2 June 2010

Update

BRE Bank Securities

Real Estate Developers

Poland

Polnord

Buy

PND.PW; PNOR.WA

(Reiterated)

Current price	**PLN 37.7**
Target price	**PLN 51.6**
Market cap	PLN 0.83bn
Free float	PLN 0.34bn
Avg daily trading volume (3M)	PLN 3.87m

Shareholder Structure

Prokom Investments	33.69%
Osiedle Wilanowska	11.65%
Templeton Asset Management	13.93%
Others	40.73%

Sector outlook

We are optimistic about the prospects for housing developers. We consider them a safer investment than construction companies and we believe they have greater upside potential than the biggest commercial developers. We are fairly neutral on commercial property development, which we consider defensive at the moment.

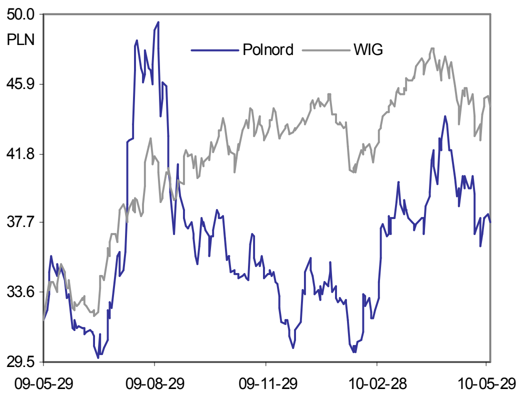
Company Profile

Polnord is a real estate developer active in the residential and commercial segments in Warsaw and elsewhere in Poland, as well as in Russia. It is the biggest landowner among all the real-estate developers (with most of its land located in the Warsaw borough of Wilanów).

Important dates

31.08 - consolidated H1 2010 report
15.11 - Q3 2010 report

Polnord vs. WIG



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

The Potential Is There

Compared to its competitors, Polnord has a bigger land bank as well as considerable debt, which means that it is not able to use its potential as quickly as some of them. Still, the Company is cheap relative to the value of its (rather interesting) assets, and is pursuing its investment program in a consistent manner. The signing of an agreement with GTC was an expected development. Among factors that could surprise on the upside in the near future we note the possibility that Polnord will get partial compensation for land earmarked for roads, and the opportunity to improve home sales as its offer in this area broadens. Compensation for land earmarked for roads will be almost directly reflected in net income, and it will considerably reduce debt and the EV/EBITDA ratio. In our opinion, investors should pay little attention to the conversion price of convertible bonds (PLN 40), as at the time of their issue the Company's liquidity and earnings potential appeared to be less attractive (Polnord had insufficient funds to launch some projects). Earnings for Q1 2010 were slightly below our expectations due to the higher-than-expected general expenses, which we have now factored into our forecasts. We consider Polnord more attractive than Dom Development or J.W. Construction. We are reiterating a buy rating with a price target of PLN 51.6 (vs. PLN 52.6 previously).

Agreement with GTC

Polnord signed a number of agreements with GTC concerning the construction of a shopping mall in Warsaw's district of Wilanów. This development is in line with our expectations. We reiterate the opinion that the project is Polnord's best and potentially most profitable investment. We expect construction to be launched in 2011, and revaluation gains should start being recognized then as well.

Possible Sale of Land Earmarked for Roads

Polnord owns 223k square meters of land in Wilanów, which will be used for roads. Some of the land has already been transferred to the City of Warsaw. At the moment, the Company is awaiting compensation from the City, expecting ca. PLN 70m on this account in 2010. We believe this is a realistic expectation, and we have factored it into our DCF model. On the other hand, we do not know how the payment of the compensation will be split between individual years. From the point of view of financial earnings, it can be considered a one-time event. We have not factored it into our financial forecasts. Let us point out, however, that the payment would considerably improve Polnord's liquidity.

(PLN m)	2008	2009	2010F	2011F	2012F
Revenue	391.1	221.3	414.2	311.0	419.1
EBITDA	108.7	106.9	60.4	100.1	142.1
EBITDA margin	*27.8%*	*48.3%*	*14.6%*	*32.2%*	*33.9%*
EBIT	106.7	104.9	58.5	98.2	140.2
Net income	77.8	63.6	34.3	67.9	108.2
P/E	8.8	13.1	24.3	12.3	8.8
P/CE	8.6	12.7	23.1	11.9	8.6
P/BV	0.7	0.7	0.7	0.7	0.6
EV/EBITDA	11.7	14.1	20.9	14.8	8.4
DYield	0.0%	0.0%	0.0%	0.0%	0.0%

First-Quarter Results

Polnord's earnings for Q1 2010 were slightly below expectations at the operating level. The Company generated a lower operating margin in the residential segment and on services, as well as higher general expenses. We are not worried about the below-expectations gross margins, which we attribute to sales of homes from older projects built at a high cost. The higher-than-expected SG&A expenses, however, prompted us to revise our forecasts for costs. When comparing these earnings to our projections, it should be noted that Polnord did not recognize the sale of the Asseco building in revenues and COGS, as we expected, but in a separate item below gross profit ("gain on the sale of assets"). Previously, the Company had included gains on asset divestment (e.g. sale of land zoned for a school) in revenues.

Reported vs. forecasted Q1 2010 results

(PLN m)	Q1 2010	Q1 2010F	Q1 2010F adjusted	Difference	Q1 2009	Change
Sales revenue	42.5	115.8	38.0	11.8%	22.5	89.0%
Gross profit	7.1	34.5	8.3	-14.4%	7.0	2.2%
Pct. margin	*16.8%*	*29.8%*	*21.9%*	-	*31.1%*	-
Gains on property revaluations	0.0	2.0	2.0	-99.3%	21.9	-99.9%
Gain on property sale	25.9	0.0	26.2	-1.3%	0.0	-
EBIT	17.8	23.8	23.8	-25.2%	16.6	7.0%
Pct. margin	*41.9%*	*20.5%*	*62.5%*	-	*74.0%*	-
Pre-tax income	19.7	24.7	24.7	-20.2%	12.1	63.3%
Pct. margin	*46.3%*	*21.3%*	*64.9%*	-	*53.6%*	-
Net income	15.3	20.0	20.0	-23.7%	11.9	28.1%
Pct. margin	*35.9%*	*17.3%*	*52.6%*	-	*53.0%*	-

Source: Polnord, BRE Bank Securities

The comments below apply to earnings adjusted for presentation of the gain on the sale of the Asseco building. After the adjustment, revenue is slightly higher than we expected, and the gross margin, lower. The latter development stems from a discrepancy in the margin on some of the homes transferred to buyers and we do not believe it poses a significant risk for our forecasts. SG&A expenses amounted to PLN 14.7m (we expected PLN 12.5m), and this discrepancy vis-à-vis our forecast prompted us to revise our SG&A projections for 2010 and the following years.

The gain on the sale of the Asseco building was PLN 25.7m (vs. PLN 26.2m forecasted), with other operating expenses at PLN 0.5m (vs. PLN 0.25m forecasted). Polnord recognized no gains on the revaluation of investment properties (we expected +PLN 2m here). Other net finance income amounted to PLN 1.9m (vs. PLN 0.9m forecasted), and the effective tax rate was 22.4%. All told, the bottom line was PLN 15.3m, i.e. PLN 4.7m below our forecast.

Valuation Summary

We have valued the Polnord stock using the DCF model and relative valuation. Our target price is PLN 51.6 per share which is 37.7% higher than the current price, prompting a buy rating.

Valuation summary

	Per share	Weight
DCF Analysis	46.7	90%
Relative valuation	58.4	10%
Average	47.9	
Cost of equity (9M)	7.8%	
Target Price	**51.6**	

Source: Polnord, BRE Bank Securities

Relative Valuation

We assign a weight of just 10% to relative valuation because of limited comparability. The financial crisis delayed the building cycles of most developers. Some, like J.W. Construction, have many home deliveries scheduled for 2010, and can therefore look forward to strong earnings and low price multiples. Others, like Polnord, are selling the last of their housing stocks this year. Dom Development will report a surge in core profits in 2011, and JWC and Polnord will also grow earnings thanks to revaluations of new commercial projects. EV/EBITDA multiples are also incomparable - Polnord's building schedule (including a shopping center in Warsaw) will keep its cash resources low until 2013.

Limited comparability also pertains to P/BV ratios. In this case, Polnord has the lowest multiple, thanks inter alia to land revaluations in 2009 (PLN 81.8m) and goodwill (PLN 140m). Also, Polnord's P/BV ratio does not factor in land zoned for roads, whose value we estimate at ca. PLN 167.3m (book value = 0). In turn, JWC has high P/BV multiples stemming from a large housing stock (ca. 3.3 thousand units). The high P/BV ratio of Dom Development stems from surplus liquidity which makes it capable of launching multiple new projects.

Relative valuation

	2010F P/BV	2011F P/BV	2012F P/BV	2010F P/E	2011F P/E	2012F P/E	2010F EV/EBITDA	2011F EV/EBITDA	2012F EV/EBITDA
Dom Development	1.65	1.53	1.40	47.5	15.2	10.3	34.0	12.0	7.2
J.W. Construction	1.59	1.34	1.15	6.1	8.8	7.8	6.6	10.3	7.2
Median	1.62	1.44	1.28	26.8	12.0	9.0	20.3	11.2	7.2
Polnord	**0.72**	**0.68**	**0.65**	**24.3**	**12.3**	**8.8**	**20.9**	**14.8**	**8.4**
Premium (discount)	-55.7%	-52.8%	-49.1%	-9.2%	2.5%	-3.2%	3.1%	32.5%	17.8%
Multiple weight	15.0%	15.0%	15.0%	0.0%	10.0%	20.0%	0.0%	10.0%	15.0%
Price	12.8	12.0	11.1	0.0	3.7	7.8	0.0	5.1	6.1

Source: BRE Bank Securities

DCF valuation

DCF model assumptions:

- Home prices are lower than market prices and depend on location and stage of construction.
- Building costs increase by 7% in H2 2010 and by 3% in subsequent years.
- Home prices grow at a rate of 3% a year starting in 2012.
- Risk-free rate = 5.8% (10Y T-bond yield).
- Commercial projects will be sold in the year they are completed.
- Working-capital ratios are the same for all developers in 2015 and beyond.
- LTV for investment work in progress and housing projects in progress is less than 60%.
- Conservative assumptions with respect to the shopping-center project developed jointly with GTC (rent assumed to be 20% lower than in the existing "Galeria Mokotów" shopping center, building costs = EUR 2200/sqm, GTC and Polnord have 50% stakes each in the profit margins).
- The valuation takes into account Polnord's investment land in Sopot and Dopiewiec in their pre-revaluation values.
- The valuation odes not factor in Polnord's land holdings zoned for roads with zero book values. Proceeds from their sales are a potential value-enhancing factor.

DCF Valuation Model

(PLN m)	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2019+
Sales revenue	**414.2**	**311.0**	**419.1**	**735.0**	**768.1**	**801.9**	**835.5**	**867.3**	**897.7**	**929.1**	
Change	*87.2%*	*-24.9%*	*34.8%*	*75.4%*	*4.5%*	*4.4%*	*4.2%*	*3.8%*	*3.5%*	*3.5%*	
EBITDA	**60.4**	**100.1**	**142.1**	**107.1**	**111.8**	**116.6**	**121.4**	**126.0**	**130.3**	**134.8**	
EBITDA margin	*14.6%*	*32.2%*	*33.9%*	*14.6%*	*14.6%*	*14.5%*	*14.5%*	*14.5%*	*14.5%*	*14.5%*	
D&A expenses	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	
EBIT	**58.5**	**98.2**	**140.2**	**105.2**	**109.9**	**114.7**	**119.6**	**124.1**	**128.4**	**132.9**	
EBIT margin	*14.1%*	*31.6%*	*33.5%*	*14.3%*	*14.3%*	*14.3%*	*14.3%*	*14.3%*	*14.3%*	*14.3%*	
Tax rate on EBIT	11.1	18.7	26.6	20.0	20.9	21.8	22.7	23.6	24.4	25.3	
NOPLAT	**47.4**	**79.5**	**113.6**	**85.2**	**89.0**	**92.9**	**96.8**	**100.5**	**104.0**	**107.7**	
CAPEX	-9.4	-98.2	-98.8	504.4	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	
Working capital	239.6	-72.2	363.2	-21.3	106.2	67.7	-24.1	-22.9	-22.6	-22.0	
Other	-21.2	-102.8	-97.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCF	**258.2**	**-191.8**	**282.0**	**570.2**	**195.3**	**160.6**	**72.7**	**77.6**	**81.4**	**85.7**	**88.3**
WACC	*9.2%*	*8.4%*	*9.9%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.6%*	
discount factor	*95.0%*	*87.6%*	*79.7%*	*72.0%*	*64.9%*	*58.6%*	*52.9%*	*47.7%*	*43.1%*	*39.0%*	
PV FCF	245.3	-168.0	224.9	410.4	126.8	94.1	38.5	37.1	35.1	33.4	

WACC	***9.2%***	***8.4%***	***9.9%***	***10.8%***	***10.8%***	***10.8%***	***10.8%***	***10.8%***	***10.8%***	***10.6%***
Cost of debt	*7.6%*	*7.6%*	*7.6%*	*7.6%*	*7.6%*	*7.6%*	*7.6%*	*7.6%*	*7.6%*	*7.4%*
Risk-free rate	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.6%*
Credit risk premium	*1.8%*	*1.8%*	*1.8%*	*1.8%*	*1.8%*	*1.8%*	*1.8%*	*1.8%*	*1.8%*	*1.8%*
Effective tax rate	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*
Net debt / EV	*34%*	*51%*	*20%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Cost of equity	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.6%*
Risk premium	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

FCF growth after the forecast horizon	*3.0%*
Terminal value	1 161.4
Present value of the terminal value (PV TV)	452.5
Present value of FCF in the forecast horizon	1 077.4
Enterprise value (EV)	1 529.9
Net debt	670.3
Investment land and land zoned for roads **	216.3
Discounted debt-to-equity conversion income	97.4
Equity value	1 173.2
Number of shares (millions)**	25.1
Equity value per share (PLN)	46.7
Cost of equity (9M)	8.0%
Target Price	**50.4**

Sensitivity analysis

FCF growth in perpetuity

	2.0%	**2.5%**	**3.0%**	**3.5%**	**4.0%**
WACC -1.0pp	48.2	49.3	50.6	52.1	53.9
WACC -0.5pp	48.0	49.2	50.5	52.0	53.7
WACC	47.9	49.1	**50.4**	51.9	53.6
WACC +0.5pp	47.8	49.0	50.3	51.8	53.5
WACC +1.0pp	47.7	48.9	50.2	51.6	53.3

EV/EBITDA('09) for the target price	11.0
P/E('09) for the target price	18.4
TV to EV	30%

** adjusted for an expected 2012 dilution as a result of bond conversion; ** PLN 167.3m in road-development land, PLN 49m in pre-revaluation land lots in Sopot and Dopiewiec*

Income Statement

(PLN m)	2006	2007	2008	2009	2010F	2011F	2012F
Sales revenue	**59.5**	**131.5**	**391.1**	**221.3**	**414.2**	**311.0**	**419.1**
Change	*-83.7%*	*121.2%*	*197.4%*	*-43.4%*	*87.2%*	*-24.9%*	*34.8%*
COGS	45.4	93.2	223.7	178.0	321.9	259.8	319.0
Gross profit	14.0	38.3	167.3	43.3	92.3	51.2	100.1
gross margin	*23.6%*	*29.1%*	*42.8%*	*19.6%*	*22.3%*	*16.5%*	*23.9%*
Selling costs	0.0	-0.4	-7.7	-3.6	-9.0	-9.2	-9.5
General and administrative expenses	-4.4	-36.0	-52.1	-52.9	-45.0	-45.9	-47.3
Other net operating income	-6.3	29.5	-0.9	118.1	20.2	102.1	96.9
EBIT	**3.3**	**31.4**	**106.7**	**104.9**	**58.5**	**98.2**	**140.2**
Change	*-103.9%*	*839.8%*	*239.8%*	*-1.7%*	*-44.2%*	*67.8%*	*42.8%*
EBIT margin	*5.6%*	*23.9%*	*27.3%*	*47.4%*	*14.1%*	*31.6%*	*33.5%*
Profit/loss on financial activity	-8.9	2.3	-6.5	-18.9	-16.2	-14.4	-6.6
Extraordinary gains/losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross profit	**-5.6**	**33.6**	**100.2**	**86.0**	**42.3**	**83.8**	**133.6**
Tax	12.8	-5.6	-20.9	-21.3	-8.0	-15.9	-25.4
Profit (loss) on discontinued operations	-43.4	70.8	-1.4	-1.0	0.0	0.0	0.0
Net income	**-36.3**	**98.8**	**77.8**	**63.6**	**34.3**	**67.9**	**108.2**
Change	-	*-372.0%*	*-21.2%*	*-18.2%*	*-46.2%*	*98.3%*	*59.4%*
Margin	*12.2%*	*75.1%*	*19.9%*	*28.8%*	*8.3%*	*21.8%*	*25.8%*
D&A expenses	2.5	1.6	2.0	2.0	1.9	1.9	1.9
EBITDA	**5.8**	**33.0**	**108.7**	**106.9**	**60.4**	**100.1**	**142.1**
Change	*-107.1%*	*468.9%*	*229.0%*	*-1.6%*	*-43.5%*	*65.7%*	*42.0%*
EBITDA margin	*9.8%*	*25.1%*	*27.8%*	*48.3%*	*14.6%*	*32.2%*	*33.9%*
Shares at year-end (millions)	7.0	14.1	18.1	22.1	22.1	22.1	25.1
EPS	1.0	7.0	4.3	2.9	1.5	3.1	4.3
CEPS	1.4	7.1	4.4	3.0	1.6	3.2	4.4
ROAE	*37.2%*	*22.1%*	*8.9%*	*6.2%*	*3.0%*	*5.7%*	*8.1%*
ROAA	*1.9%*	*11.0%*	*5.1%*	*3.3%*	*1.8%*	*3.3%*	*4.8%*

Balance Sheet

(PLN m)	2006	2007	2008	2009	2010F	2011F	2012F
ASSETS	**540.7**	**1 252.9**	**1 807.8**	**2 022.5**	**1 871.9**	**2 189.5**	**2 305.1**
Fixed assets	**201.0**	**223.4**	**298.3**	**478.0**	**510.8**	**724.2**	**933.7**
Intangible assets	0.1	0.2	0.4	0.3	0.3	0.3	0.3
Goodwill	117.8	146.4	140.0	140.0	140.0	140.0	140.0
Property, plant and equipment	34.9	16.4	17.7	16.8	16.8	16.8	16.8
Long-term investments	12.4	31.7	115.5	293.4	322.1	521.3	716.1
Other	35.9	28.7	24.8	27.6	31.6	45.8	60.6
Current assets	**339.7**	**1 029.5**	**1 509.5**	**1 544.5**	**1 361.1**	**1 465.4**	**1 371.4**
Inventories	147.4	884.8	1 343.7	1 300.6	1 104.9	1 156.7	789.2
Receivables	137.5	85.4	69.4	63.3	39.7	29.8	45.9
Short-term prepayments	0.9	1.7	12.9	15.4	15.4	15.4	0.0
Cash and cash equivalents	54.0	32.7	31.2	59.1	95.1	157.5	430.3
Other	0.0	25.0	52.3	106.0	106.0	106.0	106.0

(PLN m)	2006	2007	2008	2009	2010F	2011F	2012F
LIABILITIES	**540.7**	**1 252.9**	**1 807.8**	**2 022.5**	**1 871.9**	**2 189.5**	**2 305.1**
Equity	**86.2**	**807.6**	**937.5**	**1 126.7**	**1 160.9**	**1 228.9**	**1 457.6**
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term liabilities	**78.1**	**208.5**	**509.9**	**449.1**	**569.6**	**849.6**	**729.1**
Loans, financial leases	55.7	176.9	486.7	403.9	524.4	804.4	683.9
Reserves	22.4	31.7	23.2	45.2	45.2	45.2	45.2
Short-term liabilities	**376.4**	**236.8**	**360.5**	**446.7**	**141.4**	**111.1**	**118.5**
Loans and other debt	165.4	144.0	130.9	325.6	0.0	0.0	0.0
Trade creditors	164.1	76.9	196.1	81.2	101.4	71.2	83.0
Other	46.9	15.9	33.5	40.0	40.0	40.0	35.5
Debt	221.1	320.9	617.6	729.5	524.4	804.4	683.9
Net debt	167.1	288.2	586.4	670.3	429.3	646.9	253.6
(Net debt / Equity)	*194.0%*	*35.7%*	*62.6%*	*59.5%*	*37.0%*	*52.6%*	*17.4%*
(Net debt / EBITDA)	28.8	8.7	5.4	6.3	7.1	6.5	1.8
BVPS	12.3	57.2	51.8	51.0	52.5	55.6	58.0

Cash Flows

(PLN m)	2006	2007	2008	2009	2010F	2011F	2012F
Cash flows from operating activities	**-87.4**	**-182.8**	**-252.5**	**-86.4**	**266.7**	**-105.0**	**378.2**
Net income	-36.3	98.8	77.8	63.6	34.3	67.9	108.2
D&A expenses	2.5	1.6	2.0	2.0	1.9	1.9	1.9
Working capital	-17.4	-174.1	-323.4	-66.2	239.6	-72.2	363.2
Other	-36.1	-109.1	-8.9	-85.9	-9.0	-102.7	-95.1
Cash flows from investing activities	**9.3**	**-19.4**	**-35.2**	**-37.6**	**-9.4**	**-98.2**	**-98.8**
CAPEX	2.3	-2.5	-3.3	-0.3	-9.4	-98.2	-98.8
Equity investments	7.4	-12.4	3.2	-8.8	0.0	0.0	0.0
Other	-0.4	-4.5	-35.2	-28.4	0.0	0.0	0.0
Cash flows from financing activities	**114.3**	**180.9**	**286.2**	**152.0**	**-221.3**	**265.6**	**-6.6**
Stock offering	48.4	0.0	0.0	77.7	0.0	0.0	120.5
Debt	68.6	190.5	294.9	-46.5	-205.1	280.0	-120.5
Dividends (buyback)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-2.7	-9.6	15.0	155.8	0.0	0.0	0.0
Change in cash	**36.2**	**-21.3**	**-1.6**	**28.0**	**36.0**	**62.4**	**272.8**
Cash at end of period	54.0	32.7	31.2	59.1	95.1	157.5	430.3
DPS (PLN)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF				0.0	258.2	-191.8	282.0
(CAPEX / Sales)	*-3.9%*	*1.9%*	*0.8%*	*0.2%*	*2.3%*	*31.6%*	*23.6%*

Market multiples

	2006	2007	2008	2009	2010F	2011F	2012F
P/E	36.4	5.4	8.8	13.1	24.3	12.3	8.8
P/CE	27.2	5.3	8.6	12.7	23.1	11.9	8.6
P/BV	3.1	0.7	0.7	0.7	0.7	0.7	0.6
P/S	4.4	4.0	1.7	3.8	2.0	2.7	2.3
FCF/EV	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*20.4%*	*-13.0%*	*23.5%*
EV/EBITDA	74.3	24.8	11.7	14.1	20.9	14.8	8.4
Adjusted EV/EBITDA *	45.5	19.8	10.1	12.5	18.1	13.1	7.3
EV/EBIT	129.1	26.1	11.9	14.3	21.6	15.1	8.6
EV/S	7.3	6.2	3.2	6.8	3.0	4.8	2.9
DYield	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Price (PLN)	**37.7**						
Shares at year-end (millions)	7.0	14.1	18.1	22.1	22.1	22.1	25.1
MC (PLN m)	264.2	532.4	682.9	833.6	833.6	833.6	947.2
Equity attributable to minority shareholders (PLN m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV (PLN m)	431.3	820.6	1 269.3	1 504.0	1 262.9	1 480.5	1 200.8

** adjusted for the value of road-development land in Warsaw*

Michał Marczak tel. (+48 22) 697 47 38
Managing Director
Head of Research
michal.marczak@dibre.com.pl
Strategy, Telco, Mining, Metals, Media

Research Department:

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

Analysts:

Kamil Kliszcz tel. (+48 22) 697 47 06
kamil.kliszcz@dibre.com.pl
Fuels, Chemicals, Energy, Retail

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

Maciej Stokłosa tel. (+48 22) 697 47 41
maciej.stoklosa@dibre.com.pl
Construction, Real-Estate Developers

Jakub Szkopek tel. (+48 22) 697 47 40
jakub.szkopek@dibre.com.pl
Manufacturers

Sales and Trading:

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

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

Traders:

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

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

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

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

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

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

Foreign Markets Unit:

Adam Prokop tel. (+48 22) 697 48 46
Foreign Markets Manager
adam.prokop@dibre.com.pl

Michał Rożmiej tel. (+48 22) 697 48 64
michal.rozmiej@dibre.com.pl

Jakub Słotkowicz tel. (+48 22) 697 48 64
jakub.slotkowicz@dibre.com.pl

Jacek Wrześniewski tel. (+48 22) 697 49 85
jacek.wrzesniewski@dibre.com.pl

"Private Broker"

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

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

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

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*

Recommendations of BRE Bank Securities
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.

This document has been created and published by BRE Bank Securities S.A. The present report expresses the knowledge as well as opinions of the authors on day the report was prepared. The opinions and estimates contained herein constitute our best judgement at this date and time, and are subject to change without notice. The present report was prepared with due care and attention, observing principles of methodological correctness and objectivity, on the basis of sources available to the public, which BRE Bank Securities S.A. considers reliable, including information published by issuers, shares of which are subject to recommendations. However, BRE Bank Securities S.A., in no case, guarantees the accuracy and completeness of the report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts. BRE Bank Securities S.A. bears no responsibility for investment decisions taken on the basis of the present report or for any damages incurred as a result of investment decisions taken on the basis of the present report.

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

Recommendations are based on essential data from the entire history of a company being the subject of a recommendation, with particular emphasis on the period since the previous recommendation. Investing in shares is connected with a number of risks including, but not limited to, the macroeconomic situation of the country, changes in legal regulations as well as changes on commodity markets. Full elimination of these risks is virtually impossible.

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

The present report was not transferred to the issuer prior to its publication.
BRE Bank Securities S.A. receives remuneration from the issuer for services rendered.

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

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

Recommendations are addressed to all Clients of BRE Bank Securities S.A. This report is not for distribution to third parties.
The activity of BRE Bank Securities S.A. is subject to the supervision of the Polish Financial Supervision Commission.

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

Strong and weak points of valuation methods used in recommendations:
DCF – acknowledged as the most methodologically correct method of valuation; it is based in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.
Comparative – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

Previous ratings issued for Polnord

Rating	Suspended	Buy	Buy	Buy
Date issued	2009-09-04	2009-09-28	2009-12-15	2010-04-13
Price on rating day	45.00	37.43	31.77	39.29
WIG on rating day	36009.43	38214.58	39769.97	43554.22