Competition Court waived the decision, and on June 3, 2008, Warsaw's Appellate Court put a stay on it. Tele2 defends itself by pointing out that TPSA has been selling wholesale broadband access to its subsidiary Centertel at exactly these prices. We believe that in the light of the above arguments (regulatory decision, Centertel's fees), the risk that Tele2 will pay damages to TPSA is small.



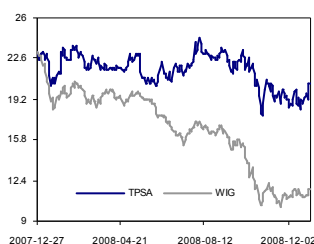
TP SA (Hold)

Current price: PLN 20.5 Target price: PLN 20.5

Analyst: Michał Marczak

Last Recommendation: 2009-01-06

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	18 625.0	18 244.0	-2.0%	18 324.7	0.4%	18 141.2	-1.0%	Number of shares (m)	1 368.8
EBITDA	7 856.0	7 721.0	-1.7%	7 569.0	-2.0%	7 418.5	-2.0%	MC (current price)	28 032.5
<i>EBITDA margin</i>	42.2%	42.3%		41.3%		40.9%		EV (current price)	33 375.0
EBIT	3 367.0	3 282.0	-2.5%	3 282.4	0.0%	3 282.4	0.0%	Free float	46.0%
Net profit	2 096.0	2 273.0	8.4%	2 558.5	12.6%	2 495.4	-2.5%		
P/E	13.7	12.6		11.0		11.2		Price change: 1 month	7.1%
P/CE	4.4	4.3		4.1		4.2		Price change: 6 month	-4.7%
P/BV	1.6	1.6		1.5		1.5		Price change: 12 month	-11.0%
EV/EBITDA	4.6	4.4		4.4		4.4		Max (52 week)	24.4
Dyield (%)	4.9	9.3		8.3		8.3		Min (52 week)	17.9



As expected, telecom regulator the UKE tentatively decided to go ahead with a functional division of TPSA, stirring investors and creating a good opportunity to buy the operator's shares. As for the division itself, it is a very distant prospect: the UKE's binding decision is expected toward the end of 2009. To carry out a functional split of the dominant operator, the regulator needs to change the telecommunications laws, and garner political support to introduce relevant changes into the commercial code – support which, we think, it is not going to get. TPSA's Q408 results will be affected by severance pay allowances and foreign-exchange losses. We are reiterating our price target at PLN 20.5/share, and downgrading our rating from accumulate to hold to account for the current share price.

Split, as expected

As expected, telecom regulator the UKE launched proceedings to divide TPSA along functional lines. The UKE believes the split could be carried out in 2010-2012; the final decision will be taken towards the end of 2009. Until then, the UKE will perform numerous market studies on the split and obtain an opinion from the EC. Changes to the telecommunications law will be necessary as well. The regulator does not preclude the possibility of reaching agreement with TPSA. Last week, TPSA presented to the UKE its plan of voluntary actions leading to "equality of access", as an alternative to the enforced split. The plan is being discussed, and the talks could continue concurrently with the preparations for the split. National operators in the UK and Sweden have already been subjected to functional separation, and an analogical process has been launched in Italy. EU sources have welcomed the decision as "good news". TPSA maintains that the split will be disadvantageous for the market and that it will halt investment. We reiterate our opinion that the plan to divide TPSA will not get political backing, and will be interrupted, even before the UKE makes its final decision toward the end of 2009. Nothing is definite yet.

TPSA's counter-split plant

TPSA put forth an action plan to the UKE, aimed at ensuring an "equality of access" as an alternative to the planned functional division of its organizational structure. The proposed solutions include creation of a system of "Chinese walls" between certain structures, employee training in equal treatment of alternative operators, and introduction of incentives. TPSA wants the same services to be offered to its retail operations and altnets at the same prices, but using different processes, to avoid duplication of computer systems. The operator wants to work out specific measures to further the plan in consultation with the regulator (the plan assumes that the UKE will appoint a special team). TPSA also wants the UKE to appoint a telecom mediator to handle disputes between alternative providers. A decision to go ahead with the functional split does not preclude further work on TPSA's proposal, and might serve to put pressure on the operator during the consultations.

Q408 results under pressure

TPSA increased its severance-pay reserve by PLN 180m, with implications for Q408 results. In November 2008, the company announced that up to 4,900 of its employees might have decided to accept the incentives offered under a 2009-11 voluntary separation plan (the average severance package per employee is PLN 47,000). This means that we have to adjust our FY08 earnings forecast for the company accordingly. Furthermore, because of a weakened zloty, TPSA will post a ca. PLN 80m loss on unhedged foreign-currency debt. After all this, fourth-quarter net profit will be in the ballpark of PLN 300m.

TPSA's cooperation with Centertel declared illegal

According to an investigation concluded by the UKE, TPSA grants Centertel better conditions



for the provision of telecom services on its lines than it does to Netia or PTC. Centertel has better access to network and subscriber data. Moreover, it is able to use space in TPSA-owned buildings on better terms. UKE gave TPDA a 60-day deadline to rectify this. The investigation was launched when Orange (Centertel) started offering internet access on better terms than TPSA's own Neostrada service. Altnets say that it is hard to imagine how Centertel's prices can even cover its costs. This is a consequence of the investigation that was widely discussed back in the fall, when allegedly representatives of the UKE, the EC and the public prosecution service entered TPSA's headquarters (it was later denied that the prosecutors took part). This should come as no surprise. TPSA will most likely obey and give up on the offending actions. A financial penalty will likely be imposed.

TPSA employs CDMA to sell TV

TPSA is introducing CDMA wireless broadband internet to enable Centertel to offer Web access in areas without fixed-line infrastructure. In addition to broadband, customers will be offered satellite TV and VOiP services (triple play). Orange's goal is to reach half of the Polish population by the end of 2008, and the whole of the population by the end of 2009, including 2 million households which, to date, have not been able to use the Internet. TPSA's new offer is no breakthrough given the numerous wireless access services based on GSM/GPRS technology already available. But it is the perfect complement to the operator's other new service, satellite TV. That is why it has strong growth potential, and is able to compete with other triple-play offers.

Media

Co-owner of *Rzeczpospolita* facing problems

The investment fund Mecom, which in Poland controls the company Media Regionalne and owns a 51% stake in Presspublica, the publisher of *Rzeczpospolita*, postponed the audit of its loan agreements for two months (it had been planned for the end of 2008). Mecom needs time to decrease its debt (almost GBP 600m at present). The loans are secured by Mecom's shares, whose value plunged by almost 50% over the recent days. Mecom wants to reach liquidity required by lenders by the end of February, selling shares in companies it owns in Poland, Germany, Denmark, Norway and the Netherlands. Our sources suggest Presspublica is already being sold. We do not have access to its financials, but given its share of the advertising market and its average daily circulation (150-160k), *Rzeczpospolita* probably generated a loss in 2008. The market is speculating that the buyer might be Axel Springer, the publisher of the broadsheet *Dziennik* and the tabloid *Fakt*. We do not expect interest from another international media conglomerate, so far absent from Poland. It is possible that the publisher of another daily newspaper, *Polska*, will also be up for sale this year.



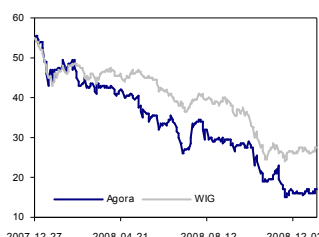
Agora (Buy)

Current price: PLN 16.8 Target price: PLN 35.6

Analyst: Michał Marczak

Last Recommendation: 2008-11-14

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 133.7	1 152.0	1.6%	1 278.4	11.0%	1 282.2	0.3%	Number of shares (m)	55.0
EBITDA	116.5	198.6	70.5%	170.8	-14.0%	160.6	-6.0%	MC (current price)	923.6
EBITDA margin	10.3%	17.2%		13.4%		12.5%		EV (current price)	798.5
EBIT	39.6	120.3	203.8%	94.1	-21.7%	85.3	-9.3%	Free float	37.0%
Net profit	32.0	100.2	213.1%	82.1	-18.0%	73.5	-10.5%		
P/E	28.9	9.2		11.2		12.6		Price change: 1 month	5.0%
P/CE	8.5	5.2		5.8		6.2		Price change: 6 month	-40.8%
P/BV	0.8	0.8		0.8		0.8		Price change: 12 month	-69.2%
EV/EBITDA	5.4	3.5		4.7		4.9		Max (52 week)	54.6
Dyield (%)	3.0	8.9		13.5		9.4		Min (52 week)	14.9



December saw a number of positive developments at Agora. The publisher was the first to increase the price of its broadsheet *Gazeta Wyborcza* by 20%, and, for the second time in a few months, rival Axel Springer followed suit with its *Dziennik*, marking the end of the price war between Polish papers of record. In other news, Agora announced that it would be cutting 300 jobs in a move which could bring PLN 22-25 million in annual savings. In spite of an expected slowdown in the advertising market, we recommend to buy Agora at the current price level.

Agora hikes GW price

Agora decided to increase the per-copy price of *Gazeta Wyborcza* (GW) by PLN 0.30 to PLN 1.80 at newsstands and from PLN 1 to PLN 1.30 in subscription as of 2 January 2009. The hike was necessitated by increased costs of publishing. An earlier-than-expected hike (we expected one in mid-2009) means potentially higher-than-expected earnings. From a full-year perspective, a PLN 0.3 per-copy price hike figures to a PLN 21m higher revenue. That said, we are maintaining our forecasts intact for two reasons. First, higher prices could bring 2009 sales down some 4.5%, and, second, advertising revenues this year could fall more than our predicted 2% given the macroeconomic environment. That is why we consider any extra gain a cushion for our forecasts.

Agora to lay off 300 people

As part of its program to streamline operations, Agora is planning to lay off up to 300 people, i.e. 7.5% of the current workforce. The company is estimating the costs of the plan at PLN 8.5m, to be recognized in Q408. The layoffs will be based on the Group Layoff Act in Agora itself, with a different legal basis at subsidiaries. Layoffs started January 1, 2009, and are set to last six months. After earnings for this period have been published, the Management will release its estimate of the reduction in employment. We expect the savings from the program to reach PLN 22-25m on an annualized basis, which is 14% of the EBITDA we forecast for FY2008. At the time of a recession, we are expecting the company to cut its promotional and marketing costs (by PLN 180m in the newspaper division alone). We are not revising our forecasts for 2009, given the unpredictability of the advertising market (we assume a 2% reduction in advertising revenue). We treat the cost-cutting efforts as a security buffer, should the advertising market slow down more than expected.

Price of *Dziennik* goes up again

On January 2, Axel Springer Polska once again raised the price of *Dziennik* (second time in 8 months). The price for the Monday-Thursday editions increased from PLN 1.80 to PLN 2, while the Friday-Saturday editions increased in price from PLN 2 to PLN 2.50. Average daily circulation of *Dziennik* in January-October was 113,692 copies (ZKDP data). This confirms what we noted in our last research report – the war in the market for dailies is over. This does not mean, of course, that the competing titles and their publishers will stop attacking each other publicly, but, given the upcoming advertising crisis, media companies will start to pay much greater attention to earnings and cashflows than to sales.



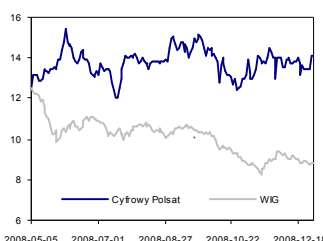
Cyfrowy Polsat (Accumulate)

Current price: PLN 14.1 Target price: PLN 15.8

Analyst: Piotr Grzybowski

Last Recommendation: 2008-11-26

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	493.8	796.7	61.3%	1 132.9	42.2%	1 306.0	15.3%	Number of shares (m)	268.3
EBITDA	74.3	165.9	123.4%	346.2	108.7%	470.8	36.0%	MC (current price)	3 775.3
EBITDA margin	15.0%	20.8%		30.6%		36.1%		EV (current price)	3 677.1
EBIT	41.7	145.1	247.8%	321.3	121.3%	441.3	37.4%	Free float	31.8%
Net profit	55.7	113.4	103.6%	260.2	129.4%	364.6	40.2%		
P/E	67.8	33.3		14.5		10.4		Price change: 1 month	0.5%
P/CE	42.8	28.1		13.2		9.6		Price change: 6 month	4.4%
P/BV		61.7		13.3		7.9		Price change: 12 month	
EV/EBITDA	52.6	23.2		10.6		7.5		Max (52 week)	15.4
Dyield (%)	0.0	0.0		0.4		0.3		Min (52 week)	12.0



There are no developments in sight which could significantly influence Cyfrowy Polsat's (CP) value this month. As a defensive stock, CP is not likely to be the focus of investor attention during a market rebound, and it will therefore not benefit from a sentiment uplift. In a longer term, we maintain that, in spite of relatively high valuation, Cyfrowy Polsat has got potential to significantly improve earnings and gain in value in the next 12 months.

Interview with Canal+ Cyfrowy executive

In an interview for *Puls Biznesu*, the Supervisory Board Chairman of pay-TV broadcaster Canal+ Cyfrowy Jean Noel Tronc spoke about his company's strategy to regain the ground lost to rival TVN's 'n' platform. Mr. Tronc predicts that Canal+ Cyfrowy will have 1.3 million users by the end of 2009, among others thanks to a successful advertising campaign. The Chair may have exaggerated the success of the campaign given the subscriber data reported by competition. In the future, there is a high probability of a merger between the digital TV platforms of Canal+ and TPSA.



TVN (Hold)

Current price: PLN 13.9 Target price: PLN 13

Analyst: Piotr Grzybowski

Last Recommendation: 2008-11-12

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 165.0	1 554.7	33.5%	1 904.2	22.5%	1 998.3	4.9%	Number of shares (m)	349.4
EBITDA	399.8	554.1	38.6%	702.3	26.7%	696.0	-0.9%	MC (current price)	4 852.9
<i>EBITDA margin</i>	34.3%	35.6%		36.9%		34.8%		EV (current price)	5 729.4
EBIT	348.4	482.1	38.4%	624.3	29.5%	611.9	-2.0%	Free float	38.8%
Net profit	258.8	243.3	-6.0%	383.1	57.4%	356.3	-7.0%		
P/E	18.4	19.8		12.7		13.6		Price change: 1 month	9.4%
P/CE	15.4	15.3		10.5		11.0		Price change: 6 month	-20.4%
P/BV	3.9	3.4		2.9		2.6		Price change: 12 month	-45.4%
EV/EBITDA	13.8	9.9		8.2		8.5		Max (52 week)	25.5
Dyield (%)	0.0	2.7		2.7		2.7		Min (52 week)	11.0



TVN is entering a difficult period of an advertising slowdown, or even a halt in case of television commercials, and this will probably affect its performance versus the broad market in the long term. Because advertising is a late-cycle business, in the current phase of the cycle, TVN can be expected to perform poorly relative to blue chips.

TVN and Polsat not among TV Puls's six suitors

The CEO of TV Puls Dariusz Dąbski told the PAP that six Polish and foreign firms (newspapers speculated that they included Polsat, TVN, Agora, Axel Springer, and Bertelsmann) had expressed interest in acquiring interests in his station. An acquisition is expected to be completed in early 2009. Polsat and TVN have the least at stake as TV Puls does not represent much value for them except for multiplex frequencies. The other bidders have long expressed interest in establishing themselves in the Polish TV market, and are likely to put up more of a fight. All will depend on the price and on whether TV Puls's existing shareholders are willing to give control over programming to its new owner. From TVN's vantage point, it would be best if Agora got TV Puls, while the entry of the RTL Group (Bertelsmann) into the Polish market would be a less desirable development.

November ratings

TVN's viewership declined from 18.5% to 18.4% in November. A decrease in audience share was also recorded by TVP1 (from 22.5% to 22.3%), TVP2 (from 17.8% to 16.9%), and Polsat (from 15.7% to 14.8%). TVN also saw a slight dip in its share of target audience, and an uptick in its target prime time audience. The viewership figures are somewhat weaker than in September and October, but, because commercial air time is allocated one month before airings, November revenues should not be hurt. December could see a dip in revenues as most of TVN's most popular shows approach their season finales. The peak revenue season (October and November) is over for TVN.

Draft media legislation proposal

A team formed within the Ministry of Culture drafted an amendment to mass-media laws aimed at reforming the public media. The ministry is proposing to abolish license fees and replace them with VAT charged from advertisers. The VAT payments would form a Public Service Fund from which public TV and radio stations would receive money depending on the number and duration of programs aired in fulfillment of their public mission. No commercials would be allowed during public-service programs financed from the Fund. Commercial stations would also be eligible to draw from the Fund provided that they air approved public-service programs. In our view, the new laws could help increase competition in the media market and do away with the controversy surrounding license fees. Public-service programming could compete with commercial shows. If the law was passed, it would benefit the broadcasting industry as a whole, and commercial broadcasters in particular. However, the way from a proposal to an actual law is long and winding, and is very likely to be interrupted by a presidential veto.

TVN's share in the CECE index to decrease

On December 22, TVN's share in the Vienna stock exchange CEE index CECE fell by 1/3. This decision entails lower demand for TVN's shares from investors who replicate the index with their stock portfolios. We do not believe the scale of such investments is very big.

TV advertising prices have stopped growing

According to Omnicom Media Group, the average advertising price at TVN in January 2009 will be close to the January 2008 level. In January 2009, the most expensive time slots will be the 2nd and the 3rd break during the feature movie broadcast on Saturdays at 21:00. Thirty seconds cost, depending on the day of the week, PLN 26,800-27,400. This is in line with our

expectations for the TV advertising market; a consequence of the economic slowdown.

TV sells fewer ads

According to AGB Nielsen Media Research, TVN sold 24 831 advertising slots in November and the first half of December compared to 28 020 in the same period a year ago. TVP1 aired 17930 ads (vs. 19199 in 2007), TVP2 aired 17558 (19760), and Polsat aired 26653 (26621). At the same time, the rate-card revenue of TVN surged 45%, TVP1 and TVP2 saw an increase by 22% and 17% respectively, while Polsat recorded a 5.3% decline. It is not revealed whether the ad sales numbers were calculated based on rate-card prices (i.e. without taking into account discounts), or rating points, hence the surprising figures reported for Polsat. For TVN, we expect a tough 2009 after a fairly successful fourth quarter.



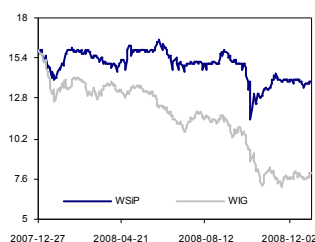
WSiP (Buy)

Current price: PLN 13.9 Target price: PLN 18.9

Analyst: Piotr Grzybowski

Last Recommendation: 2008-12-09

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	253.4	224.9	-11.3%	194.5	-13.5%	190.6	-2.0%	Number of shares (m)	24.8
EBITDA	26.9	35.6	32.7%	68.9	93.3%	51.6	-25.0%	MC (current price)	344.2
EBITDA margin	10.6%	15.8%		35.4%		27.1%		EV (current price)	291.3
EBIT	23.2	29.8	28.7%	49.8	66.8%	42.1	-15.3%	Free float	36.6%
Net profit	20.1	49.2	144.9%	41.5	-15.6%	35.6	-14.0%		
P/E	21.6	7.5		8.3		9.7		Price change: 1 month	0.1%
P/CE	18.3	6.7		5.7		7.6		Price change: 6 month	-7.3%
P/BV	3.6	3.0		2.9		3.0		Price change: 12 month	-12.6%
EV/EBITDA	13.2	8.4		4.2		5.8		Max (52 week)	16.6
Dyield (%)	0.0	7.6		13.0		12.0		Min (52 week)	11.5



The stock market rebound projected for January will cause dividend-paying companies like WSiP to fall out of favor. That is why, in spite of solid earnings results and low sensitivity to economic downtrend, we expect WSiP shares to underperform in January.

WSiP to pay out entire FY08 earnings

WSiP's CEO want to continue the company's dividend-paying policy in the years to come. The Management Board is going to recommend allocation of 100% of FY08 earnings toward dividends and a share buyback.

IT Sector

Tech Data planning takeover of ABC Data

According to *Parkiet*, Tech Data Polska is keenly interested in buying shares in ABC Data from MCI Management. For now, MCI has not invited Tech Data to bid, but its representatives say they are interested. This would be another step towards consolidation. We believe that in the long term, smaller companies could be negatively affected, while for AB and Action this could be good news. These companies are currently going through (AB) or most likely will soon be going through (Action) merger-related difficulties. If their main competitor faced such difficulties at the same time, their life would be made easier in these hard times.

Government and EU funds as a cure for the slowdown?

According to *Gazeta Wyborcza*, PLN 700m from government and EU funds is to be spent on IT technology as part of the "Innovative Economy" program. Government orders for a similar amount are to be expected in 2010 as well. The funds would be used for such contracts as the electronic ID, e-taxes, electronic real estate registers, etc. These projects are a part of the e-Government initiative, which has seen many delays. We do not believe 2009 could be a breakthrough year and we doubt PLN 700m can be spent over the next 12 months. We believe several big tenders could come next year, but it is practically impossible that the amounts earned on them will be recognized before 2009 is over. Given the slowdown in the other segments of the IT market, there will be many bidders, who are likely to appeal if they lose. Therefore, we doubt significant amounts could be coming in 2009. Smaller projects are more likely in that period, mostly at the local government level.

Asseco Poland

Acquisitions getting nearer

Asseco's CEO Mr. Góral told PAP that the company had decided to take over a German firm, and that the transaction could be finalized by the end of 2008. The CEO was also happy about an operational audit of a Spanish target (the financial audit remains to be done). No final decisions have been made on a Dutch target. The German target will merge with matrix24, AP and Uniquare to create Asseco Dach, and Asseco Austria could become part of it as well. The CEO also commented on the market consensus. He believes the company may beat it. The German company generates ca. EUR 1m in net income, the Spanish company ca. EUR 4m. These takeovers will be an important step on the path to growth in Western Europe.

Two contracts

Asseco Poland signed an agreement with the brokerage house of Alior Bank, covering licensing, implementation and maintenance of a securities brokerage system, as well as an appendix to its 1997 agreement with the Social Security Institution (PLN 191.5m net). The latter agreement will be in force 1 January 2009 - 10 October 2010.

Treasury stock sale

Asseco sold 1.4m shares of treasury stock out of an 11.6m total for an average per-share price of PLN 45, making for a total gain of PLN 63m. The purpose of the sale was to gain quick cash to finance acquisitions. Two blocks of 700,000 shares each were sold at a price 10% lower than the closing price on the preceding day.

Acquisition

Asseco Germany purchased a 60% stake in a company called "update4u Software AG" for EUR 4.8m plus additional compensation conditioned on achievement of certain earnings targets in FY2009 and FY2010. (EUR 1.3m in FY09). This is one of the acquisitions (including a Spanish and a Dutch company) that Asseco was planning to complete in late 2008 / early 2009. update4u develops IT Management Software. It is hard to tell whether Asseco paid a good price for the acquisition without knowing how much the former owners were promised as earnings performance reward. At the moment, the P/E of update4u is in the ballpark of 3.7.

Comarch

Tender offer for outstanding shares of SoftM Software und Beratung AG

Subsidiary Comarch Software AG announced a tender offer for the outstanding shares of SoftM Software und Beratung AG, which ends on 2 February 2009. The per-share purchase price offered is EUR 3.45. Comarch bought 3.25m shares of SoftM representing 50.15% of equity in mid-November. Given that there are 3.23m shares still outstanding, the tender offer can cost as much as EUR 11.14m, meaning that the acquisition will cost a grand total of EUR 22.35m. SoftM generated sales of EUR 59.4m, and posted a EUR 1.9m operating loss and a EUR 0.9m net loss in 2007, and EUR 39.7m sales, EUR 0.5m operating profit, and EUR 0.1m net loss in

the year to 31 October.

New contract

Comarch signed a PLN 3m (gross) contract with the Medical University of Lublin to deliver an integrated system jointly with Naxtech.

Qumak Sekom

Good Q408 outlook

CEO Paweł Jaguś told reporters that his company had had a good fourth quarter and expected to achieve its full-year earnings targets. He added that the existing backlog (PLN 134m) could soon be boosted by two new material contracts, one related to the organization of the Euro2012 football cup, and the other related to the Schengen agreement. The FY08E P/E ratio for Qumak Sekom is 8.8, which is nothing special given the recent bear market. It is, however, worth noting that the company has already filled over half of next year's contract pipeline, and, after adding the two new deals, it can probably survive the imminent slowdown in the industry.

Contract from Budimex Dromex

Qumak-Sekom landed a PLN 6.77m net contract from Budimex Dromex for building automation with a deadline in August 2009.

Forecast revision

Qumak Sekom reiterated a PLN 150m revenue estimate for FY2008, but raised the operating-profit estimate from PLN 15.2m to PLN 17.2m, and the net-profit estimate from PLN 12.5m to PLN 13.7m. This was a follow-up to an earlier announcement of possible upward revisions. The P/E ratio implied by the new estimates is 7.9.

ZUS claim dismissed

A court dismissed a claim which the Social Insurance Office (ZUS) had filed against Qumak-Sekom with the sole purpose of satisfying procedural requirements. The claim pertained to a PLN 24.1m contract between the company and the ZUS, which had been duly fulfilled by both parties.



AB (Hold)

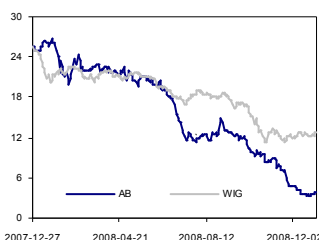
Current price: PLN 3.8

Target price: PLN 12.8

Analyst: Piotr Grzybowski

Last Recommendation: 2008-08-18

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 230.2	2 259.4	83.7%	3 069.0	35.8%	3 364.2	9.6%	Number of shares (m)	16.0
EBITDA	16.8	24.4	45.6%	53.7	119.9%	58.4	8.9%	MC (current price)	60.6
<i>EBITDA margin</i>	1.4%	1.1%		1.7%		1.7%		EV (current price)	236.3
EBIT	15.4	22.2	44.1%	48.4	118.0%	52.9	9.4%	Free float	37.9%
Net profit	9.6	8.5	-12.3%	25.8	205.1%	29.9	16.1%		
P/E	4.6	7.2		2.4		2.0		Price change: 1 month	-21.3%
P/CE	4.0	5.7		1.9		1.7		Price change: 6 month	-73.8%
P/BV	0.6	0.3		0.3		0.2		Price change: 12 month	-84.8%
EV/EBITDA	7.2	7.7		4.4		4.2		Max (52 week)	26.7
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	3.3



AB and IT distributors across the board are expected to display weak performance versus the broad market in January, stemming from declining consumer demand and reductions by insurers of the amounts of trade credit they are willing to cover. The latter development will deal a particularly hard blow to companies which are significantly in debt, and which will be forced either to cut back sales to more risky customers, or carry the risk themselves.

HTC distribution deal

AB signed an agreement to distribute the products of the HTC Corporation, including wireless communications devices, PDAs, and navigation devices.



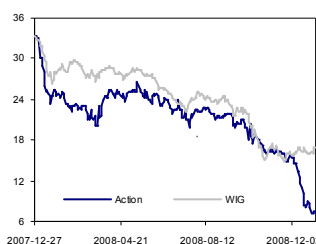
Action (Accumulate)

Current price: PLN 7.5 Target price: PLN 24

Analyst: Piotr Grzybowski

Last Recommendation: 2008-08-18

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 797.5	2 343.4	30.4%	4 568.6	95.0%	3 310.4	-27.5%	Number of shares (m)	17.2
EBITDA	37.7	69.8	85.1%	128.6	84.3%	93.1	-27.7%	MC (current price)	128.4
EBITDA margin	2.1%	3.0%		2.8%		2.8%		EV (current price)	283.0
EBIT	30.4	57.3	88.7%	113.4	97.9%	81.7	-27.9%	Free float	31.0%
Net profit	22.0	33.8	53.4%	75.9	124.5%	49.7	-34.5%		
P/E	5.6	3.8		1.7		2.6		Price change: 1 month	-51.9%
P/CE	4.2	2.8		1.4		2.1		Price change: 6 month	-66.9%
P/BV	0.8	0.7		0.5		0.4		Price change: 12 month	-77.5%
EV/EBITDA	4.8	4.0		2.2		3.0		Max (52 week)	33.2
Dyield (%)	2.0	3.6		5.7		12.4		Min (52 week)	7.2



Action shares took a plunge in December on weak first-quarter results. And January looks no better in terms of market performance. Like AB, the company will be affected by reductions in insurable trade credit lines by insurers. However, the main factor which will shape Action's share performance in January will be the possible merger with Vobis, and the share swap ratio which will also determine how investors react to the merger.

Action to merge with Vobis?

Action confirmed that it was entering into three-month merger negotiations with Vobis. Vobis, which operates 200 own and franchise outlets, and which generated PLN 23.7m net income and PLN 27.7 EBIT last year on PLN 829.6m revenue, is larger than peer Komputronik and Karen combined. We will be able to say more about the merger after we learn the share exchange ratio. Since the transaction does not involve cash, financing should be no issue. Even so, a big merger like this at a time when the computer industry is poised for a downturn seems risky.

First-quarter results

Action reported dismal results for its first business quarter ended in October, affected mainly by losses incurred on exchange-rate differences. Judging by sales alone, which showed a 20.4% year-on-year increase to PLN 608.4m, the cooling economy is not affecting demand for Action products yet. The gross margin expanded from 7.2% to 10.3% thanks to cheaper inventory building made when the US dollar and the euro were trading down. Further, Action brought down the ratio of selling and general expenses to revenues, boosting the net margin from 0.3% to 3.9%, but this improvement was annihilated by other costs which surged to PLN 45.9m. In effect, the company posted an operating loss of PLN 18.1m for the first quarter (compared to a PLN 10.2m operating profit in the same quarter a year earlier), and a bottom-line loss of PLN 18.3m (vs. a PLN 5.9m profit a year earlier). To sum up, the reason behind Action's poor earnings results were "other operating expenses" which chiefly comprised F/X debt revaluation adjustments. Assuming steady exchange rates, these negative effects will be reversed in the future and recognized as margins realized on inventories. The rate of this reversal will depend on industry momentum and the pace at which the company liquidates its cheaply acquired stock. We think that it will take at least two reporting periods to fully reverse the losses given the downtrend in demand for computer devices among households as well as businesses.

Higher dividends?

Action is considering increasing the dividend payout ratio from the FY2007/08 earnings from 20% to anywhere up to 50%.



ASBIS (Hold)

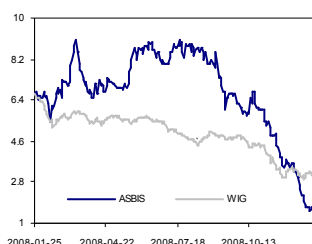
Current price: PLN 1.6

Target price: PLN 3.7

Analyst: Piotr Grzybowski

Last Recommendation: 2008-11-18

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 008.8	1 397.3	38.5%	1 619.2	15.9%	1 717.0	6.0%	Number of shares (m)	55.5
EBITDA	17.9	27.6	53.8%	25.6	-7.2%	20.7	-19.3%	MC (current price)	88.8
<i>EBITDA margin</i>	1.8%	2.0%		1.6%		1.2%		EV (current price)	100.5
EBIT	16.1	25.7	59.6%	23.3	-9.5%	18.3	-21.5%	Free float	32.8%
Net profit	9.4	18.7	98.1%	13.5	-27.7%	10.1	-25.1%		
P/E	9.4	4.7		6.6		8.8		Price change: 1 month	-51.0%
P/CE	7.9	4.3		5.6		7.1		Price change: 6 month	-79.0%
P/BV	1.5	0.9		0.8		0.8		Price change: 12 month	
EV/EBITDA	5.4	3.1		3.9		5.2		Max (52 week)	9.0
Dyield (%)	1.1	1.1		3.2		4.1		Min (52 week)	1.5



Asbis shares in December were affected by a downturn in two of its key markets, Russia and Ukraine. This factor is expected to continue to influence performance in January. On the other hand, note that Asbis is traded at a significant discount to book value, which cannot be fully explained just with the weakness experienced in the Eastern markets, and which more than factors in the potential losses which the company could incur if some of its Russian and Ukrainian customers go bankrupt.



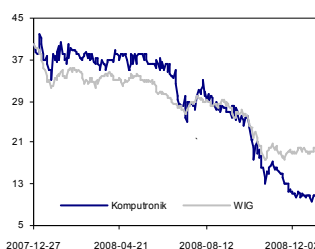
Komputronik (Accumulate)

Current price: PLN 10.6 Target price: PLN 33.9

Analyst: Piotr Grzybowski

Last Recommendation: 2008-12-02

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	338.4	519.2	53.5%	921.2	77.4%	1 229.1	33.4%	Number of shares (m)	8.2
EBITDA	11.4	13.9	22.4%	18.0	29.4%	31.7	76.4%	MC (current price)	86.9
<i>EBITDA margin</i>	3.4%	2.7%		2.0%		2.6%		EV (current price)	72.9
EBIT	10.5	11.3	8.1%	13.3	17.5%	25.9	94.6%	Free float	20.3%
Net profit	8.7	10.2	17.1%	20.3	99.0%	27.9	37.4%		
P/E	7.3	7.7		4.3		3.1		Price change: 1 month	-7.8%
P/CE	6.6	6.2		3.5		2.6		Price change: 6 month	-62.3%
P/BV	3.7	0.9		0.5		0.4		Price change: 12 month	-72.1%
EV/EBITDA	4.6	3.4		4.1		2.5		Max (52 week)	41.9
Dyield (%)	0.5	0.6		0.0		0.0		Min (52 week)	9.6



We expect Komputronik shares to underperform in January due to weak sentiment caused by uncertainty as to the future of the IT distribution industry. That uncertainty is underpinned by the company's lowered FY08 earnings guidance, which still carries a wide margin of error. All in all, Komputronik is not likely to be one of the beneficiaries of the stock rally expected in January.

Sales in October and November

Komputronik's standalone sales amounted to PLN 90m in October, 57% more than a year earlier, and rose to PLN 91m in November, 30% more than in the same month a year ago. Sales were slower than last year, but had picked up compared to the weak third quarter. Even so, Komputronik is highly unlikely to deliver its full-year targets of PLN 920m revenue and PLN 22m net profit.

Targets cut

Komputronik cut its FY2008 net income target from PLN 22m to PLN 7-11m, and revenue target from PLN 920m to PLN 770-800m. Pre-tax income will be PLN 8.5-12.5m vs. PLN 29m previously expected, operating income estimate is PLN 11.4-14.4m (vs. PLN 30.5m) and EBITDA is expected to reach PLN 16.5-19.5m (vs. PLN 34.5m). FY2009 guidance was revoked altogether. Before Q3 earnings were released, the Management signaled that this year's targets may be cut. Given the slowdown in sales and the loss seen in Q308, the revision in targets was just a matter of time. The scale of the reduction is quite deep, reflecting the weaker December and pre-Christmas period. We are expecting the actual results to be closer to the lower ends of the brackets suggested by the company.

Metals



Kęty (Buy)

Current price: PLN 63.5 Target price: PLN 109.4

Analyst: Michał Marczak

Last Recommendation: 2008-08-04

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 085.6	1 253.0	15.4%	1 280.0	2.2%	1 369.6	7.0%	Number of shares (m)	9.2
EBITDA	154.1	194.0	25.9%	187.9	-3.2%	201.0	7.0%	MC (current price)	585.8
EBITDA margin	14.2%	15.5%		14.7%		14.7%		EV (current price)	941.6
EBIT	109.6	141.9	29.4%	128.0	-9.8%	141.1	10.2%	Free float	46.0%
Net profit	87.8	97.8	11.4%	86.1	-12.0%	98.3	14.2%		
P/E	6.7	6.0		6.8		6.0		Price change: 1 month	-7.5%
P/C	4.4	3.9		4.0		3.7		Price change: 6 month	-24.9%
P/BV	0.9	0.8		0.8		0.7		Price change: 12 month	-60.8%
EV/EBITDA	5.4	4.9		5.0		4.4		Max (52 week)	161.8
Dyield (%)	6.3	6.3		7.1		7.3		Min (52 week)	49.5



Kęty is strongly influenced by economic trends, especially trends shaping the construction and machining industries (extruded products, aluminum systems), and consumer demand (flexible packaging business). The bleak macroeconomic outlook for coming quarters reflects on the company's earnings prospects, which, however, are already priced in at the current level. We are reiterating a buy rating on Kęty.

Q408 guidance

Kęty's consolidated Q408 sales estimate is PLN 260m, representing a 15% drop from Q407. The decrease was caused by a significant retreat in aluminum prices across the world (US dollar prices down 23%, zloty prices 13% lower), weaker sales volumes generated by the Extruded Products Segment (EPS) and the two smallest divisions (Construction Services and Construction Accessories). Sales growth in Q408 was seen only by the Aluminum Systems Segment (+5%). The Flexible Packaging Segment posted flat sales, and the other segments recorded sales up to 30% weaker. Q408 EBIT will approximate PLN 25-27m, and was weighed down by weak sales in December (PLN 50m vs. expected PLN 70-75m). Consolidated net income is estimated at PLN 16m-17m. Implied by these estimates, Kęty's full-year EBIT will approximate PLN 128m, and net income will reach PLN 77-78m (PLN 8m less than our and the company's earlier estimate). The EBIT estimate is PLN 2m lower than ours, suggesting higher-than-expected expenses. We will revise our FY2008 forecasts after Q408. Kęty's weak December sales might be an indication of the fourth-quarter performance of the entire metal industry.



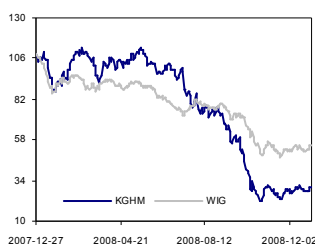
KGHM (Buy)

Current price: PLN 30.5 Target price: PLN 49.2

Analyst: Michał Marczak

Last Recommendation: 2008-11-27

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	11 669.7	12 183.0	4.4%	11 080.7	-9.0%	7 442.0	-32.8%	Number of shares (m)	200.0
EBITDA	4 646.5	5 034.0	8.3%	3 897.6	-22.6%	1 139.7	-70.8%	MC (current price)	6 100.0
<i>EBITDA margin</i>	39.8%	41.3%		35.2%		15.3%		EV (current price)	3 988.3
EBIT	4 302.2	4 682.0	8.8%	3 430.9	-26.7%	670.2	-80.5%	Free float	36.0%
Net profit	3 504.6	3 799.0	8.4%	2 818.6	-25.8%	583.3	-79.3%		
P/E	1.7	1.6		2.2		10.5		Price change: 1 month	9.0%
P/CE	1.6	1.5		1.9		5.8		Price change: 6 month	-67.8%
P/BV	0.8	0.7		0.6		0.6		Price change: 12 month	-71.4%
EV/EBITDA	0.9	0.7		1.0		3.8		Max (52 week)	112.0
Dyield (%)	32.8	55.7		29.5		9.0		Min (52 week)	21.4



We expect decreasing commodity prices to affect KGHM's earnings in future quarters. Note that, in spite of the price slippage, mining company stocks across the world (BHP Billiton, Rio Tinto, Anglo American) are staying put. In our opinion, now is a good time to buy KGHM, especially in light of the upcoming (3-4 weeks) seasonal upswing in copper demand which will slow inventory building.

Copper, silver prices in Q408

Prices of copper averaged US \$3,948 per ton in Q408 after falling 48% from Q308 and 46% from Q407. For KGHM, this unfavorable trend was somewhat mitigated by the zloty's weakening against the dollar, which brought zloty prices of copper 32% lower than in Q308 and 38% lower than in Q407. Zloty prices of silver are 11% and 18% lower respectively.

Copper balance after nine months of 2008

According to the latest report by the International Copper Study Group, there was a surplus of 120,000 tons in the copper market in the first nine months of 2008. Total usage rose 2.7% y/y in the period, including a 12.7% increase in China and a decrease in the EU15, Japan, and USA by 3.3%, 1.5% and 9% respectively. Mine output declined 0.8%, with concentrate production down 1.6%. Mine capacity utilization was very low at 82.7% compared to 85.9% a year earlier. Production of refined copper increased 3% (production from ores was up 3.3%, and production from scrap was 1.7% higher).

Producers hold new projects

December was marked by more reports of shut-down or delayed mining projects (from the likes of BHP Billiton, Anglo American, Southern Copper). According to Brook Hunt forecasts, copper mine output in 2009 will be about 1.1 million tons lower than estimated a few months ago. The reasons why expansion projects are being put on hold include decreased projected returns, and problems with finding financing. It is estimated that the output lost in stalled mining projects will reach 1.38 million tons in 2010.

Construction

Construction output in November

According to GUS statistics, construction output in November 2008 was 5.5% higher than in the same month a year earlier, but 20.1% lower than in the month before. Seasonally adjusted building production saw an 11% y/y increase and a 1% m/m decline.

Building industry faces problems

According to the CEO of Budimex, payment bottlenecks in the housing and commercial construction sectors are being overcome. Moreover, building companies are considering job cuts as a cost-saving measure. According to analysts, the business of construction still generates profit margins of about 4.9%, but more and more firms are losing contracts and generating losses. A representative of building-materials wholesaler PSB revealed that while 4% more materials were sold during 11 months of 2008 than in the same period in 2007, a decline in demand was observed in November. Cement sales have been on a decline since September.

Ukrainian construction in a crisis

The value of the Ukrainian construction industry fell 9.6% in the period from January to October, and was expected to have dropped 12% y/y by December. The situation is even worse than in Poland, as some banks raised interest rates to a staggering 20%. Engineering construction is also on a decline. According to Mr. Bachman of PIPHB building association, the financial turmoil is mainly a consequence of political instability. An Ulma Construction executive says that the Ukrainian crisis is not affecting the company which had secured many contracts not affected by governmental policies.

Commercial Construction

Financial crisis affects hotel investment

Polish hotel operator Orbis might freeze investments because of economic cooling and a 12% drop in incoming tourism recorded in Poland this year. In turn, JW Construction Holding, Warimpex (Louvre Hotels), and Starwood Hotels & Resorts all have every intention of continuing to build new hotels.

Housing

No-go for four in five real-estate projects

Mr. Jarosław Szanajca, CEO of Dom Development and Head of the Polish Developers' Association (PZFD), offered an opinion that four in five planned housing projects in Warsaw would not take off at all because of the grim situation of the real-estate market. Some developers see their sales drop by 90%. Asked why developers are not reducing prices, Mr. Szanajca said that this would lead them up a blind alley because cuts only whet buyer appetites for even more cuts.

Industrial Construction

Investments to decrease in Q109

According to some analysts, investment growth in Q108 will be negative at -2%. In Q308, investment increased just 3.5% compared to 15.2% in Q2008 and 15.7% in Q108. The last time investments were on a decline was in Q2 2003 (-0.6%).

Lower building costs not driving construction

Because of economic uncertainty, many planned factory starts are delayed to the first half of 2009. According to PM Group Poland, there are between 30% and 40% fewer projects now than there were at the beginning of 2008. The CEO of Mostostal Puławy agrees, but adds that winter plays a role in this decline, too. Competition among subcontractors is increasing, with up to 10 companies competing for one project compared to just 2-3 not long ago. Prices of subcontractor services are up to 5% lower than in Q108, and are expected to decline in coming months. Materials are cheaper and more readily available, and land prices are expected to start declining soon. In this environment, the costs of building a factory might prove as much as 10% lower than a few months ago. Foreign investors additionally benefit from a cheaper zloty.

PLN 4bn in EU subsidies

In 2009, Polish businesses will receive EUR 1bn (PLN 4bn) in subsidies to support investments.

Public Buildings

Six bidders vie for National Stadium contract

The consortia which met the tender criteria include companies like Budimex, PBG,

Hydrobudowa Polska, Pol-Aqua, and Mostostal Warszawa. Offers by Mostostal Export and China Metallurgical Group Corporation were rejected. The price quotes will be submitted in March, and the contract will be signed in April.

Road Development

GDDKiA to spend PLN 28-30bn in 2009

The Head of the General Directorate for National Roads and Motorways (GDDKiA), Mr. Lech Witecki, revealed that the Directorate had budgeted PLN 28bn-worth of road projects for 2009. The plan could only be derailed by the Natura 2000 program, and the risk that further regions will receive protected-area status. Infrastructure Minister Cezary Grabarczyk confirmed that the government had allocated PLN 30bn toward roads in this year's budget. The biggest contributions will go to the mazowieckie voivodship (PLN 5bn) and the śląskie voivodship (PLN 4bn). Early this year, the GDDKiA is going to announce several tenders for motorway sections, so that construction can get underway in summer. The tenders will be for short, 15-20-kilometer stretches, enabling smaller firms to compete.

Environmental Engineering

Poland to spend PLN 66.2bn on environmental protection in next 4 years

The Environment Ministry's tentative budget for the years 2013-2016 is PLN 63.5bn. According to GUS statistics, average annual expenditure on environmental protection and water management in the past few years (in current prices) demonstrated an upward trend and rose from PLN 6.4bn in 2002 to PLN 8.9bn in 2006 and PLN 9.8bn in 2007, in fulfillment of our EU accession commitments.

Energoinstal

CEO expects improvement in 2009

The CEO and main shareholder of Energoinstal promises much better performance in 2009. This year's contract backlogs are PLN 85m for the parent and PLN 120m for the entire group. The CEO stressed that his company does not have a toxic hedge book.

Energomontaż Południe

New German customer, no currency options

Energomontaż Południe signed a contract to install the pressure parts of a 910 MW boiler at Germany's Rheinhafen-Dampfkraftwerk Karlsruhe power station. The contract fee is EUR 16.88m (PLN 65.5m, representing 21% of forecasted FY2008 revenue). The installation will last from June 2009 to April 2010. Energomontaż Północ's contract pipeline for 2009 is an estimated PLN 178m (plus PLN 38m to be completed in 2010). The company reiterated expectations of at least 15% y/y revenue growth and a gross margin of 18-20%. The CEO declared that the company did not use any speculative instruments, and hedges risks related to international payments with forward contracts.

Energopol-Południe

PLN 5.3m loss possible on forward contracts and options

Energopol-Południe announced that it may lose PLN 5.3m (at December 16th exchange rates) on EUR/PLN forward contracts and options. This amount will be offset by higher revenues on construction contracts quoted in EUR. The company has around PLN 20m in cash. If there are negative cash flows, operations will not be under threat, and neither will FY2008 revenue, set to increase by at least 30% y/y.

Instal Kraków

Subsidiary lands material contract

Instal Kraków's 79% subsidiary PUH Frampol signed a framework agreement with Lithuania's NTTI, estimated at PLN 50m, for delivery of ventilation- and air-conditioning systems for industrial facilities and housing developments located mainly in Russia. The deadline is October 2009. Frampol is expected to generate revenues approximating PLN 80m in 2009.

Mostostal Export

Greater pool of contracts, possibility of getting an investor from the sector

Mostostal Export is expanding its portfolio of orders in Russia. It is hoping that a decision as to getting a strategic partner will be taken next year. As recently as September, the company said that its Russian order portfolio stood at USD 218m. The CEO said that of all the Russian

contracts which are currently being finalized and for which financing by KUKE is being sought, there were four big ones (USD 230m).

Mostostal Płock

Takeover of Centromost to be delayed

The takeover of Centromost, in which a 50% stake is held by Mostostal Płock, is being delayed. Mostostal Płock CEO admits he is waiting to see how things develop. Centromost has problems with forex options, and the economic slowdown may significantly reduce the number of new orders. The CEO estimates hedging losses at PLN 1-2m. Centromost generates PLN 80-100m in revenue and PLN 2.5m in net income annually. In FY2008, Mostostal Płock should see record-high earnings, but not over PLN 20m. The company's order portfolio is full until the end of June 2009 (PLN 110m). In the future, the company may also be subcontracted for the Wrocław stadium (Mostostal Warszawa's bid was the most attractive one price-wise).

Mostostal Zabrze

PLN 90m contract

A consortium of Mostostal Zabrze and KPBP Budus made the best offer in a tender to design and build a combined-cycle power station in Częstochowa. The contract is worth a total of PLN 90m, representing 10% of Mostostal Zabrze's FY08F revenue.

Pol-Aqua

Order from Auchan

Pol-Aqua signed a memorandum with Auchan Polska concerning construction of a shopping center in Łomianki for a flat net fee of PLN 107.5m (9.2% of estimated 2008 revenue).

Prochem

Buyback possible

The CEO of Prochem said that he would consider a buyback as an alternative to dividends on FY08 profit. The forecasted FY2008 net income is PLN 14m. If dividends are not paid, this will be due to the launch of construction of an office building in Kraków (PLN 110m) in Q109.

Rafako

Subsidiary files for bankruptcy

The Management of Elwo filed for bankruptcy after the company's bank accounts had been seized by ING BŚ (the accounts are worth PLN 14m in cash and securities). Rafako is declaring its willingness to take over Elwo's contract obligations and employees. There is a possibility that Elwo's business of electrostatic precipitator manufacture will continue as part of Rafako's organization.

Elwo loses financing

Rafako was informed by its subsidiary Elwo that ING BSK had terminated a framework agreement on forward contracts, in spite of an understanding reached earlier with all the financing banks (ING BSK, Millennium, Fortis and Pekao). Elwo believes this action on the part of the bank is illegal and violates the agreement. The company announced that it was terminating immediately the 25 January 2007 framework agreement and the 24 June 2008 collateral agreement, as well as all the transactions based thereon. ING BSK's contracts amounted to EUR 2.56m, Millennium's to EUR 48.7m, FBP's to EUR 46.1m and Pekao's to EUR 28.5m. ING BSK is demanding PLN 20m.

Rafako clarifies impairment loss

The foreign-currency losses incurred by Elwo will result in a PLN 19m charge to Rafako's standalone financial statements (an amount equal to the value of the investment in Elwo), and a charge to the full extent of the losses in the consolidated accounts. Rafako denied having provided guarantees for any of Elwo's currency transactions. Rafako expects that higher operating margins earned on new building contracts will fully offset the loss.

VP resigns

Jerzy Thamm, the VP of Rafako, resigned from his post. He was also a member of Elwo's Supervisory Board.

Ukrainian court awards damages to Rafako

A court in Ukraine's Donetsk Oblast awarded Rafako \$11.5m (PLN 35m) in damages against

former customer Donetskobloenergo. The payment will reinforce the company's earnings results (an allowance against the claim had been recognized in prior years).

Remak

Two material contracts

A consortium of Remak and Polimex Mostostal (50-50 share) signed a contract to deliver boiler pressure parts for 800MW generators to Alstom Power GmbH Stuttgart. The fee is EUR 31.3m (PLN 121.8m). The contract has a deadline in Q3 2010. Alstom Power also ordered three waste-heat boilers for the Grain power plant for PLN 80.9m.

Unibep

Acquisition going as planned

Unibep signed a preliminary agreement to acquire a 100% stake in a local road-building company with annual revenues of PLN 20m. Unibep's expansion strategy is expected to generate PLN 50m in road-construction revenues in 2009.

Unibep buys residential development

Unibep purchased perpetual leasehold rights to a housing development from Warsaw cooperative "SIM Ursynów". The price was PLN 52.7m. The first stage of the development is scheduled for completion in September 2009. 20% of the future dwellings are already booked. Unibep is taking a safe approach to growing the real-estate business, and has no plans to buy land, but is considering starting a new single-family housing project. The company's Russian operations are affected by financial turmoil and a scarcity of business, and next year's revenues from that market will not exceed PLN 100m.

Żurawie Wieżowe

Special meeting of shareholders called for January 23, 2009

Shareholders will vote on a change to the company's charter, allowing the Management to increase the company's share capital within its authorized capital range, and on the waiver of preemptive rights. The shareholders will vote on a public offering, and on the planned efforts to admit preemptive rights, rights to shares and the newly issued shares onto the regulated market, as well as to register them. Żurawie is looking to take over a large German company (Grohmann), which is up for sale. The plans for the nearest future include finalizing the takeover of a Croatian company.



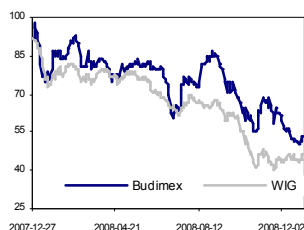
Budimex (Buy)

Current price: PLN 53.4 Target price: PLN 80

Analyst: Maciej Stokłosa

Last Recommendation: 2008-11-25

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	3 043.2	3 075.9	1.1%	3 357.1	9.1%	3 834.9	14.2%	Number of shares (m)	25.5
EBITDA	31.1	51.7	66.0%	137.9	167.0%	141.3	2.5%	MC (current price)	1 363.3
<i>EBITDA margin</i>	<i>1.0%</i>	<i>1.7%</i>		<i>4.1%</i>		<i>3.7%</i>		EV (current price)	1 101.6
EBIT	9.9	28.0	182.2%	118.8	323.5%	121.7	2.5%	Free float	26.7%
Net profit	3.9	15.1	286.9%	99.2	558.5%	109.8	10.7%		
P/E	350.1	90.5		13.7		12.4		Price change: 1 month	-13.8%
P/CE	54.4	35.2		11.5		10.5		Price change: 6 month	-11.4%
P/BV	2.6	2.5		2.2		2.0		Price change: 12 month	-44.2%
EV/EBITDA	35.6	21.8		8.0		7.2		Max (52 week)	95.7
Dyield (%)	0.0	0.0		1.8		3.7		Min (52 week)	50.7



We are reiterating our price target and rating on Budimex. In future, the company will mainly derive growth from road construction. Recently, a consortium called "Autostrada Południe," in which Budimex has a 5% stake, won a contract to build the Stryków-Pyrzowice stretch of the A1 motorway. In our forecasts, we assumed PLN 3bn in revenues from contracts completed as part of public-private partnerships between 2010 and 2012 (the A1 deal is worth a total of PLN 8bn). We predict that, in 2010, road construction will generate 65% of the total revenues, and 75.5% of the margins achieved by Budimex. Because of the euro's appreciation against the zloty, we might have to revise downward our financial forecasts for the company for 2008, and raise our forecasts for 2009 (the net difference will be zero).

A1 award final

Road authority the GDDKiA awarded the contract for construction of a 180 km stretch (Stryków-Pyrzowice) of the A1 motorway to Autostrada Południe, a consortium consisting of Cintra Concessionaires (90% share), Ferrovial-Agroman (5%), and Budimex (5%). The budget is estimated at PLN 7-9 billion.

Operator for Stryków-Konotopa stretch of A2 to be chosen soon

The GDDKiA received a quote from the Autostrada Południe consortium (Cintra Concessionaires, Ferrovial and Budimex), and expects an offer from Autostrada Mazowsze (Stalexport Autostrady) in early January.

Budimex to privatize PRK Kraków

The CEO of Budimex expressed an interest in privatizing PRK Kraków, whose value he estimates at PLN 50-70m. Other firms interested in the privatization include Polimex Mostostal and Feroco. Responses to the Treasury Ministry's invitation to negotiate can be submitted until January 9th, 2009.



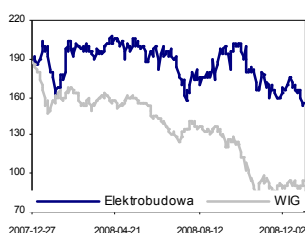
Elektrobudowa (Buy)

Current price: PLN 156 Target price: PLN 225.9

Analyst: Maciej Stokłosa

Last Recommendation: 2008-11-25

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	473.9	679.6	43.4%	850.0	25.1%	876.9	3.2%	Number of shares (m)	4.7
EBITDA	28.2	49.6	75.8%	83.2	67.7%	70.2	-15.6%	MC (current price)	740.6
<i>EBITDA margin</i>	6.0%	7.3%		9.8%		8.0%		EV (current price)	694.0
EBIT	23.5	44.2	87.9%	75.5	70.6%	63.8	-15.5%	Free float	39.1%
Net profit	15.4	34.7	125.2%	64.8	86.8%	57.9	-10.6%		
P/E	42.7	19.0		11.4		12.8		Price change: 1 month	-4.9%
P/CE	32.8	16.4		10.2		11.5		Price change: 6 month	-18.1%
P/BV	7.2	5.9		3.0		2.6		Price change: 12 month	-17.9%
EV/EBITDA	23.4	13.3		8.3		9.5		Max (52 week)	207.0
Dyield (%)	0.9	1.3		2.9		2.6		Min (52 week)	153.0



We are reiterating Elektrobudowa as a good long-term investment (based on an expected pickup in earnings in 2011 fueled by capacity-building in the energy industry). In the mean time, revenues in 2009 and 2010 will stay steady (+3.2% in 2009, 0.9% in 2010). As for net income, we are expecting a slight deterioration in 2009, due to increased competition, fewer orders for electrical cabling (so-called "Industrial" business segment responsible for 30-35% of revenue), and the absence of one-time savings as seen in Q3 2008. Earnings should not deteriorate as far as manufacture of switchgears and mobile power stations is concerned (30-35% of revenues), and we expect consistently good earnings from services offered to power plants. Because of the euro's appreciation against the zloty, we might have to revise downward our financial forecasts for the company for 2008, and slightly raise our forecasts for 2009 (the net difference will be zero).

Slowdown?

The CEO, Mr. Jacek Faltynowicz, believes that repeating 2008 earnings in 2009 would be a big success. He does believe, however, that it is realistic in the case of revenues. The CEO believes that the company has enough projects in its backlog to secure its revenues and profitability in H1 2009. He reiterated financial targets for FY2008 (PLN 837m revenue and PLN 57m net income).



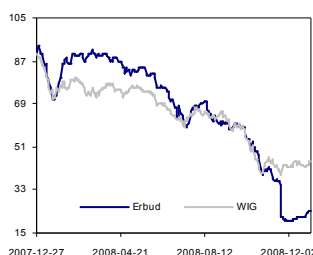
Erbud (Buy)

Current price: PLN 23.9 Target price: PLN 31.9

Analyst: Maciej Stokłosa

Last Recommendation: 2008-11-25

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	426.2	663.1	55.6%	983.5	48.3%	915.1	-7.0%	Number of shares (m)	12.6
EBITDA	26.6	34.6	30.1%	67.0	93.5%	46.0	-31.3%	MC (current price)	300.4
EBITDA margin	6.2%	5.2%		6.8%		5.0%		EV (current price)	259.4
EBIT	25.4	32.8	29.3%	61.1	86.5%	40.9	-33.1%	Free float	21.0%
Net profit	20.2	31.8	57.6%	9.1	-71.5%	35.1	287.1%		
P/E	11.9	9.4		33.1		8.5		Price change: 1 month	18.9%
P/CE	11.2	8.9		20.1		7.5		Price change: 6 month	-62.5%
P/BV	5.9	1.6		1.5		1.3		Price change: 12 month	-73.6%
EV/EBITDA	8.0	6.7		3.9		4.3		Max (52 week)	91.5
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	19.9



We are reiterating a buy rating on Erbud, and stand by our opinion that the reaction of investors to the company's hedging losses was grossly exaggerated. As a result of this overreaction, Erbud is now a bargain in spite of the expected increase in competition and slowdown in the construction industry. We believe that the company can capture new contracts and deliver its earnings targets in 2009 – a view supported by its historically strong earnings performance.

PLN 35m contract

Erbud signed a PLN 35.65m contract with Robert BOSCH Sp. z o.o. for expansion of production facilities with a deadline in July 2009.



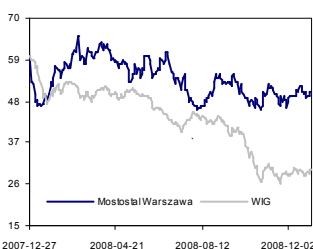
Mostostal Warszawa (Buy)

Current price: PLN 50.3 Target price: PLN 68.9

Analyst: Maciej Stokłosa

Last Recommendation: 2008-11-25

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 188.1	1 928.4	62.3%	2 155.8	11.8%	2 468.4	14.5%	Number of shares (m)	20.0
EBITDA	40.6	78.5	93.2%	142.8	82.0%	153.0	7.1%	MC (current price)	1 006.0
EBITDA margin	3.4%	4.1%		6.6%		6.2%		EV (current price)	789.1
EBIT	21.2	58.9	178.0%	120.0	103.8%	129.3	7.8%	Free float	18.7%
Net profit	17.0	52.9	211.7%	96.5	82.2%	102.9	6.7%		
P/E	50.4	19.0		10.4		9.8		Price change: 1 month	4.8%
P/CE	23.5	13.9		8.4		7.9		Price change: 6 month	-4.3%
P/BV	3.8	3.5		2.6		2.3		Price change: 12 month	-4.2%
EV/EBITDA	19.2	10.5		5.5		4.9		Max (52 week)	65.5
Dyield (%)	0.0	0.1		0.0		4.8		Min (52 week)	45.7



We are reiterating a buy rating on Mostostal Warszawa, which remains one of the best bargains among Polish construction stocks. We predict that two-thirds of the company's 2009 revenues will come from road contracts and specialist services. Note that MW has already accumulated a contract backlog for this year covering 90% of projected revenues. Later this year, the company intends to bid for a contract to build the second line of the Warsaw underground railway. Because of the euro's appreciation against the zloty, we might have to revise downward our financial forecasts for the company for 2008, and slightly raise our forecasts for 2009 (the net difference will be zero).

Housing contract

Subsidiary Wrobis signed a contract with GP Investment to build a residential building in Wrocław for PLN 90.3m, i.e. 3.6% of forecasted FY09 revenue. The contract has a deadline in December 2010. GP Investment is owned by Spanish developer Grupo Prasa.



PBG (Accumulate)

Current price: PLN 205 Target price: PLN 219.4

Analyst: Maciej Stokłosa

Last Recommendation: 2008-11-25

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	674.3	1 376.8	104.2%	2 077.9	50.9%	2 911.9	40.1%	Number of shares (m)	13.4
EBITDA	88.5	138.2	56.1%	259.9	88.1%	378.9	45.8%	MC (current price)	2 753.2
<i>EBITDA margin</i>	13.1%	10.0%		12.5%		13.0%		EV (current price)	3 090.5
EBIT	72.0	109.4	52.0%	225.8	106.4%	344.6	52.6%	Free float	53.0%
Net profit	52.2	102.1	95.6%	156.5	53.3%	234.7	50.0%		
P/E	47.3	27.0		17.6		11.7		Price change: 1 month	2.8%
P/CE	35.9	21.0		14.4		10.2		Price change: 6 month	-13.9%
P/BV	6.7	3.7		2.6		2.3		Price change: 12 month	-33.0%
EV/EBITDA	31.8	22.5		11.9		8.3		Max (52 week)	331.0
Dyield (%)	0.0	0.1		0.0		4.0		Min (52 week)	175.3



We are reiterating an accumulate rating on PBG. The company is no longer traded at a premium to future peer multiples, following revisions in analysts' estimates (upward for PBG and downward for the general-construction industry as a whole). PBG's contract backlog already matches over 90% of the revenues forecasted for FY2009. It is worth noting that the company generates 81% of revenues in markets which are not directly affected by the construction slump, and this ratio will continue to increase to reach 86% in 2010. Later this year, PBG intends to bid for a contract to build the second line of the Warsaw underground railway. Even though PBG is the only publicly-traded construction firm to use hedging, the euro's appreciation against the zloty is going to generate revaluation losses on two contracts performed by Hydrobudowa-9 (they are Design&Build orders which probably cannot be settled using hedging). However, these losses will be offset by higher earnings expected in 2009 and 2010.

New VP

The Supervisory Board promoted Management Board member Mr. Mariusz Łożyński to the position of Vice-President. Mr. Łożyński will coordinate acquisition and completion of water-engineering and renovation contracts.

Contract for the expansion of Poznań stadium

A consortium led by Hydrobudowa Polska signed a contract with Euro Poznań 2012, for the expansion of a football stadium in Poznań. The consideration is PLN 398.4m. The deadline is 17 months from signing, but no later than May 31, 2010, with the caveat that the reinforced concrete construction should be ready within 10 months of signing. The consortium consists of Hydrobudowa Polska as the leader, Alpine Bau Deutschland AG, Alpine Bau GmbH, Alpine Construction Polska, AK-BUD Kurant and PBG. Hydrobudowa will perform 60% of the work, PBG - 10%.



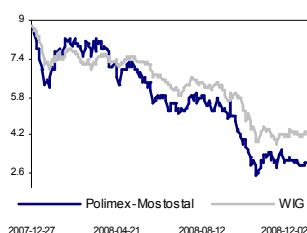
Polimex Mostostal (Buy)

Current price: PLN 3.1 Target price: PLN 4.1

Analyst: Maciej Stokłosa

Last Recommendation: 2008-11-25

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	2 483.4	3 720.5	49.8%	4 335.6	16.5%	4 866.2	12.2%	Number of shares (m)	476.7
EBITDA	129.7	205.4	58.4%	307.5	49.7%	325.8	6.0%	MC (current price)	1 468.3
<i>EBITDA margin</i>	5.2%	5.5%		7.1%		6.7%		EV (current price)	2 088.5
EBIT	98.5	160.4	62.8%	244.9	52.7%	259.6	6.0%	Free float	58.8%
Net profit	62.6	100.1	59.9%	133.3	33.2%	156.0	17.0%		
P/E	23.2	14.7		11.0		9.4		Price change: 1 month	-0.3%
P/CE	15.5	10.1		7.5		6.6		Price change: 6 month	-44.1%
P/BV	4.1	1.5		1.3		1.1		Price change: 12 month	-63.6%
EV/EBITDA	12.6	9.5		6.8		6.8		Max (52 week)	8.5
Dyield (%)	0.5	0.6		0.3		0.0		Min (52 week)	2.5



We are reiterating a buy rating on Polimex. In spite of large net debt, future earnings should be solid thanks to a favorable revenue structure: in 2008, the company generated as much as 57.5% of revenues from chemical- and power-plant engineering, road and railroad contracts, and power boilers. This ratio will continue increasing to reach 59.5% in 2009 and 63% in 2010. As far as margins are concerned, the segments characterized by low sensitivity to economic trends will contribute 51% in 2008, 62% in 2009, and 71% in 2010. Margins going forward will be driven by road construction and power engineering on the one hand, and weighed on by general construction and sales of steel products on the other hand. Because of the euro's appreciation against the zloty, we might have to revise downward our financial forecasts for the company for 2008, and slightly raise our forecasts for 2009 (the net difference will be zero).

Preliminary FY2008 estimates

According to CEO Mr. Jaskóła, Polimex could post a net income between PLN 125 and PLN 130 million, and a revenue of PLN 4.1-4.2 billion for 2008. Mr. Jaskóła expects sales to increase 20% this year, with profitability at a steady 3% (revenues at PLN 5bn, net income at PLN 150m). He revealed that Polimex's contract backlog has exceeded PLN 7bn, and that the 2009 pipeline covers 75-80% of forecasted revenues.

Polimex to expand Wisła Kraków FC stadium

As part of the efforts preceding the Euro 2012 football championship, Polimex-Mostostal will build the east tribune of the Wisła Kraków stadium for PLN 144.2m. The company beat eight other bidders, including Pol-Aqua, Hydrobudowa Polska, Mostostal Warszawa and Budimex Dromex. The deal accounts for 3.3% of FY08 revenue estimate.

Polimex committed to restoring Hotel Warszawa

CEO Jaskóła hopes that his company can obtain the necessary permits by the end of the year, and get underway with the renovation (estimated PLN 150m). Polimex is going to take over another energy company for PLN 2.85m.

Polimex interested in building LNG

CEO Jaskóła said unofficially that Polimex is going to make an offer to build an LNG terminal in Świnoujście once the tender is announced. He estimates the cost of the project at EUR 500m. Construction is not expected to start earlier than in two years' time.



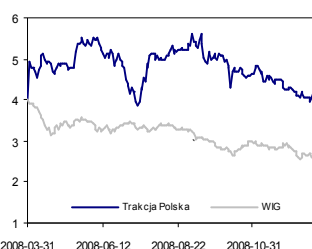
Trakcja Polska (Buy)

Current price: PLN 4.2 Target price: PLN 6

Analyst: Maciej Stokłosa

Last Recommendation: 2008-11-25

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	363.2	646.8	78.1%	831.8	28.6%	1 007.8	21.2%	Number of shares (m)	160.1
EBITDA	16.8	35.6	112.4%	78.0	118.9%	82.8	6.2%	MC (current price)	669.2
<i>EBITDA margin</i>	4.6%	5.5%		9.4%		8.2%		EV (current price)	510.7
EBIT	12.1	29.6	145.1%	69.6	135.5%	70.0	0.5%	Free float	38.8%
Net profit	11.5	29.6	158.6%	61.1	106.2%	67.2	9.9%		
P/E	47.4	18.3		10.9		10.0		Price change: 1 month	-3.0%
P/CE	33.6	15.2		9.6		8.4		Price change: 6 month	0.7%
P/BV	4.5	3.7		2.1		1.7		Price change: 12 month	
EV/EBITDA	24.4	13.4		6.5		4.9		Max (52 week)	5.6
Dyield (%)	0.0	0.6		0.0		0.0		Min (52 week)	3.8



We are reiterating a buy rating on Trakcja Polska, which has strong earnings prospects ahead supported by the expanding budget of its key customer, PKP PLK. At the moment, TP'S contract backlog covers only half of projected 2009 revenues, but new material opportunities are about to emerge soon, including tenders for two local train traffic control centers in Działdowo and Ciechanów worth a combined PLN 1bn. Because of the euro's appreciation against the zloty, we might have to revise downward our financial forecasts for the company for 2008, and slightly raise our forecasts for 2009 (the net difference will be zero).



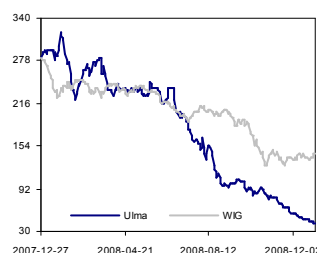
Ulma Construcccion Polska (Hold)

Current price: PLN 43 Target price: PLN 76.3

Analyst: Maciej Stokłosa

Last Recommendation: 2008-11-25

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	154.3	222.6	44.3%	250.0	12.3%	261.4	4.6%	Number of shares (m)	5.3
EBITDA	74.7	108.5	45.3%	96.8	-10.8%	104.9	8.4%	MC (current price)	226.0
<i>EBITDA margin</i>	48.4%	48.7%		38.7%		40.1%		EV (current price)	412.1
EBIT	45.6	66.6	46.0%	47.2	-29.1%	49.8	5.5%	Free float	24.5%
Net profit	32.9	50.9	54.6%	31.1	-38.9%	27.9	-10.3%		
P/E	6.4	4.4		7.3		8.1		Price change: 1 month	-21.7%
P/CE	3.4	2.4		2.8		2.7		Price change: 6 month	-78.5%
P/BV	2.1	0.9		0.8		0.8		Price change: 12 month	-85.2%
EV/EBITDA	4.2	2.7		4.3		4.1		Max (52 week)	320.0
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	43.0



We are reiterating a hold rating on Ulma. We predict a downward trend in rental prices for basic formworks (caused by the housing slump). Prices of more sophisticated equipment should remain intact. Ulma's rental portfolio is ca. 30% basic formworks used mainly in housing, and 70% advanced systems used in specialist facilities and in infrastructure development. The company is not likely to raise prices until 2011, when the Polish economy starts to regain momentum. But an improvement for Ulma might come earlier thanks to increased asset turnover (new logistics centers) which will offset lower sales of old depreciated formworks. Revenues generated in foreign markets will stay steady, with the exception of Ukraine where Ulma had landed formwork rental orders. Notice that Ulma's market value has decreased below the value of its rental assets (P/BV<0.9), suggesting that its share price will stabilize soon. Because of less-than-stellar earnings prospects and weak Q408 results, we are retaining a neutral rating on Ulma.

Real Estate Development

Housing Developers

Improved loan subsidy terms

New regulations have entered into force, raising the price cap on homes eligible for government loan subsidies. The maximum price per square meter was raised from PLN 6632.6 to PLN 7142.8 in Warsaw, from PLN 5274.1 to PLN 5679.7 in Wrocław, from PLN 5055.05 to PLN 5443.9 in Toruń, from PLN 4659.2 to PLN 5017.6 in Łódź, from PLN 4624.1 to PLN 4979.8 in Krakow, and from PLN 3924.94 to PLN 4226.86 in Lublin. It is estimated that, as of next year, one in three homebuyers will be eligible for government subsidies. Now, this ratio is 15%. In Wrocław and Poznań, the new funding plan will cover half of home purchases, while in Katowice and Łódź, where prices are much lower, almost all flats will be eligible. In turn, dwellings in Katowice and Gdańsk are too expensive to be subsidized.

Home prices down in November

According to redNet Consulting analysts, November saw a drop in home listing prices, most notably in Krakow (-7%), Katowice (3%), Gdańsk, Poznań, Łódź, and Wrocław (2%). Prices in Warsaw remained flat, and rose 1% in Szczecin.

Prices to return to current levels in 2011

According to predictions by REAS, a rebound in the housing market should not be expected earlier than in the second half of 2011. This year, prices will continue to decline, backing off of their current levels by as much as 10%-15% by December 2009 in Warsaw, even if the credit situation stabilizes. Available housing stock will not start shrinking before 2010, sending prices up again. If Poland's economy returns on an upward growth path, housing prices in Warsaw could rebound to their current levels around mid-2011. In the best-case scenario, prices will be 90% of this year's level in 2009 and 93% in 2010. In the worst-case scenario, they will be 85% of their 2008 level in 2009 through 2010.

Developers did not introduce special Christmas promotions

Most developers say they did not use any special promotions in November and December. JWC negotiates prices on a case-by-case basis, with discounts available to customers who pay 90% of the home value upfront. Triton Development claims that no discounts are needed for its locations. Polnord did not introduce any new promotions either, despite a plunge in sales. Orco Property Group was offering free outfitting in one of its projects in November, while Dom Development run "Credit Information Days". These efforts failed to boost sales, however. Gant Development cut prices. In November it sold apartments "without the VAT", i.e. at a 7% discount. In December, it offered 10-20% discounts for specific homes. In addition, it introduced a program in which the customers use a website to propose the price they are willing to pay. According to the company's VP, the latter program boosted website hits and sales. In Q408, Gant sold 160 apartments, of which 40 were sold during the first week (earlier, the company assumed that 30 homes would be sold in all of December).

Home completions in November down 6.2% y/y

In November 2008, 12,714 homes were completed (-6.2% y/y). The drop vs. October was 18.2%. During eleven months of 2008, 134,802 homes were completed, which was 15.7% more than a year earlier.

Downpayment financing

Developers are split as far as downpayment financing is concerned: Dom Development and Gant Development Heads are in favor, Polnord and others are skeptical.

Government to help developers

The Ministry of Infrastructure is considering abolishing measures protecting against eviction of non-paying tenants who rent flats in new buildings completed by developers. Further, the Ministry might exempt developers from paying rental taxes (8.5%) for five years. For now, the government decided to support social housing and shelter-building initiatives by subsidizing as much as 50% of their costs. A VP of Gant said that the change in eviction regulations was a step in the right direction, but might be unenforceable. If the government's "rescue package" came in force, the profitability of rental developments would match that of non-prime office space.

Over 100 developers file for bankruptcy

Twenty-seven real-estate developers were declared bankrupt in the first half of 2008, and 110 more bankruptcy filings are waiting to be heard by courts. The CEO of CEE Property Group expects many more firms to go bust in 2009. The outlook is that a large supply of homes will meet with demand which is curbed by tight lending restrictions, causing developers to seize any opportunity to sell their dwellings.

Commercial Real Estate Developers

Office space developers face slowdown

According to an analyst at Mermaid Properties, office rental prices are bound to back off their current highs (in Warsaw, per-square-meter rent in Warsaw ranged between EUR 35 in the downtown area and EUR 12 in adjacent districts). While work in progress is expected to sell well, developers should consider cutting back future projects. For example, Cushman & Wakefield predict that office buildings completed in 2009 will have a 75% occupancy rate, but a slowing economy will affect future demand.

Atlas Estates

Atlas cuts office rent

Atlas Estates, which did not manage to sell its Millennium Plaza office building (which was supposed to be bought by an Akron company by the end of November for EUR 93.1m), apparently wants to increase rental revenues by filling vacancies. The base rental rate was cut from EUR 22 to EUR 19 per square meter. Over 10.6 thousand square meters, i.e. one-third of the building's space, is available for rent. Until recently, experts were talking about robust demand for office space in Warsaw, represented by just 2%-3% vacancy rates. In October, King Sturge reported that rental rates reached EUR 34 per sqm in prime locations and EUR 17 / sqm in secondary locations.

BBI Development

Building against the odds

BBI Development got a green light to build a luxury apartment building called "Rezydencja Foksal" in Warsaw. The apartments are already available for booking (one square meter costs between PLN 22,000 and PLN 35,000). In addition, BBI has just started work on another apartment building in Warsaw, and received permission for a 55,000 sqm office building (for which the developer still has to secure PLN 600m in financing).

Dom Development

2008 sales estimate

Dom Development estimates having sold fewer than 1000 flats in 2008, and braces for an even slower 2009. The company expects a decrease in home supply in 2010 as developers are forced to hold projects.

Management changes

The CFO, Mr. Leszek Piotr Nałęcz, resigned and was replaced by Janusz Zalewski, who had been a member of the Management Board in 2000-2007.

Echo Investment

PKP renovates train stations

Polish railroad operator PKP is negotiating renovation of several train stations in Poland with real-estate developers, who are expected to finance the work in exchange for future revenues generated by the stations. PKP is contributing the land. Investors for two Warsaw train stations are to be selected in late 2008 / early 2009. The bidders include Echo Investment, Eko-Park, and Nexity. Echo Investment is also bidding to build an "integrated transportation hub" in Poznań, and has previously lost to Neinver Polska in a tender to renovate the train station in Katowice. The investments in Warsaw, Poznań, and Katowice are estimated at several hundred million euros.

Office building in Kraków

In early January, the construction of an A-class office building in Kraków should be launched. Fortis Bank Polska has already rented all the space.

Share buyback

At a special meeting, shareholders decided that Echo could spend up to PLN 451.5m on a share buyback over the next 5 years (210m shares). This is equivalent to a dividend yield of 50% (there are 210m shares in total).

Gant Development

Sales successful in November

Gant sold 73 dwellings in November, 26 more than in October, including 41 to a bulk buyer who purchased the units for rental purposes. Even so, Gant's management are not sure

whether Q408 sales will be better than Q308 (when the company sold 164 dwellings). Gant sold a combined 120 apartments in October and November, and expects to sell 30+ more in December. Unlike other developers, Gant allows room for buyers to negotiate prices, and is prepared to grant discounts as high as 10% to buyers paying in cash.

Gant sells exchange outlets

Gant sold 17 foreign-exchange outlets for PLN 1m. Prior to the sale, the company paid out PLN 11m in dividends from the profits generated by the outlets in past years. VP Mr. Henryk Feliks revealed that Gant would not meet the PLN 101.6m net income target set for FY2008, but the difference was not big enough to necessitate a guidance revision (suggesting that bottom-line income was at least PLN 91m). As for gains from the CH Marino shopping center, Mr. Feliks says the preliminary valuation is more or less equal to the book value.

Decision on a tender offer for Budopol's shares in 2 months at the earliest

Gant's VP admitted that the decision on whether a tender offer will be made for Budopol's shares will not come before late February 2009. As a result of a new share offering, Gant's shareholdings increased from approximately 33% to 41%. As a result, it is required to make a tender offer for Budopol's shares. At present, Gant would have to spend PLN 14m on this (13m shares at PLN 1.1 per share), which entails a 20% premium for Budopol's shareholders. Gant's Management has declared that it will wait, hoping that it will be able to pay a lower price. It is also possible that Gant will sell Budopol's shares above the 33% threshold, in order to improve its liquidity.

GTC

GTC subsidiary obtains credit

Subsidiary "GTC Galeria Kazimierz" obtained a EUR 90 million (PLN 350m) refinance loan from Pekao S.A., payable in March 2019. The amount of the collateral is twice the loan amount (EUR 180m).

Immoeast

EUR 1.55bn EBIT loss in H108/09

Immoeast generated a EUR 1.55bn EBIT loss in H1 of fiscal 2008/09 because of a depreciated real-estate portfolio and contract delays. Revenues in the period dropped 22.4% from EUR 136.1m to EUR 166.6m, and EBITDA fell 3.6% to EUR 61.0m. The company postponed 29 developments and stopped 51 projects to preserve liquidity.

Immofinanz sells off assets

Immofinanz, the majority shareholder and debtor of Immoeast, is selling off its assets. The firm sold the City Point Vienna office building for EUR 93m (PLN 360m), following a sale of 10 residential properties for EUR 35.8m (PLN 140m) in November. According to an Immofinanz insider, the gains are sufficient to cover the missing amount.

J.W. Construction

Józef Wojciechowski is ready to inject capital into the company

Mr. Józef Wojciechowski declared that he was ready to inject capital into the company, although he believes it will not be necessary. He also admitted that he could help the company out by buying apartments in the "Górczewska Park" project, where many customers are withdrawing due to the 10/90 payment system.

Rental instead of sales

JW Construction might rent any dwellings which it is not able to sell within the "Górczewska Park" development in Warsaw, offering the tenants rights of first refusal. But, until the development is complete (in Q209 according to schedule), the company is staying focused on selling these apartments.

Bond offering

JWC issued 647 short-term bonds with a total value of PLN 64.7m between 3rd October and 28th November.

UOKiK fines JWC PLN 1.68m for illegal clauses in contracts

JWC apparently used unlawful clauses in its agreements with buyers, including clauses which made it impossible for customers to back out after a price change, and clauses allowing the developer to change completion dates. In case of some of the clauses, JWC promised to rewrite the agreements by 1 March 2009. The company is required to report to the UOKiK on progress made in rectifying the situation. The UOKiK ruling is not final and JWC plans to appeal.

Orco Property Group

Orco eyes EUR 30m savings

Orco Property Group expects to generate EUR 30 million in savings next year thanks to a cost-cutting plan. FY2009 sales are estimated at EUR 277m (EUR 110m from property rental, EUR 118m from sales, EUR 41m from hotel operations, and EUR 8.5m from management fees), and FY2009 capex is set at EUR 300m. The cost-cutting measures will include fewer new projects, trimming of property-management teams, streamlining of the corporate management structures, and tracking of marketing expenses, consulting fees, and travel costs. Guidelines for the nearest future include postponement of projects for which the company has not secured financing, and a green light for expenses necessary to complete buildings which are expected to generate revenues in 2009 and early 2010.

Third-quarter results

Orco Property Group's revenue for the nine months ended 30 September amounted to EUR 225.6m compared to EUR 213.3m generated in the same period a year ago. EBIT fell to EUR 44m from EUR 109.3m, and the company recorded a net loss of EUR 29.8 compared to a net profit of EUR 68.4m posted a year ago.

Polnord

Polnord to sell 1500 dwellings in 2009

CEO Wojciech Ciuzyński reiterated the plan to sell 1500 dwellings in 2009, including units developed jointly with partners.

Construction of Pol-Aqua's office building will start in Q1 2009?

Polnord has just been granted the permit to build the first office building at the Wilanów Office Park in Warsaw. Pol-Aqua will rent most of the space. Construction should start in Q1 2009, but it hinges on Polnord's obtaining a PLN 350m loan from Pekao S.A. Over 60% of the space has been rented out already. The Pol-Aqua office building, with an estimated cost of PLN 50m, will be completed in Q3 2010. According to the agreement, Pol-Aqua is supposed to rent at least 6,000 square meters of space and at least 35 parking spaces (at the estimated cost of PLN 65m over ten years). The office agreement with Asseco provides for the rental of 18,000 square meters and 630 parking spaces. Asseco's offices are to be ready in H2 2011. They are currently being designed. An application for the building permit has not been filed yet. The company would like to start construction this year.

Qualified opinion on Fadesa Prokom accounts

The administrators of the estate of Spanish Developer Martinsa-Fadesa found numerous irregularities in the books of Fadesa-Prokom, including failure by the majority shareholder to book 2 thousand transactions, thus inflating the net value of assets. Polnord denied any such irregularities.

Warimpex

Warimpex sells a hotel

In December, Warimpex completed a second planned real-estate sale at a price 7% lower than a June 2008 appraisal by CB Richard Ellis. but twice the amount recognized on the company's books. The exact consideration received has not been disclosed.

Retail



Emperia Holding (Buy)

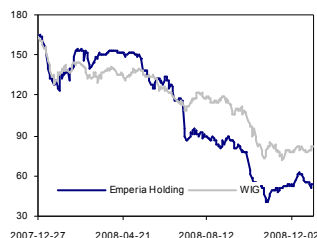
Current price: PLN 53.8 Target price: PLN 70.3

Analyst: Kamil Kliszcz

Last Recommendation: 2008-11-28

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 406.7	4 479.6	218.4%	5 370.7	19.9%	5 668.9	5.6%	Number of shares (m) *	15.1
EBITDA	51.2	176.2	243.9%	154.3	-12.4%	194.2	25.9%	MC (current price) *	812.4
EBITDA margin	3.6%	3.9%		2.9%		3.4%		EV (current price) *	1 058.8
EBIT	33.0	136.2	313.1%	102.0	-25.1%	128.8	26.3%	Free float	71.0%
Net profit	23.4	88.4	278.2%	63.1	-28.6%	92.0	45.8%		
P/E	31.0	9.2		12.9		8.8		Price change: 1 month	1.4%
P/CE	17.4	6.3		7.0		5.2		Price change: 6 month	-54.1%
P/BV	2.0	1.2		1.1		1.0		Price change: 12 month	-67.0%
EV/EBITDA	15.9	5.3		6.9		5.6		Max (52 week)	164.5
Dyield (%)	5.1	3.2		1.6		3.1		Min (52 week)	40.5

* incl. stock issue to BOS shareholders



After a strong November, Emperia shares underperformed in December (-3% vs. 0.4% for WIG index). We still see upside potential in the stock, and we do not expect a repeat of the gravely disappointing Q308 results in the future. For January, we expect Emperia to perform in line with the broad market.



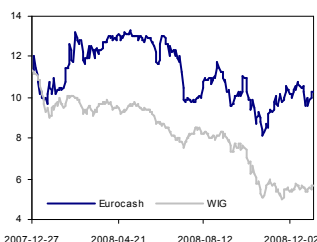
Eurocash (Hold)

Current price: PLN 10.3 Target price: PLN 9.9

Analyst: Kamil Kliszcz

Last Recommendation: 2008-11-28

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	3 237.0	4 729.4	46.1%	6 601.8	39.6%	7 399.4	12.1%	Number of shares (m)	130.4
EBITDA	87.3	121.9	39.7%	155.9	27.9%	186.2	19.4%	MC (current price)	1 342.3
EBITDA margin	2.7%	2.6%		2.4%		2.5%		EV (current price)	1 251.6
EBIT	55.2	85.8	55.3%	111.0	29.4%	127.3	14.7%	Free float	30.0%
Net profit	41.6	58.9	41.7%	79.4	34.8%	105.1	32.4%		
P/E	31.6	22.3		16.9		12.8		Price change: 1 month	0.9%
P/CE	17.9	13.8		10.8		8.2		Price change: 6 month	-13.5%
P/BV	6.6	5.6		4.3		3.5		Price change: 12 month	-10.2%
EV/EBITDA	15.4	10.3		8.0		6.4		Max (52 week)	13.3
Dyield (%)	1.6	2.2		0.9		3.0		Min (52 week)	8.1



We maintain that the premium at which Eurocash is traded is fully deserved. We rate the stock as a hold with a price target of PLN 9.9/share. Eurocash's performance this year (later rather than sooner) could be supported by another bargain acquisition (PLN 20m net cash on balance) accomplished by the Management.

Others



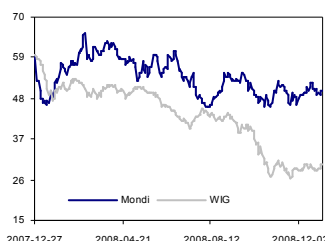
Mondi (Buy)

Current price: PLN 40.5 Target price: PLN 54.2

Analyst: Michał Marczak

Last Recommendation: 2008-10-31

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 443.9	1 610.4	11.5%	1 410.8	-12.4%	1 594.6	13.0%	Number of shares (m)	50.0
EBITDA	434.9	400.0	-8.0%	287.0	-28.2%	320.7	11.7%	MC (current price)	2 025.0
EBITDA margin	30.1%	24.8%		20.3%		20.1%		EV (current price)	2 355.1
EBIT	326.4	295.7	-9.4%	186.1	-37.0%	182.8	-1.8%	Free float	19.0%
Net profit	270.0	246.2	-8.8%	156.3	-36.5%	130.7	-16.3%		
P/E	7.5	8.2		13.0		15.5		Price change: 1 month	4.8%
P/CE	5.4	5.8		7.9		7.5		Price change: 6 month	-4.3%
P/BV	2.1	2.1		1.8		1.6		Price change: 12 month	-4.2%
EV/EBITDA	4.7	5.0		8.2		8.4		Max (52 week)	65.5
Dyield (%)	12.1	13.3		0.0		0.0		Min (52 week)	45.7



Mondi sells 80% of its output abroad, mainly to EU countries (Italy, UK, Germany), which means that it faces a possible decrease in sales volumes as major European economies head toward a recession. The situation is reflected in the prices of cardboard paper, a product which is tightly tied to retail sales. But, because of the zloty's weakening against the euro, Mondi sold its products in Q408 at prices 11% higher than in Q308. The FY08 fourth-quarter results will be affected by hedging losses.

CCM prices in Q408

According to FOEX data, European kraftliner prices averaged EUR 486/t in Q408, and were 4.4% lower than in Q308. Because of the Polish currency's weakness in the period, the zloty prices were 14% higher. Testliner prices were up 9.3%, and fluting prices increased 6.3%.

Wood prices go up

In 2009, minimum prices in online auctions will be 14% higher than buyers would like (PLN 145 for coniferous wood, while the State Forests want PLN 160-175). According to manufacturers, this is approximately 25% too high. Representatives of sawmills met with the director of the State Forests, but no deal was reached. Companies are going to protest and intervene with the Prime Minister. Bad news for Mondi. Our forecasts assume a 5% increase in wood price. An additional 10% entails additional costs of ca. PLN 45m. We should know how the negotiations end towards the start of January. At present, we are not revising our forecasts for 2009. They are based on a projected PLN/EUR exchange rate of 3.5 vs. the 3.85 currently observed. If the current rate persists, the Company will see an additional PLN 70m in pre-tax income.

Michał Marczak tel. (+48 22) 697 47 38
Managing Director
Head of Research
michal.marczak@dibre.com.pl
Strategy, telco, mining, metals, media

Research Department:

Marta Jezewska tel. (+48 22) 697 47 37
Deputy Director
marta.jezewska@dibre.com.pl
Banks

Analysts:

Kamil Kliszc tel. (+48 22) 697 47 06
kamil.kliszcz@dibre.com.pl
Fuels, chemicals, retail

Piotr Grzybowski tel. (+48 22) 697 47 17
piotr.grzybowski@dibre.com.pl
IT, media

Maciej Stokłosa tel. (+48 22) 697 47 41
maciej.stoklosa@dibre.com.pl
Construction

Sales and Trading:

Piotr Dudziński tel. (+48 22) 697 48 22
Director
piotr.dudzinski@dibre.com.pl

Marzena Łempicka-Wilim tel. (+48 22) 697 48 95
Deputy Director
marzena.lempicka@dibre.com.pl

Traders:

Emil Onyszczuk tel. (+48 22) 697 49 63
emil.onyszczuk@dibre.com.pl

Grzegorz Stępień tel. (+48 22) 697 48 62
grzegorz.stepien@dibre.com.pl

Tomasz Dudź tel. (+48 22) 697 49 68
tomasz.dudz@dibre.com.pl

Michał Jakubowski tel. (+48 22) 697 47 44
michal.jakubowski@dibre.com.pl

Tomasz Jakubiec tel. (+48 22) 697 47 31
tomasz.jakubiec@dibre.com.pl

Grzegorz Strublewski tel. (+48 22) 697 48 76
grzegorz.strublewski@dibre.com.pl

'Private Broker'

Jacek Szczepański tel. (+48 22) 697 48 26
Director
jacek.szczepanski@dibre.com.pl

Paweł Szczepanik tel. (+48 22) 697 49 47
Sales
pawel.szczepanik@dibre.com.pl

Dom Inwestycyjny
BRE Banku S.A.
ul. Wspólna 47/49
00-950 Warszawa
www.dibre.com.pl

Previous ratings for stocks re-rated as of the date of this Monthly Report
BZ WBK

rating	Buy	Buy	Accumulate	Accumulate	Accumulate
rating date	2008-04-30	2008-08-01	2008-09-04	2008-10-07	2008-11-07
price on rating date	164.90	168.00	179.00	144.80	116.00
WIG on rating date	46223.87	42416.36	41152.32	34832.29	27976.81

Handlowy

rating	Accumulate	Buy	Buy	Buy
rating date	2008-08-18	2008-09-04	2008-10-07	2008-11-07
price on rating date	73.00	65.70	60.00	43.90
WIG on rating date	40903.46	41152.32	34832.29	27976.81

ING BSK

rating	Accumulate	Hold	Buy	Accumulate	Buy	Buy	Buy
rating date	2008-04-30	2008-06-03	2008-07-01	2008-08-06	2008-08-19	2008-10-07	2008-11-13
price on rating date	505.00	514.00	445.00	495.00	490.00	451.00	389.50
WIG on rating date	46223.87	46390.78	41146.26	42118.25	40736.81	34832.29	27590.59

Kredyt Bank

rating	Buy	Accumulate	Buy	Hold	Hold
rating date	2008-04-30	2008-08-11	2008-09-30	2008-10-07	2008-11-07
price on rating date	20.99	14.95	13.60	12.00	10.33
WIG on rating date	46223.87	40651.79	36854.78	34832.29	27976.81

Millennium

rating	Accumulate	Hold	Buy	Accumulate	Buy	Hold
rating date	2008-04-28	2008-06-03	2008-07-01	2008-08-06	2008-09-30	2008-10-07
price on rating date	7.61	8.55	6.85	7.40	6.21	5.30
WIG on rating date	46265.27	46390.78	41146.26	42118.25	36854.78	34832.29

Noble Bank

rating	Buy	Buy	Buy	Accumulate
rating date	2008-07-01	2008-07-02	2008-08-21	2008-10-07
price on rating date	8.54	7.40	8.68	6.70
WIG on rating date	41146.26	40489.39	39888.14	34832.29

Pekao

rating	under revision	Hold	Reduce	Hold	Hold	Hold
rating date	2008-05-15	2008-06-17	2008-08-06	2008-09-30	2008-10-07	2008-11-13
price on rating date	191.00	185.10	192.00	167.00	160.00	115.00
WIG on rating date	48321.35	45819.40	42118.25	36854.78	34832.29	27590.59

PKO BP

rating	Accumulate	Buy	Accumulate	Hold	Buy	Hold	Hold
rating date	2008-06-03	2008-07-01	2008-08-06	2008-08-12	2008-09-30	2008-10-07	2008-11-13
price on rating date	50.50	45.49	51.40	49.45	41.50	41.02	30.00
WIG on rating date	46390.78	41146.26	42118.25	40949.96	36854.78	34832.29	27590.59

**Telekomunikacja Polska**

rating	Accumulate	Reduce	Hold	Accumulate
rating date	2008-04-14	2008-07-31	2008-09-30	2008-10-30
price on rating date	21.65	23.99	22.29	18.90
WIG on rating date	47064.18	42416.36	36854.78	27497.03

**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

Recommendations of BRE Bank Securities S.A.

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

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

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

The present report was prepared with due care and attention, observing principles of methodological correctness and objectivity, on the basis of sources available to the public, which BRE Bank Securities S.A. considers reliable, including information published by issuers, shares of which are subject to recommendations. However, BRE Bank Securities S.A., in no case, guarantees the accuracy and completeness of the report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts.

This document does not constitute an offer or invitation to subscribe for or purchase any financial instruments and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. It is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. This document nor any copy hereof is not to be distributed directly or indirectly in the United States, Australia, Canada or Japan.

Recommendations are based on essential data from the entire history of a company being the subject of a recommendation, with particular emphasis on the period since the previous recommendation.

Investing in shares is connected with a number of risks including, but not limited to, the macroeconomic situation of the country, changes in legal regulations as well as changes on commodity markets. Full elimination of these risks is virtually impossible.

BRE Bank Securities S.A. bears no responsibility for investment decisions taken on the basis of the present report or for any damages incurred as a result of investment decisions taken on the basis of the present report.

It is possible that BRE Bank Securities S.A. renders, will render or in the past has rendered services for companies and other entities mentioned in the present report.

BRE Bank Securities S.A., its shareholders and employees may hold long or short positions in the issuers' shares or other financial instruments related to the issuers' shares. BRE Bank Securities S.A., its affiliates and/or clients may conduct or may have conducted transactions for their own account or for account of another with respect to the financial instruments mentioned in this report or related investments before the recipient has received this report.

Copying or publishing the present report, in full or in part, or disseminating in any way information contained in the present report requires the prior written agreement of BRE Bank Securities S.A.

Recommendations are addressed to all Clients of BRE Bank Securities S.A.

The activity of BRE Bank Securities S.A. is subject to the supervision of the Polish Financial Supervision Commission.

BRE Bank Securities S.A. serves as animator in relation to the shares of the following companies: Budvar Centrum, Centrum Klima, Certyfikaty Skarbiec Nieruchomości, Erbud, Es-System, Macrologic, Magellan, Mieszko, Mondi, Monnari Trade, Nepentes, Optopol, Pemug, Polimex-Mostostal, POL-MOT Warfama, Rainbow Tours, Seco Warwick, Torfarm, Ulma Construcccion Polska, Unibep
BRE Bank Securities S.A. receives remuneration from issuers for services rendered to the following companies: Agora, Ambra, Bakalland, BRE Bank, DZ Bank Polska, Elektrobudowa, Elzab, Enap, Erbud, Es-System, Farmacol, GTC, Huta Ferrum, Inter Groclin, Komputronik, Macrologic, Mennica Polska, Mieszko, Mondi, Mostostal Warszawa, Nepentes, Odratrans, Optopol, Pemug, PGF, PGNiG, Polimex-Mostostal, Polmos Lublin, Polnord, Prokom Software, Provimi-Rolimpex, Seco Warwick, Skarbiec Nieruchomości, Sygnity, Techmex, Unibep.

In the last 12 months BRE Bank Securities S.A. has been an offering agent of the issuer's shares in a public offering for the following companies: Optopol, Unibep.

Asseco Poland provides IT services to BRE Bank Securities.

The present Monthly Report exclusively contains information previously published by BRE Bank Securities S.A. and only comprises a comprehensive presentation of unaltered data. The information, including recommendations, contained in the Monthly Report has been published in separate reports, the publication dates of which are located on page 4 of the Monthly Report.

In connection with the above, BRE Bank Securities S.A. does not consider the Monthly Report to be a recommendation as understood in the Order of the Council of Ministers, dated 19 October 2005 r., in regard to information comprising recommendations concerning financial instruments or their issuers.

Individuals who did not participate in the preparation of recommendations, but had or could have had access to recommendations prior to their publication, are employees of BRE Bank Securities S.A. authorised to access the premises in which recommendations are prepared, other than the analysts mentioned as the authors of the present recommendations.

Strong and weak points of valuation methods used in recommendations:

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

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