23 April 2009

Periodic Report

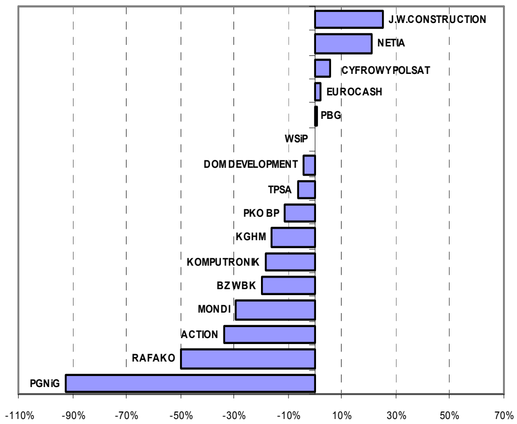
Forecasts of Quarterly Results

1Q 2009

Equity Market

WIG	**27 431**
Average 2009E P/E	11.4
Average 2010E P/E	12.0
Avg dialy trading volume (3M)	PLN 1 137m

EPS dynamics of selected companies*



**calculated for: 2Q'08-1Q'09 / 1Q'08-4Q'08*

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Banks. The banks in our coverage universe will report a 57% drop in Q109 profits over year-ago figures, and a 9% rise versus Q408. The main factors which shaped bank earnings in the first quarter included: (i) shrinking interest margins (-40 bps; interest income will edge down 7% vs. Q408), and (ii) high loan-loss reserves (costs at -170 bps vs. -191 bps in Q408). Income will be additionally weighed down by option charges (PLN 600m vs. over PLN 800m in Q408). Operating income will sink 22.5% compared to Q108.

Gas&Oil. We expect both PKN Orlen and Lotos to report high first-quarter losses as a result of negative forex differences on debt revaluation, and inventory adjustment charges. PGNiG could also end the first quarter in the red because of a weak performance of the Trade and Storage division.

Telecommunications First-quarter earnings of telecom operators will be relatively unaffected by the economic slowdown compared to other industries. Netia will record robust growth on a year-on-year basis, and less stellar growth versus Q408. Our main concern in case of TPSA is high customer churn.

Media. Media companies had a challenging first quarter for reasons including a cooling economy, exchange-rate fluctuations, and seasonality. We expect year-on-year growth from Cyfrowy Polsat. The slowdown in the advertising market did not have much negative influence on the Q109 earnings of TVN, but dealt a more painful blow to Agora.

IT. Of the hardware distributors in our coverage universe, we expect to see the strongest first-quarter results from Action, while Asbis will most likely report a bottom-line loss because of weak sales in Russia and the Ukraine. AB and Komputronik should both end the quarter in the black.

Construction. The first-quarter results of building companies will be influenced by weather to a larger extent than in the two previous years (lower temperatures, more snowfall). Some builders will post losses on foreign-exchange operations.

Property Developers. The application of IAS 18 accounting will result in flat earnings growth in Q109. From the standpoint of equity research, the only relevant line items in the first-quarter income statements of real-estate developers are SG&A expenses and one-time events. We recommend an asset-based approach.

Retail. Huge development expenses and downward pressure on retail margins could result in a disappointing first-quarter showing from Emperia. In turn, Eurocash will please investors with robust year-on-year profit growth.

Financial Sector

BZ WBK

Buy

Banks

Analyst: Marta Jeżewska

FY09E P/E	36.1	FY09E P/BV	1.2	**Current price**	**PLN 81.5**
FY10E P/E	15.6	FY10E P/BV	1.1	**Target price**	**PLN 101.8**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	367	376	-2.3%	1 515	1 635	-7.4%	1 486	1 515	-1.9%
Net fee income	306	349	-12.4%	1 101	1 390	-20.8%	1 164	1 101	5.8%
NIM	2.5%	3.5%	-	2.7%	3.3%	-	2.7%	2.7%	-
Income f. bank oper.	699	745	-6.3%	2 738	3 190	-14.2%	2 847	2 738	4.0%
Operating expenses	-417	-400	4.2%	-1 646	-1 655	-0.5%	-1 662	-1 646	1.0%
Operating income*	291	355	-17.8%	1 133	1 576	-28.1%	1 225	1 133	8.1%
Provisions	-178	-6	2889.0%	-864	-365	136.9%	-685	-864	-20.6%
Pre-tax income	113	349	-67.5%	270	1 211	-77.7%	539	270	100.1%
Net income	78	243	-68.0%	164	855	-80.9%	380	164	131.8%

Exposure to Corporate Clients, High Costs of Financing

The Bank conducted an aggressive deposit acquisition campaign in Q4'08 (+PLN 4.1bn, 12% of the total deposit portfolio), when the margins were negative, which was further exacerbated by the rapid interest rate cuts made by the Monetary Policy Council. Fee income will continue to be under pressure due to the decline in the income from equity markets. Q1'09 will bring another, smaller wave of provisions on account of client FX transactions (including derivatives). We expect that BZ WBK's will create allowances amounting to PLN 33m vs. PLN 81m in Q4'08 on this account (in trading income). There will be further charges in the future, however. As a result of releasing the employee bonus reserve in Q4'08, payroll costs declined, depressing the level of expenses for Q4'08. We believe costs will amount to PLN 417m, increasing vs. Q4'08 (PLN 392). The Bank's exposure to the corporate segment (over 74% of total loans) will be a source of high costs of risk (we project 2%). In the corporate segment, BZ WBK will create provisions amounting to ca. PLN 120m, the reminder going to IBNR and the retail segment. Were the Bank's costs of risk to remain at 150bps, provisions would reach –PLN 132m, with net income at ca. PLN 111m.

Handlowy

Hold

Banks

Analyst: Marta Jeżewska

FY09E P/E	18.7	FY09E P/BV	1.0	**Current price**	**PLN 44.95**
FY10E P/E	16.5	FY10E P/BV	1.0	**Target price**	**PLN 36.9**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	382	322	18.4%	1 317	1 366	-3.6%	1 282	1 317	-2.6%
Net fee income	130	166	-21.6%	600	619	-3.1%	648	600	8.0%
NIM	3.6%	3.4%	-	3.1%	3.3%	-	3.1%	3.1%	-
Income f. bank oper.	463	639	-27.5%	2 206	2 315	-4.7%	2 225	2 206	0.8%
Operating expenses	-363	-411	-11.5%	-1 455	-1 496	-2.8%	-1 505	-1 455	3.5%
Operating income*	133	246	-46.0%	824	912	-9.7%	792	824	-3.8%
Provisions	-69	-20	243.2%	-426	-153	178.5%	-344	-426	-19.4%
Pre-tax income	64	227	-72.0%	397	761	-47.8%	448	397	12.8%
Net income	52	180	-71.4%	315	599	-47.5%	355	315	12.8%

Corporate Clients' Troubles Continue To Weigh Earnings Down

We expect that interest income will remain at its Q4'08 level (PLN 384m, we project PLN 382m). We believe Bank Handlowy will be one of the banks whose interest margin erodes the least due to: (1) its liquid balance sheet and careful approach to deposit pricing (which will, however, cost it market share), (2) its ability to quickly renegotiate loan agreements - 40% of the portfolio are consumer loans (the Bank has not built a big mortgage portfolio), and the remaining 60% are corporate loans, where the process of margin renegotiation began in Q3'08.

The downward trend in fee income will persist, due to investment product sales and the Bank's exposure to the stock market. Allowances for client hedging transactions (options) will remain under strong pressure; we project the total at PLN 210m. In the subsequent quarters, however, some of the provisions made on this account might be released. We expect expenses to increase in Q4'08 (PLN 336m) as a result of higher payroll costs. In Q4'08, the Bank released some of its restructuring and bonus provisions. We believe Bank Handlowy loan loss provisions will remain fairly high, just as at its peers (we project 2% of total loans).

** before provisions*

ING BSK

Buy

Banks

Analyst: Marta Jeżewska

FY09E P/E 37.8 | FY10E P/E 7.8 | FY09E P/BV 0.7 | FY10E P/BV 0.7

Current price **PLN 241.0**
Target price **PLN 273.3**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	296	263	12.5%	1 116	1 152	-3.1%	1 157	1 116	3.7%
Net fee income	225	207	8.4%	827	890	-7.0%	869	827	5.0%
NIM	1.7%	1.9%	-	1.7%	1.9%	-	1.9%	1.7%	-
Income f. bank oper.	508	564	-10.0%	2 042	2 060	-0.9%	2 315	2 042	13.4%
Operating expenses	-360	-364	-1.2%	-1 447	-1 507	-4.0%	-1 508	-1 447	4.2%
Operating income*	154	203	-24.1%	608	580	4.7%	820	608	34.9%
Provisions	-77	0		-556	-66	747.6%	-373	-556	-32.9%
Pre-tax income	86	214	-59.8%	105	563	-81.4%	505	105	382.4%
Net income	70	174	-59.8%	83	445	-81.4%	401	83	382.4%

Income Still Depressed by Provisions for Derivatives

We believe the pressure on the Bank's interest margin will be fairly limited. The 3M retail deposits with an 8% APR expired before the end of 2008 and the Bank chose not to continue this offer, which had an impact on its market shares. Fee income from client operations, which increased during the past year, should see y/y growth. The quarter itself, however, will be marked by declining equity-market income. Allowances related to derivatives will continue to significantly depress the Bank's income (we project PLN 130m in trading income). The Bank might chose to account for its losses on derivatives in a different way (valuation of expired instruments in provisions, unexpired in trading income). We believe that the bank will maintain its cost discipline, and its expenses will not expand significantly vs. Q4'08 (PLN 355m). The Bank's exposure to the corporate segment will be a source of provisions, but due to its prior conservative approach to risk and its high IBNR provisions we expect these to be lower than at other banks; we project 1.2%. In Q4'08, total provisions amounted to -PLN 116m, but PLN 72m were allowances for expired and unsettled client options. Loan loss provisions thus amounted to 74bps.

Kredyt Bank

Sell

Banks

Analyst: Marta Jeżewska

FY09E P/E 149.3 | FY10E P/E 32.1 | FY09E P/BV 0.6 | FY10E P/BV 0.6

Current price **PLN 5.8**
Target price **PLN 4.1**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	266	243	9.2%	971	1 060	-8.4%	1 015	971	4.5%
Net fee income	77	71	8.6%	300	293	2.4%	318	300	5.8%
NIM	2.7%	3.5%	-	2.6%	3.2%	-	2.7%	2.6%	-
Income f. bank oper.	368	360	2.1%	1 466	1 586	-7.6%	1 536	1 466	4.8%
Operating expenses	-282	-248	13.5%	-1 047	-1 105	-5.2%	-1 058	-1 047	1.0%
Operating income*	98	125	-21.6%	468	531	-11.8%	528	468	12.6%
Provisions	-94	-24	288.2%	-455	-108	320.3%	-464	-455	2.1%
Pre-tax income	5	100	-95.3%	14	421	-96.8%	63	14	364.4%
Net income	4	76	-94.9%	11	325	-96.8%	49	11	364.4%

Tough Year Begins

The pressure on interest income will be only to a certain extent moderated by financing from the Bank's foreign parent (which helps lower the cost of financing of the FX loan portfolio). We expect interest income to decline to PLN 266m vs. PLN 292m in the previous quarter. The decline in the sales of banking products through brokers could reduce commission expenses, which should help achieve a slight increase in fee income (PLN 73m in Q4'08). However, the Bank's withdrawal from FX mortgages will lead to a plunge in trading income. The Bank will not be able to sustain its income from the disbursement of FX loans at its previous levels. In the light of the Management's declarations, we are expecting the Bank to be very disciplined with its expenses. Nonetheless, the increase in the scale of operations (cf. new branches) will prevent it from reducing its cost base y/y. Another problem might be restructuring provisions related to the planned layoffs. In Q4'08, the Bank created only PLN 38m worth of provisions, but this was due to provision releases (PLN 55m), without which net provisions would have amounted to -PLN 93m. The Bank's potential for collections is very limited now. We expect a significant increase in loan loss charges, especially in the consumer finance segment.

** before provisions*

Millennium

Banks | **Hold**

Analyst: Marta Jeżewska

FY09E P/E	416.7	FY09E P/BV	0.7	**Current price**	**PLN 2.25**
FY10E P/E	24.7	FY10E P/BV	0.7	**Target price**	**PLN 1.7**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	236	223	5.6%	936	981	-4.6%	939	936	0.4%
Net fee income	118	135	-12.8%	438	472	-7.1%	471	438	7.5%
NIM	2.0%	2.8%	-	2.0%	2.5%	-	1.9%	2.0%	-
Income f. bank oper.	411	438	-6.1%	1 634	1 827	-10.6%	1 669	1 634	2.1%
Operating expenses	-290	-275	5.4%	-1 165	-1 192	-2.2%	-1 101	-1 165	-5.5%
Operating income*	127	170	-25.5%	490	657	-25.4%	589	490	20.2%
Provisions	-84	-11	639.1%	-484	-135	258.1%	-491	-484	1.5%
Pre-tax income	42	159	-73.3%	6	522	-98.9%	98	6	1588.2%
Net income	34	127	-72.9%	5	413	-98.9%	77	5	1588.2%

Tough Year Ahead, But So Far Going Strong

The Bank will see strong pressure on its interest income. The problem is not limited to the high prices that have to be paid for deposits - the refinancing of FX loans is a challenge as well. We expect the decline in fee income to slow down. Equity-market income will continue declining, and commission fees on loans might as well as fewer are extended. We expect, however, very high income from the sale of insurance products. If the Bank recognizes the annual fee for their distribution in Q1 (which is what it did last year), there will be a q/q increase in fee income (from PLN 110m to PLN 118m in our forecast). Allowances for client derivatives will amount to PLN 73.5m, which is much less than a quarter ago. It appears from what the Management are saying that the Bank's exposure to these instruments has decreased significantly (client positions were restructured quickly). The Bank will closely monitor expenses in order to stick to the targets announced with Q4’08 earnings (expenses in 2009 to remain flat on 2008). We expect loan loss provisions to increase gradually, mostly due to consumer and corporate loans. The Bank will be creating more and more provisions for mortgage loans, but general risk provisions may be lower thanks to fewer disbursements.

Pekao

Banks | **Buy**

Analyst: Marta Jeżewska

FY09E P/E	20.5	FY09E P/BV	1.6	**Current price**	**PLN 106.9**
FY10E P/E	14.5	FY10E P/BV	1.5	**Target price**	**PLN 129.9**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	1 056	1 123	-5.9%	4 282	4 509	-5.0%	4 279	4 282	-0.1%
Net fee income	551	611	-9.7%	2 340	2 342	-0.1%	2 472	2 340	5.7%
NIM	3.2%	3.6%	-	3.2%	3.5%	-	3.1%	3.2%	-
Income f. bank oper.	1 824	1 841	-1.0%	7 242	7 578	-4.4%	7 436	7 242	2.7%
Operating expenses	-928	-929	-0.1%	-3718	-3 788	-1.8%	-3 800	-3 718	2.2%
Operating income*	916	1 412	-35.1%	3 596	4 535	-20.7%	3 709	3 596	3.1%
Provisions	-409	-50	714.7%	-1 949	-294	563.6%	-1 365	-1 949	-30.0%
Pre-tax income	516	1 399	-63.1%	1 722	4 346	-60.4%	2 422	1 722	40.6%
Net income	415	1 138	-63.5%	1 382	3 528	-60.8%	1 949	1 382	41.0%

The Bank Must Start Creating Provisions

The pressure on interest income will be relatively low (compared to PKO BP, for example), but we do expect a q/q and y/y decline. This will be a consequence of the slower increase in volumes in the preceding quarters rather than from aggressive deposit campaigns. At the same time, mortgage sales results in January and February suggest that the Bank was active in this area and may have obtained new volumes at higher margins. We expect the downward trend on fee income to slow down gradually, although it will continue to be weighed down by exposure to equity markets. Adjustments in transaction fees that the Polish banks have been announcing will not have an impact on earnings until Q2 2009. The Bank has not disappointed us until now as far as cost discipline is concerned. We believe this will continue to be the case, especially in the current macroeconomic settings. Q1’09 earnings will be strongly impacted by the cost of credit risk (the Bank’s debtors include such companies as ORCO and Krosno). We also expect the cost of credit risk to be higher in the Ukrainian market. Our projection for the costs of risk is 1.5%.

** before provisions*

Banks

PKO BP

Buy

Analyst:
Marta Jeżewska

FY09E P/E 23.2
FY10E P/E 17.7

FY09E P/BV 1.6
FY10E P/BV 1.5

Current price **PLN 24.8**
Target price **PLN 29.6**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Net interest income	1 515	1 427	6.1%	5 098	6 127	-16.8%	5 391	5 098	5.8%
Net fee income	596	591	0.8%	2 451	2 412	1.6%	2 548	2 451	4.0%
NIM	4.5%	5.1%	-	3.7%	5.0%	-	3.7%	3.7%	-
Income f. bank oper.	2 239	2 098	6.7%	7 957	9 186	-13.4%	8 371	7 957	5.2%
Operating expenses	-1 145	-948	20.8%	-4 280	-4 296	-0.4%	-4 396	-4 280	2.7%
Operating income*	1 167	1 214	-3.9%	3 881	5 182	-25.1%	4 179	3 881	7.7%
Provisions	-442	-27	1552.1%	-2 563	-1 005	154.9%	-2 448	-2 563	-4.5%
Pre-tax income	721	1 190	-39.5%	1 333	4 192	-68.2%	1 747	1 333	31.0%
Net income	580	952	-39.0%	1 067	3 301	-67.7%	1 405	1 067	31.6%

** before provisions*

First Quarter of Plunging Margins

The changes the Bank made to its deposit offering in Q4’08 will bring about a sharp q/q drop in net interest margin (from PLN 1621m to PLN 1515m). At the same time, the downward trend in fee income should be contained and in the upcoming quarters we can expect growth in this line of revenues. The share of equity-market income is falling; therefore declines in this area will have smaller impact on total provisions. At the same time, fees for transactions will increase in May. The auditor-maintained revision to FY2008 earnings led to a significant reduction in Q4'08 net income. This was caused by charges related to the valuation of client derivatives. We expect these to be lower now (we forecast PLN 77m). After the seasonal spike in expenses in Q4'08, costs tend to decline in the first quarter (we project -8% q/q). The pressure from loan loss provisions will continue. We project the Q1’09 costs of risk at 175bps. Provisions on account of loans granted to corporate clients affected by FX derivatives will be much lower (the Bank already created additional provisions after the end of 2008). At the same time, provisions related to the Ukrainian exposure will be lower than in Q4'08. Costs of risk will be primarily driven by corporate and consumer loans.

Oil and Gas

Chemicals

Ciech

Buy

Analyst: Kamil Kliszcz

FY09E P/E	7.7	FY09E EV/EBITDA	4.8	**Current price**	**PLN 29.0**
FY10E P/E	6.9	FY10E EV/EBITDA	4.4	**Target price**	**PLN 30.2**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	965.1	1 032.1	-6%	3 759.8	3 792.3	-1%	3 836.8	3 759.8	2%
EBITDA	131.1	210.8	-38%	473.7	475.5	0%	519.3	473.7	10%
margin	13.6%	20.4%	-	12.6%	12.5%	-	13.5%	12.6%	-
EBIT	81.1	158.0	-49%	251.7	266.7	-6%	272.6	251.7	8%
Pre-tax profit	58.5	130.4	-55%	130.4	119.7	9%	146.2	130.4	12%
Net profit	52.6	94.5	-44%	105.6	69.0	53%	118.4	105.6	12%

Soda, Organic Chemicals Drive Q109 Earnings

We predict that Ciech will report a significant quarter-on-quarter improvement in Q109, although earnings figures will be short of record Q108 levels. The main growth driver in the period was the Soda Division, which benefitted from high soda prices (favorable EUR/PLN exchange rate applied to supply contracts with Polish customers) and lower costs of coke and coal, as well as natural gas (German subsidiary). We estimate the Q109 EBIT of the Soda Division at PLN 105m vs. PLN 79m posted in Q408 and PLN 81m in Q108 (when the EBIT figure was boosted by cavern proceeds). Strong sales volumes generated by the Organic Division also contributed to the quarter-on-quarter rise in EBIT, in spite of low margins. The fertilizers produced by the Agro Division did not sell well in the period, but sales of pesticides enjoyed a seasonal increase. All told, Ciech will post a consolidated EBIT upward of PLN 81m for the first quarter (proceeds from gas caverns will probably not materialize until Q209). As far as financial operations are concerned, losses on forex options will probably be largely offset by exchange gains on a loan received from the German subsidiary and foreign-currency receivables, but the company will report a finance loss caused by loan interest expenses. After all this, Ciech's net profit for the first quarter will approximate PLN 52.6m.

Oil and Gas

Lotos

Buy

Analyst: Kamil Kliszcz

FY09E P/E	7.4	FY09E EV/EBITDA	7.7	**Current price**	**PLN 15.75**
FY10E P/E	5.1	FY10E EV/EBITDA	7.6	**Target price**	**PLN 26.70**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	2 361.8	3 561.5	-33.7%	12 166	16 316	-25.4%	19 030	12 166	56.4%
EBITDA	57.0	174.3	-67.3%	959	175	449.1%	1 207	959	25.8%
margin	2.4%	4.9%	-	7.9%	1.1%	-	6.3%	7.9%	-
EBIT	-23.9	94.7	-	544	-142	-	508	544	-6.7%
Pre-tax profit	-586.2	350.1	-	318	-520	-	446	318	40.2%
Net profit	-587.2	267.9	-	242	-476	-	353	242	45.8%

Downtime, Negative Exchange Differences

Lotos is expected to see year-on-year deterioration across all Q109 income statement line items. By segment, Upstream's EBIT will drop to an estimated PLN 6m from PLN 42m a year ago because of lower refining volumes of the "Rozewie" crude (30,000 vs. 55,000 tons a year ago) and lower oil prices. Our estimates do not take into account possible additional maintenance costs which may be necessitated by a recent plant failure. A weak EBIT will also be posted by the Refinery segment (PLN -28m vs. PLN +62m a year ago), where the effects of favorable macroeconomic conditions (zloty margins+differentials were slightly better than last year) were canceled out by maintenance downtime which ended in early April (not including lost margins, we estimate the downtime costs at PLN 50m), and an expected negative LIFO effect (PLN -32m vs. PLN +45m a year ago). Some EBIT growth may be seen in the Retail segment, which continues to restructure. On a consolidated basis, an EBIT loss of PLN 24m will be further magnified by finance losses (a PLN 390m loss on dollar loan translation adjustments, and a PLN 160m loss on forex risk hedging). It is worth emphasizing that, even though crack spreads narrowed in March, we do not expect Lotos to record any major gains on crack-spread hedging because expectations of such a narrowing had been factored in the forward prices to which Lotos's swaps are marked back in Q408. All told, we expect Lotos to report a first-quarter bottom-line loss of over PLN 587m.

Oil and Gas

PGNiG

Hold

Analyst:	FY09E P/E	15.2	FY09E EV/EBITDA	5.5	Current price	PLN 3.67
Kamil Kliszcz	FY10E P/E	11.5	FY10E EV/EBITDA	4.6	Target price	PLN 3.56

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	5 867	5 330	10.1%	18 762	18 433	1.8%	17 978	18 762	-4.2%
EBITDA	297	1 338	-77.8%	3 216	2 349	36.9%	3 847	3 216	19.6%
margin	5.1%	25.1%	-	17.1%	12.7%	-	21.4%	17.1%	-
EBIT	-90	987	-	1 514	926	63.6%	1 980	1 514	30.7%
Pre-tax profit	-80	978	-	1 496	1 051	42.3%	1 978	1 496	32.3%
Net profit	-80	779	-	1 211	969	25.0%	1 602	1 211	32.3%

Q109 Trading Loss Not As Bad As In Q408

PGNiG may post an operating loss in Q109, but the loss will not be as steep as in Q408. Again, the main culprit is the Trade and Storage segment which generated an EBIT loss of an estimated PLN 433m, which compares with a PLN 846m loss in Q408 and a PLN 397m profit in Q108. The year-on-year improvement occurred in spite of a slight increase in prices of imported gas (5% in zloty terms), thanks to a sell-out of an estimated 1 billion cubic meters of gas inventories (which were built in Q208 and Q308 at much lower prices). T&S's losses will to a certain extent be offset by profits generated by other business segments. A year-on-year increase in the first-quarter results of the Distribution segment resulted from an increase in tariff prices in April 2008, and strong sales to private individuals driven by cold temperatures (which, however, were offset by weaker sales to industrial customers). We estimate that PGNiG will earn about PLN 327m from gas distribution in Q109 vs. PLN 267m a year ago. The EBIT contribution of the Upstream segment will not exceed PLN 31m compared to PLN 336m a year ago and PLN 85m in Q408. This decline is a consequence of lower oil prices and an expected huge loss on swaps used to hedge a NOK loan (over PLN -150m). After finance charges, PGNiG is expected to post a first-quarter net loss of PLN 80m.

Oil and Gas

PKN Orlen

Buy

Analyst:	FY09E P/E	5.1	FY09E EV/EBITDA	4.2	Current price	PLN 24.4
Kamil Kliszcz	FY10E P/E	6.0	FY10E EV/EBITDA	4.4	Target price	PLN 40.2

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	15 016	17 938	-16.3%	62 293	79 535	-21.7%	74 645	62 293	19.8%
EBITDA	350	1 152	-69.6%	5 261	3 249	61.9%	5 059	5 261	-3.8%
margin	2.3%	6.4%	-	8.4%	4.1%	-	6.8%	8.4%	-19.7%
EBIT	-332	565	-	2 525	758	233.1%	2 250	2 525	-10.9%
Pre-tax profit	-1 491	790	-	2 497	-533	-	2 193	2 497	-12.2%
Net profit	-1 408	625	-	2 034	-659	-	1 731	2 034	-14.9%

EBIT Loss, High Negative Forex Differences

Based on a recent press release, we expect PKN Orlen to fall far short of expectations and post an operating loss of PLN 332m for the first quarter. In a breakdown by business segment, PKN refineries generated an estimated EBIT loss of PLN 105m vs. PLN +240m in Q108 (the LIFO effect will be PLN -300m vs. PLN +325m a year ago). The improvement on a pre-LIFO basis stemmed mostly from a weaker zloty and stronger volumes and output generated by Mazeikiu Nafta, but it will be partly offset by maintenance and failure-resolution costs (prompting more conservative estimates on our part). The Retail segment is expected to see Q109 EBIT halved from PLN 103m to PLN 51m because of a shrinkage in margins (we estimate that profit margins on fuel fell by a whopping 40% in March). The biggest drag on PKN's first-quarter earnings was the Petrochemicals segment, whose EBIT result will be fall off the PLN 232m mark reported in Q108. In spite of a quarter-on-quarter surge in volumes, a dramatic shrinkage in unit margins will lead to an EBIT loss of PLN 25m. A year-on-year deterioration in earnings results will also be reported by Anwil, which experienced a decline in fertilizer margins and PVC sales volumes (PLN 29m vs. PLN 91m). Other profits will be affected by allowances in the amount of PLN 150m. The Q109 bottom-line figure will be affected by negative exchange differences on foreign-currency loans which may exceed PLN 1 billion. All in all, PKN Orlen will post a first-quarter loss of an estimated PLN 1.4 billion.

Chemicals	Police			Hold	
Analyst: Kamil Kliszcz	FY09E P/E	-	FY09E EV/EBITDA -	**Current price**	**PLN 5.21**
	FY10E P/E	9.6	FY10E EV/EBITDA 3.5	**Target price**	**PLN 6.20**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	356.6	707.0	-50%	1 604.8	2 403.7	-33%	1 959.7	1 604.8	22%
EBITDA	-36.7	165.3	-	-6.3	229.3	-	114.8	-6.3	-
margin	-10.3%	23.4%	-	-0.4%	9.5%	-	5.9%	-0.4%	-
EBIT	-54.3	150.0	-	-67.5	161.8	-	53.8	-67.5	-
Pre-tax profit	-131.0	155.3	-	-98.8	41.3	-	50.3	-98.8	-
Net profit	-116.0	130.6	-	-98.8	28.8	-	40.7	-98.8	-

Volumes Climb, But EBIT Still Negative

ZCh Police's first-quarter results largely depend on the degree of caution with which the company approached Q408 inventory adjustments. This is hard to estimate based on financial statements because a lack of change in inventory at the end of last year (the inventory value stood at PLN 600m at December 2008, and showed no change from the preceding quarter in spite of PLN 150m adjustments), which can mean either that the fertilizer and product stocks were booked at inflated prices, or that the high value reflects huge volumes, which should not generate a standalone sales loss as big. We tried to account for both possibilities in our first-quarter forecasts. However, even if fertilizer sales volumes increased to our expected 250,000 tons from 110,000 tons in Q408 (sales in Q108 amounted to 586,000 tons), we still think that ZCh Police will report an operating loss as high as PLN 54m. First-quarter financial operations are expected to result in high a hedging loss in excess of PLN 70m (the company had ca. EUR 160m of open hedge positions at the end of 2008). As a consequence, the Q109 net loss will approximate PLN 116m (though it will probably be partly compensated by a deferred tax asset).

Chemicals	ZA Puławy			Hold	
Analyst: Kamil Kliszcz	FY09E P/E	20.1	FY09E EV/EBITDA 4.2	**Current price**	**PLN 71.2**
	FY10E P/E	11.9	FY10E EV/EBITDA 3.1	**Target price**	**PLN 65.5**

(PLN m)	3Q08/09F	3Q07/08	change	1Q-3Q08/09F	1Q-3Q07/08	change	2008/09F	2007/08	change
Revenue	573.5	718.3	-20.2%	1 774.7	1 841.2	-3.6%	2 371.5	2 503.5	-5.3%
EBITDA	86.1	167.0	-48.5%	377.4	329.0	14.7%	372.0	432.8	-14.0%
margin	15.0%	23.3%	-	21.3%	17.9%	-	15.7%	17.3%	-
EBIT	69.1	148.3	-53.4%	327.0	275.3	18.8%	297.7	358.7	-17.0%
Pre-tax profit	7.9	154.4	-94.9%	189.3	307.2	-38.4%	210.3	401.4	-47.6%
Net profit	6.4	125.1	-94.9%	153.2	255.3	-40.0%	170.3	330.8	-48.5%

Weak Zloty Drives EBIT

The benchmarks for ZAP's fertilizer prices continued their downward trend in fiscal Q308/09, with urea prices falling 24% on average compared to the preceding quarter, ammonium nitrate prices tumbling 30%, and UAN prices falling a staggering 40%. Such a deep correction in product prices in their respective currencies occurred from a high base created in October 2008, which was responsible for ZAP's better-than-expected Q208/09 performance. In consequence, since prices of gas remain unchanged since November 2008, the unit profit margins on fertilizers narrowed in the first quarter, but this effect was partly offset by a 20% depreciation in the value of the zloty. Zloty margins on melamine do not seem to have decreased, but revenues from that product certainly did due to maintenance downtime. In turn, we expect a quarter-on-quarter improvement in the sales volumes of and unit margins on caprolactam (an increase in prices of ammonium sulfate in February and March, and a weaker zloty, more than offset higher benzene costs). All in all, ZAP's operating profit for Q308/09 will approximate PLN 69m, but will be "eaten" in its entirety by hedging losses.

Telecommunications

Telco	Netia		Buy	
Analyst: Michał Marczak	FY09E P/E -	FY09E EV/EBITDA 4.5	Current price	PLN 3.5
	FY10E P/E 31.2	FY10E EV/EBITDA 3.4	Target price	PLN 3.8

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	371.1	237.5	56.3%	1 503.1	1 121.2	34.1%	1 640.3	1 503.1	9.1%
EBITDA	61.9	33.8	83.1%	234.0	170.6	37.1%	290.1	234.0	24.0%
margin	16.7%	14.2%	-	15.6%	15.2%	-	15.6%	15.2%	-
EBIT	-10.2	-29.1	64.9%	-23.4	-99.7	76.5%	36.6	-23.4	-
Pre-tax profit	-7.1	-53.4	86.7%	-9.3	231.9	-	53.6	-9.3	-
Net profit	-7.1	-55.3	87.2%	-9.9	230.6	-	43.3	-9.9	-

Quarter-On-Quarter Slowdown

After the rapid increase in revenues in Q4 2008 due to the full consolidation of Tele2 Polska, we expect them to slow down to 1% q/q. Year-on-year, Netia will still report over 55% increase in revenues and 80% increase in EBITDA. Due to the restructuring exercise announced by the Management and the associated expenses, we do not expect EBITDA to approach 20% in Q1'09, but it should happen in H2'09. We are also expecting slower growth in the number of subscribers (q/q: WLR +15,000, BSA +13,000). Due to the economic slowdown, we can also expect increased subscriber churn in Netia's own network (-5,000). Slower additions entail lower customer acquisition costs. In the next quarter, provisions for problematic receivables may be necessary. Investors will also monitor the LLU project, but a breakthrough in Q1'09 cannot be expected (we project ca. 4,000 subscribers). EBITDA will be boosted by the cut in mobile termination rates: the Company's reaction (i.e. cut in retail rates) to the regulator's decisions is delayed vs. mobile operators (plus, some of the tariffs are based on fixed monthly payments, regardless of traffic, thus customers do not know the per-minute rate).

Telco	TP SA		Hold	
Analyst: Michał Marczak	FY09E P/E 10.0	FY09E EV/EBITDA 3.9	Current price	PLN 18.6
	FY10E P/E 9.3	FY10E EV/EBITDA 3.9	Target price	PLN 20.5

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	4 434.0	4 527.0	-2.1%	18 141.2	18 165.0	-0.1%	18 244.4	18 141.2	0.6%
EBITDA	1 938.0	2 016.0	-3.9%	7 418.5	7 630.0	-2.8%	7 281.4	7 418.5	-1.8%
margin	43.7%	44.5%		40.9%	42.0%	-	40.9%	42.0%	-
EBIT	886.0	949.0	-6.6%	3 282.4	3 313.0	-0.9%	3 282.4	3 282.4	0.0%
Pre-tax profit	668.5	823.0	-18.8%	3 083.2	2 593.0	18.9%	3 287.1	3 083.2	6.6%
Net profit	541.5	681.0	-20.5%	2 495.4	2 188.0	14.0%	2 660.5	2 495.4	6.6%

Further Erosion of Market Shares

The first quarter is seasonally weaker, which will be exacerbated by the cut in mobile termination rates; we expect TPSA to report a 2% y/y decline in revenues. We expect a 10% y/y drop in traditional voice services (retail and wholesale), as a result of the shrinking subscriber base (-160,000 q/q, -580,000 y/y) and the loss of retail revenues due to WLR. In the case of Centertel, we are expecting revenues to remain flat on last year, due to the decline in MTR. Data transmission should see a 9.2% increase in sales revenues (mostly thanks to higher ARPU in broadband internet access and the expiration of promotional offers). Our forecasts assume no significant one-offs. Seeing that the Company hedged its entire debt against exchange rate risks at the start of 2009, we should expect lower finance losses than in Q4 2008.

Media

Agora

Media — **Buy**

Analyst:	FY09E P/E	11.5	FY09E EV/EBITDA 4.5	**Current price**	**PLN 15.4**
Michał Marczak	FY10E P/E	8.2	FY10E EV/EBITDA 3.5	**Target price**	**PLN 35.6**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	284.5	313.4	-9.2%	1 282.2	1 277.7	0.4%	1 333.0	1 282.2	4.0%
EBITDA	17.5	42.4	-58.7%	160.6	155.6	3.2%	195.9	160.6	22.0%
margin	6.2%	13.5%	-	12.5%	12.2%	-	12.5%	12.2%	-
EBIT	-4.1	22.6	-	85.3	71.8	18.9%	121.7	85.3	42.6%
Pre-tax profit	-2.8	25.8	-	90.7	47.9	89.4%	128.0	90.7	41.1%
Net profit	-2.8	18.7	-	73.5	23.3	215.7%	103.8	73.5	41.1%

Tough Times

The first quarter of each year is a tough one for the media sector. This year, this is being exacerbated by the sharp deterioration in the economic situation, which has led companies to withhold advertising campaigns, at least in the press. We project that advertising revenues declined by 16.4% y/y for *Gazeta Wyborcza*, while increasing by 32% for *Metro* and the online segment (due to the low Q1 2008 base). With the forecasted 50% decline in revenues from the sales of books and flat revenues from *Gazeta* copy sales (higher prices but lower circulation; Q1 2008 saw the popular double-priced issues), the revenues of the newspaper segment should decline by 11.7% y/y. In the case of magazines, we are expecting a 9% y/y decline, for the radio, 8.5% y/y. The low base of comparison for AMS should allow its revenues to grow by 3% y/y. At the level of operating expenses, we can expect a y/y increase in payroll and in printing expenses (cost of paper). A big question mark remains as to how big the total reduction will be in promotional and marketing expenses (PLN 45m per quarter in the newspaper segment). We expect it will be enough to offset the increase in payroll and printing expenses.

Cyfrowy Polsat

Media — **Buy**

Analyst:	FY09E P/E	10.2	FY09E EV/EBITDA 7.2	**Current price**	**PLN 13.74**
Piotr Grzybowski	FY10E P/E	9.3	FY10E EV/EBITDA 5.3	**Target price**	**PLN 15.90**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	317.3	248.8	27.6%	1 336.8	1 129.4	18.4%	1 424.8	1 336.8	6.6%
EBITDA	101.0	88.6	14.0%	458.0	346.1	32.3%	516.9	458.0	12.9%
margin	31.8%	35.6%	-	34.3%	30.6%	-	36.3%	30.0%	-
EBIT	92.1	83.5	10.3%	427.1	323.5	32.0%	485.5	427.1	13.7%
Pre-tax profit	98.1	79.5	23.3%	400.8	334.8	19.7%	460.5	400.8	14.9%
Net profit	79.5	64.0	24.1%	351.4	270.6	29.9%	403.8	351.4	14.9%

Improvement in Earnings Despite Unfavorable Forex Situation

The Company's net subscriber additions will be 75,000, due to a significant increase in churn. Revenues should be flat quarter-on-quarter, with an increase in revenues from subscription fees and a decline in set-top box sales revenues stemming from the significant increase in leasing (ca. 50% of net additions). Due to the significant depreciation of the zloty, we can expect a rapid increase in licensing expenses, which should be by and large offset by the greater use of set-top box leasing, which will reduce subsidies (-PLN 17m). We estimate the associated increase in depreciation charges at ca. PLN 1m, which means that the change will boost both EBITDA and operating income. As a result, the Company will increase its last earnings vs. last year, with EBITDA at PLN 101.0m. The Company will once again record hedging gains (ca. PLN 11m), which will bring its net income close to PLN 80m.

TVN

Media | **Buy**

Analyst:	FY09E P/E	10.1	FY09E EV/EBITDA	7.7	**Current price**	**PLN 9.80**
Piotr Grzybowski	FY10E P/E	9.8	FY10E EV/EBITDA	7.4	**Target price**	**PLN 11.90**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	425.0	401.6	5.8%	1 955.2	1 897.3	3.1%	2 055.9	1 955.2	5.2%
EBITDA	238.8	126.8	88.3%	634.7	711.4	-10.8%	650.7	634.7	2.5%
margin	56.2%	31.6%	-	32.5%	37.5%	-	31.7%	32.5%	-
EBIT	213.8	108.2	97.6%	543.6	631.9	-14.0%	549.5	543.6	1.1%
Pre-tax profit	54.4	81.4	-33.2%	417.5	447.6	-6.7%	429.6	417.5	2.9%
Net profit	57.1	63.4	-10.1%	338.1	363.7	-7.0%	348.0	338.1	2.9%

Operations Look Good. Will There Be a Consolidation Adjustment?

As a result of the difficult situation in the advertising market in March, TVN will see flat y/y sales results, even though the first two months were good. The consolidation of ITI Neovision (20 days of the quarter) will improve revenues by PLN 23m. Further down the income statement, the *n* platform will decrease EBITDA by ca. PLN 5.5m, and EBIT by PLN 9.5m (taking into account the 20-day period of consolidation). Moreover, *n* consolidation will lead to ca. PLN 1.5m in additional interest expenses and PLN 8m charge from the revaluation of debt that did not come from TVN. Thus, the net loss of *n* in the period will be c. PLN 26.5m (taking into account debt revaluation), which entails a PLN 13m loss attributable to minority shareholders. Thus, the TVN group should generate an EBITDA of PLN 117m and operating income of PLN 92m, taking into account the 20-day period of consolidation. In addition, the Company will most likely choose to reverse the losses incurred during the period when ITI Neovision was consolidated under the equity method. This adjustment would amount to PLN 94.4m (last year's losses) and PLN 27.7m (between 1 January and 11 March 2009). We have chosen to factor this adjustment into our forecasts, although we believe that an adjustment would be justified only to the extent that it does not exceed the operating loss of the platform, which is reflected in the TVN's Group capital and which should be reversed before its assets are included in its balance sheet. As far as financial operations are concerned, in addition to the abovementioned costs incurred by *n*, we expect PLN 37m in interest expenses, PLN 114m losses on Eurobond revaluation, PLN 23m gain from the revaluation of a USD collar structure and PLN 27.7m on account of the share in the loss incurred by *n* in the initial 2.5 months of the year. We do not factor in interest income from TVN's loans to *n* and the gains on the revaluation of this loan for the period 1 January - 11 March, as we believe they will be reflected by the consolidation adjustment. The total finance costs will thus amount to PLN 165m, which, after small investment income, tax and losses attributable to minorities, entails net income of PLN 57m.

WSiP

Media | **Buy**

Analyst:	FY09E P/E	10.4	FY09E EV/EBITDA	7.0	**Current price**	**PLN 13.2**
Piotr Grzybowski	FY10E P/E	10.4	FY10E EV/EBITDA	6.9	**Target price**	**PLN 18.9**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	9.8	8.7	12.3%	190.6	198.8	-4.1%	192.5	190.6	1.0%
EBITDA	-10.4	-10.3	1.2%	41.3	52.0	-20.5%	42.0	41.3	1.7%
margin	-106.1%	-117.7%	-	21.7%	26.1%	-	21.8%	21.7%	-
EBIT	-11.5	-11.1	-4.0%	37.0	48.3	-23.3%	37.5	37.0	1.3%
Pre-tax profit	-10.4	-10.1	-2.6%	38.9	50.6	-23.2%	39.0	38.9	0.3%
Net profit	-11.1	-11.0	-0.8%	31.4	40.5	-22.5%	31.5	31.4	0.3%

A Quarter of Stability

As usual, Q1 is a "dead" period for WSiP. Thanks to the expansion in its subsidiaries' operations, the Group's earnings will improve slightly on last year, as will gross margin. We believe nonetheless that these gains will be consumed by promotional and marketing expenses generated by new textbooks. None of the provisions created in Q3 2008 can be expected to be released. As a result, we are expecting the Company to record a slight decline in its operating earnings.

Sector IT

AB

IT | **Hold**

Analyst:	FY09E P/E	5.4	FY09E EV/EBITDA 3.5	**Current price**	**PLN 5.6**
Piotr Grzybowski	FY10E P/E	5.8	FY10E EV/EBITDA 6.1	**Target price**	**PLN 12.8**

(PLN m)	3Q08/09F	5Q07/08	change	1-3Q08/09F	3-5Q07/08	change	08/09F	07/08	change
Revenue	690.8	649.8	6.3%	2 311.1	1 811.4	27.6%	2 709.7	3 012.2	-10.0%
EBITDA	20.8	7.8	167.3%	75.8	27.4	177.0%	78.7	39.5	99.3%
margin	3.0%	1.2%	-	3.0%	1.5%	-	2.9%	1.3%	-
EBIT	19.7	6.7	194.0%	72.2	25.2	186.5%	73.4	35.2	108.5%
Pre-tax profit	7.7	4.0	91.3%	27.0	19.4	39.6%	30.0	22.2	34.9%
Net profit	6.3	3.2	97.2%	19.6	14.4	35.6%	21.3	16.1	32.2%

AB Eyes Decent Profits

We expect a considerable year-on-year improvement in AB's first-quarter results. Sales will be higher thanks to growth achieved by AT Computers, whose results will be influenced by exchange-rate trends (the average price of the Czech koruna in Q109 was 9.5% higher than in Q408). Quarterly gross margins will be supported by favorable forex trends, though their influence will not be as significant as in the preceding quarter. Operating expenses are expected to decrease as ATC gradually adapts to AB standards. AB will post exchange losses approximating PLN 12m (including interest) as a consequence of a sharp depreciation of the zloty and reduced hedges against increased debt exposure.

Action

IT | **Accumulate**

Analyst:	FY09E P/E	9.4	FY09E EV/EBITDA 6.6	**Current price**	**PLN 8.66**
Piotr Grzybowski	FY10E P/E	6.1	FY10E EV/EBITDA 5.3	**Target price**	**PLN 24.0**

(PLN m)	I3Q08/09F	3Q07/08	change	1-3Q08/09F	1-3Q07/08	change	08/09F	07/08	change
Revenue	519.9	701.3	-25.9%	1 785.3	1 761.3	1.4%	3 320.6	2 343.4	41.7%
EBITDA	17.6	12.8	37.5%	30.5	51.7	-41.0%	59.3	65.3	-9.2%
margin	3.4%	1.8%	-	1.7%	2.9%	-	1.8%	2.8%	-
EBIT	15.3	10.5	45.8%	23.8	43.5	-45.2%	46.3	57.3	-19.3%
Pre-tax profit	12.8	8.7	46.3%	17.0	39.8	-57.2%	34.2	51.1	-33.2%
Net profit	10.3	6.5	59.4%	13.2	27.7	-52.1%	25.4	33.8	-24.7%

Forex Trends Support Profits

Action will report a year-on-year decline in its otherwise solid results for the third quarter of business year 2008/2009. The zloty's depreciation observed for most of the quarter will enhance margins, but reduced inventory will provide weaker margin support than in the preceding quarter. Because of lower-than-average accounts payable and larger zloty purchases, exchange losses will be much lower than in the quarter before at ca. PLN 16m. Reduced forex hedges will contribute to reduced finance losses of an estimated PLN 7m. We expect the net profit for the quarter to be a little over PLN 10m.

ASBIS

IT

Hold

Analyst:	FY09E P/E	-	FY09E EV/EBITDA	4.9	**Current price**	**PLN 1.73**
Piotr Grzybowski	FY10E P/E	6.8	FY10E EV/EBITDA	3.7	**Target price**	**PLN 3.70**

(USD m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	258.1	360.1	-28.3%	1 252.0	1 495.3	-16.3%	1 339.9	1 252.0	7.0%
EBITDA	-0.4	9.5	-	10.0	18.2	-45.2%	15.5	10.0	55.7%
margin	-0.2%	2.6%	-	0.8%	1.2%	-	1.2%	0.8%	-
EBIT	-1.0	8.9	-	7.1	15.3	-53.9%	12.6	7.1	77.7%
Pre-tax profit	-2.8	7.8	-	-1.5	7.1	-	5.9	-1.5	-
Net profit	-2.3	5.7	-	-1.3	4.0	-	4.7	-1.3	-

First-Quarter Results Depressed by Eastern Market Crisis

We expect Asbis's first-quarter sales to drop again in the wake of the crisis which battered Eastern markets, and due to a switch to foreign-currency payments in Russia which may act as a detractor to many customers unwilling to take on forex risks. Gross margins will be affected by a devaluation of the ruble, and a weakening of CEE currencies which will probably give rise to significant exchange losses. SG&A expenses are expected to decline thanks to savings measures as well as forex trends which led to a decline in the dollar amounts of many cost categories. As a result, Asbis will post a Q109 EBIT loss of US $1.0m. We expect a year-on-year increase in interest expenses after several banks revised margins on credit facilities, but no exchange losses. All in all, Asbis will report a bottom-line loss of an estimated $2.3m for the quarter.

Komputronik

IT

Accumulate

Analyst:	FY09E P/E	19.9	FY09E EV/EBITDA	11.4	**Current price**	**PLN 12.23**
Piotr Grzybowski	FY10E P/E	10.4	FY10E EV/EBITDA	6.8	**Target price**	**PLN 33.9**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	198.9	149.9	32.7%	855.2	757.9	12.8%	995.4	757.9	31.3%
EBITDA	2.9	3.5	-18.2%	13.7	15.4	-10.6%	23.7	15.4	54.4%
margin	1.4%	2.3%	-	1.6%	2.0%	-	2.4%	2.0%	-
EBIT	1.5	2.6	-44.7%	8.0	10.2	-21.2%	17.9	10.2	75.8%
Pre-tax profit	0.3	2.7	-90.4%	4.8	6.2	-22.1%	13.1	6.2	111.9%
Net profit	1.0	7.7	-87.2%	5.0	5.6	-10.7%	9.7	5.6	71.6%

Karen Still A Burden On Earnings

We expect to see a deterioration in Komputronik's first-quarter earnings compared to the same period a year ago, stemming largely from the consolidation of Karen. On a standalone basis, Komputronik grew sales by an impressive 23% thanks to a larger number of stores, increased supplies to Karen, and takeover of a business line from Karen. Stronger revenues will be accompanied by a slight expansion in the gross margin supported by forex trends, but the effect of these trends will not be significant because of low-cost inventory which is smaller than in case of other distributors. A weak zloty will influence SG&A expenses which will include increased rental costs incurred by Komputronik operations, and higher costs generated by the expanding sales network. This, combined with the consolidated results of Karen, which is expected to report results comparable to those generated in the second half of 2008, and post an operating loss of PLN 2.5-3m, will result in a consolidated EBIT of approximately PLN 1.5m. Komputronik reduced its interests in "KEN Technologie Informatyczne" at the beginning of the second quarter, and will report a 80% share (PLN 1.1m) in KEN's losses incurred on a yen swap.

Metals

Kęty — Buy

Metals					
Analyst:	FY09E P/E	9.5	FY09E EV/EBITDA	5.3	**Current price** **PLN 66.2**
Michał Marczak	FY10E P/E	7.9	FY10E EV/EBITDA	4.7	**Target price** **PLN 109.4**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	245.0	284.1	-13.8%	982.3	1 183.5	-17.0%	1 139.5	982.3	16.0%
EBITDA	41.5	48.1	-13.7%	170.3	190.2	-10.5%	181.7	170.3	6.7%
margin	16.9%	16.9%	-	17.3%	16.1%	-	17.3%	16.1%	-
EBIT	25.0	33.4	-25.1%	108.1	128.3	-15.8%	119.6	108.1	10.7%
Pre-tax profit	3.8	21.8	-82.8%	74.0	74.0	0.0%	79.8	74.0	7.9%
Net profit	3.0	17.2	-82.6%	64.4	63.4	1.7%	77.3	64.4	19.9%

Things Will Be Better Than They Could Have Been

Our quarterly forecast is based on estimates presented by the Management, which expects that Q1 2009 consolidated sales will amount to PLN 240-245m (-17% y/y). The decline is mostly due to the lower prices of aluminum at the LME (-49% y/y) and the lower sales volumes in the Extruded Products Segment. The Flexible Packaging Segment slightly exceeded last year's first-quarter sales and significantly improved its earnings, while the other segments saw decreases in sales to third parties between 4% and 15%. Operating earnings will be around PLN 24-26m, while consolidated net income will decline to PLN 2-4m. The fact that net income will decline much more than EBIT is mostly a consequence of finance losses on the valuation of FX loans (ca. PLN 15m). Kęty expects to reduce its net debt by ca. 6% vs. year-end 2008, to ca. PLN 340m.

KGHM — Accumulate

Metals					
Analyst:	FY09E P/E	19.2	FY09E EV/EBITDA	8.3	**Current price** **PLN 56.0**
Michał Marczak	FY10E P/E	26.7	FY10E EV/EBITDA	10.1	**Target price** **PLN 49.2**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	2 364.0	3 002.3	-21.3%	7 442.0	11 302.9	-34.2%	7 423.9	7 442.0	-0.2%
EBITDA	641.5	1 283.6	-50.0%	1 139.7	4 077.7	-72.0%	937.6	1 139.7	-17.7%
margin	27.1%	42.8%	-	15.3%	36.1%	-	15.3%	36.1%	-
EBIT	524.1	1 167.5	-55.1%	670.2	3 596.4	-81.4%	468.0	670.2	-30.2%
Pre-tax profit	536.6	1 158.2	-53.7%	720.2	3 553.6	-79.7%	518.0	720.2	-28.1%
Net profit	434.7	982.2	-55.7%	583.3	2 910.4	-80.0%	419.6	583.3	-28.1%

Q2 2009 Will Be Better

In Q1 2009, the average 3M price of copper at the LME was USD 3,494 per ton, which is 11.3% less than in Q4 2008 and 55% less than in Q1 2008. The average price of silver was USD 411/kg, i.e. 23.8% more than in Q4 2008 and 27.3% less than in Q1 2008. The Company was aided by the depreciating PLN (-21% q/q, -45% y/y), but this was not enough to offset the decline in metal prices. The Company should benefit from metal price hedges. In the case of copper, we estimate that KGHM has hedged 35,000 tons at a price approaching USD 6,000/ton, i.e. significantly higher than the average price in the market. Our forecast assumes that copper sales will reach 128,000 tons in Q1 2009, of which 17,000 tons will be from third-party feed-stock. As usual, we assume that Q1 operating expenses will be lower than the average for the year (lower payroll expenses, less preparatory work), with the unit cost of copper production at PLN 10,690 per ton. Our forecasts assume no significant one-offs.

Construction

Construction	Budimex				Hold	
Analyst: Maciej Stokłosa	FY09E P/E	11.5	FY09E EV/EBITDA	6.1	Current price	PLN 67.0
	FY10E P/E	14.3	FY10E EV/EBITDA	6.9	Target price	PLN 69.1

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	657.5	653.2	0.7%	3 541.0	3 350.0	5.7%	4 772.0	3 541.0	34.8%
EBITDA	17.0	16.4	3.3%	201.0	134.2	49.8%	177.4	201.0	-11.8%
margin	2.6%	2.5%	-	5.7%	4.0%	-	3.7%	5.7%	-
EBIT	11.2	11.7	-4.3%	178.1	112.2	58.8%	154.1	178.1	-13.5%
Pre-tax profit	12.3	19.6	-37.1%	182.8	139.5	31.1%	147.5	182.8	-19.3%
Net profit	10.0	15.5	-35.8%	148.1	104.7	41.4%	119.5	148.1	-19.3%

Budimex Eyes Profit Despite Derivatives Losses

By reporting a revenue of an estimated PLN 657.5m in Q109, Budimex will deliver 18.6% of our full-year forecast (compared to 19.5% in Q108, 21.2% in Q107, and 15.8% in Q106). Revenues from general construction will approximate PLN 568.1m (vs. PLN 555.6m in Q108), and will be boosted by a PLN 19m gain on higher EUR/PLN exchange rates (adjusted revenue will be slightly lower than a year ago). Revenues from real-estate development will amount to an estimated PLN 46.5m, and other revenues will total PLN 42.9m. The Q109 gross margin will increase to 16.2% from 11.6% in 2008 thanks to a larger share of building construction contracts in the backlog (work on most road projects stops during the winter, and building contracts offer higher margins at the moment thanks to a decrease in costs) and an appreciation in the value of the euro. We expect Budimex to recognize PLN 57.5m in Q1008 income statement as a result of derivatives value adjustments. Unlike most other major competitors, the company does not use hedge accounting. After all this, first-quarter EBIT will approximate PLN 11.2m, and net profit will came in at an estimated PLN 10.0m. After adjustment for the effects of changes in EUR/PLN exchange rates, first-quarter revenue figures to PLN 616.8m, gross margin is 10.7%, EBIT is PLN 28.1m (EBIT margin at 4.6%), and bottom-line income is PLN 23.6m. The actual earnings figures could be higher as a result of unanticipated one-time events.

Construction	Elektrobudowa				Buy	
Analyst: Maciej Stokłosa	FY09E P/E	11.6	FY09E EV/EBITDA	9.3	Current price	PLN 137.0
	FY10E P/E	11.5	FY10E EV/EBITDA	9.3	Target price	PLN 166.5

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	132.9	169.6	-21.6%	830.8	811.0	2.4%	841.8	830.8	1.3%
EBITDA	14.7	14.4	2.4%	70.6	79.0	-10.7%	70.3	70.6	-0.4%
margin	11.1%	8.5%	-	8.5%	9.7%	-	8.4%	8.5%	-
EBIT	12.7	12.7	-0.3%	62.5	71.3	-12.3%	61.6	62.5	-1.5%
Pre-tax profit	13.1	13.5	-2.9%	69.4	74.5	-6.8%	69.9	69.4	0.7%
Net profit	10.6	11.0	-3.1%	56.2	60.3	-6.7%	56.6	56.2	0.7%

Exchange Gains Add to Profit

By reporting a revenue of an estimated PLN 133m in Q109, Elektrobudowa will deliver 16% of our full-year forecast (compared to 20% in Q108, 19.6% in Q107, and 14.6% in Q106). The company's Energy Distribution and Power Generation operations are likely to see a seasonal decrease in revenues. Elektrobudowa will record a first-quarter gross margin at the level of its annual average (9.9%), SG&A expenses of approximately PLN 4.5m, exchange gains in the amount of PLN 3m, and an interest income of PLN 1m. Bottom-line income is expected to reach PLN 10.6m (PLN 8.2m before one-time exchange gains).

Construction

Erbud

Buy

Analyst:	FY09E P/E 9.3	FY09E EV/EBITDA 6.5	**Current price**	**PLN 28.4**
Maciej Stokłosa	FY10E P/E 15.2	FY10E EV/EBITDA 10.6	**Target price**	**PLN 26.7**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	173.8	234.4	-25.9%	908.4	1 059.0	-14.2%	865.4	908.4	-4.7%
EBITDA	12.2	13.3	-8.3%	53.5	71.3	-25.0%	32.7	53.5	-38.8%
margin	7.0%	5.7%		5.9%	6.7%	-	3.8%	5.9%	-
EBIT	10.6	12.9	-18.2%	46.9	64.8	-27.6%	26.0	46.9	-44.4%
Pre-tax profit	10.9	12.8	-14.3%	48.4	16.8	187.7%	30.0	48.4	-38.0%
Net profit	7.5	8.0	-6.7%	38.4	9.5	304.2%	23.6	38.4	-38.7%

Minor Slippage In Profit

A first-quarter revenue of an estimated PLN 173.8m will account for 19.1% of our full-year estimate for Erbud (Q108: 23.8%, Q107: 21.0%, Q106: 17.3%). A revenue breakdown by business segment will be PLN 111.7m from domestic Building Construction, PLN 35.2m from exports, PLN 11.9m from Road Development, and PLN 15m from Real-Estate Development. The top-line results of Building Construction and Road Development will be affected by a seasonal decline. Our conservative gross-margin estimate for the first quarter is 10% (Q408: 11%). We do not expect to see any major one-time events, including value adjustments on derivative instruments. Net profit for the quarter will come close to PLN 7.5m.

Construction

Mostostal Warszawa

Buy

Analyst:	FY09E P/E 10.4	FY09E EV/EBITDA 5.4	**Current price**	**PLN 53.6**
Maciej Stokłosa	FY10E P/E 13.2	FY10E EV/EBITDA 6.8	**Target price**	**PLN 63.6**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	471.2	417.7	12.8%	2 542.2	2 154.2	18.0%	2 613.7	2 542.2	2.8%
EBITDA	39.0	23.6	65.1%	165.0	136.3	21.1%	130.7	165.0	-20.8%
margin	8.3%	5.7%	-	6.5%	6.3%	-	5.0%	6.5%	-
EBIT	33.0	18.7	76.8%	141.3	113.4	24.6%	106.6	141.3	-24.6%
Pre-tax profit	30.5	27.2	12.0%	151.6	116.0	30.7%	116.7	151.6	-23.0%
Net profit	21.9	19.2	14.2%	103.5	75.5	37.1%	81.2	103.5	-21.6%

Q/Q Improvement Across All Lines

At an estimated PLN 471.2m, the first-quarter consolidated revenue of Mostostal Warszawa (MW) will account for 18.5% of the full-year estimate (Q108: 19.4%, Q107: 18.4%, Q106: 15.0%). On a standalone basis, MW will report a revenue of PLN 267.7m, Mostostal Płock will generate PLN 37.8m, Remak will post PLN 55.9m, and other subsidiaries will contribute a combined PLN 109.8m (after adjustment for intercompany sales). Gross margins will be 11.2% on a consolidated basis, 10.5% at Mostostal Warszawa, 11% at Mostostal Płock, 13.0% at Remak, and 12% at the other subsidiaries. EBIT will decrease by PLN 2.5m due to expected one-time charges, and by PLN 5m due to the effects of derivatives revaluation. Q109 bottom-line profits will reach an estimated PLN 21.9m on a consolidated basis, and PLN 13.7m on a standalone basis. Adjusted for revaluation effects, the consolidated net profit would increase to PLN 24.1m.

PBG

Construction

Hold

Analyst: Maciej Stokłosa

FY09E P/E	10.9	FY09E EV/EBITDA	8.2	Current price	PLN 201.5
FY10E P/E	12.6	FY10E EV/EBITDA	9.2	Target price	PLN 195.6

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	342.6	317.8	7.8%	2 953.8	2 089.3	41.4%	3 052.0	2 953.8	3.3%
EBITDA	36.5	40.1	-8.8%	431.8	270.3	59.8%	386.3	431.8	-10.5%
margin	10.7%	12.6%	-	14.6%	12.9%	-	12.7%	14.6%	-
EBIT	24.9	30.8	-19.4%	385.0	223.4	72.4%	339.3	385.0	-11.9%
Pre-tax profit	20.9	22.0	-5.6%	350.1	213.5	63.9%	312.0	350.1	-10.9%
Net profit	15.4	14.8	3.8%	248.4	158.0	57.2%	213.9	248.4	-13.9%

Flat Q/Q Profit, Results Affected By One-Time Events

A first-quarter revenue of an estimated PLN 342.6m will account for 11.6% of our full-year estimate for PBG (Q108: 14.8%, Q107: 9.7%, Q106: 11.4%). The Q109 gross margin will match our full-year estimate (16.9%). After reversal of an allowance against a euro contract by 'Hydrobudowa 9', PBG will recognize PLN 13m under other operating expenses and PLN 7m under other operating income. Instruments used to hedge exposure under waste-treatment plant projects in Bydgoszcz and Leszno qualify as effective hedges, hence, we do not expect to see any mark-to-market losses on derivatives in Q109. Finance operations will include one-offs (other finance expenses will reach PLN 4m after net interest expenses of ca. PLN 8.5m and positive exchange differences of PLN 4.5m). Hydrobudowa Polska will recognize a tax loss carry forward (effective tax rate = 13%). All in all, PBG's first-quarter net income will be close to PLN 15.4m (vs. PLN 14.8m in Q108; if it were not for one-time gains, comparable first-quarter figures would be similar).

Polimex Mostostal

Construction

Buy

Analyst: Maciej Stokłosa

FY09E P/E	11.4	FY09E EV/EBITDA	6.9	Current price	PLN 3.7
FY10E P/E	13.4	FY10E EV/EBITDA	7.4	Target price	PLN 3.6

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	910.5	920.7	-1.1%	4 909.0	4 316.7	13.7%	4 763.9	4 909.0	-3.0%
EBITDA	80.7	75.4	7.0%	328.9	292.8	12.3%	304.7	328.9	-7.4%
margin	8.9%	8.2%	-	6.7%	6.8%	-	6.4%	6.7%	-
EBIT	60.4	59.7	1.1%	247.6	221.2	11.9%	205.6	247.6	-16.9%
Pre-tax profit	29.0	46.3	-37.4%	203.1	157.8	28.7%	162.2	203.1	-20.1%
Net profit	25.3	29.8	-15.0%	154.3	121.9	26.7%	131.6	154.3	-14.8%

Decent Profit Despite Derivatives Losses

Due to unfavorable weather conditions, Polimex Mostostal delivered just 18.5% of the full-year revenue estimate in the first quarter (Q108: 21.0%, Q107: 18.0%, Q106: 16.8%). Seasonality factors had the biggest effect on Road and Railroad Development and the General Construction business. Q109 gross margin is expected to reach 12.5%. The segment of Steel Products will report its strongest quarterly performance in Q109 (supported by falling steel prices). The profitability of Power-Engineering services and Road and Railroad Development will improve compared to Q408. We predict that Polimex will charge a hedging loss of PN 20m against income, pulling first-quarter bottom-line profit to PLN 25.3m. After adjustment for changes in EUR/PLN exchange rates, the gross margin figures to 11.6%, operating profit is PLN 51.1m (5.7%), and net profit increases to PLN 35.1m (3.9%).

Rafako

Construction | **Accumulate**

Analyst: Maciej Stokłosa

FY09E P/E	14.6	FY09E EV/EBITDA	4.6	**Current price**	**PLN 7.1**
FY10E P/E	12.6	FY10E EV/EBITDA	4.0	**Target price**	**PLN 7.7**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	233.5	274.4	-14.9%	1 062.0	1 125.6	-5.6%	1 119.7	1 062.0	5.4%
EBITDA	25.5	10.1	153.8%	53.8	76.1	-29.3%	61.4	53.8	14.1%
margin	10.9%	3.7%	-	5.1%	6.8%	-	5.5%	5.1%	-
EBIT	21.6	6.6	225.6%	38.0	60.8	-37.4%	45.1	38.0	18.7%
Pre-tax profit	10.2	4.0	155.6%	43.5	48.9	-10.9%	50.3	43.5	15.6%
Net profit	8.0	2.2	260.1%	33.9	-11.6	-392.0%	39.3	33.9	16.1%

Strong Profit Despite Derivatives Losses

We expect Rafako to generate sales of PLN 233.5m in Q109, representing 21% of the full-year estimate (Q108: 23.3%, Q107: 15.7%, Q106: 15.5%). The gross margin will approximate 14.5% and other operating expenses will be low. As a result, the EBIT margin will come close to 9.25%. A PLN 12.7m loss on derivatives revaluation will bring net profit down to PLN 8.0m (net margin at 3.4%). Adjusted for the effects of changes in the EUR/PLN exchange rate, the gross margin figures to 8.56% (its average level estimated for 2009), the EBIT margin is 3.0%, and net profit decreases to PLN 6.4m (net margin at 2.85%). In the quarters ahead, the adjusted operating profit margin will increase to ca. 4.1% (on higher revenues).

Trakcja Polska

Construction | **Buy**

Analyst: Maciej Stokłosa

FY09E P/E	8.3	FY09E EV/EBITDA	6.2	**Current price**	**PLN 4.1**
FY10E P/E	8.3	FY10E EV/EBITDA	6.3	**Target price**	**PLN 6.0**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	111.9	114.8	-2.5%	1 007.8	794.6	26.8%	1 125.6	1 007.8	11.7%
EBITDA	0.4	9.1	-95.7%	95.7	60.9	57.1%	94.1	95.7	-1.7%
margin	0.4%	8.0%	-	9.5%	7.7%	-	8.4%	9.5%	-
EBIT	-2.6	7.1	-	83.6	53.0	57.6%	81.6	83.6	-2.4%
Pre-tax profit	1.0	7.1	-86.2%	98.0	68.0	44.1%	97.5	98.0	-0.5%
Net profit	0.6	5.7	-88.8%	79.4	54.7	45.2%	79.0	79.4	-0.5%

Earnings Under Pressure From Seasonal Factors and Derivatives

At an estimated PLN 111.9m, the first-quarter revenue of Trakcja Polska (TP) will account for 11.1% of the full-year forecast (Q108: 13.8%, Q107: 9.2%). The gross margin will contract to 3.1% as a result of revaluation losses on derivatives, which we estimate at PLN 25.3m, and which are charged against revenues. Unadjusted for EUR/PLN exchange rate effects, Q109 revenues would represent 12.1% of the full-year estimate (PLN 122.0m), and the gross margin would be 11.1%. We do not expect any major changes in SG&A expenses or one-time events. An operating loss of PLN 2.6m will be offset by interest income in an estimated amount of PLN 3.6m, making for a bottom-line profit of PLN 0.6m (unadjusted for EUR/PLN effects, profit figures to a net PLN 8.8m). Note that application of a EUR/PLN exchange rate of 4.7 to TP's contract fees gives upside potential to future profitability.

Ulma Construccion Hold

Construction

Analyst:	FY09E P/E	21.0	FY09E EV/EBITDA 5.0	**Current price**	**PLN 44.8**
Maciej Stokłosa	FY10E P/E	20.9	FY10E EV/EBITDA 4.7	**Target price**	**PLN 30.0**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	39.7	65.2	-39.1%	203.5	241.5	-15.8%	200.5	203.5	-1.5%
EBITDA	17.1	33.2	-48.3%	74.5	103.4	-27.9%	72.2	74.5	-3.1%
margin	43.2%	50.9%	-	36.6%	42.8%	-	36.0%	36.6%	-
EBIT	0.7	16.5	-95.7%	26.7	40.9	-34.8%	23.7	26.7	-11.1%
Pre-tax profit	-2.5	14.6	-	13.7	30.5	-54.9%	13.8	13.7	0.7%
Net profit	-2.1	12.0	-	11.2	25.9	-56.6%	11.3	11.2	0.6%

Forecast Uncertainty

As is the case with building companies, Ulma's first-quarter earnings were influenced by weather to a much larger extent than in two previous years. Revenues generated in Q109 will account for an estimated 19.5% of the full-year forecast (Q108: 27%, Q107: 22.1%, Q106: 16.0%). We do not expect any quarter-on-quarter growth in export sales. The comparability of Ulma's earnings is impacted by an increase in rental prices seen in previous years. Ulma's gross margins are not determined by the budget allocations of construction firms, but are shaped by operating expenses which are mostly fixed (as much as one-third of total cost of sales are depreciation expenses). We have no knowledge of any one-time events which might have occurred in the period. Our bottom-line estimate for Q109 is a loss of PLN 2m. Our profitability estimates are very sensitive to Ulma's sales performance. We predict that the company will be improving its earnings results in the coming quarters.

Unibep Buy

Construction

Analyst:	FY09E P/E	11.0	FY09E EV/EBITDA 7.2	**Current price**	**PLN 5.85**
Maciej Stokłosa	FY10E P/E	16.0	FY10E EV/EBITDA 11.0	**Target price**	**PLN 4.90**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	79.4	119.8	-33.7%	545.7	503.9	8.3%	523.8	545.7	-4.0%
EBITDA	4.6	7.9	-41.6%	28.1	33.4	-15.9%	18.3	28.1	-35.0%
margin	5.8%	6.6%	-	5.1%	6.6%	-	3.5%	5.1%	-
EBIT	3.5	7.4	-53.2%	23.6	31.8	-25.5%	13.8	23.6	-41.8%
Pre-tax profit	3.2	7.7	-58.7%	22.4	36.4	-38.4%	15.4	22.4	-31.2%
Net profit	2.6	6.3	-59.3%	18.1	27.6	-34.5%	12.4	18.1	-31.3%

Revenues Slump Due To Cold Temperatures

We predict that Unibep will generate sales of PLN 79.4m in the first quarter, representing 14.6% of the full-year estimate (Q108: 23.0%, Q107: 14.0%). Our revenue breakdown by business segment is as follows: domestic Building Construction: PLN 49.5m, Road Development: PLN 1.3m, Building Construction in Russia: PLN 18.5m, Production: PLN 3.5m, Real-Estate Development: PLN 6.6m. The weak top-line result of the Road-Development operations is an effect of seasonally cold temperatures. Our estimate of Unibep's Q109 gross margin is PLN 10.2%. We do not expect any major one-time events in the period, and predict that the quarter's net profit will approximate PLN 2.6m.

Real Estate Development

Residential Development

Dom Development Hold

Analyst: Maciej Stokłosa

FY09E P/E	7.4	FY09E EV/EBITDA	6.5	**Current price**	**PLN 32.0**
FY10E P/E	15.8	FY10E EV/EBITDA	22.9	**Target price**	**PLN 21.9**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	178.4	187.5	-4.9%	605.5	698.2	-13.3%	556.8	605.5	-8.1%
EBITDA	47.6	53.3	-10.6%	122.1	168.1	-27.4%	34.4	122.1	-71.8%
margin	26.7%	28.4%	-	20.2%	24.1%	-	6.2%	20.2%	-
EBIT	47.0	52.7	-10.9%	119.6	165.7	-27.8%	32.0	119.6	-73.3%
Pre-tax profit	48.9	56.5	-13.5%	131.5	173.0	-24.0%	61.5	131.5	-53.2%
Net profit	39.6	45.4	-12.8%	106.5	136.9	-22.2%	49.8	106.5	-53.2%

Strong Sales of "Old" Dwellings

Dom Development's first-quarter results were supported by completions of several residential developments in Warsaw. We assume that the company completed 60% of units in the "Olbrachta" project (PLN 119.0m revenue), all dwellings in the "Zawiszy" project (PLN 33.4m), about 20 units in the "Olimpia 2" project (PLN 8m), and 60 unit in the "Regaty 1" project (PLN 18m). We expect that the Q109 gross margin will reach PLN 37.4%, costs of sale will be the same as in Q408, and SG&A expenses will be 10% lower than in the preceding quarter. Other operating expenses will approximate PLN 0.5m. We did not take into account likely land-impairment charges for lack of data. Out first-quarter bottom-line estimate is PLN 39.6m. Dom Development reported that it had sold over 100 dwellings in Q109 (there is no data on cancellations).

Residential Development

J.W. Construction Buy

Analyst: Maciej Stokłosa

FY09E P/E	3.6	FY09E EV/EBITDA	5.2	**Current price**	**PLN 9.7**
FY10E P/E	4.4	FY10E EV/EBITDA	7.5	**Target price**	**PLN 10.3**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	226.4	119.6	89.3%	813.7	741.0	9.8%	792.4	813.7	-2.6%
EBITDA	60.4	32.8	83.9%	198.6	154.6	28.5%	137.9	198.6	-30.5%
margin	26.7%	27.5%	-	24.4%	20.9%	-	17.4%	24.4%	-
EBIT	55.5	27.6	101.1%	179.0	137.7	30.1%	117.9	179.0	-34.2%
Pre-tax profit	54.6	23.9	128.7%	182.7	122.8	48.7%	149.1	182.7	-18.4%
Net profit	44.2	19.1	131.6%	148.0	100.3	47.6%	120.8	148.0	-18.4%

Forecasting Uncertainty

JWC has not decided yet when it is going to recognize revenue (the choices are either upon home inspection and acceptance by the buyer, or on execution of the deed of sale). We included only those projects in our earnings estimations that were scheduled for completion in Q109 ("Osiedle Lazurowa," "Osada Wiślana," "Osiedle Leśne," "Victoria Park;" we assume that the company completed one half of the pre-sold units in these developments). We did not take into account projects which might have been completed late or early. Based on these assumptions, we estimate the Q109 gross margin at 31.0%. SG&A expenses are not likely to decline. We have no knowledge of one-time events which might have occurred in the period, and predict that other operating expenses will reach PLN 0.75m. JWC reported that it had sold 120 dwellings in Q109 (no data was provided on the scale of cancellations).

Residential Development

Polnord

Buy

Analyst: Maciej Stokłosa

FY09E P/E	6.2	FY09E EV/EBITDA	7.8	**Current price**	**PLN 33.5**
FY10E P/E	21.3	FY10E EV/EBITDA	52.0	**Target price**	**PLN 35.0**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenue	18.2	113.9	-84.0%	381.5	391.1	-2.5%	239.0	381.5	-37.4%
EBITDA	9.9	42.0	-76.3%	115.3	123.9	-6.9%	17.2	115.3	-85.1%
margin	54.6%	36.9%	-	30.2%	31.7%	-	7.2%	30.2%	-
EBIT	9.4	41.6	-77.3%	113.3	121.9	-7.1%	15.2	113.3	-86.6%
Pre-tax profit	5.0	40.8	-87.6%	120.3	115.8	3.9%	35.1	120.3	-70.8%
Net profit	4.0	31.2	-87.2%	97.5	90.5	7.8%	28.4	97.5	-70.8%

Heavy Impact of One-Offs

We predict that Polnord completed about 40 dwellings in Q109 (a number adjusted for the company's stakes in joint-venture projects), and generated a revenue of approximately PLN 18.2m. We expect that completions and revenues will increase in the following quarters. Q109 gross profit is estimated at PLN 7.7m, and the gross margin will reach 42.5% thanks to low-cost dwellings sold at high prices. SG&A expenses will be flat at Q408 level (PLN 11m), but will be boosted by a PLN 3.5m charge resulting from incentive-plan revisions. A revaluation of a land lot in Sopot reclassified as investment property yielded an additional operating profit of PLN 18m. We expect Polnord to recognize a PLN 3.1m exchange loss on a PLN 12m euro loan of subsidiary Fadesa Prokom. All told, first-quarter bottom line will show a PLN 4m profit, but it would have been a PLN 5.3m loss if it were not for one-offs. Polnord sold 78 dwellings in Q109 and recorded 23 cancellations on units in the "Ostoja" dwellings in Warsaw sold under the "10/90" payment scheme.

Retail

Emperia Holding Buy

Retail

Analyst:	FY09E P/E	8.1	FY09E EV/EBITDA	5.3	Current price	PLN 49.17
Kamil Kliszcz	FY10E P/E	7.3	FY10E EV/EBITDA	4.6	Target price	PLN 70.30

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenues	1 341.6	1 297.5	3.4%	5 668.9	5 263.1	7.7%	6 046.3	5 668.9	6.7%
EBITDA	23.5	39.1	-39.8%	194.2	152.3	27.5%	220.5	194.2	13.6%
margin	1.8%	3.0%	-	3.4%	2.9%	-	3.6%	3.4%	-
EBIT	3.6	26.9	-86.6%	128.8	94.9	35.7%	142.2	128.8	10.4%
Pre-tax profit	-1.6	23.7	-	113.6	79.1	43.7%	126.4	113.6	11.2%
Net profit	-1.3	18.0	-	92.0	60.1	53.2%	102.4	92.0	11.2%

Higher Costs, Lower Retail Margin

Emperia's Q1 2009 earnings may surprise on the downside. We expect higher depreciation charges (+PLN 7.8m y/y), higher costs at the recently-opened distribution centers (by PLN 5-6m), no other operating income (PLN 5.4m in Q1 2008) and pressure on the retail margin, all of which will lead to a dramatic y/y plunge in EBITDA. These weak earnings will be exacerbated by a further decline in wholesale revenues as semi-wholesale operations continue to be eliminated. Net income will be weighed down further by high finance expenses (over PLN 5m). All in all, Emperia may see a net loss in Q1'09, which will make it difficult to achieve the y/y improvement in earnings the Management has promised for FY2009.

Eurocash Accumulate

Retail

Analyst:	FY09E P/E	12.7	FY09E EV/EBITDA	6.8	Current price	PLN 10.25
Kamil Kliszcz	FY10E P/E	11.4	FY10E EV/EBITDA	6.1	Target price	PLN 9.90

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenues	1 484.5	1 226.5	21%	7 399.4	6 121.7	21%	7 877.6	7 399.4	6%
EBITDA	28.0	22.7	23%	186.2	158.4	18%	205.5	186.2	10%
margin	1.9%	1.8%	-	2.5%	2.6%	-	2.6%	2.5%	-
EBIT	15.5	13.3	17%	127.3	115.5	10%	142.1	127.3	12%
Pre-tax profit	13.5	12.1	11%	127.1	94.7	34%	145.1	127.1	14%
Net profit	10.9	9.1	20%	105.1	78.3	34%	117.2	105.1	11%

Steady Return On Growing Sales

Despite the economic crisis, Eurocash should as usual stand out in terms of its earnings from among its peers from the broadly-understood retail segment. We believe the source of these good earnings will be in the excellent cost management (which includes streamlining operations at McLane) combined with the rapid expansion of the Delikatesy Centrum franchise network. Increase in sales to the franchise network and the consolidation of McLane (which was acquired in Q2 2008) should enable the Company to sustain consolidated revenue growth of more than 20% y/y, despite the significant decline in volumes of tobacco products at KDWT (in Q4 2008, the decline was -22%). Cost optimization and the process whereby the 9 warehouses opened in 2008 attain average profitability will make a small improvement in EBITDA profitability possible. All in all, we expect operating profit plus D&A charges to amount to PLN 28m in Q1 2009, and net income to PLN 10.9m (we project a clear seasonal q/q drop in finance expenses), which entails an over 20% increase in earnings.

Others

Mondi

Hold

Paper

Analyst: Michał Marczak

FY09E P/E	20.2	FY09E EV/EBITDA	10.3	**Current price**	**PLN 52.9**
FY10E P/E	10.4	FY10E EV/EBITDA	6.1	**Target price**	**PLN 54.2**

(PLN m)	1Q2009F	1Q2008	change	2009F	2008	change	2010F	2009F	change
Revenues	322.9	380.5	-15.1%	1 594.6	1 406.3	13.4%	2 137.5	1 594.6	34.0%
EBITDA	67.0	94.7	-29.2%	320.7	305.5	5.0%	505.9	320.7	57.7%
margin	20.8%	24.9%	-	20.1%	21.7%	-	20.1%	21.7%	-
EBIT	38.7	67.3	-42.5%	182.8	194.7	-6.1%	331.9	182.8	81.6%
Pre-tax profit	21.6	73.7	-70.7%	157.4	174.7	-9.9%	302.9	157.4	92.5%
Net profit	17.6	59.5	-70.5%	130.7	141.2	-7.4%	254.6	130.7	94.7%

A Lot To Worry About

The market environment in Q1 2009 was not favorable. The average prices of kraftliner declined by 5% q/q, testliner, by 12% q/q and fluting by 15% q/q. Year-on-year, these declines were 11%, 26% and 33%, respectively. The Company was aided by the depreciation of the zloty vs. euro (-26% y/y), but due to hedges, this does not translate directly into the sales price (we assume that half of the sales are hedged against exchange rate fluctuations). The major difficulty in forecasting quarterly earnings lies in sales volumes. The sales of paper used to manufacture corrugated cardboard, which is what the Company makes, are closely correlated with the economic situation in Europe. Industrial production plunged by 15-20% in the countries in which the Company sells the most (Italy, Germany, UK). Our forecast assumes a 10% decline in sales volumes vs. Q4 2008, which may prove overly optimistic.

Schedule of Earnings Announcements

Company	Standalone Q1 2009 Results	Consolidated Q1 2009 results	Consolidated FY2008 Results
AB	15.05.09*	15.05.09*	28.01.09**
ACTION	15.06.09*	15.06.09*	07.11.08**
AGORA	14.05.09	14.05.09	10.04.09
ASBIS	06.05.09	06.05.09	30.03.09
BUDIMEX	05.05.09	05.05.09	31.03.09
BZ WBK	14.05.09	14.05.09	02.03.09
CIECH	13.05.09	13.05.09	30.04.09
CYFROWY POLSAT	12.05.09	12.05.09	26.03.09
DOM DEVELOPMENT	12.05.09	12.05.09	19.05.09
ELEKTROBUDOWA	15.05.09	15.05.09	24.03.09
EMPERIA	15.05.09	15.05.09	30.04.09
ERBUD	14.05.09	14.05.09	30.04.09
EUROCASH	15.05.09	15.05.09	27.04.09
HANDLOWY	06.05.09	06.05.09	19.03.09
ING BSK	13.05.09	13.05.09	27.02.09
J.W. CONSTRUCTION	14.05.09	14.05.09	30.04.09
KETY	29.04.09	29.04.09	09.04.09
KGHM	15.05.09	15.05.09	02.04.09
KOMPUTRONIK	15.05.09	15.05.09	10.06.09
KREDYT BANK	14.05.09	14.05.09	19.02.09
LOTOS	14.05.09	14.05.09	28.04.09
MILLENNIUM	08.05.09	08.05.09	27.02.09
MONDI	08.05.09	08.05.09	27.02.09
MOSTOSTAL WARSZAWA	15.05.09	15.05.09	31.08.09
NETIA	07.05.09	07.05.09	24.02.09
PBG	15.05.09	15.05.09	30.04.09
PEKAO	12.05.09	12.05.09	12.03.09
PGNiG	14.05.09	14.05.09	30.04.09
PKN ORLEN	14.05.09	14.05.09	30.04.09
PKO BP	07.05.09	07.05.09	09.04.09
POLICE	15.05.09	15.05.09	29.04.09
POLIMEX MOSTOSTAL	12.05.09	12.05.09	30.04.09
POLNORD	14.05.09	14.05.09	22.04.09
RAFAKO	14.05.09	14.05.09	31.03.09
TPSA	28.04.09	28.04.09	26.02.09
TRAKCJA POLSKA	14.05.09	14.05.09	30.04.09
TVN	14.05.09	14.05.09	20.02.09
ULMA	14.05.09	14.05.09	29.04.09
UNIBEP	13.05.09	13.05.09	30.04.09
WSiP	12.05.09	12.05.09	30.04.09
ZA PUŁAWY	30.04.09*	30.04.09*	02.09.08**

Source: Company schedules.
** Q3 of business year 2008/2009; ** business year 2007/2008*

Current Ratings by BRE Bank Securities

Company	Rating	Target Price	Rating Date
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	Hold	69.10	2009-04-02
BZWBK	Buy	101.80	2009-04-07
CIECH	Buy	30.20	2009-04-16
CYFROWY POLSAT	Buy	15.90	2009-03-26
DOM DEVELOPMENT	Hold	21.90	2009-03-25
ELEKTROBUDOWA	Buy	166.50	2009-03-09
EMPERIA HOLDING	Buy	70.30	2008-11-28
ERBUD	Buy	26.70	2009-03-25
EUROCASH	Accumulate	9.90	2009-02-03
HANDLOWY	Hold	36.90	2009-04-02
ING BSK	Buy	273.30	2009-03-05
J.W. CONSTRUCTION	Buy	10.30	2009-03-25
KĘTY	Buy	109.40	2008-08-04
KGHM	Accumulate	49.20	2009-04-02
KOMPUTRONIK	Accumulate	33.90	2008-12-02
KREDYT BANK	Sell	4.10	2009-03-05
LOTOS	Buy	26.70	2009-03-09
MILLENNIUM	Hold	1.70	2009-04-02
MONDI	Hold	54.20	2009-04-02
MOSTOSTAL WARSZAWA	Buy	63.60	2009-03-04
NETIA	Buy	3.80	2008-11-14
NOBLE BANK	Suspended		2009-01-29
PBG	Hold	195.60	2009-03-09
PEKAO	Buy	129.90	2009-03-05
PGNiG	Hold	3.56	2009-03-05
PKN ORLEN	Buy	40.20	2009-02-27
PKO BP	Buy	29.60	2009-03-05
POLICE	Hold	6.20	2009-03-16
POLIMEX MOSTOSTAL	Buy	3.60	2009-03-05
POLNORD	Buy	35.00	2009-03-25
RAFAKO	Accumulate	7.70	2009-04-08
TELEKOMUNIKACJA POLSKA	Hold	20.50	2009-01-06
TRAKCJA POLSKA	Buy	6.00	2009-03-17
TVN	Buy	11.90	2009-02-04
ULMA CONSTRUCCION POLSKA	Hold	30.00	2009-03-05
UNIBEP	Buy	4.90	2009-03-19
WSiP	Buy	18.90	2008-12-09
ZA PUŁAWY	Hold	65.50	2009-04-02

Ratings Issued During Past Month

Company	Rating	Target Price	Rating Date
BUDIMEX	Hold	69.10	2009-04-02
BZWBK	Buy	101.80	2009-04-07
CIECH	Buy	30.20	2009-04-16
CYFROWY POLSAT	Buy	15.90	2009-03-26
DOM DEVELOPMENT	Hold	21.90	2009-03-25
ERBUD	Buy	26.70	2009-03-25
HANDLOWY	Hold	36.90	2009-04-02
J.W. CONSTRUCTION	Buy	10.30	2009-03-25
KGHM	Accumulate	49.20	2009-04-02
MILLENNIUM	Hold	1.70	2009-04-02
MONDI	Hold	54.20	2009-04-02
POLNORD	Buy	35.00	2009-03-25
RAFAKO	Accumulate	7.70	2009-04-08
ZA PUŁAWY	Hold	65.50	2009-04-02

Ratings Statistics

	All					Issuers who are clients of BRE Bank Securities				
Statistics	Sell	Reduce	Hold	Accumulate	Buy	Sell	Reduce	Hold	Accumulate	Buy
count	1	0	13	5	22	0	0	1	1	8
pct. of total	2.4%	0.0%	31.7%	12.2%	53.7%	0.0%	0.0%	10.0%	10.0%	80.0%

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

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A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:
BUY – we expect that the rate of return from an investment will be at least 15%
ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from –5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
Recommendations are updated at least once every nine months.

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