

22 January 2009

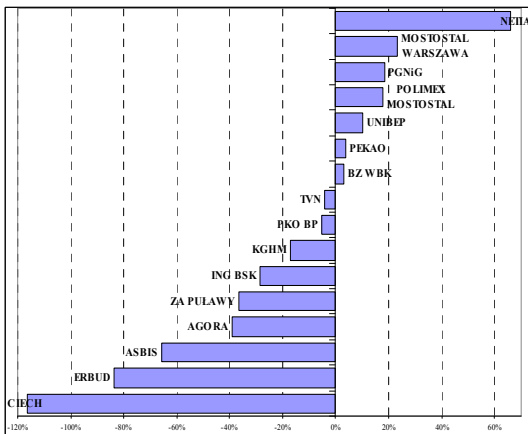
Periodic Report


Equity Market

WIG	25 629
Average 2008E P/E	8.3
Average 2009E P/E	9.3
Avg daly trading volume (3M)	PLN 1056.6m

Forecasts of Quarterly Results

Q4 2008

EPS growth for selected stocks*


* Q108-Q408 / Q407-Q308

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Banks. Banks will report a 30% q/q drop in income in Q408. ING BSK announced a net fourth-quarter loss for the first time in six years. Factors which affected bank earnings in the period included a weaker zloty (leading to losses on customer option readjustments and heightened credit risk), financial market fluctuations, crisis of trust in the interbank market, and lending restrictions. Costs of credit risk are the main factor affecting earnings results.

Gas & Oil. The Q408 results of Polish refineries will show negative effects of LIFO inventory costings and loan impairment charges. Stripped off these effects, however, overall earnings performance should be good. Gas giant PGNiG is unlikely to report nominally high earnings figures because of substantial losses incurred from regulated tariffs, but probably ended the fourth quarter in the black thanks to hedging gains.

Telecommunications. The fourth-quarter results of TPSA will be affected by one-time events, including job cuts and negative exchange differences, leading to the weakest earnings quarter since 2006. In turn, Netia will post a huge increase in revenues and EBITA fueled by the acquisition of Tele2.

Media. We expect a weaker showing from Agora, which will recognize impairment losses on the investment in Trader.com and restructuring reserves, as well as TVN, whose operationally strong results will be affected by finance losses. WSiP will report earnings ahead of expectations, and Cyfrowy Polsat will post gains on currency derivative revaluations.

IT. The Q408 earnings results of IT distributors will demonstrate year-on-year deterioration caused by weaker demand and exchange-rate fluctuations. In case of Asbis, earnings will be additionally affected by economic turmoil in Russia and Ukraine, and restructuring.

Metals. KGHM hedged 75,000 tons (out of a total of 125,000 tons) of copper for Q408 at ca. US \$5,800/t, and was not yet affected by falling LME prices. If the situation in the commodity market does not change, the company is bound to see the first losses in Q3 2009.

Construction. We expect solid Q408 results from construction companies, although bottom-line profits might be affected by hedge value adjustments. Some companies (Polimex, PBG) have not decided yet whether they are going to apply hedge accounting, or show revaluation losses in the quarter.

Retail. Emperia and Eurocash are both expected to report strong results for the fourth quarter, and the former in particular will have a chance to rehabilitate itself in the eyes of investors after dismal third-quarter results.

Financial Sector



Banks

 Analyst:
Marta Jeżewska

BZ WBK

Buy

 FY08E P/E 6.7
FY09E P/E 10.1

 FY08E P/BV 1.3
FY09E P/BV 1.1

Current price PLN 92.85
Target price PLN 128.7

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Net interest income	435	364	19.6%	1641	1287	27.6%	1677	1641	2.1%
Net fee income	357	401	-11.2%	1413	1545	-8.5%	1171	1413	-17.2%
NIM	3.5%	3.6%		3.6%	3.5%		3.2%	3.6%	
Income f. bank oper.	820	754	8.8%	3246	2941	10.4%	2973	3246	-8.4%
Operating expenses	-484	-485	-0.1%	-1747	-1559	12.0%	-1828	-1747	4.7%
Operating income*	344	277	24.3%	1539	1395	10.3%	1184	1539	-23.0%
Provisions	-77	-7	1046.6%	-141	-4	3485.3%	-284	-141	101.3%
Pre-tax income	268	269	-0.5%	1398	1391	0.5%	900	1398	-35.6%
Net income	199	170	16.5%	1013	955	6.1%	672	1013	-33.6%

* before provisions

Cost of risk on the rise, but so are revenues

We are expecting PLN 199m in net income in Q4'08, which entails FY2008 net income of PLN 1013bn. The biggest threat to our forecast comes from provisions, which we expect to increase to 1% of the average net loan portfolio. With the macroeconomic environment deteriorating fast, they could increase further. Our provisions forecast includes provisions for losses on client FX transactions (options). Such losses may be recognized in trading income. We expect interest income growth to slow down dramatically on preceding quarters. Volume growth will offset the negative impact of shrinking deposit spreads. Fee income will remain under pressure as the weakness of equity markets continues.

The Bank will record a PLN 20.65m gain on the sale of a 1.11% stake in CU PTE, which has not been factored into our forecasts.



Banks

 Analyst:
Marta Jeżewska

Handlowy

Accumulate

 FY08E P/E 6.9
FY09E P/E 10.4

 FY08E P/BV 0.9
FY09E P/BV 0.9

Current price PLN 38.90
Target price PLN 54.55

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Net interest income	334	315	6.0%	1 315	1 204	9.2%	1 339	1 315	1.8%
Net fee income	141	182	-22.3%	620	737	-15.8%	592	620	-4.5%
NIM	3.6%	3.2%		3.4%	3.2%		3.5%	3.4%	
Income f. bank oper.	588	606	-2.9%	2 463	2 447	0.6%	2 310	2 463	-6.2%
Operating expenses	-365	-383	-4.7%	-1 525	-1 523	0.2%	-1 490	-1 525	-2.3%
Operating income*	243	243	0.0%	1 013	990	2.3%	884	1 013	-12.7%
Provisions	-36	20	n.a.	-94	53	n.a.	-270	-94	186.9%
Pre-tax income	207	263	-21.1%	921	1 034	-11.0%	614	921	-33.3%
Net income	168	208	-19.2%	734	824	-11.0%	489	734	-33.3%

* before provisions

Write-downs are a risk, otherwise business is stable

In Q4'08, the Bank's net income will contract by 19% y/y and over 22% q/q. We expect interest income growth to slow down significantly vs. preceding quarters. At PLN 334m, interest income will in fact be flat on the Q3'08 figure (PLN 335m). Fee income should continue decreasing as income from equity markets shrinks. Interest income will be the factor behind the 3% year-on-year decline in the Bank's income, as its growth will not be enough to offset the decline in fee income. We expect that trading income will be much lower in Q4'08 than in Q3'08 (PLN 114m vs. PLN 165m), due to the high volatility in financial markets. We do not expect, however, significant losses in this business line. The decline in trading income will drive revenues down sharply quarter-on-quarter, by 8%.

The layoff program, announced in Q1'08, will be concluded. We believe the Bank will be able to release a part of the related restructuring reserve (PLN 5m).

We project the cost of risk at 1% of the average loan portfolio. If the economic and financial situation of the Bank's customers deteriorates sharply, it could increase.


Banks

 Analyst:
Marta Jeżewska

ING BSK

Hold

 FY08E P/E 6.1
FY09E P/E 10.4

 FY08E P/BV 1.0
FY09E P/BV 0.9

Current price PLN 336.0
Target price PLN 435.5

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Net interest income	297	268	10.7%	1 145	1 049	9.2%	1 200	1 145	4.8%
Net fee income	224	244	-8.4%	874	931	-6.1%	810	874	-7.3%
NIM	1.8%	2.0%		2.0%	2.1%		1.8%	2.0%	
Income f. bank oper.	312	468	-33.4%	2 100	2 010	4.5%	2 341	2 100	11.5%
Operating expenses	-421	-347	21.3%	-1 573	-1 376	14.3%	-1 628	-1 573	3.5%
Operating income*	-99	108	n.a.	526	639	-17.7%	713	526	35.6%
Provisions	-40	5	n.a.	11	105	-89.5%	-243	11	n.a.
Pre-tax income	-129	124	n.a.	585	788	-25.8%	523	585	-10.6%
Net income	-94	97	n.a.	480	631	-24.0%	421	480	-12.3%

* before provisions

Earnings quantity known, quality should provide no surprises

The Bank announced that its FY2008 net income will reach PLN 480m, which entails a Q4'08 loss of PLN 94m. The main factor responsible for this loss – the first one since Q4'02 – are bond valuation losses, especially on the Polish Treasury's Eurobonds. The Bank's write-offs on this account amount to PLN 290m. Excluding the impact of this transaction, the Bank's FY2008 net income would be around PLN 700m, i.e. Q4'08 earnings would be around PLN 126m. We are revising our Q4'08 forecasts from the January 12 report. We expected PLN 137m in net income. Excluding the effect of bond portfolio revaluation, the Bank earned PLN 126m, i.e. slightly less than we had forecasted. This may be due to a slightly lower interest income or to higher provisions. We have revised our previous forecasts, assuming a lower net interest margin; other assumptions remain by and large unchanged.

We expect that tax assets will be settled in Q3'08 (the effective tax rate will not be very different from the rate for the previous periods). According to the Bank's information, its pre-tax income stood at PLN 585m including the bond valuation loss, and PLN 875m with the loss excluded.


Banks

 Analyst:
Marta Jeżewska

Kredyt Bank

Sell

 FY08E P/E 5.3
FY09E P/E 9.6

 FY08E P/BV 0.7
FY09E P/BV 0.7

Current price PLN 6.43
Target price PLN 8.95

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Net interest income	291	236	23.1%	1 059	871	21.5%	1 113	1 059	5.2%
Net fee income	78	90	-13.8%	297	310	-3.9%	305	297	2.7%
NIM	3.6%	3.5%		3.5%	3.5%		3.2%	3.5%	
Income f. bank oper.	418	391	6.8%	1 589	1 362	16.6%	1 555	1 589	-2.1%
Operating expenses	-286	-277	3.1%	-1 090	-975	11.9%	-1 137	-1 090	4.3%
Operating income*	137	121	13.0%	543	470	15.5%	458	543	-15.7%
Provisions	-56	20	n.a.	-126	30	n.a.	-227	-126	79.6%
Pre-tax income	81	139	-42.0%	416	502	-17.1%	231	416	-44.4%
Net income	65	110	-41.5%	327	391	-16.3%	182	327	-44.4%

* before provisions

Provisions on the rise, but earnings will still be good

We expect a whopping PLN 41.5% y/y plunge in net income, due to changes in the mortgage market (sharp reduction in foreign-currency loans, driving FX gains down), higher expenses (by 6% q/q and 3% y/y) and higher cost of credit risk (1%). The other building blocks of the Bank's income will also contribute to the slower growth.

As is the case with other banks, an increase in the cost of credit risk could lead to a further decrease in earnings. At 2% of the average net loan portfolio, provisions would reach PLN 113m, bringing net income below PLN 20m. Last year, the Bank released PLN 20m worth of provisions in the last quarter.


Banks

 Analyst:
Marta Jeżewska

Millennium

Hold

 FY08E P/E 3.9
FY09E P/E 8.8
FY08E P/BV 0.6
FY09E P/BV 0.5

Current price PLN 1.92
Target price PLN 2.79

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Net interest income	270	222	21.3%	982	772	27.2%	999	982	1.8%
Net fee income	106	145	-26.6%	468	543	-13.8%	442	468	-5.6%
NIM	2.7%	3.0%		2.7%	2.8%		2.4%	2.7%	
Income f. bank oper.	480	449	6.8%	1 900	1 648	15.2%	1 713	1 900	-9.8%
Operating expenses	-317	-309	2.5%	-1 194	-1 058	12.8%	-1 246	-1 194	4.4%
Operating income*	168	155	8.8%	726	651	11.5%	487	726	-32.9%
Provisions	-113	-1	15837.5%	-196	-67	194.6%	-252	-196	28.6%
Pre-tax income	55	154	-64.0%	530	585	-9.3%	235	530	-55.6%
Net income	45	122	-63.3%	423	462	-8.4%	187	423	-55.6%

* before provisions

Losses on option transactions are a big question mark

We are expecting net income to fall by the whopping 63% y/y, i.e. at the same rate as in the previous quarter. This will be the second-highest drop in net income among the banks in our coverage universe (after ING BSK). Of course, this is due to the cost of risk (we expect PLN 113m, i.e. 1.5% of the average loan portfolio). Moreover, the Bank's earnings will be impacted by the its withdrawal from the FX mortgage market.

FY2008 will conclude with an 8% y/y drop in net income. We expect even higher decreases in 2009 due to the high cost of risk, as well as the poor outlook as far as fast revenue growth is concerned. As is the case with the other banks, our forecasts could be derailed if the cost of risk is higher. There are risks on the horizon and little potential for nice surprises.


Banks

 Analyst:
Marta Jeżewska

Noble Bank

Buy

 FY08E P/E 3.3
FY09E P/E 7.9
FY08E P/BV 0.7
FY09E P/BV 0.7

Current price PLN 2.40
Target price PLN 3.70

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Net interest income	23	18	27.1%	70	34	109.4%	84	70	20.0%
Net fee income	44	35	22.9%	173	156	10.4%	129	173	-25.1%
NIM	2.0%	3.8%		2.0%	2.6%		1.3%	2.0%	
Income f. bank oper.	84	65	30.0%	356	245	45.5%	251	356	-29.6%
Operating expenses	-40	-35	12.8%	-156	-126	23.7%	-134	-156	-14.3%
Operating income*	48	30	58.2%	210	138	51.9%	127	210	-39.6%
Provisions	-8	14	n.a.	-13	17	n.a.	-43	-13	235.4%
Pre-tax income	40	44	-9.4%	197	156	26.5%	84	197	-57.5%
Net income	29	38	-23.8%	156	126	23.2%	65	156	-58.3%

* before provisions

Loans have come to a halt, but deposits were a great success

The Bank's withdrawal from the FX mortgage market, the reduced appetite for loans and the focus on deposits will bring the income of the Noble Bank group down by 24% y/y and 9% q/q. We believe that interest income will come to a halt, remaining flat on Q3'08 at PLN 23m, despite the fact that clients will start repaying loans taken during the lending boom (in Q3'08, PLN 748m worth of loans were extended under the MetroBank brand). Another line of income that will be strongly affected in Q4'08 will be FX gains, due to the Bank's decision to stop foreign-currency lending. We expect that the cost of credit risk will increase significantly as the macroeconomic environment deteriorates.

The structure of the balance sheet will be crucial for Q4'08 earnings. Noble Bank has declared it will focus on deposits, and the demand for loans is limited. It has indeed achieved significant success in deposits, with PLN 2.044bn in gross deposits acquired. We believe this is sufficient to bring the loans-to-deposits ratio reported for December 31 below 100%.


Banks

 Analyst:
Marta Jeżewska

Pekao

 FY08E P/E 8.3
FY09E P/E 12.4

 FY08E P/BV 1.8
FY09E P/BV 1.6

Accumulate

Current price PLN 110.5
Target price PLN 140.8

(PLN m)	4Q2008F	4Q2007**	change	2008F	2007	change	2009F	2008F	change
Net interest income	1166	1149	1.5%	4566	4323	5.6%	4546	4566	-0.4%
Net fee income	551	649	-15.2%	2339	2932	-20.2%	2348	2339	0.4%
NIM	3.6%	3.7%		3.6%	3.6%		3.3%	3.6%	
Income f. bank oper.	1883	1973	-4.6%	7591	8314	-8.7%	7465	7591	-1.7%
Operating expenses	-969	-1035	-6.3%	-3808	-3805	0.1%	-3855	-3808	1.2%
Operating income*	935	939	-0.3%	4474	4510	-0.8%	3723	4474	-16.8%
Provisions	-89	-36	151.2%	-249	-320	-22.3%	-891	-249	258.0%
Pre-tax income	867	941	-7.8%	4339	4342	-0.1%	2912	4339	-32.9%
Net income	693	773	-10.4%	3502	3547	-1.3%	2345	3502	-33.0%

* before provisions, **BRE Bank Securities' estimates based on FY2007 pro-forma results and Q1-Q3 2008 earnings

Don't look for surprises

At PLN 693m, net income will decrease by 10% y/y and by 17.5% q/q. This will be caused by the declining fee income and the higher costs of credit risk. As early as Q3'08, the Bank's loan volumes were increasing only moderately. We believe that with the international financial markets in turmoil, retail clients will be inclined to place their deposits at large banks. This may work to Pekao's advantage, although less so than in the case of PKO BP, whose strong savings campaign had a broad appeal. The Bank showed a high degree of cost discipline over the recent quarters and we believe this trend will continue in Q4'08. We expect expenses to increase from PLN 944m in Q3'08 to PLN 969m in Q4'08. The Bank is hoping that its costs will decrease significantly on Q4'07, as last year's cost base includes merger-related expenses.

Q4'07 results were prepared based on "Big Pekao's" FY earnings and the pro-forma data for Q1-Q3 2007, which the Bank published on occasion of its Q1-Q3 2008 earnings release.


Banks

 Analyst:
Marta Jeżewska

PKO BP

 FY08E P/E 8.7
FY09E P/E 11.6

 FY08E P/BV 2.1
FY09E P/BV 1.8

Buy

Current price PLN 29.28
Target price PLN 43.23

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Net interest income	1596	1314	21.5%	6 102	4 644	31.4%	6 015	6 102	-1.4%
Net fee income	581	613	-5.1%	2 348	2 335	0.5%	2 302	2 348	-2.0%
NIM	5.1%	4.8%		5.1%	4.4%		4.4%	5.1%	
Income f. bank oper.	2311	2054	12.5%	9 060	7 447	21.7%	8 677	9 060	-4.2%
Operating expenses	-1171	-1191	-1.6%	-4 228	-4 083	3.6%	-4 452	-4 228	5.3%
Operating income*	1199	983	22.1%	5 077	3 662	38.7%	4 405	5 077	-13.2%
Provisions	-348	81	-531.7%	-776	-57	1270.3%	-1 234	-776	59.0%
Pre-tax income	857	1067	-19.6%	4 326	3 609	19.8%	3 197	4 326	-26.1%
Net income	688	875	-21.3%	3 441	2 904	18.5%	2 574	3 441	-25.2%

* before provisions

Provisions are a risk, operating earnings are still on the rise

The key factor affecting PKO BP's earnings will be the cost of credit risk, which we expect to increase from 1.1% in Q3'08 to 1.5% in Q4'08. Earnings will be also strongly impacted by the review of the loan portfolios of retail customers (consumer finance) and SMEs. The interest margin will start falling from the very high levels seen in the first three quarters of last year. We believe that its decline will be most pronounced in Q1'09 earnings, continuing throughout the year. We are also expecting trading income to fall, due to the sharp decline in FX mortgages. This trend will continue throughout 2009. Expenses will increase from PLN 1047m in Q3'08 to PLN 1171m in Q4'08.

PKO BP has significantly strengthened its market shares in retail deposits; we will see how big the shift was in its Q4'08 earnings. At the end of Q3'08, the loans-to-deposits ratio stood at 96%, but in Q4'08, the PLN depreciated sharply. The mortgage loan portfolio accounted for 39% of the total loan portfolio. It is estimated that approximately 44.5% of these loans were foreign-currency loans. Since then, the CHF has appreciated by 30% vs. the PLN. Therefore, the total loan portfolio would have increased by 5% on account of this factor alone. Even if the loans-to-deposits ratio remains flat, deposits will have increased strongly.

Oil and Gas



Chemicals

Analyst:
Kamil Kliszcz

Ciech

FY08E P/E - FY08E EV/EBITDA 3.5
FY09E P/E 4.6 FY09E EV/EBITDA 3.6

Hold

Current price **PLN 23.20**
Target price **PLN 34.20**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	861.3	781.2	10%	3 842.5	3 415.0	13%	3 917.1	3 842.5	2%
EBITDA	101.2	79.9	2%	529.1	493.0	7%	507.2	529.1	-4%
margin	11.8%	12.6%	-	13.8%	14.4%	-	12.9%	13.8%	-
EBIT	46.9	37.0	27%	312.8	313.6	0%	279.6	312.8	-11%
Pre-tax profit	-127.1	27.6	-384%	35.3	290.0	-88%	174.8	35.3	395%
net profit	-112.1	52.1	-330%	-9.0	240.2	-104%	141.6	-9.0	-1667%

Hedging losses, FY2008 in the red

Ciech's business in the fourth quarter of 2008 was affected by decreased trade volumes and tight liquidity in the major chemicals markets of the world, most notably in Asia. The effects of these trends will reflect first on the results of the Agro Division (EBIT around zero vs. PLN 16m in Q407), and the Organic Division which will record smaller sales volumes and lower margins on TDI and resins (EBIT at ca. PLN 10m vs. PLN 20m in Q407). The weakness of these two divisions will be offset by the Soda Division, which is expected to post a strong EBIT thanks to a weak zloty and a property sale estimated at over PLN 20m which, we think, will ultimately hoist the consolidated EBIT above the level recorded in the same quarter a year earlier. The year-on-year comparison of bottom-line income will be much less impressive because of considerable losses incurred on option positions and debt service costs. We estimate the finance losses at PLN 174m, assuming that Ciech changes the way it accounts for a euro loan extended to subsidiary SWS (the loan was recognized in equity in H108 accounts, and could offset the revaluation losses on SWS's foreign-currency debt which arose in Q408). The hedging losses could be smaller as the Management are trying to reclassify some of the hedges to qualify for hedge accounting (we did not include the possible positive effects of this in our estimates). All told, we expect Ciech to report a PLN 112 million net loss (after factoring in a negative effective tax rate) for the fourth quarter, and in consequence a PLN 9m loss for FY2008, which means a downward revision of the company's full-year target of PLN 88m (revenues will come about 10% short of estimates).



Oil and Gas

Analyst:
Kamil Kliszcz

Lotos

FY08E P/E - FY08E EV/EBITDA 8.3
FY09E P/E 3.6 FY09E EV/EBITDA 6.7

Buy

Current price **PLN 10.52**
Target price **PLN 29.40**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	3 019.4	3 987.9	-24.3%	15 562.4	13 125.1	18.6%	9 971.0	15 562.4	-35.9%
EBITDA	-324.9	242.6	-233.9%	431.5	1 019.9	-57.7%	872.8	431.5	102.3%
margin	-10.8%	6.1%	-	2.8%	7.8%	-	8.8%	2.8%	-
EBIT	-403.9	158.6	-354.6%	115.7	713.7	-83.8%	455.7	115.7	293.7%
Pre-tax profit	-986.7	297.2	-432.0%	-393.8	1 004.5	-139.2%	438.1	-393.8	-211.3%
net profit	-918.4	231.2	-497.2%	-490.4	777.2	-163.1%	336.7	-490.4	-168.7%

Huge inventory losses offset by F/X effects

Like PKN Orlen, Lotos's Q408 results suffered due to huge negative LIFO effects, which we estimate at PLN 560m (vs. a PLN 158m gain a year earlier), and finance losses stemming from US dollar loan impairment charges (-PLN 510m). The Refining Segment will post a nominally high operating loss (-PLN 474m vs. PLN 162m a year earlier), but the quality of the result will be sound thanks to an increase in the USD/PLN exchange rate (averaging 2.87 vs. 2.20 in Q308). As far as the macroeconomic conditions are concerned, the Urals/Brent spread was less favorable than in the preceding quarter, while margins were similar. As for Upstream, we expect an improvement after a string of dismal quarterly results (which stemmed from the approach adopted toward accounting for profits earned on oil output), and estimate that the period's operating profit will reach PLN 60m vs. PLN 25m in Q308 and PLN 27m in Q407. The increase follows from the fact that Lotos processed all of Petrobaltic's crude output generated in 2008 (which we estimate at 100,000 tons vs. 39,000 tons in Q308), partly a portion which was booked at high summer prices. Consolidated EBIT will show a loss of PLN 403m, and finance charges (debt revaluation and hedging) will push Lotos to a pre-tax loss of PLN 986m. The bottom-line loss will be lower at PLN 918m thanks to an expected tax reversal of PLN 83m.


Oil and Gas

PGNiG

Accumulate

 Analyst:
Kamil Kliszcz

 FY08E P/E 16.8 FY08E EV/EBITDA 6.7
 FY09E P/E 11.0 FY09E EV/EBITDA 5.1

Current price **PLN 3.79**
Target price **PLN 3.94**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	5 138	5 055	1.7%	18 051	16 652	8.4%	18 667	18 051	3.4%
EBITDA	320	-99	-423.8%	2 872	2 282	25.9%	3 656	2 872	27.3%
margin	6.2%	-2.0%	-	15.9%	13.7%	-	19.6%	15.9%	-
EBIT	-16	-451	-96.4%	1 478	852	73.6%	2 183	1 478	47.6%
Pre-tax profit	43	-358	-112.0%	1 641	1 003	63.6%	2 255	1 641	37.4%
net profit	35	-165	-121.1%	1 273	915	39.2%	1 826	1 273	43.4%

Distribution, hedges, make up for big disappointment from T&S

The fourth-quarter earnings of PGNiG will be affected by record prices of gas imports, which were not fully reflected in the tariff regime approved by energy regulator the URE in November. As a consequence, the negative spread on Russian gas was much higher than a year earlier (-PLN 411 per 1000 cubic meters vs. -PLN 50 in Q407). Assuming that the imported volume was about 0.6 billion cubic meters smaller (production slowdown plus warmer temperatures), the loss on gas trade will have increased by over PLN 1bn compared to the same period a year earlier. Q408 earnings were further affected by impairment losses on dollar debt which we estimate at PLN 150m. On the other hand, keep in mind that PGNiG's revenues in the period were higher than in 2007 thanks to higher tariff prices (the increase influenced about 1 billion cubic meters of domestic gas), and that the company probably benefitted from F/X hedging transactions (ca. PLN 250-290m). After all this, the fourth-quarter EBIT of the Trade & Storage segment will show a PLN 400m loss vs. PLN 274m in Q407. The consolidated EBIT was supported by the segment of Distribution, which we expect to post PLN 250m vs. PLN 53m a year earlier thanks to increased tariff prices granted in April, and a seasonal upswing in sales (Distribution was not affected by a decline in demand which was mostly observed among companies receiving natural gas from the national pipeline network). Upstream's overall contribution to Q408 earnings was positive, even if it was depressed by lower oil prices and losses incurred on swaps used to hedge against NOK/PLN exchange rate risks (ca. PLN 40m). After adding finance gains (interest + EuRoPolGaz), PGNiG will have generated a Q408 net profit of PLN 35m in an unfavorable macroeconomic environment. Note also that the fourth-quarter results of 2007 were depressed by write-offs of distribution asset and Upstream's reserves.


Oil and Gas

PKN Orlen

Buy

 Analyst:
Kamil Kliszcz


 FY08E P/E - FY08E EV/EBITDA 5.0
 FY09E P/E 4.8 FY09E EV/EBITDA 4.0

Current price **PLN 24.50**
Target price **PLN 39.30**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	16 284	16 902	-3.7%	79 370	63 793	24.4%	59 538	79 370	-25.0%
EBITDA	-574	733	-178.4%	3 951	5 035	-21.5%	5 045	3 951	27.7%
margin	-3.5%	4.3%	-	5.0%	7.9%	-	8.5%	5.0%	70.2%
EBIT	-1 182	120	-	1 541	2 604	-40.8%	2 471	1 541	60.3%
Pre-tax profit	-3 077	627	-	-25	3 011	-100.8%	2 783	-25	-
net profit	-2 862	601	-	-474	2 412	-119.7%	2 200	-474	-564.0%


Disastrous numbers, good quality

PKN Orlen's consolidated operating profit for Q408 will be significantly depressed by a loss generated by the Refining segment which could reach PLN 1.4bn vs. a PLN 0.24bn profit a year earlier. Note, however, that the loss stemmed mainly from LIFO charges, which could be pushed as high as PLN 1.9bn by sinking oil prices (in Q407, LIFO effects boosted the segment's EBIT by PLN 564m). Adjusted for LIFO effects, the Refining segment's fourth-quarter operating profit will show a strong year-on-year increase driven by higher volumes, improved yields achieved by the Mazeikiu Nafta refinery, a lack of downtime and logistics problems (pipeline failure), and reduced feedstock costs. In Retail, EBIT should show improvement from Q407 (PLN 174m vs. PLN 67m) as a result of higher volumes and margins earned on fuel (a lag in price cuts at service stations). The Petrochemicals business will post an operating profit of about PLN 158m (the Q407 base of PLN 55m was weighed on by repair and maintenance costs of PLN 212m) after an increase in the petrochemical margins on olefins (lower naphtha prices) and the EUR/PLN exchange rate, which should fully offset tighter q/q profitability of polyolefins. Anwil is expected to make a solid EBIT showing (PLN 52m vs. PLN 38m) thanks to a weak zloty and high PVC margins (assuming steady volumes). Other operating profit will approximate PLN 30m, and unattributed items will show a loss of PLN 200m vs. PLN 236m in Q407. All told, we expect PKN Orlen to book an EBIT loss of PLN 1.2bn for Q408, which will be underpinned by finance losses estimated at PLN 1.9bn (F/X debt adjustments and interest expenses). The end result will be somewhat mitigated by a tax shield effect (reversal of oil revaluation profits), but the company will still report a staggering bottom-line loss of PLN 2.86bn.

		Police					Hold		
		Chemicals							
Analyst:		FY08E P/E		4.0	FY08E EV/EBITDA		0.8	Current price	
Kamil Kliszczyk		FY09E P/E		5.1	FY09E EV/EBITDA		1.5	Target price	
								PLN 5.10	
								PLN 8.00	
(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	273.8	480.6	-43%	2 458.9	1 824.2	35%	2 238.2	2 458.9	-9%
EBITDA	-162.8	97.0	-268%	285.3	235.1	21%	150.0	285.3	-47%
margin	-59.5%	20.2%	-	11.6%	12.9%	-	6.7%	11.6%	-
EBIT	-179.4	82.4	-318%	220.3	163.7	35%	84.8	220.3	-61%
Pre-tax profit	-260.4	96.6	-369%	151.1	208.4	-27%	92.5	151.1	-39%
net profit	-245.4	109.2	-325%	96.4	204.0	-53%	74.9	96.4	-22%

Hedging, inventory losses, lower sales


In its Q408 earnings warning, ZCh Police revealed that Q408 profits would be weighed down by inventory write-offs (with adjustments adding PLN 150m to costs) and losses incurred on F/X risk hedges (which, we estimate, amounted to PLN 80m by the end of December). Earnings will be further affected by very weak sales volumes. In our estimates, we assumed that capacity usage in NPK fertilizer production was approximately 30% toward the end of 2008, and that the whole output was sold, but this assumption could prove overly sanguine given the complete standstill in the market of mixed fertilizers, stemming from the economic crisis and liquidity problems among distributors. Taking all this into account, we predict that ZCh Police will report a net loss of PLN 245m for Q408.

		ZA Puławy					Hold		
		Chemicals							
Analyst:		FY08E P/E		3.5	FY08E EV/EBITDA		0.9	Current price	
Kamil Kliszczyk		FY09E P/E		8.5	FY09E EV/EBITDA		1.6	Target price	
								PLN 45.50	
								PLN 68.40	
(PLN m)	2Q08/09F	2Q07/08	change	1Q-2Q08/09F	1Q-2Q07/08	change	2008/2009F	2007/2008F	change
Revenue	550.2	634.8	-13.3%	1 236.5	1 122.9	10.1%	2 741.0	2 503.5	9.5%
EBITDA	63.1	118.5	-46.8%	264.4	174.1	51.9%	389.3	432.8	-10.1%
margin	11.5%	18.7%	-	21.4%	15.5%	-	14.2%	17.3%	-
EBIT	47.1	100.7	-53.2%	232.2	139.1	66.9%	305.0	358.7	-15.0%
Pre-tax profit	-69.9	116.2	-160.2%	123.6	164.9	-25.0%	308.3	401.4	-23.2%
net profit	-69.9	94.7	-173.8%	87.1	133.4	-34.7%	249.7	330.8	-24.5%

Hedging losses ate into EBIT


At the end of November, ZAP announced 30% capacity cuts on all production lines except melamine, which, we expect, was the main source of income amid unfavorable macroeconomic trends observed in the fourth quarter, thanks to a weak zloty which helped expand margins on export sales. Reduced production of caprolactam led to much weaker sales of, and profitability on that compound, and, in fertilizers, ZAP will post not only lower sales, but also tighter margins caused by lower selling prices and higher costs of gas. Taking into account these factors and seasonal variations, we think that ZAP will report a relatively strong operating profit of PLN 47m. Unfortunately, net income will be depressed by considerable hedging losses (ZAP reported that the value of open positions at the end of December was a negative PLN 124m). With 50%-60% of its euro exposure hedged until the end of fiscal 2008/09, the company has to adjust the value of instruments representing 100-110 million euros and 60 million US dollars. The impact of these adjustments could be partly offset by revaluation of foreign-currency receivables and interest earned on ZAP's huge cash base.

Telecommunications

		Netia					Buy		
		Telco							
Analyst: Michał Marczak		FY08E P/E	4.5	FY08E EV/EBITDA	4.8	Current price	PLN 2.69		
		FY09E P/E	Neg.	FY09E EV/EBITDA	3.2	Target price	PLN 3.80		
(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	291.9	222.5	31.2%	1 044.0	838.0	24.6%	1 503.1	1 044.0	5.0%
EBITDA	60.7	17.9	238.8%	164.3	170.7	-3.7%	234.0	164.3	5.0%
margin	20.8%	8.1%	158.3%	15.7%	20.4%	-22.7%	15.7%	20.4%	5.0%
EBIT	-9.3	-45.0	-79.4%	-94.3	-103.8	-9.2%	-23.4	-94.3	5.0%
Pre-tax profit	-11.6	-98.6	-88.2%	231.1	-266.6	-186.7%	-9.3	231.1	5.0%
net profit	-7.1	-99.9	-92.9%	233.6	-268.9	-186.9%	-9.9	233.6	5.0%

Tele2 helps

The acquisition of Tele2 enabled Netia to show strong year-on-year growth rates in revenues as well as in EBITDA, which will be additionally supported by reduced expenditure on customer acquisition. Netia is focusing more on cash flows, and its cash base is allowing it to pursue attractive acquisition opportunities. On the other hand, economic cooling is going to decelerate the already slowed-down expansion of the subscriber base. One mitigating factor here is the order by telecom regulator the UKE for Centertel and TPSA to discontinue unfair pricing practices in BSA, which is a crucial strategic growth area for Netia, and where competition from other alternative operators is weak. After recent MTR rate cuts, Netia stands to benefit from higher revenues. The company's representatives say that retail mobile rates are not in line with MTR rates.

		TPSA					Hold		
		Telco							
Analyst: Michał Marczak		FY08E P/E	11.7	FY08E EV/EBITDA	4.2	Current price	PLN 20.55		
		FY09E P/E	11.2	FY09E EV/EBITDA	4.3	Target price	PLN 20.50		
(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	4 640.7	4 650.0	-0.2%	18 226.7	18 244.0	-0.1%	18 141.2	18 226.7	-0.5%
EBITDA	1 679.0	1 948.0	-13.8%	7 749.0	7 721.0	0.4%	7 418.5	7 749.0	-4.3%
margin	36.2%	41.9%		42.5%	42.3%	0.5%	42.5%	42.3%	0.5%
EBIT	614.4	848.0	-27.5%	3 462.4	3 282.0	5.5%	3 282.4	3 462.4	-5.2%
Pre-tax profit	425.1	757.0	-43.8%	2 921.1	2 830.0	3.2%	3 083.2	2 921.1	5.5%
net profit	329.5	616.0	-46.5%	2 338.5	2 273.0	2.9%	2 495.4	2 338.5	6.7%

One-offs affect net income

Two one-time events will affect TPSA's Q408 results: exchange-rate losses, and an increase in the severance allowance. We predict that the company will report negative exchange differences on unhedged debt of about PLN 110m, and estimate the severance allowance at PLN 180m. Also, TPSA no longer consolidates Ditel, which it sold in H2 2008. We do not think that the operator experienced crisis-related problems with receivables in Q408, but reserves against defaults might be recognized in the second half of 2009. As for mobile operator Centertel, it is reported to have had a good fourth quarter in terms of subscriber additions (over 250,000). Going forward, Centertel's year-on-year revenue growth will slow down to 2% as a result of MTR cuts, and sales of broadband Internet services will decline as a consequence of an audit by the UKE and the European Commission, which found irregularities in Centertel's authorizations to access TPSA's databases. The two operators were ordered to discontinue practices which enabled Centertel to maintain an over-50% share in new BSA connections.

Media



Media

 Analyst:
 Michał Marczak

Agora

 FY08E P/E 16.8
 FY09E P/E 112

 FY08E EV/EBITDA 6.0
 FY09E EV/EBITDA 5.0

Buy

 Current price **PLN 15.00**
 Target price **PLN 35.60**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	336.7	352.5	-4.5%	1 278.4	1 152.0	11.0%	1 282.2	1 278.4	0.3%
EBITDA	4.3	50.9	-91.6%	135.3	198.6	-31.9%	160.6	135.3	18.7%
margin	1.3%	14.4%	-91.2%	10.6%	17.2%	-38.6%	10.6%	17.2%	-38.6%
EBIT	-11.3	30.7	-136.9%	58.6	120.3	-51.3%	85.3	58.6	45.5%
Pre-tax profit	-5.9	32.9	-118.0%	67.1	129.3	-48.1%	90.7	67.1	35.2%
net profit	-5.0	26.4	-118.9%	49.1	100.2	-51.0%	73.5	49.1	49.7%

PLN 35.5m reserves and charges

We expect Agora to end Q408 in the red because of one-time charges, including a severance allowance (PLN 8.5m) and impairment losses on the investment in Trader.pl (PLN 27m). On an operating level, revenues are expected to be 4.5% lower than in the same period a year earlier because of lower advertising revenues generated by *Gazeta Wyborcza* (-5% y/y) and weaker book sales (a 50% drop to PLN 15m). In case of the free daily *Metro* and the Agora Websites, we predict sustained 45% year-on-year growth (PLN 31m). As the circulation of the *Gazeta Wyborcza* daily declined, so did revenues from its sales (-PLN 5m y/y). Going forward, however, although sales will continue to move downward (-4.5%), higher per-copy prices will help steady revenue growth. AMS and Magazines saw a 4% increase in revenues in Q408. As revenue declines, operating profit is saved by reduced costs of promotion (we estimate the cut at PLN 12m, resulting in a drop in the expenses of the Newspaper segment to PLN 43m).



Media

 Analyst:
 Piotr Grzybowski

Cyfrowy Polsat Accumulate

 FY08E P/E 14.2
 FY09E P/E 10.5

 FY08E EV/EBITDA 10.9
 FY09E EV/EBITDA 7.5

 Current price **PLN 13.95**
 Target price **PLN 15.80**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	320.6	243.3	31.77%	1 137.3	796.7	42.76%	1 306.0	1 137.3	14.83%
EBITDA	32.7	-1.8	n/a	334.5	165.9	101.60%	470.8	334.5	40.75%
margin	10.19%	-0.76%	-	29.41%	20.83%	-	36.05%	29.41%	-
EBIT	24.5	-10.2	n/a	309.5	145.1	113.26%	441.3	309.5	42.57%
Pre-tax profit	41.8	-12.4	n/a	324.6	140.2	131.52%	450.2	324.6	38.71%
net profit	34.8	-8.9	n/a	262.9	113.4	131.76%	364.6	262.9	38.71%

Hefty investment in growth

Unsurprisingly, Cyfrowy Polsat's (CP) Q408 results will be weak because of seasonally big investments in expansion of the subscriber base. This effect will be underpinned by early-stage MVNO operations which, after the first full quarter in business, produced a PLN 15-16m charge against EBITDA and contributed to higher costs of license fees and signal transmission, driven by a weak zloty. Even so, for the first time in history, CP is expected to post an operating profit of PLN 24.5m. Finance income will be boosted by revaluation of foreign-exchange derivatives which will more than offset the negative influence of higher exchange rates on operating profit. We estimate the gains from open and closed positions at PLN 16.5m.


Media

TVN

Hold

 Analyst:
Piotr Grzybowski

 FY08E P/E 11.4
FY09E P/E 12.4

 FY08E EV/EBITDA 7.5
FY09E EV/EBITDA 7.9

Current price **PLN 12.44**
Target price **PLN 13.00**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	584.2	521.6	12.0%	1889.2	1554.7	21.5%	1992.8	1889.2	5.5%
EBITDA	240.1	213.3	12.6%	699.8	554.1	26.3%	690.5	699.8	-1.3%
margin	41.1%	40.9%	-	37.0%	35.6%	-	34.6%	37.0%	-
EBIT	219.1	193.4	13.3%	628.9	482.1	30.5%	606.4	628.9	-3.6%
Pre-tax profit	125.1	169.2	-26.0%	466.0	297.3	56.8%	434.2	466.0	-6.8%
net profit	101.1	135.9	-25.6%	377.2	243.3	55.0%	351.7	377.2	-6.8%

Finance losses hurt otherwise decent results

TVN had a good fourth quarter. October and November, the two months which are most crucial to full-year operating profit, were successful in terms of advertising sales in spite of mounting concerns over the future of the Polish economy. A slower December did not undermine that success. The outlook for bottom-line income is not as rosy due to finance charges, which include high interest expense on bonds (-PLN 33.0m), a write-down of a bond prepayment asset (-PLN 22.0m), partial consolidation of ITI Neovision's loss (-PLN 26m), and revaluation losses on euro debt offset against the related collar hedge (-PLN 35m). These losses will be partly compensated by gains achieved on dollar collars hedging future inflows from programming license fees (+PLN 15m). All in all, the impact of finance losses on Q408 earnings is estimated at PLN 95m and includes interest on loans granted to ITI Neovision and positive exchange differences.


Media

WSiP

Buy

 Analyst:
Piotr Grzybowski

 FY08E P/E 8.0
FY09E P/E 9.3

 FY08E EV/EBITDA 5.2
FY09E EV/EBITDA 6.2

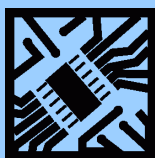
Current price **PLN 13.40**
Target price **PLN 18.90**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	30.5	17.4	75.0%	193.3	224.9	-14.0%	190.6	193.3	-1.4%
EBITDA	-0.2	-14.9	-98.5%	54.5	34.6	57.6%	46.4	54.5	-14.8%
margin	-0.7%	-85.8%	-	28.2%	15.4%	-	24.4%	28.2%	-
EBIT	-1.2	-16.1	-92.6%	50.8	29.8	70.2%	42.1	50.8	-17.1%
Pre-tax profit	-1.0	-1.0	-4.2%	52.6	48.9	7.6%	44.1	52.6	-16.1%
net profit	-1.0	10.3	-109.9%	42.7	49.2	-13.1%	35.6	42.7	-16.5%

Small loss

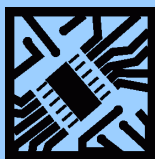
WSiP's Q408 results will be boosted by two events: an order for elementary-school software from the Education Ministry, fulfilled jointly with Incom, and launch of book sales via newsagents' outlets. These two factors will lead to an increase in revenues in spite of reduced sales volumes (which caused year-on-year decline in preceding quarters), and contribute to stronger profitability, which is no longer affected by the loss-making subsidiary WKRA. On the downside, we do not expect to see seasonal reversals of allowances against returns which usually support "other operating income" in the fourth quarter. Combined with a lack of reversals of inventory write-offs, this will drive EBITDA into the negative territory.

Information Technology

		AB					Hold		
		IT							
		Analyst: Piotr Grzybowski		FY08E P/E	10.9	FY08E EV/EBITDA	8.7	Current price	PLN 3.16
				FY09E P/E	9.9	FY09E EV/EBITDA	8.7	Target price	PLN 12.80
(PLN m)	2Q2008/09F	2Q2007/08	change	2008/09F	2007/08F	change	2009/10F	2008/09F	change
Revenue	859.2	815.1	5.4%	2585.6	3012.2	-14.2%	2691.7	2585.6	4.1%
EBITDA	19.1	17.0	11.8%	26.8	39.5	-32.2%	26.6	26.8	-0.8%
margin	2.2%	2.1%	-	1.0%	1.3%	-	1.0%	1.0%	-
EBIT	17.6	16.3	7.9%	21.6	35.2	-38.7%	21.3	21.6	-1.4%
Pre-tax profit	7.9	14.2	-44.5%	6.7	22.2	-69.9%	7.4	6.7	10.1%
Net profit	6.2	10.5	-41.1%	5.4	16.1	-66.4%	6.0	5.4	10.1%

Hedges improved earnings

AB's performance in the second quarter of FY08/09 was not gravely affected by the industry slowdown, but was weighed down by full consolidation of ATC revenues throughout the quarter as opposed for just two months in the same period of 2007. Operating profit will be supported by currency trends which made inventories cheaper and gross margins wider. AB recognizes exchange differences on its payables under finance income, i.e. they have no influence on operating profit. The impact of such F/X differences would have been much more grave if it had not been for the fact that 60% of invoices are hedged. The resulting charge against the quarter's pre-tax income will be an estimated PLN 8m.

		Action					Accumulate		
		IT							
		Analyst: Piotr Grzybowski		FY08E P/E	2.1	FY08E EV/EBITDA	3.1	Current price	PLN 5.71
				FY09E P/E	2.0	FY09E EV/EBITDA	2.6	Target price	PLN 24.00
(PLN m)	2Q2008/09P	2Q2007/08	change	2008/09F	2007/08	change	2009/10F	2008/09F	change
Revenue	659.2	701.3	-6.0%	4568.6	2339.7	95.3%	3310.4	4568.6	-27.5%
EBITDA	16.3	22.8	-28.6%	128.6	64.6	99.0%	93.1	128.6	-27.7%
margin	2.5%	3.3%	-	2.8%	2.8%	-	2.8%	2.8%	-
EBIT	16.3	22.8	-28.6%	113.4	56.7	100.2%	81.7	113.4	-27.9%
Pre-tax profit	23.3	21.5	8.6%	100.8	47.8	110.8%	69.3	100.8	-31.2%
Net profit	18.9	15.3	23.6%	75.9	34.5	119.7%	49.7	75.9	-34.5%

No Santa this season

Fourth-quarter sales were affected by a slow December, and consequently revenues will be about 6% lower than in the same period a year earlier. The factors which influenced performance in the preceding quarter were still present, but their impact was weaker: gross margin will be a double-digit figure thanks to a sell-off of inventories purchased at a lower exchange rate, the unrealized exchange differences from the preceding quarter will probably be realized, and a weakening zloty will produce revaluation charges which we estimate at PLN 13m. Currency hedges, which the company entered into after incurring losses in the preceding quarter, will lead to a finance gain, and will boost pre-tax income by an estimated PLN 7m. Net income for the quarter will come in at ca. PLN 18.9m, and Action will end the first half of its business year slightly in the black.



IT

ASBIS

Hold

 Analyst:
Piotr Grzybowski

 FY08E P/E 3.2
FY09E P/E -

 FY08E EV/EBITDA 2.0
FY09E EV/EBITDA 3.1

Current price PLN 1.23
Target price PLN 3.70

(USD m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	366.9	464.3	-21.0%	1499.0	1397.3	7.3%	1251.6	1499.0	-16.5%
EBITDA	-1.9	12.5	-115.1%	18.7	27.6	-32.1%	9.5	18.7	-49.3%
margin	-0.5%	2.7%	-	1.3%	2.0%	-	0.8%	1.3%	-
EBIT	-2.6	12.0	-121.5%	16.1	25.7	-37.3%	6.8	16.1	-57.6%
Pre-tax profit	-4.5	10.5	-142.7%	9.1	21.4	-57.7%	-0.4	9.1	-104.6%
Net profit	-3.6	9.4	-138.7%	7.3	18.7	-60.8%	-0.3	7.3	-104.6%

Slow quarter

Fourth-quarter earnings figures will reflect the scale of the problems with which Asbis is struggling in its eastern markets. We predict that fourth-quarter sales in Russia and Ukraine will be 40% and 60% lower respectively than a year earlier. However, Slovakia and the Middle East will make good by driving consolidated sales up ahead of the Q407 figure. Operating profit will be pulled down by the dollar's steep appreciation against regional currencies and the resulting PLN 3m exchange differences which will affect the gross margin. Furthermore, Asbis incurred restructuring expenses in the period, which will boost costs by some US \$1m (the restructuring includes liquidation of a warehouse in Amsterdam and 100 job cuts). As a result, the company will report an operating loss, and a net loss of US \$3.6m.



IT

Komputronik

Accumulate

 Analyst:
Piotr Grzybowski

 FY08E P/E 8.3
FY09E P/E 14.1

 FY08E EV/EBITDA 4.9
FY09E EV/EBITDA 6.5


Current price PLN 7.70
Target price PLN 33.90

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	296.7	204.7	44.9%	773.9	519.3	49.0%	847.7	773.9	9.5%
EBITDA	8.2	10.5	-21.7%	16.3	15.2	7.3%	13.2	16.3	-19.2%
margin	2.8%	5.1%	-	2.1%	2.9%	-	1.6%	2.1%	-
EBIT	6.8	10.0	-31.8%	10.9	13.5	-18.9%	7.5	10.9	-31.8%
Pre-tax profit	5.8	9.8	-40.5%	7.8	13.1	-40.0%	5.2	7.8	-33.2%
Net profit	5.5	7.7	-28.9%	7.6	10.3	-26.1%	4.5	7.6	-41.4%

Karen bites into income

After recording good sales in October and November, Komputronik had a disastrous December, typically a peak sales season. In consequence, revenue growth slowed down in Q408. The operating margin will again be tightened by Karen, whose margin stayed flat on Q308 level, and which is expected to report an operating loss of PLN 2.2m. That is why, even though sales in the quarter were higher than a year earlier, Komputronik will probably not be able to show an equally strong operating income (we expect PLN 6.8m). After a PLN 1m minority loss, the parent will show a Q408 net income of PLN 5.5m.

Metals

		Kęty					Buy		
		Metals							
Analyst:		FY08E P/E 8.2		FY08E EV/EBITDA 4.8		Current price		PLN 59.0	
Michał Marczak		FY09E P/E 5.5		FY09E EV/EBITDA 4.2		Target price		PLN 108.0	
(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	263.0	323.5	-18.7%	1 145.0	1 253.0	-8.6%	1 369.6	1 145.0	19.6%
EBITDA	70.3	44.9	56.5%	187.9	194.0	-3.2%	201.0	187.9	7.0%
margin	26.7%	13.9%	92.5%	16.4%	15.5%	6.0%	16.4%	15.5%	6.0%
EBIT	25.1	44.9	-44.1%	128.0	141.9	-9.8%	141.1	128.0	10.2%
Pre-tax profit	28.3	33.3	-15.0%	106.5	122.3	-12.9%	121.6	106.5	14.2%
net profit	4.9	27.3	-82.2%	66.1	97.8	-32.4%	98.3	66.1	48.8%

FY2008 guidance revisions

Kęty's consolidated Q408 sales estimate is PLN 260m, representing a 15% drop from Q407. The decrease was caused by a significant retreat in aluminum prices across the world (US dollar prices down 23%, zloty prices 13% lower), weaker sales volumes generated by the Extruded Products Segment (EPS) and the two smallest segments (Construction Services and Construction Accessories). Sales growth in Q408 was seen only by the Aluminum Systems Segment (+5%). The Flexible Packaging Segment posted flat sales, and the other segments recorded sales up to 30% weaker. Q408 EBIT will approximate PLN 25-27m, and was weighed down by weak sales in December (PLN 50m vs. expected PLN 70-75m). Kęty announced a downward revision in FY2008 net profit target from PLN 85m to PLN 65m to account for the difference between exchange rates (the company's debt includes 23m euros, 5.5m US dollars, and 6.5m Swiss francs) stated in preliminary Q408 estimates released on 22 Dec. 2008, and actual exchange rates. The charges (PLN 12m, and PLN 77m on a full-year basis), are surprisingly high given the F/X changes which occurred in the period (the average weighted by the share of foreign-currency credit in total debt is 3.9%). According to our estimates, the difference is closer to PLN 5-6m than to 12m, which suggests that Kęty incurred other finance expenses.

		KGHM					Buy		
		Metals							
Analyst:		FY08E P/E 2.0		FY08E EV/EBITDA 1.0		Current price		PLN 31.00	
Michał Marczak		FY09E P/E 10.6		FY09E EV/EBITDA 3.9		Target price		PLN 45.90	
(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	2 320.8	2 912.3	-20.3%	11 071.4	12 183.0	-9.1%	7 442.0	11 071.4	-32.8%
EBITDA	460.9	1 102.8	-58.2%	3 900.7	5 034.0	-22.5%	1 139.7	3 900.7	-70.8%
margin	19.9%	37.9%	-47.6%	35.2%	41.3%	-14.7%	35.2%	41.3%	-14.7%
EBIT	343.5	986.8	-65.2%	3 433.9	4 682.0	-26.7%	670.2	3 433.9	-80.5%
Pre-tax profit	356.0	980.3	-63.7%	3 417.8	4 656.0	-26.6%	720.2	3 417.8	-78.9%
net profit	288.2	791.7	-63.6%	2 821.0	3 799.0	-25.7%	583.3	2 821.0	-79.3%

75,00 tons of copper hedged

Prices of copper averaged US \$3 950 per ton in Q408 after falling 48% from Q308 and 45% from Q407. The average price of silver in the period was US \$332/kg (-28% y/y, -31% q/q). Cheaper metals are partly offset by the zloty's depreciation relative to the dollar (-30% vs. Q308). We assumed in our estimates that KGHM generated the strongest sales of copper in the first two months of the fourth quarter (December is seasonally the weakest sales month), meaning that the effective sales prices should be higher than LME averages. This effect is supported by copper price hedges. The company hedged 75,000 tons of production at ca. US \$5,800/t (the copper volume sold in the quarter amounted to 125,000 tons). According to our estimates, the unit cost of copper production was 9% higher than in Q407 at PLN 13 000/t, due to lower prices of silver. Overall costs are expected to be 6% lower than a year earlier. In our Q408 forecasts for KGHM, we do not expect inventory revaluation losses charged against income statement as a result of LME prices falling below cost (in the worst-case scenario, the charges could be as high as PLN 300m, but they will have no impact on stock performance).

Construction



Construction

Analyst:
Maciej Stokłosa

Budimex

Buy

FY08E P/E 15.5 FY08E EV/EBITDA 6.2
FY09E P/E 13.1 FY09E EV/EBITDA 8.5

Current price PLN 56.5
Target price PLN 80.0

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	902.9	753.5	19.8%	3357.1	3075.9	9.1%	3834.9	3357.1	14.2%
EBITDA	93.1	23.5	19.4%	194.3	51.7	276.2%	141.3	194.3	-27.3%
margin	3.1%	3.1%	-0.3%	5.8%	1.7%	244.7%	3.7%	5.8%	-36.3%
EBIT	88.3	16.3	42.2%	175.1	28.0	524.4%	121.7	175.1	-30.5%
Pre-tax profit	23.6	8.3	186.0%	121.5	13.6	794.5%	135.5	121.5	11.5%
net profit	20.0	17.9	11.5%	93.1	15.1	517.9%	109.8	93.1	17.9%

Heavy impact of one-offs

Budimex is firm that it is not going to change its accounting policy. Since the company does not use hedge accounting, it is probably going to record losses in Q408 on F/X hedging derivatives, which we estimate at PLN 65m. These losses will be charged against income, and recognized under "operating expenses." At the same time, we expect to see a partial reversal of an allowance recognized against a sports-facilities contract (the municipality of Sopot decided not to charge late fees and extended the deadline by 12 months), resulting in PLN 30m being added to Q408 other operating income. After adjustment for both one-offs, we predict that Budimex will report a fourth-quarter net income of PLN 20m and a FY2008 bottom-line figure of PLN 93.1m (6.1% less than our forecasted PLN 99.2m). Revaluation of the derivatives at a EUR/PLN exchange rate of 4.17 in Q408 will positively influence profitability in subsequent quarters.



Construction

Analyst:
Maciej Stokłosa

Elektrobudowa

Buy

FY08E P/E 10.2 FY08E EV/EBITDA 8.0
FY09E P/E 11.4 FY09E EV/EBITDA 9.5

Current price PLN 139.0
Target price PLN 225.9

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	252.4	243.7	3.6%	835.0	679.6	22.9%	876.9	835.0	5.0%
EBITDA	21.8	12.8	70.6%	83.1	49.6	67.6%	70.2	83.1	-15.5%
margin	8.6%	5.2%	64.7%	10.0%	7.3%	36.4%	8.0%	10.0%	-19.6%
EBIT	19.6	11.3	73.3%	75.4	44.2	70.6%	63.8	75.4	-15.4%
Pre-tax profit	21.5	11.9	80.6%	80.2	44.8	79.0%	71.5	80.2	-10.8%
net profit	17.4	9.7	79.9%	64.8	34.7	86.6%	57.9	64.8	-10.6%

Another good quarter

We expect a strong Q408 showing from Elektrobudowa. Profitability will be in line with our estimate, while revenues will fall slightly short (the FY08 full-year revenue will be 1.7% lower than estimated at PLN 835m). We do not expect to see significant adjustments of exchange-rate risk hedges. Elektrobudowa generally does not hedge against exposure to euro-nominated contracts (natural hedging), only cash flows from foreign contracts (orders from energy distributors, sales generated by subsidiary Kruelta; the payment currency is USD). We estimate this year's sales to Kruelta at PLN 70m (ca. PLN 17.5m per quarter).


Construction

 Analyst:
Maciej Stokłosa

Erbud

Buy

 FY08E P/E 34.4 FY08E EV/EBITDA 4.5
 FY09E P/E 8.9 FY09E EV/EBITDA 6.5

Current price **PLN 24.8**
Target price **PLN 31.9**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	201.2	179.4	12.1%	983.5	663.1	48.3%	915.1	983.5	-7.0%
EBITDA	13.8	10.1	37.1%	67.0	34.6	93.5%	46.0	67.0	-31.3%
margin	6.9%	5.6%	22.2%	6.8%	5.2%	30.4%	5.0%	6.8%	-26.1%
EBIT	12.3	9.4	31.4%	61.1	32.8	86.5%	40.9	61.1	-33.1%
Pre-tax profit	-32.8	9.4	-448.4%	14.6	39.2	-62.9%	44.5	14.6	205.9%
net profit	-27.2	6.3	-528.7%	9.1	31.8	-71.5%	35.1	9.1	287.1%

Negative impact of hedges

Erbud's actual Q4 2008 earnings figures will be in line with revised guidance. A strong operating profit generated from existing contracts will be weighed down by closing of derivatives positions. The one-time charge against finance gains will be an estimated PLN 45m. All told, Erbud will post a negative tax of approximately PLN 6.2m in Q408.


Construction

 Analyst:
Maciej Stokłosa

Mostostal Warszawa

Buy

 FY08E P/E 9.4 FY08E EV/EBITDA 5.2
 FY09E P/E 9.4 FY09E EV/EBITDA 5.2

Current price **PLN 48.6**
Target price **PLN 68.9**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	638.2	559.7	14.0%	2155.8	1928.4	11.8%	2468.4	2155.8	14.5%
EBITDA	50.3	20.3	147.4%	152.6	78.5	94.4%	153.0	152.6	0.3%
margin	7.9%	3.6%	117.0%	7.1%	4.1%	73.9%	6.2%	7.1%	-12.4%
EBIT	44.2	14.8	199.9%	129.7	58.9	120.3%	129.3	129.7	-0.3%
Pre-tax profit	45.3	16.3	176.9%	146.5	62.3	135.0%	144.2	146.5	-1.6%
net profit	32.7	13.1	148.5%	103.5	52.9	95.4%	102.9	103.5	-0.5%

Strong operating profit, net profit depends on accounting policy

On the basis of the earnings estimates of other companies, and an analysis of Mostostal's contract backlog and costs, we estimated Q408 net income at PLN 32.7m, 7% ahead of our forecast (we predict that full-year bottom-line income will come closer to PLN 103.5m than the previously estimated PLN 96.5m). In the end, however, the earnings for the period will depend on the approach to derivatives accounting.

Accounting for derivatives

Mostostal Warszawa hedges virtually 100% of foreign-currency exposure arising from euro contracts. As far as we know, the company did not use hedge accounting in Q408 or earlier. If this is true, its losses from valuation adjustments will approximate PLN 49m, but future profits will be better.


Construction

 Analyst:
Maciej Stokłosa

PBG

Accumulate

FY08E P/E	17.3	FY08E EV/EBITDA	12.3	Current price	PLN 203.0
FY09E P/E	11.6	FY09E EV/EBITDA	8.5	Target price	PLN 219.4

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	780.0	577.3	35.1%	2150.0	1376.8	56.2%	2911.9	2150.0	35.4%
EBITDA	95.0	55.1	72.4%	261.3	138.2	89.1%	378.9	261.3	45.0%
margin	12.2%	9.5%	27.6%	12.2%	10.0%	21.1%	13.0%	12.2%	7.1%
EBIT	84.6	45.0	88.2%	227.2	109.4	107.8%	344.7	227.2	51.7%
Pre-tax profit	92.6	55.9	65.6%	215.5	144.1	49.5%	337.3	215.5	56.6%
net profit	73.3	39.5	85.6%	157.8	102.1	54.6%	234.4	157.8	48.5%

Good quarter without surprises

We do not expect to be surprised by PBG's Q4 2008 results. As a company specialized in environmental engineering, PBG records weak revenues in the first quarter, and strong revenues in the fourth quarter of each year. In Q408, we expect that net income will come in line with the company's estimate of PLN 157.8m, suggesting that full-year revenues will approximate PLN 75m (3.5%) higher than we predicted. This follows from a revision in the estimated value of completed contracts, and an increase in FY08 depreciation- and net-profit estimates (negligible difference).

What is the potential impact of derivatives?

PBG subsidiary Hydrobudowa 9 landed two "Design+Build contracts in 2008 with a total value of EUR 55m. At first, we thought that the derivatives used to hedge the resulting exposure do not qualify for hedge accounting, but experts told us that they do. And the possible value adjustments could reduce net income by as much as PLN 21.5m, and will have a positive influence on future margins.


Construction

 Analyst:
Maciej Stokłosa

Polimex Mostostal

Buy

FY08E P/E	9.7	FY08E EV/EBITDA	5.8	Current price	PLN 2.5
FY09E P/E	7.8	FY09E EV/EBITDA	5.3	Target price	PLN 4.1

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	1118.0	1253.5	-10.8%	4200.7	3720.5	12.9%	4866.2	4200.7	15.8%
EBITDA	71.2	64.3	10.8%	295.9	205.4	44.0%	325.8	295.9	10.1%
margin	6.4%	5.1%	24.2%	7.0%	5.5%	27.6%	6.7%	7.0%	-4.4%
EBIT	60.7	51.4	18.0%	233.4	160.4	45.5%	259.6	233.4	11.2%
Pre-tax profit	48.8	46.2	5.5%	181.9	149.4	21.8%	213.5	181.9	17.4%
net profit	33.4	28.7	16.6%	125.4	100.1	25.3%	156.0	125.4	24.4%

Revenue down, profit up against Q407

We predict based on Polimex's guidance that revenues in FY2008 will be 3.1% lower than our forecast at PLN 4.2 billion, and net income will fall 5.7% short at PLN 125.4m, due mainly to delays in the completion of several construction contracts.

Impact of accounting policy

Polimex Mostostal has not used hedge accounting to date (except subsidiary Energomontaż Północ, which has applied it for six months). The application of hedge accounting treatment would result in recognition of a ca. PLN 30m loss in Q408 following value adjustments on exchange-rate hedges pertaining to contracts acquired by Polimex, Torpol, and Naftobudowa. In fact, Polimex's management and auditors are considering applying hedge accounting to the contracts of these companies. They are also considering capitalizing tax benefits resulting from investments in a special economic zone, which would bring tax savings of up to PLN 15m in 2008.


Construction

Trakcja Polska

Buy

 Analyst:
Maciej Stokłosa

 FY08E P/E 11.8 FY08E EV/EBITDA 8.1
 FY09E P/E 9.2 FY09E EV/EBITDA 6.7

Current price **PLN 3.9**
Target price **PLN 6.0**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	285.0	225.6	26.3%	831.8	646.8	28.6%	1007.8	831.8	21.2%
EBITDA	15.7	9.8	60.6%	68.0	35.6	90.9%	82.8	68.0	21.8%
margin	5.5%	4.3%	27.1%	8.2%	5.5%	48.5%	8.2%	8.2%	0.5%
EBIT	13.1	8.0	63.6%	59.6	29.6	101.7%	70.0	59.6	17.3%
Pre-tax profit	14.3	10.0	42.0%	64.3	36.8	74.9%	83.1	64.3	28.3%
net profit	11.3	8.6	31.2%	52.5	28.7	82.9%	67.3	52.5	27.4%

Impact of hedges

We predict that revaluation of hedging instruments will cause Trakcja Polska's (TP) net income for FY2008, which we estimate at PLN 52.5m, to miss our PLN 61.1m estimate and the company's own target of PLN 58m (a shortfall of less than 10%). This loss will be compensated by better results in future quarters. Given TP's huge exposure to currency fluctuations (between 70% and 75% of the backlog are euro contracts), the hedging losses seem relatively minor, and this is owed to a higher share of third-party service costs nominated in euros, and an expected revision in margins achievable on construction contracts. The revision of budgeted targets is a consequence of a decrease followed by an increase in costs, and faster-than-expected progress in contract performance (owed to the fact that many of the risks typically associated with early stages of completion did not materialize, and to orders for additional work yielding much higher margins than the "core" contracts).


Construction

Ulma Construcccion

Hold

 Analyst:
Maciej Stokłosa

 FY08E P/E 7.5 FY08E EV/EBITDA 4.3
 FY09E P/E 8.2 FY09E EV/EBITDA 4.2

Current price **PLN 43.3**
Target price **PLN 76.3**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	61.5	61.8	-0.5%	249.5	222.6	12.1%	261.4	249.5	4.8%
EBITDA	26.4	27.1	-2.7%	96.1	108.4	-11.3%	104.9	96.1	9.1%
margin	42.9%	43.9%	-2.2%	38.5%	48.7%	-20.9%	40.1%	38.5%	4.2%
EBIT	10.0	14.8	-32.9%	46.5	66.6	-30.2%	49.8	46.5	7.2%
Pre-tax profit	7.3	14.0	-47.6%	36.8	62.1	-40.7%	34.2	36.8	-7.2%
net profit	6.0	11.8	-49.6%	30.4	50.9	-40.2%	27.9	30.4	-8.3%

No surprises

We expect Ulma to report solid revenues from domestic orders, and lower revenues generated in the Ukraine (where sales in Q3 2008 yielded an operating profit margin of 54.6%). Our fourth-quarter estimates suggest that full-year revenue will be slightly lower than in 2007 (-0.2%), as will the net profit margin (-2.1%).


Construction

 Analyst:
Maciej Stokłosa

Unibep

 FY08E P/E 5.0
FY09E P/E 5.9
FY08E EV/EBITDA 3.9
FY09E EV/EBITDA 4.3

Accumulate

Current price **PLN 3.9**
Target price **PLN 5.4**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenue	118.0	132.7	-11.0%	520.0	407.5	27.6%	564.6	520.0	8.6%
EBITDA	7.5	5.1	47.7%	35.1	16.7	109.8%	31.9	35.1	-9.4%
margin	6.4%	3.8%	66.0%	6.8%	4.1%	64.4%	5.6%	6.8%	-16.5%
EBIT	6.6	4.8	36.0%	33.0	15.8	109.0%	27.9	33.0	-15.3%
Pre-tax profit	7.1	4.3	65.0%	34.5	15.1	128.1%	27.7	34.5	-19.6%
net profit	5.8	3.3	72.5%	26.5	11.7	125.4%	22.3	26.5	-15.8%

Ahead of forecasts

We expect Unibep to report Q408 earnings figures ahead of the estimates announced in November 2008, which peg revenues at PLN 505m (we estimate PLN 520m, +3%), operating profit at PLN 33m (in line with our estimate), and net income at PLN 26m (we estimate PLN 26.5m, +1.9%). Our high profitability prediction is based on the company's strong contract portfolio.

Retail



Retail

 Analyst:
Kamil Kliszcz

Emperia Holding

Buy

 FY08E P/E 13.4 FY08E EV/EBITDA 5.9
 FY09E P/E 8.7 FY09E EV/EBITDA 4.7

Current price **PLN 53.00**
Target price **PLN 70.30**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenues	1 335.1	1 207.9	10.5%	5 295.3	4 479.6	18.2%	5 668.9	5 295.3	7.1%
EBITDA	43.9	49.9	-12.0%	155.6	176.2	-11.7%	194.2	155.6	24.8%
margin	3.3%	4.1%	-	2.9%	3.9%	-	3.4%	2.9%	-
EBIT	30.3	40.4	-25.1%	103.2	136.2	-24.2%	128.8	103.2	24.8%
Pre-tax profit	25.3	30.5	-17.3%	87.3	110.5	-21.0%	113.6	87.3	30.1%
net profit	18.9	24.9	-23.8%	60.0	88.4	-32.1%	92.0	60.0	53.3%

High base effect

We are hopeful that Emperia's fourth-quarter results will be much better than the dismal figures reported for Q308, when EBIT was a meager PLN 18.7m and net income was PLN 5.5m. That said, we are not likely to see year-on-year growth off a high Q407 base given the unfavorable macroeconomic conditions experienced in late 2008, and the fact that the company incurred high costs of integration and losses on its new distribution centers. EBITDA will fall by an estimated 12% due to a deteriorated profitability of Wholesale (two new distribution centers in Będzin and Wrocław were still generating losses in Q408) and decreased margins recorded by Retail (our conservative assumption is that income from other retail operations, i.e. from discounts, will be lower than the PLN 5m received a year earlier). Net income will display a year-on-year decrease in spite of a lack of hedging losses (-PLN 4.2m in Q407), caused by increased D&A charges and a higher effective tax rate (similarly as in Q308 as a result of subsidiary losses on wholesale).



Retail

 Analyst:
Kamil Kliszcz

Eurocash

Hold

 FY08E P/E 15.6 FY08E EV/EBITDA 7.6
 FY09E P/E 11.8 FY09E EV/EBITDA 6.3


Current price **PLN 9.50**
Target price **PLN 9.90**

(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenues	1 711.9	1 276.6	34%	6 601.8	4 729.9	40%	7 399.4	6 601.8	12%
EBITDA	47.8	40.6	18%	155.9	122.5	27%	186.2	155.9	19%
margin	2.8%	3.2%	-	2.4%	2.6%	-	2.5%	2.4%	-
EBIT	35.8	31.2	15%	111.0	86.8	28%	127.3	111.0	15%
Pre-tax profit	32.8	24.6	33%	98.2	75.0	31%	127.1	98.2	29%
net profit	26.6	19.6	35%	79.4	58.9	35%	105.1	79.4	32%

Higher revenues, lower profits

The fourth quarter was seasonally strong for Eurocash, bringing an upswing in the gross margin supported by annual supplier bonuses. On a year-on-year basis, however, we expect margins to drop as a consequence of consolidation of the less profitable MCLane Polska on the one hand, and a high base on the other hand (the company generated an unusually high gross margin from "Traditional Wholesale", unlikely to be repeated amid unfavorable macroeconomic trends observed in Q408). With y/y revenue growth virtually flat at Q308 level, operating profit will be about 15% higher than in Q407. The increase in pre-tax and net income, however, will be much more pronounced thanks to high finance costs recorded in the fourth quarter of 2007 and caused by accumulation of interest payable to trade creditors, which the company now tries to settle as soon as possible, with resulting charges proportionally recognized against quarterly accounts.

Others

		Mondi					Buy		
		Paper							
Analyst:		FY08E P/E	18.7	FY08E EV/EBITDA	10.2	Current price	PLN 39.50		
Michał Marczak		FY09E P/E	15.1	FY09E EV/EBITDA	8.2	Target price	PLN 54.20		
(PLN m)	4Q2008F	4Q2007	change	2008F	2007	change	2009F	2008F	change
Revenues	349.6	373.4	-6.4%	1 390.0	1 610.4	-13.7%	1 594.6	1 390.0	14.7%
EBITDA	7.5	78.0	-90.4%	226.3	400.0	-43.4%	320.7	226.3	41.7%
margin	2.1%	20.9%	-89.8%	16.3%	24.8%	-34.4%	16.3%	24.8%	-34.4%
EBIT	-9.6	51.5	-118.7%	125.4	295.7	-57.6%	182.8	125.4	45.7%
Pre-tax profit	-9.5	56.2	-116.9%	132.0	303.8	-56.6%	157.4	132.0	19.2%
net profit	-8.5	45.4	-118.7%	105.6	246.2	-57.1%	130.7	105.6	23.8%

F/X losses

In Q408, the price of Mondi's flagship product, Kraftliner paper, as quoted in Europe, averaged EUR 486/t, and was 0.1% lower than in the preceding quarter. Because of the zloty's depreciation against the euro, the zloty selling price was 14% higher. The q/q changes in case of Testliner were -4.4% and +9.3% respectively, and for Fluting they were -7% and +6.5% respectively. What impedes reliable earnings predictions is a lack of data on sales volumes. The economic slowdown in the EU, which is the main market for Mondi's exports (accounting for 80% of total paper sales) must have reflected on Q408 sales. On the other hand, the company launched new capacity in the period which must have been at least partly filled with orders. In our estimates, we assumed a 5% year-on-year decline in volumes. Another big question is the extent of losses incurred on hedges (the company has been using hedging for years). We assess these losses at PLN 60m, and predict that they will be compensated by operating profits in subsequent quarters.

Schedule of Earnings Announcements

Company	Standalone Q4 2008 Report	Consolidated Q4 2008 report	Consolidated FY2008 Report
AB	16.02.09	16.02.09	
ACTION			02.02.09
AGORA			
ASBIS	27.02.09		
BUDIMEX	25.02.09	25.02.09	31.03.09
BZ WBK	03.03.09	03.03.09	03.03.09
CIECH			
CYFROWY POLSAT	26.02.09	26.02.09	
ELEKTROBUDOWA	02.03.09	02.03.09	31.03.09
EMPERIA			
ERBUD	02.03.09	02.03.09	15.06.09
EUROCASH			
HANDLOWY	12.02.09	12.02.09	31.03.09
ING BSK	18.02.09	18.02.09	31.03.09
KETY	11.02.09	11.02.09	09.04.09
KGHM	27.02.09	27.02.09	20.03.09
KOMPUTRONIK			
KREDYT BANK	12.02.09	12.02.09	27.02.09
LOTOS			
MILLENNIUM	12.01.09	12.01.09	27.02.09
MONDI	13.02.09	13.02.09	27.02.09
MOSTOSTAL WARSZAWA	13.02.09	13.02.09	31.06.09
NETIA	02.03.09	02.03.09	02.03.09
NOBLE BANK			
PBG			
PEKAO	20.02.09	20.02.09	
PGNiG			
PKN ORLEN	26.02.09	26.02.09	30.04.09
PKO BP	26.02.09	26.02.09	
POLICE			
POLIMEX MOSTOSTAL			
TPSA	26.02.09	26.02.09	26.02.09
TRAKCJA POLSKA			
TVN			
ULMA	27.02.09	27.02.09	
UNIBEP	27.02.09	27.02.09	08.06.09
WSiP			
PUŁAWY	03.02.09	03.02.09	03.03.09

Source: Parkiet

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	Buy	80.00	2008-11-25
BZWBK	Buy	128.70	2009-01-12
CIECH	Hold	34.20	2008-11-26
CYFROWY POLSAT	Accumulate	15.80	2008-11-26
ELEKTROBUDOWA	Buy	225.90	2008-11-25
EMPERIA HOLDING	Buy	70.30	2008-11-28
ERBUD	Buy	31.90	2008-11-25
EUROCASH	Hold	9.90	2008-11-28
HANDLOWY	Accumulate	54.55	2009-01-12
ING BSK	Hold	435.50	2009-01-12
KĘTY	Buy	109.40	2008-08-04
KGHM	Buy	49.20	2008-11-27
KOMPUTRONIK	Accumulate	33.90	2008-12-02
KREDYT BANK	Sell	8.95	2009-01-12
LOTOS	Buy	29.40	2008-11-25
MILLENNIUM	Hold	2.79	2009-01-12
MONDI	Buy	54.20	2008-10-31
MOSTOSTAL WARSZAWA	Buy	68.90	2008-11-25
NETIA	Buy	3.80	2008-11-14
NOBLE BANK	Buy	3.70	2009-01-12
PBG	Accumulate	219.40	2008-11-25
PEKAO	Accumulate	140.80	2009-01-12
PGNiG	Accumulate	3.94	2008-11-18
PKN ORLEN	Buy	39.30	2008-11-20
PKO BP	Buy	43.23	2009-01-12
POLICE	Hold	8.00	2008-11-27
POLIMEX MOSTOSTAL	Buy	4.10	2008-11-25
TELEKOMUNIKACJA POLSKA	Hold	20.50	2009-01-06
TRAKCJA POLSKA	Buy	6.00	2008-11-25
TVN	Hold	13.00	2008-11-12
ULMA CONSTRUCCION POLSKA	Hold	76.30	2008-11-25
UNIBEP	Accumulate	5.40	2009-01-09
WSiP	Buy	18.90	2008-12-09
ZA PUŁAWY	Hold	68.40	2008-10-31

**Ratings Issued in January 2009**

Company	Rating	Target Price	Rating Date
BZWBK	Buy	128.70	2009-01-12
HANDLOWY	Accumulate	54.55	2009-01-12
ING BSK	Hold	435.50	2009-01-12
KREDYT BANK	Sell	8.95	2009-01-12
MILLENNIUM	Hold	2.79	2009-01-12
NOBLE BANK	Buy	3.70	2009-01-12
PEKAO	Accumulate	140.80	2009-01-12
PKO BP	Buy	43.23	2009-01-12
TPSA	Hold	20.50	2009-01-06
UNIBEP	Accumulate	5.40	2009-01-09

Ratings Statistics

Statistics	All					Issuers who are clients of BRE Bank Securities				
	Sell	Reduce	Hold	Accumulate	Buy	Sell	Reduce	Hold	Accumulate	Buy
count	1	0	11	8	18	0	0	1	4	6
pct. of total	2.6%	0.0%	28.9%	21.1%	47.4%	0.0%	0.0%	9.1%	36.4%	54.5%



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

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

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