



## Real Estate Developers Poland

<b>Current price</b>	<b>PLN 3.7</b>
<b>Target price</b>	<b>PLN 4.7</b>
Market cap	PLN 1.45bn
Free float	PLN 0.50bn
Avg daily trading volume (3M)	PLN 2.67m

### Shareholder Structure

Michał Sołowow	40.95%
ING OFE	10.47%
AVIVA OFE BZ WBK	8.73%
OFE PZU 'Złota Jesień'	5.10%
Free float	34.75%

### Sector Outlook

Poland is one of the most promising commercial real-estate markets in Europe, with demand for new spaces still exceeding supply in spite of a cooling economy. In SEE countries, falling consumption and limited foreign investor activity is negatively affecting prices of retail and office spaces.

### Company Profile

Echo Investment is a commercial and residential property developer since 1996. With an established presence in all major cities in Poland, the company is planning to expand into Romania, Hungary, and Ukraine.

# Echo Investment Buy

ECH PW; EPRS.WA

(Reiterated)

## Healthy Balance Sheet With Cheap Properties

We estimate the average capitalization rate across Echo Investment's portfolio at 8.3%, but this is a very conservative estimate given that the company has a nearly 100% occupancy rate in its finished properties, and that 85% of the portfolio's value is provided by prime properties. Last September, Echo sold the Park Postępu office complex at a yield under 6.5% for a price 21% higher than the property's book value as of 30 June (thanks to a strong euro, the profit in the sale exceeded the book value by 33%). Based on these numbers, we can conclude that the book value of Echo's portfolio of finished properties, which account for 55% of total assets, is understated. Land holdings and work in progress, which have potential to deliver attractive profits margins, make up 26% of total assets. We project that the projects scheduled for completion through 2013 will return average margins of 23% in case of commercial developments and 24% in case of residential developments. The margin projections remain valid even in the event of an economic slowdown, backed by the following facts: (1) expensively acquired land makes up a small fraction of the overall land bank, (2) according to recent data, construction costs have been on a decline, and (3) all of Echo's developments are located in the attractive Polish market. We set our nine-month price target on ECH at PLN 4.7 per share, suggesting 25% upside potential from the current market price.

### No financing issues

Echo's finished commercial properties span a combined floor area of 305,00 sqm, expected to expand by about 39% in the next two years. Even at this rate of expansion, the company is not likely to come up short funding-wise. The loan-to-value ratios for the finished projects average a safe 58%. Echo has at its disposal PLN 479m in unused credit lines, moreover, it generates steady cash flows from its operating activity. Finally, Echo has a number properties in the portfolio which it can easily sell at any time.

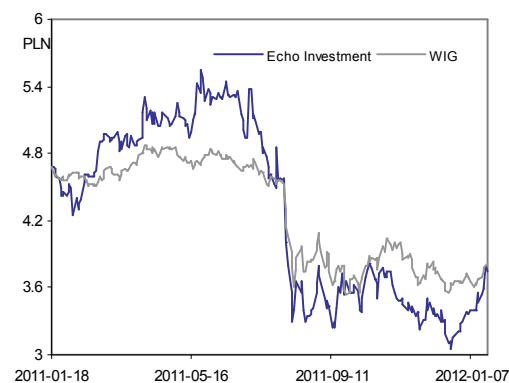
### Long-term prospects

Echo's main strength are the projects it is preparing for development after 2014. The company owns one of the largest banks of land properties zoned for office space in Warsaw (143,000 sqm), and it is planning to develop large shopping centers in Budapest, Hungary, and in the Polish cities of Katowice, Lublin, and Poznań. These plans span a combined 770 thousand square meters of commercial space, located mostly in Poland.

### Echo can deliver returns even in a slowdown

Our cap yield estimate for Echo's projects scheduled for completion by the end of 2014 is 8.4%. Even if the actual cap rate is 1ppt higher, our target price for the company's stock would exceed its market price by 8%.

### ECH vs. WIG



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(PLN m)	2009	2010	2011F	2012F	2013F
Revenue	431.4	426.4	405.1	563.2	595.7
EBIT ex revaluations	219.0	260.8	343.2	254.7	257.5
EBIT margin	50.8%	61.2%	84.7%	45.2%	43.2%
Property revaluations	-22.9	-92.1	241.0	141.6	-100.9
EBIT after revaluations	196.1	168.7	584.2	396.3	156.6
Net earnings	103.7	147.7	196.2	263.7	146.0
P/BV	0.91	0.84	0.75	0.67	0.63
P/E	15.2	10.7	8.0	6.0	10.8
P/CE	14.6	10.4	7.8	5.7	10.0
EV/EBITDA	12.2	14.1	4.1	6.0	14.5
DYield	0.0%	0.0%	0.0%	0.0%	0.0%

# Asset Valuation and Earnings Forecast

## Portfolio of Finished Commercial Property

### Latest commercial property deals confirm Echo's conservative approach to balance sheet management

Echo Investment's property portfolio decreased in Q3 2011 after the sale of the 'Park Postępu' office project for EUR 101.9m. 'Park Postępu's' book value was PLN 336.7m (EUR 84.5m translated at the exchange rate applicable on 30 June 2011), meaning that the company earned a premium of 21% on the property. Taking into account the euro's appreciation by about PLN 0.40 relative to the zloty since the end of June, the pre-tax gain from the transaction was a whopping PLN 110.7m, equivalent to 7.7% of Echo's market cap. The after-tax profit was not much lower thanks to Echo's organizational structure which is based on open-ended investment funds and limited joint-stock partnerships that benefit from favorable tax treatment.

The second major deal of the third quarter was the sale of a shopping center in Pabianice for EUR 23.8m (PLN 104.6m) which netted a profit of PLN 24.5m (1.7% of market cap). The sale price was 31% higher than the property's book value. If it had not been for the zloty's strengthening against the euro, the profit would have been lower at ca. PLN 15.0m (19% of book value).

Echo has a history of profitable real estate deals such as the sale of the 'Avatar' office building back in December 2011 which netted PLN 11m (ca. 10% of the building's book value), and which followed an even more lucrative sale of an office complex in September.

Successful property deals earned Echo a net profit of PLN 53.3m in 2010, expected to increase to PLN 149.3m in 2011. The profits that the company has been able to make on its investment properties are one indicator of its conservative approach to portfolio valuation. Another one is past financial performance. Even in the crisis year of 2009, Echo posted a net profit over PLN 100m. Thanks to its conservative accounting policy, Echo has not had to incur significant losses on property revaluations such as those suffered, for example by GTC.

### Cap rates

The carrying value of Echo's finished properties as of 30 September 2011 stood at PLN 661m. The capitalization rates for these properties, as reported in the company's financial statements for H1 2011, were in the range of 7.15%-9.75%. The Q3 2011 earnings report did not include information about cap rates, but there are no indications of a major increase occurring in the period. Third-quarter property revaluation gains amounted to PLN 163.7m, and the effects of the euro's appreciation against the zloty are estimated at over PLN 200m. In addition, Echo recognized a high gain, estimated at ca. PLN 50m, arising on completion of extensions in its shopping center in Kielce. Based on these developments, we reckon the company recognized an impairment charge of ca. PLN 90m reflecting an **increase in cap rates by some 0.3ppt**. In our view, the higher cap rates observed in Q3 2011 were not a result of deteriorated property values as much as a consequence of concerns over the Polish economy's outlook in 2012. Echo performs cap rate adjustments to account for the future outlook once a year, in the third quarter.

Echo does not report average cap rates for its portfolio of finished properties. The 7.15%-9.75% range used for valuation purposes after the first half of the year seems conservative. Moreover, as mentioned above, cap rates rose in Q3 2011. According to our estimates, the implied average capitalization rate for Echo's finished property portfolio (calculated as a ratio of current NOI at 100% occupancy to current book value) is currently 9.2%, which is much given that about 70% of the portfolio's value is provided by three premium retail properties (shopping centers in Kielce, Szczecin, and Wrocław).

Why are Echo's cap rates so high? Firstly, the finished property portfolio includes shopping centers completed over 10 years ago. Some of these establishments are in need of renovation, hence their book values are adjusted for **renovation provisions**. Echo also sets aside allowances for potential work that may require considerable capital expenditure for its newer properties. Secondly, any **vacancies** in the finished establishments are valued at zero. Assuming that the renovation allowances for the older shopping centers represent about 25% of their value, and the provisions set aside for the newer properties account for 5% of their value, these provisions figure to a combined total of nearly **EUR 60m**. As for the vacancies, there are a few in Echo's office developments in Poznań and Szczecin and in the shopping center in Kielce. We estimate that their inclusion in valuation would add about **EUR 15m** to the value of Echo's portfolio. Summing up, after the adjustments discussed above, the current

book value of Echo's investment properties (EUR 660.8m) increases to EUR 736m. The following table presents a list of these properties and our calculations regarding their values not including renovation provisions and vacancies.

### Finished properties

Property	Location	GLA (sqm)	Rent (EUR/sqm)			Cap Rate			Estimated value (EUR m)		
			Q3 11F	12F	13F	Q3 11F	12F	13F	Q3 11F	12F	13F
<b>Shopping centers</b>											
Galeria Echo	Pabianice	13 500	11.5	-	-	11.0%	-	-	16.9	-	-
Galeria Echo	Jelenia Góra	19 000	10.0	10.2	10.4	11.0%	11.0%	11.0%	20.7	21.1	21.6
Galeria Echo	Piotrków	17 400	10.0	10.2	10.4	11.0%	11.0%	11.0%	19.0	19.4	19.7
Galeria Echo	Przemysł	4 900	8.5	8.7	8.8	11.0%	11.0%	11.0%	4.5	4.6	4.7
Galeria Echo	Radom	19 500	10.0	10.2	10.4	11.0%	11.0%	11.0%	21.3	21.7	22.1
Galeria Echo	Tarnów	20 200	10.0	10.2	10.4	11.0%	11.0%	11.0%	22.0	22.5	22.9
Galeria Echo	Kielce	70 500	17.5	17.9	18.2	7.8%	7.8%	7.8%	188.9	193.6	197.5
Galaxy	Szczecin	41 700	23.0	23.5	23.9	7.8%	7.8%	7.8%	147.6	150.5	153.5
Pasaż Grunwaldzki	Wrocław	48 700	22.5	23.0	23.4	7.5%	7.5%	7.5%	176.5	180.0	183.6
<b>Offices</b>											
Babka Tower	Warsaw	6 200	13.0	13.3	13.5	8.0%	8.0%	8.0%	12.1	12.3	12.6
Postępu 3	Warsaw	10 200	13.0	13.3	13.5	8.0%	8.0%	8.0%	19.9	20.3	20.7
Malta I	Poznań	6 700	13.5	13.8	14.0	8.5%	8.5%	8.5%	12.8	13.0	13.3
Malta II	Poznań	15 190	14.0	14.3	14.6	8.5%	8.5%	8.5%	29.7	30.5	31.2
Oxygen	Szczecin	14 100	14.0	14.3	14.6	9.0%	9.0%	9.0%	25.8	26.7	27.4
Astra Park*	Kielce	10 921	12.0	12.2	12.5	9.0%	9.0%	9.0%	17.5	17.8	18.2
<b>Total</b>		<b>318 711</b>							<b>735.1</b>	<b>734.1</b>	<b>749.1</b>

Source: BRE Bank Securities; \*only part of the spaces are rented to external tenants

The table highlights the following points:

- Echo's capitalization rates range from 7.45% to 11.0%, and the **average cap rate applied to the entire portfolio is 8.3%**. The cap rates observed in the market are much lower, as evidenced by recent deals which showed that prime retail properties (such as *Magnolia Park* in Wrocław and *Galeria Mokotów* in Warsaw) can sell at cap rates below 6.5%. Offices in prime Warsaw locations sell at similar cap rates of ca. 6.5-6.75% (*Park Postępu*, *Platinum Business Park*), compared to small shopping centers in mid-sized cities (e.g. *Galeria Echo Pabianice* or the retail parks sold in 2011 by Rank Progress) which have cap rates of 8-8.5%.

We compared our cap rate estimates for Echo's commercial portfolio with current market rates, and found considerable variations. If we applied market cap rates to Echo's portfolio, the portfolio's average cap rate would decrease from 8.3% to 7.2%, resulting in an upward value adjustment by **EUR 113m** (ca. 35% of the company's market cap). In other words, according to our estimates, Echo Investment's finished commercial properties are worth about **17%** more than their book values. These estimates are backed by Echo's 2011 divestments, including *Park Postępu* which was sold at a price 20.6% over book value, and *CH Pabianice* whose price included an 18.5% premium. Summing up, even in a slow real estate market, Echo's investment portfolio will not be prone to major downward revisions.

**Book value and market value estimates for Echo's properties (EUR m)**

Property	Location	Estimated cap rate recognized on balance sheet	Estimated book value	Market cap rate	Market value	Cap rate gap	Value gap
Galeria Echo	Pabianice	11.0%	16.9	8.5%	21.9	2.5%	5.0
Galeria Echo	Jelenia Góra	11.0%	20.7	8.5%	26.8	2.5%	6.1
Galeria Echo	Piotrków	11.0%	19.0	8.5%	24.6	2.5%	5.6
Galeria Echo	Przemyśl	11.0%	4.5	8.5%	5.9	2.5%	1.3
Galeria Echo	Radom	11.0%	21.3	8.5%	27.5	2.5%	6.3
Galeria Echo	Tarnów	11.0%	22.0	8.5%	28.5	2.5%	6.5
Galeria Echo	Kielce	7.8%	188.9	6.8%	216.6	1.0%	27.8
Galaxy	Szczecin	7.8%	147.6	6.8%	169.3	1.0%	21.7
Pasaż Grunwaldzki	Wrocław	7.5%	176.5	6.8%	193.4	0.6%	16.9
Babka Tower	Warsaw	8.0%	12.1	7.0%	13.8	1.0%	1.7
Postępu 3	Warsaw	8.0%	19.9	7.0%	22.7	1.0%	2.8
Malta I	Poznań	8.5%	12.8	7.5%	14.5	1.0%	1.7
Malta II	Poznań	8.5%	29.7	7.5%	33.7	1.0%	4.0
Oxygen	Szczecin	9.0%	25.8	8.0%	29.0	1.0%	3.2
Astra Park*	Kielce	9.0%	17.5	8.0%	19.7	1.0%	2.2
<b>Total</b>			<b>735.1</b>		<b>847.9</b>		<b>112.7</b>

Source: BRE Bank Securities

- Note that our estimates regarding the allowances that Echo sets aside for property renovations, which we put at EUR 60m (ca. PLN 260m), may be higher than the actual charges.
- Moreover, Echo's policy of assigning zero value to commercial real estate vacancies is very conservative. We believe an approach closer to market reality would be to value these vacancies at minimum rent achievable in each location. With this approach, the discount resulting from vacancies would not be EUR 15m as estimated today, but would fall in the range of EUR 2.5-4m.
- We must mention that there have been downward revisions in the estimated rental rates applied at some of Echo's properties since our last report. We assume that the current rates will be maintained going forward, although there is a possibility that in some cases (particularly the smaller shopping centers) tenants will be able to negotiate even lower rent. Regardless, rental rates are subject to annual upward adjustments by 2%.

**Revised investment property valuation variables**

We revised our expectations with respect to future capitalization rates which, contrary to what we were thinking in April, may not decrease after all because of economic turmoil. However, even if cap rates increase amid a deteriorating economy, Echo's conservative accounting policy shields its portfolio from major value losses. Echo did not book considerable changes in the values of its investment properties in 2010 (except as a result of changes in EUR/PLN exchange rates). The increase in cap rates recognized in Q3 2011 already factors in an expected real-estate slowdown. Further, the cap rates applied by Echo are much higher than the market rates. Moreover, demand for investment properties remains high in Poland, which is considered one of the most attractive markets in Europe even during economic downturn. Finally, most of Echo's properties have 100% occupancy rates (there are some vacancies in the youngest developments). To sum up, according to our calculations, capitalization rates will not change in the next two years.

**Planned Commercial Projects****Delays**

All of Echo's real estate projects scheduled for completion in 2011 were finished on time. The company has considerably scaled down its 2012 and 2013 development plans, reducing the planned floor area by 50% and 45% respectively. The gross leasable area planned to be developed in 2014 has been kept more or less intact at ca. 300 thousand square meters.

**Echo's real estate development plan (sqm of living area or gross leasable area)**

	up to 2010	2011E	2012F	2013F	2014F	2015F	2016F	2011-2016
Residential*	195 100	13 700	28 700	26 800	45 900	36 700	32 300	184 100
Offices	191 700	6 500	15 700	18 400	103 900	75 000	101 500	321 000
Hotels	81 300			7 300				7 300
Shopping centers	295 600	45 000	51 800	64 100	160 300	165 100		486 300
<b>Total **</b>	<b>763 700</b>	<b>65 200</b>	<b>96 200</b>	<b>116 600</b>	<b>310 100</b>	<b>276 800</b>	<b>133 800</b>	<b>998 700</b>

Source: Echo Investment; \* not including land properties held for sale; \*\* After adding the next stages of projects in Poznań Naramowice and Kiev, and mall extensions, the total area is 1.2 million square meters

The reasons why Echo had to restrain its 2012 building plans included delayed building permits and, in some cases, probably also concerns over the market outlook. The projects delayed due to protracted permit procedures are listed in the table below (the data is based on Echo's expectations announced in March and December 2011). The longest delays pertain to housing projects, which account for a small portion of Echo's portfolio (residential properties accounted for 3% of the gross profit generated in the nine months to September 2011, but this ratio is expected to increase over 10% in the future). However, most of the commercial projects have also been affected by red tape which, in the worst-case scenario, may prove one of the main reasons why Echo may not be able to fulfill earnings projections.

**Delayed building permits**

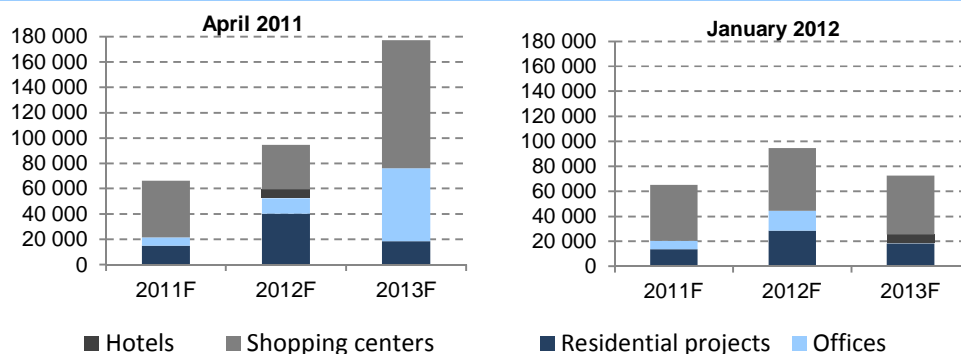
Project	Permit	2011 March	2011 December	Delay
<b>Shopping centers</b>				
Galeria Olimpia	Building Permit	Q1 2011	03.2011	-
Outlet Park I	Building Permit	Q2 2011	05.2011	-
CHR Veneda	Building Permit	Q1 2011	07.2011	+2Q
Pasaż Grunwaldzki	Building Permit	Q2 2011	09.2011	+1Q
Galeria Amber	Building Permit	Q3 2011	06.2011	-1Q
Mundo I	Building Permit	Q4 2011	Q3 2012	+3Q
CH – Kościuszki	Zoning Permit	Q1 2012	Q3 2012	+2Q
CHR Metropolis	Zoning Permit	Q1 2011	Q1 2011	-
<b>Offices</b>				
Aquarius I	Building Permit	Q1 2011	05.2011	+1Q
Opolska I	Building Permit	Q2 2011	Q1 2012	+3Q
Konstruktorska I	Planning Permit	Q4 2011	Q4 2011	-
Beethovena I	Zoning Permit	Q3 2011	Q1 2012	+2Q
Tryton	Zoning Permit	Q1 2011	Q4 2011	+3Q
<b>Residential</b>				
Okopowa I	Building Permit	Q1 2011	Q2 2011	+1Q
Pod Klonami II	Building Permit	Q2 2011	Q4 2011	+2Q
Grota Roweckiego I	Building Permit	Q3 2011	Q2 2012	+3Q
Korzeniowskiego	Planning Permit	Q1 2011	Q1 2012	+4Q
Bronowicka	Building Permit	Q3 2011	Q4 2011	+1Q
Wodna I	Building Permit	Q2 2011	Q4 2011	+2Q
Tyniecka/Czarodziejska	Planning Permit	Q1 2011	Q1 2012	+4Q
Princess	Building Permit	Q3 2011	Q2 2012	+3Q
Konstruktorska I	Zoning Permit	Q2 2011	Q4 2011	+2Q

Source: Echo Investment, BRE Bank Securities

To account for the delays, we reduced by 59% our forecast of the amount of residential and commercial spaces to be completed 2013. The two delayed projects that have the biggest influence on Echo's valuation are 'Mundo' in Budapest, 'Tryton' in Gdańsk, 'Opolska I' in Krakow, and 'Konstruktorska I' in Warsaw.

Our expectations as to 2012 completions remain intact and in line with Echo's own investment program. All the projects are progressing as scheduled, and the risk of delays is small.

### Changes in our expectations regarding Echo's development plans (sqm GLA)



Source: BRE Bank Securities

We believe our estimates of Echo's development schedule will prove accurate. We want to point out the following:

- Our 2013 completion forecast is 38% lower than Echo's,
- Echo has secured building permits for all of the planned commercial projects factored in our forecasts (construction work is underway in Bełchatów, Łomża, Szczecin, and Wrocław (the 'Aquarius' project), and the general contractor has been selected for the project in Kalisz),
- Our financial forecasts for 2013 do not include margins on projects expected to be completed in 2014 (but they do include CAPEX projections for these projects).

#### Margins should remain high

Back in April 2011, we estimated the average margin on Echo's portfolio of commercial properties at 27%. To account for the company's conservative valuation policy, this time, we decided to assume higher-than-market yields in our own valuation model, and we slightly reduced our rental rate estimates. The revisions made to the estimated budgets of selected projects produced an **average margin estimate of 23%**, lower than we had forecasted earlier.

#### Commercial projects scheduled for completion in 2012-2013, part 1

Project	Location	GLA (sqm)	Rent (EUR/sqm)			Cap Rate			Estimated value (EUR m)		
			11F	12F	13F	11F	12F	13F	11F	12F	13F
<b>Shopping centers</b>											
Galeria Olimpia	Bełchatów	20 700	-	13.6	13.8	-	9.5%	9.5%	-	35.3	36.1
Outlet Park I	Szczecin	14 300	-	14.8	15.1	-	10.0%	10.0%	-	25.3	25.9
CHR Veneda	Łomża	15 200	-	15.3	15.6	-	9.5%	9.5%	-	29.2	30.0
Pasaż Grunw. II	Wrocław	12 900	-	-	18.8	-	-	7.5%	-	-	39.1
Galeria Amber	Kalisz	34 100	-	-	16.1	-	-	9.5%	-	-	68.8
<b>Office projects</b>											
Malta III	Poznań	6 530	13.5	13.8	14.0	8.5%	8.5%	8.5%	11.8	12.4	12.8
Aquarius I	Wrocław	15 700	-	14.3	14.6	-	8.5%	8.5%	-	31.0	32.0
<b>Total</b>		<b>119 430</b>							<b>11.8</b>	<b>133.2</b>	<b>244.6</b>

Source: BRE Bank Securities

Echo hired general contractors for its shopping center projects in Bełchatów, Szczecin, Łomża, and Kalisz at prices which proved between 10% and 27% lower than we had anticipated in April. The contractor who will build the shell of the 'Aquarius' office building in Wrocław asked to be paid PLN 1200 per square meter of gross leasable area, much less than the costs of PLN 1600-1900 per sqm incurred on earlier projects completed three years ago: Park Postępu, Malta II, and Oxygen.

**Commercial projects scheduled for completion in 2012-2013 (PLN m\*), part 2**

Project	Location	Start	Finish	GLA (sqm)	CAPEX	Value	Profit	Margin
<b>Shopping centers</b>								
Galeria Olimpia	Belchatów	04.2011	08.2012	20 700	101.3	141.0	39.7	28%
Outlet Park I	Szczecin	Q3 2011	Q4 2012	14 300	70.0	101.0	31.0	31%
CHR Veneda	Łomża	Q3 2011	11.2012	15 200	93.4	116.9	23.5	20%
Pasaż Grunw. II	Wrocław	Q3 2012	Q4 2013	12 900	119.1	156.4	37.3	24%
Galeria Amber	Kalisz	Q2 2012	Q4 2013	34 100	227.3	275.1	47.8	17%
<b>Office projects</b>								
Malta III	Poznań	10.2010	12.2011	6 530	37.8	47.3	9.5	20%
Aquarius I	Wrocław	05.2011	10.2012	15 700	94.5	124.1	29.6	24%
<b>Total</b>				<b>119 430</b>	<b>743.3</b>	<b>961.8</b>	<b>218.5</b>	<b>23%</b>

Source: BRE Bank Securities; \*EUR/PLN=4

To address the potential impact of project delays on Echo's future profits from residential properties, we adjusted the expected completion dates of two Krakow-based projects, 'Tyniecka' and 'Czarodziejska,' by moving them to 2014. Residential margin projections are difficult in Echo's case because the company does not have any multi-stage housing projects in its portfolio that would facilitate cost and price forecasts based on historical data pertaining to the earlier stages. Moreover, Echo's residential projects are diversified in terms of the living standards they offer. For these reasons, Echo's quarterly margin results are extremely volatile, as seen in 2011 when the residential margin surged to 53% in Q2 (we had anticipated 27%), only to plummet to 1.7% in Q3. We consider this unexpected and rapid shrinkage to be a one-time event. In 2012, Echo faces slower sales and weaker margins, and these prospects are factored in our 2011-2013 earnings projections.

**Residential projects scheduled for completion in 2011-2013**

Project	Location	Start	Finish	Living area (sqm)	Units	CAPEX (PLN/sqm)	Value (PLN/sqm)	Profit (PLN m)	Margin (%)
Klimt House	Warsaw	H1 2008	Q2 2011	5 100	61	8 655	11 000	12.0	21%
Kasztanowa Aleja I	Poznań	03.2010	11.2011	8 600	141	5 116	6 700	13.6	24%
Dom Pod Słowikiem	Kraków	09.2010	Q2 2012	5 200	85	4 804	7 200	12.5	33%
Przy Słowiańskim Wzgórz	Wrocław	H1 2010	04.2012	14 200	208	4 661	6 700	28.9	30%
Pod Klonami I	Poznań	05.2010	Q3 2012	9 300	145	4 153	5 200	9.7	20%
Okopowa I	Łódź	Q4 2011	04.2013	7 400	120	4 085	4 800	5.3	15%
Pod Klonami II	Poznań	Q2 2012	Q4 2013	4 500	35	3 551	4 500	4.3	21%
Grota Roweckiego I	Wrocław	Q2 2012	Q4 2013	6 267	99	5 086	6 000	5.7	15%
<b>Suma</b>				<b>60 567</b>	<b>894</b>			<b>92.0</b>	
Rezydencje Leśne	Warsaw	Q4 2010	Q2 2012	52 900	32	608	849	12.7	28%
Osiedle Południowe I	Dyminy	Q4 2010	Q4 2011	60 700	69	126	159	2.0	21%
Osiedle Południowe II	Dyminy	Q2 2012	Q2 2013	49 700	56	129	159	1.5	19%
Osiedle Południowe III	Dyminy	Q3 2013	Q3 2014	49 700	57	131	159	1.4	17%
<b>Suma</b>				<b>213 000</b>	<b>214</b>			<b>17.5</b>	

Source: BRE Bank Securities

**Financing capacity**

We do not see any major risks that could affect Echo's ability to finance its planned investment properties. As of 30 September 2011, the company's LTV ratio, calculated as a ratio of the value of euro loans taken out to refinance finished investment properties to the book value of finished properties, stood at 58%. Echo has unused credit lines at its disposal, and it can easily raise enough amounts of funds by refinancing existing properties. Last September, the company was granted a loan for development of the 'Outlet Park' project in Szczecin at 75% LTV. In December, it took out two more facilities for development of the 'Galeria Olimpia' and 'CHR Veneda' projects at lower LTV ratios, probably around 50%. If it had not been for the unused credit, the possibility of raising LTV ratios for existing properties would be limited.

As of 30 September 2011, Echo's unused credit lines amounted to **PLN 479m**. We assume the company will secure approximately **PLN 400m** by the end of 2013 in bank financing (with LTV at 40%) for the upcoming projects scheduled for completion by the end of 2013. For projects

set for construction after 2013, we assume 0% LTV. In addition to credit lines, Echo has **PLN 100m** in cash earned on the sale of 'Galeria Echo' in Q4 2011. We estimate the company's operating cash flow after financing costs through 2013 at **PLN 220m**. Finally, future investment projects can be funded from cash on hand which stood at **PLN 661m** as of 30 September 2011.

Combined, all these funding sources tally up to PLN 1860m, which is about PLN 150m more than our CAPEX estimate for Echo through 2013, meaning that the company should have no problem funding the development projects currently in its pipeline. Note that we adopted a conservative approach to our financing estimates, combined with a more aggressive approach to CAPEX estimates:

- Our assumed LTV ratio for Echo's development schedule is 40% → most developers today are able to secure bank financing at 50-70% LTV,
- The estimated LTV ratios for finished properties were increased to include only the unused credit lines,
- Our financing projections do not factor in potential future property sales even though sales of such developments as 'Malta Office Park' and 'Oxygen' are a potential source of extra cash,
- We assume more aggressive growth for Echo after 2013 → more than 80% of the expected 2013 capital expenditure pertains to projects scheduled for completion in later years (335,000 sqm in 2014-2015); if the actual CAPEX proves lower than we are anticipating, Echo's financing needs will be proportionally smaller.
- We assume Echo will spend PLN 150m on new land lots in 2012 and 2013 even though it is able to grow at robust rates based on the currently existing land bank,
- Echo has a EUR 1 billion bond program in place, and it had issued PLN 810m-worth of bonds under the program by the end of Q3 2011.

### Valuation of investment properties

(PLN m)	Q4 2011F	2012F	2013F
<b>Value at beginning of period</b>	<b>3 807.9</b>	<b>3 939.2</b>	<b>4 609.4</b>
CAPEX (designs and construction)	78.6	478.6	858.9
CAPEX (land)	141.7	50.0	100.0
Property sale/purchase	-104.6	0.0	0.0
Value adjustments	15.7	141.6	-100.9
<b>Value at end of period</b>	<b>3 939.2</b>	<b>4 609.4</b>	<b>5 467.5</b>

Source: BRE Bank Securities

## Valuation

We used two methods to estimate Echo's value: the Net Asset Value approach (with a 70% weight) and relative valuation. The two methods yielded a per-share price target of PLN 4.7, suggesting 25% upside potential warranting a buy rating.

### Valuation Summary (PLN)

	Valuation
NAV Method	4.9
Relative Valuation	3.2
Value per share	4.3
9M cost of equity	8.1%
<b>9-month target price</b>	<b>4.7</b>

Source: BRE Bank Securities

### Valuation Based on Net Asset Value

The NAV-based approach to Echo Investment's valuation uses projected 2013 net asset value discounted to the present, and it gave us a per-share value of PLN 4.9 (and a 9M target of PLN 5.2 per share). ECH is currently trading at 25% discount to 2011E NAV which, in our view, does not reflect the actual value of the company's finished properties, or the potential lying in the ongoing and planned real-estate projects.

### Valuation Assumptions

- We excluded the following projects from the 2011-2013 investment program: 'Galeria Arena' in Słupsk, 'Aquarius II' in Wrocław, 'Solidarności' in Kielce, 'Korzeniowski' and 'Bronowicka' in Krakow, and 'Szajnochy' in Warsaw.
- Assumed margin averages are 23% for commercial developments and 24% for residential developments.
- We assume rental rates will be increasing in 2012 and 2013.
- Cap rates are expected to remain steady at current levels in 2012 and 2013.
- Assumed end-of-year EUR/PLN exchange rates are 4.30 in 2012 and 4.00 in 2013.

### NAV Valuation Model

(PLN m)	2011F	2012F	2013F
Investment properties	3 939	4 609	5 467
Financial investments	104	104	0
Inventory	474	401	445
Cash	486	300	99
Other assets	233	234	234
<b>Total assets</b>	<b>5 237</b>	<b>5 648</b>	<b>6 246</b>
Debt	3 146	3 293	3 745
<b>NAV</b>	<b>2 091</b>	<b>2 355</b>	<b>2 501</b>
Discount rate	10.8%	10.8%	10.8%
Discount factor	100.0%	90.3%	81.5%
<b>Discounted NAV</b>	<b>2 091</b>	<b>2 125</b>	<b>2 037</b>
Number of shares (millions)	420.0	420.0	420.0
Discounted NAV per share (PLN)	5.0	5.1	4.9
<b>Cost of equity</b>	<b>10.8%</b>	<b>10.8%</b>	<b>10.8%</b>
Risk-free rate	5.8%	5.8%	5.8%
Credit risk premium	5.0%	5.0%	5.0%
Beta	1.0	1.0	1.0

Source: BRE Bank Securities

Our conservative cap rate estimate for Echo's projects scheduled for completion by the end of 2013 is 8.4%. Assuming a more realistic cap rate of 7.4%, closer to today's market averages, the per-share 2013E NAV discounted to the present figures to PLN 5.9. Even assuming there is an economic recession and the cap rates rise 1ppt to 9.4%, the per-share value provided by the NAV approach is PLN 4.0 (with the 9M target at PLN 4.3 per share).

### Analysis of valuation sensitivity to cap rate variations

Portfolio cap rate	7.4%	7.9%	8.4%	8.9%	9.4%
2013E NAV (PLN m)	3 035	2 751	2 501	2 279	2 080
Discounted NAVPS (PLN)	5.9	5.3	<b>4.9</b>	4.4	4.0
Change (%)	21%	10%	0%	-9%	-17%

Source: BRE Bank Securities

## Relative Valuation

Echo Investment is trading at fully deserved premiums ranging from 15% to 21% compared other listed developers. Our price target on Echo implies an estimated 2011 price-to-book ratio of 0.94, while the target-implied multiple for GTC is 0.51. Echo's advantages over GTC include:

- A more lucrative property development program,
- A more conservative approach to valuation of investment properties,
- A lower portfolio LTV and better financing capacity,
- A focus on the attractive Polish market.

There are only three companies comparable to Echo with 2011 price-to-book ratios higher than 0.94. The assets of these companies consist largely of prime shopping centers. Deutsche Euroshop and Unibail Rodamco have vacancy rates no higher than 2%, and they have low leverage (38% LTV in case of Unibail Rodamco and 47% LTV in case of Deutsche Euroshop). Steady income, low SG&A and debt costs, and a secure financial standing, are what mandates a valuation premium. Similarly to its international peers, Echo has an LTV ratio of 54%, and the vacancy rate for its finished properties is about 2%. At the same time, because of its scale, the company incurs much higher costs. For example, in H1 2011, the ratio of SG&A to revenue in case of Unibail Rodamco amounted to 5.5%, while at Deutsche Euroshop, which is not currently developing any investment properties, it was only 3%. Echo has an SG&A/sales ratio of about 17% which, however, will be decreasing in the coming years as the company completes new projects.

Summing up, compared to the most expensive of its peers, Echo Investment has a good-quality portfolio of investment properties which will help offset high general expenses in the future. Unlike other developers, Echo can increase the value of its existing property portfolio. At an LTV ratio of 54%, Echo retains a secure financial standing, and the leverage has a positive effect on its value thanks to an undervalued portfolio.

Average cap rates applied to the commercial properties of Unibail-Rodamco and Deutsche Euroshop are 5.5% and 5.8%, respectively, leaving little room for portfolio value maximization through cap rate compression. We estimate the average capitalization rate across Echo Investment's portfolio at 8.4%. For valuation purposes, we made the conservative assumption that Polish cap rates will not decrease in 2012 and 2013 due to a cooling economy, but if they should decline after all Echo will be one of the main beneficiaries of this in a growing economy.

**Relative Valuation Model**

	2011F P/BV	2012F P/BV	2013F P/BV
GTC	0.51	0.50	0.47
BBI Development	0.67	0.67	0.66
P.A. Nova*	0.73	0.63	0.54
<b>Median</b>	<b>0.67</b>	<b>0.63</b>	<b>0.54</b>
<b>Weight</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>
Atrium European Real Estate	0.56	0.54	0.52
CA Immobilien Anlagen	0.38	0.38	0.38
Conwert Immobilien Invest SE	0.54	0.50	0.48
Deutsche Euroshop AG	1.05	1.02	1.01
Immofinanz AG	0.41	0.43	0.42
IVG Immobilien AG	0.28	0.30	0.30
Klepierre	1.04	1.05	1.01
Segro	0.62	0.66	0.63
Unibail Rodamco SE	1.14	1.07	0.99
Sparkassen Immobilien AG	0.58	0.53	0.51
<b>Median</b>	<b>0.57</b>	<b>0.54</b>	<b>0.52</b>
<b>Weight</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>
<b>Median</b>	<b>0.62</b>	<b>0.58</b>	<b>0.53</b>
<b>Echo Investment</b>	0.75	0.67	0.63
Premium	21.3%	15.0%	19.9%
<b>Implied value</b>			
Median	0.62	0.58	0.53
Year weight	33%	33%	33%
BVPS	5.0	5.6	6.0
<b>Value per share (PLN)</b>	<b>3.2</b>		

Source: BRE Bank Securities, Bloomberg; \* Adjusted P/BV

## Income Statement

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
<b>Revenue</b>	<b>373.7</b>	<b>438.2</b>	<b>431.4</b>	<b>426.4</b>	<b>405.1</b>	<b>563.2</b>	<b>595.7</b>
<i>change %</i>	12.1%	17.2%	-1.5%	-1.2%	-5.0%	39.0%	5.8%
incl. space rentals	333.8	249.1	306.5	319.5	355.2	366.5	394.2
incl. housing sales	32.0	174.7	113.4	82.9	40.8	196.7	156.2
incl. hotels and other	7.9	14.4	11.5	24.0	0.0	0.0	0.0
COGS	-185.9	-177.8	-167.7	-167.9	-151.7	-242.9	-264.7
<b>Gross profit</b>	<b>187.8</b>	<b>260.4</b>	<b>263.7</b>	<b>258.5</b>	<b>253.4</b>	<b>320.3</b>	<b>331.0</b>
<i>gross profit margin</i>	50.3%	59.4%	61.1%	60.6%	62.5%	56.9%	55.6%
Gross profit: space rentals	171.3	170.1	225.5	228.8	239.4	268.6	288.2
<i>gross profit margin</i>	51.3%	68.3%	73.6%	71.6%	67.4%	73.3%	73.1%
Gross profit: housing sales	12.4	86.1	34.6	18.9	10.5	51.7	35.5
<i>gross profit margin</i>	38.8%	49.3%	30.5%	22.8%	25.7%	26.3%	22.7%
Selling expenses	-21.5	-21.3	-18.0	-22.1	-23.5	-27.0	-31.1
G&A expenses	-49.0	-48.3	-37.2	-40.3	-45.0	-48.6	-52.4
Other net operating income/expenses	14.8	22.8	10.6	11.5	9.0	10.0	10.0
	29.6	-0.1	0.0	53.3	149.3	0.0	0.0
<b>EBIT ex. revaluation</b>	<b>161.8</b>	<b>213.5</b>	<b>219.0</b>	<b>260.8</b>	<b>343.2</b>	<b>254.7</b>	<b>257.5</b>
Investment property valuation							
Proceeds from property sales	250.3	458.1	-22.9	-92.1	241.0	141.6	-100.9
<b>EBIT</b>	<b>412.1</b>	<b>671.7</b>	<b>196.1</b>	<b>168.7</b>	<b>584.2</b>	<b>396.3</b>	<b>156.6</b>
<i>change %</i>	8.2%	63.0%	-70.8%	-14.0%	246.3%	-32.2%	-60.5%
<i>EBIT margin</i>	110.3%	153.3%	45.5%	39.6%	144.2%	70.4%	26.3%
Financial income/expenses	-12.2	-526.3	-66.5	-31.5	-353.7	-70.7	23.6
Subsidiary revaluations	-0.1	0.0	0.0	0.2	-0.7	0.0	0.0
<b>Pre-tax profit</b>	<b>399.8</b>	<b>145.4</b>	<b>129.6</b>	<b>137.3</b>	<b>229.9</b>	<b>325.6</b>	<b>180.2</b>
Tax	-75.4	-41.2	-25.9	10.3	-33.7	-61.9	-34.2
Minority interests	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
<b>Net profit</b>	<b>324.4</b>	<b>104.2</b>	<b>103.7</b>	<b>147.7</b>	<b>196.2</b>	<b>263.7</b>	<b>146.0</b>
<i>change %</i>	16.2%	-67.9%	-0.5%	42.5%	32.8%	34.4%	-44.7%
<i>margin</i>	86.8%	23.8%	24.0%	34.6%	48.4%	46.8%	24.5%
D&A expenses	5.7	4.8	4.4	4.0	5.1	11.4	11.5
<b>EBITDA</b>	<b>417.8</b>	<b>676.5</b>	<b>200.5</b>	<b>172.7</b>	<b>589.3</b>	<b>407.7</b>	<b>168.1</b>
<i>change %</i>	8.2%	61.9%	-70.4%	-13.9%	241.2%	-30.8%	-58.8%
<i>EBITDA margin</i>	111.8%	154.4%	46.5%	40.5%	145.5%	72.4%	28.2%
Shares at year-end (millions)	420.0	420.0	420.0	420.0	420.0	420.0	420.0
EPS	0.77	0.25	0.25	0.35	0.47	0.63	0.35
CEPS	0.79	0.26	0.26	0.36	0.48	0.66	0.37
ROAE	23.9%	6.6%	6.1%	8.2%	9.9%	11.9%	6.0%
ROAA	10.5%	2.7%	2.4%	3.4%	4.0%	4.8%	2.5%

## Balance Sheet

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
<b>ASSETS</b>	<b>3 442.8</b>	<b>4 198.0</b>	<b>4 270.9</b>	<b>4 491.0</b>	<b>5 236.9</b>	<b>5 647.9</b>	<b>6 245.6</b>
<b>Fixed assets</b>	<b>2 460.6</b>	<b>3 281.4</b>	<b>3 548.3</b>	<b>3 538.8</b>	<b>4 146.1</b>	<b>4 816.6</b>	<b>5 570.7</b>
Property, plant and equipment	20.0	19.9	18.6	25.0	56.7	57.0	57.4
Investment properties	2404.4	3192.6	3485.7	3497.1	3939.2	4609.4	5467.5
Investments in associates	11.0	24.1	0.3	0.0	104.3	104.3	0.0
Deferred tax assets	24.7	42.5	42.5	15.4	44.2	44.2	44.2
Other	0.6	2.4	1.1	1.3	1.7	1.7	1.7
<b>Current assets</b>	<b>982.2</b>	<b>916.5</b>	<b>722.7</b>	<b>952.2</b>	<b>1 090.8</b>	<b>831.3</b>	<b>674.9</b>
Inventories	492.1	486.7	420.5	474.6	474.1	400.9	444.7
Trade debtors and other	16.4	56.7	96.4	52.5	88.7	88.7	88.7
Loans	26.8	0.6	0.1	1.0	0.4	0.4	0.4
Derivative instruments	6.7	0.4	1.6	0.8	0.0	0.0	0.0
Cash and cash equivalents	394.0	321.8	169.1	379.3	486.0	299.7	99.5
Other	46.2	50.4	35.0	43.9	41.6	41.6	41.6
<b>(PLN m)</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011F</b>	<b>2012F</b>	<b>2013F</b>
<b>EQUITY AND LIABILITIES</b>	<b>3 442.8</b>	<b>4 198.0</b>	<b>4 270.9</b>	<b>4 491.0</b>	<b>5 236.9</b>	<b>5 647.9</b>	<b>6 245.6</b>
<b>Equity</b>	<b>1 519.1</b>	<b>1 640.6</b>	<b>1 733.7</b>	<b>1 875.6</b>	<b>2 091.2</b>	<b>2 354.9</b>	<b>2 500.9</b>
Minority interests	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
<b>Long-term liabilities</b>	<b>1 545.7</b>	<b>2 129.2</b>	<b>2 049.7</b>	<b>2 105.1</b>	<b>2 632.3</b>	<b>2 779.5</b>	<b>3 231.3</b>
Loans	1 230.6	1 589.2	1 664.1	1 746.2	2 226.3	2 346.6	2 817.5
Derivative instruments	0.0	174.1	2.7	10.3	11.9	11.9	11.9
Deferred tax allowance	232.8	275.5	287.8	239.9	286.1	313.0	293.8
Other	82.3	90.4	95.1	108.8	108.0	108.0	108.0
<b>Current liabilities</b>	<b>378.0</b>	<b>428.2</b>	<b>487.5</b>	<b>510.3</b>	<b>513.4</b>	<b>513.4</b>	<b>513.4</b>
Loans	30.3	125.0	176.8	325.2	303.3	303.3	303.3
Derivative instruments	0.0	65.8	164.0	8.6	34.2	34.2	34.2
Trade creditors	116.1	98.9	65.9	102.6	82.1	82.1	82.1
Advances received	192.1	111.4	54.6	21.3	58.6	58.6	58.6
Other	39.5	27.0	26.3	52.7	35.2	35.2	35.2
Debt	1 260.9	1 714.2	1 840.9	2 071.4	2 529.6	2 650.0	3 120.8
Net debt	866.8	1 392.4	1 671.8	1 692.1	2 043.6	2 350.3	3 021.3
(Net debt / Equity)	57.1%	84.9%	96.4%	90.2%	97.7%	99.8%	120.8%
(Net debt / EBITDA)	2.1	2.1	8.3	9.8	3.5	5.8	18.0
BVPS	3.6	3.9	4.1	4.5	5.0	5.6	6.0

## Cash Flows

(PLN m)	2007	2008	2009	2010	2011F	2012F	2013F
<b>Cash flows from operating activities</b>	<b>49.5</b>	<b>33.7</b>	<b>185.0</b>	<b>99.9</b>	<b>190.8</b>	<b>314.6</b>	<b>177.1</b>
Net profit	324.4	104.2	103.7	147.6	196.2	263.7	146.0
D&A expenses	5.7	4.8	4.4	4.0	5.1	11.4	11.5
Working capital	-53.1	-75.6	-9.5	-29.9	-1.3	73.2	-43.8
Investment property valuation	-271.6	-225.1	6.2	-67.2	-333.6	-141.6	100.9
Other	44.2	225.3	80.3	45.3	324.5	107.9	-37.4
<b>Cash flows from investing activities</b>	<b>-172.3</b>	<b>-320.9</b>	<b>-393.4</b>	<b>-42.4</b>	<b>-242.0</b>	<b>-540.3</b>	<b>-866.4</b>
Fixed asset divestment (purchases)	-80.4	-272.9	-3.4	-10.5	-36.9	-11.7	-11.8
Sales of investment properties	45.6	0.0	0.0	248.4	613.8	0.0	0.0
Property purchases	-128.9	-53.4	-358.4	-184.0	-717.9	-528.6	-958.9
Other	-8.6	5.4	-31.6	-96.2	-101.0	0.0	104.3
<b>Cash flows from financing activities</b>	<b>225.9</b>	<b>191.6</b>	<b>63.3</b>	<b>158.5</b>	<b>138.5</b>	<b>39.4</b>	<b>489.1</b>
Stock issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt	297.9	280.7	148.7	269.3	271.2	166.0	601.3
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest paid	-71.5	-89.7	-91.1	-110.5	-130.2	-126.6	-112.1
Other	-0.5	0.6	5.7	-0.2	-2.5	0.0	0.0
<b>F/X differences</b>	<b>-6.1</b>	<b>23.3</b>	<b>-7.6</b>	<b>-5.8</b>	<b>19.4</b>	<b>0.0</b>	<b>0.0</b>
<b>Change in cash</b>	<b>97.0</b>	<b>-72.3</b>	<b>-152.7</b>	<b>210.2</b>	<b>106.7</b>	<b>-186.3</b>	<b>-200.2</b>
Cash at period-end	394.0	321.8	169.1	379.3	486.0	299.7	99.5
DPS (PLN)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF	-76.3	44.8	-169.0	125.4	108.3	-212.5	-757.0
(CAPEX / Sales)	56.0%	74.5%	83.9%	45.6%	186.3%	95.9%	163.0%

## Market multiples

	2007	2008	2009	2010	2011F	2012F	2013F
P/E	4.9	15.1	15.2	10.7	8.0	6.0	10.8
P/CE	4.8	14.4	14.6	10.4	7.8	5.7	10.0
P/BV	1.04	0.96	0.91	0.84	0.75	0.67	0.63
P/S	4.2	3.6	3.7	3.7	3.9	2.8	2.6
FCF/EV	-3.1%	1.8%	-6.9%	5.1%	4.4%	-8.7%	-31.0%
EV/EBITDA	5.8	3.6	12.2	14.1	4.1	6.0	14.5
EV/EBIT	5.9	3.6	12.4	14.5	4.2	6.2	15.6
EV/S	6.5	5.6	5.7	5.7	6.0	4.3	4.1
DYield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Price (PLN)</b>	<b>3.75</b>						
Shares at year-end (millions)	420.0	420.0	420.0	420.0	420.0	420.0	420.0
MC (PLN m)	1575.0	1575.0	1575.0	1575.0	1575.0	1575.0	1575.0
Equity attributable to minority shareholders (PLN m)	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
EV (PLN m)	2 441.9	2 967.4	3 246.7	3 267.0	3 618.5	3 925.2	4 596.3



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**List of abbreviations and ratios contained in the report:**

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

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

<b>Rating</b>	Buy
<b>Date issued</b>	2012-01-23
<b>Price on rating day</b>	3.75
<b>WIG on rating day</b>	39518.87