

# Poland – Quarterly Results Preview

## 2Q12 – Expect To See Visibly Weaker Results Than Last Year

### ■ Industry Overview

- **Overall weaker quarter than last year** — Our coverage universe 2Q12 aggregate earnings are expected to be down by 27% yoy and reach ZI 7.1bn. Revenues are forecast to be +13% yoy but EBIT -16% yoy. On a relative basis the weakest results should come in the construction and industrials sectors with retail being a bright spot.
- **Banks** — We forecast our banks universe to report an aggregate 2Q12 net profit of ZI 2.6bn (-13% qoq, -11% yoy adjusted for one-off ZI 620 gain on sales of Open Finance shares reported by Getin Noble Bank in 2Q11). We expect higher provision charges (+24% qoq), driven by provisions on loans to PBG.
- **Electric utilities** — Results in the sector should be solid but generally weaker than in the first quarter of the year. We expect Tauron to surprise on the upside thanks to strong numbers in its distribution segment. We think PGE's numbers will also be strong with higher volumes from the new lignite unit in Belchatow. Enea should also deliver some growth in EBIT yoy.
- **Construction** — We expect very weak results in the sector again with only Elektrobudowa delivering better results yoy. We expect companies to deliver significantly worse OCF yoy.
- **Commodity** — We forecast 2Q12 profit of our industrials universe to be weak with profits down 50% yoy. The main contributors to the yoy deterioration should be PKN and KGHM. We expect PKN to be negatively effected by inventory impact as well as FX losses while KGHM should to a large extent suffer from the new royalty tax. JSW numbers should suffer predominately from substantially lower yoy coal prices.
- **Real Estate** — We expect uninspiring 2Q12 results in the real estate sector. We don't expect any revaluation losses in GTC again. Echo's numbers should be influenced by the weak zloty causing revaluation gains of existing portfolio.
- **Consumer Sector** — Retail sector results should again be very good. We forecast all our covered companies (Eurocash, LPP and NG2) to deliver healthy profits, with LPP's numbers being the strongest.
- **Pharmaceutical Distribution** — We forecast aggregated revenues of the top three pharmaceutical distributors to deteriorate by 2% yoy (vs. a 4% drop in the pharmacy wholesale market and 4% growth of the hospital wholesale market). We expect sector's EBIT to be flat yoy and net income to grow by 11% to a large extent driven by much lower interest costs coming from substantial debt reduction vs. 2Q11.
- **Others** — Orbis profits should benefit from a high occupancy rate and very strong ADR (average daily rate) driven by the European Football Championships. Rovese is expected to show improved yoy profits as last year was impacted by fx losses. Kety already guided for slightly better yoy numbers and Inter Cars profits should be up by just 2% if adjusted for the costs of a fire accident in 2Q11.

---

#### Rafal Wiatr, CFA

+48-22-690-3757  
rafal.wiatr@citi.com

#### Andrzej Powierza

+48-22-690-3566  
andrzej.powierza@citi.com

#### Piotr Zielonka, CFA

+48-22-690-4861  
piotr.zielonka@citi.com

#### Rafal Materka

+48-22-690-3288  
rafal.materka@citi.com

#### Simon Nellis

+44-20-7986-4012  
simon.nellis@citi.com

---

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

Citi Research is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

## Summary By Industry

Our coverage universe 2Q12 aggregate net earnings are expected to be down by 27% yoy and reach ZI 7.1bn. Revenues are forecast to be up almost 3% yoy but EBIT is expected to decline by some 16% yoy. On a relative basis the power sector and especially retail should show yoy growth in earnings, while we expect the construction and industrial sectors to do rather poorly with sector earnings down yoy by 74% and 52% respectively.

## Banks

We forecast our coverage universe of eight Polish banks to report an aggregate 2Q12 net profit of ZI 2.6bn (-13% qoq, -27% yoy, -11% yoy adjusted for one-off ZI 620 gain on the sale of Open Finance shares reported by Getin Noble Bank in 2Q11). We expect higher provision charges (+24% qoq), driven by provisions on loans to PBG group, while net interest income and net fee income should be broadly flat (0% qoq and +2% qoq respectively).

According to the Polish FSA (KNF) net profit of the banking sector in April and May 2012 was 3% lower than in the April and May 2011 as stronger net interest and other income (+5% yoy) was more than offset by lower fee income (-3% yoy), higher administrative costs (+4% yoy) and higher provisioning (+24% yoy).

According to the National Bank of Poland (NBP) data sector average deposit spreads remained broadly unchanged in April and May at 141bps vs. 139bp in 1Q12, while lending spreads declined to 375bps from 380bps, respectively. The sector NPL ratio of PLN and CHF-denominated mortgage loans rose between March and May 2012 by 22bp (to 3.92%) and 4bp (to 1.98%) respectively, while the consumer NPL ratio declined by 39bp to 17.86%. The corporate NPL ratio increased to 10.49% at the end of May from 10.35% at the end of March.

Figure 1. Banks Aggregate Numbers — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Net Interest Income	5,706	5,683	5,409	5%	11,388	10,467	9%
Fees and Commissions	2,514	2,553	2,702	-5%	5,067	5,307	-5%
Total revenue	8,944	8,955	8,775	2%	17,898	17,011	5%
Total expenses	-4,110	-4,212	-4,030	5%	-8,322	-7,942	5%
Operating profit before provisions	4,834	4,743	4,744	0%	9,577	9,069	6%
Provision charge	-1,264	-1,568	-1,160	35%	-2,831	-2,341	21%
Pre tax profit	3,608	3,204	3,618	-11%	6,812	6,792	0%
Net profit	2,955	2,564	3,494	-27%	5,518	6,061	-9%

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

## Electric Utilities

Quarterly results in the sector should be solid but generally weaker than in the first quarter of the year. We expect Tauron to surprise on the upside thanks to strong numbers in distribution segment. We think PGE's numbers will also be strong with higher volumes from its new lignite unit in Belchatow. Enea should also deliver some growth in EBIT yoy.

Figure 2. Electric Utilities Aggregate Numbers — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	17,009	15,447	13,927	10.9%	32,456	28,992	11.9%
EBIT	2,674	1,929	1,726	11.7%	4,603	4,040	13.9%
Pre-tax	2,765	1,917	1,842	4.1%	4,682	4,211	11.2%
Net profit	2,166	1,524	1,470	3.7%	3,690	3,338	10.5%
EBIT margin	15.7%	12.5%	12.4%		14.2%	13.9%	
Net margin	12.7%	9.9%	10.6%		11.4%	11.5%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

## Construction

We expect again very weak numbers in the construction sector in 2Q12 as the companies are carrying out contracts signed during the price war. We would take a closer look especially at OCF at each of the companies. High negative OCF may suggest liquidity problems in some companies. Only Elektrobudowa should deliver significant improvement yoy on our estimates.

Figure 3. Construction Aggregate Numbers — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	3,010	4,179	3,781	10.5%	7,189	6,153	16.8%
EBIT	82	71	143	-50.6%	152	235	-35.2%
Pre-tax	57	42	123	-65.9%	99	209	-52.7%
Net profit	49	26	101	-73.8%	76	165	-54.3%
EBIT margin	2.7%	1.7%	3.8%		2.1%	3.8%	
Net margin	1.6%	0.6%	2.7%		1.1%	2.7%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

## Industrials

The 2Q12 aggregate net profit of our industrials universe is expected to be weak with profits down 52% yoy and 43% qoq, although revenues are expected to be up 15% yoy (to a large extent thanks to PKN Orlen's sales rising on a higher oil price). We expect the main contributors to the yoy deterioration in profits to be PKN and KGHM. PKN should be negatively affected by a high inventory impact (on the back of a qoq decline in oil price) as well as FX losses. However, KGHM to a large extent should suffer from the new royalty tax that for the first time will impact quarterly numbers. JSW's 2Q12 results should suffer predominately from substantially lower yoy coal prices. Please note that on a qoq basis we should see lower production and external coal sales.

Figure 4. Industrials Aggregate Numbers — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	37,541	39,219	34,056	15.2%	76,669	64,464	18.9%
EBIT	3,360	2,620	4,549	-42.4%	5,949	9,152	-35.0%
Pre-tax	3,903	2,340	4,614	-49.3%	6,242	9,163	-31.9%
Net profit	3,158	1,799	3,734	-51.8%	4,957	7,417	-33.2%
EBIT margin	9%	7%	13%		8%	14%	
Net margin	8%	5%	11%		6%	12%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

## Real Estate

We expect uninspiring 2Q12 results in the real estate sector. We don't expect any revaluation losses in GTC again. Echo's numbers should be influenced by the weak zloty causing revaluation gains on its existing portfolio.

Figure 5. Real Estate Aggregate Numbers — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	308	276	265	4.5%	585	481	21.5%
EBIT	47	180	-116	nm	227	134	69.5%
Pre-tax	40	45	-218	nm	85	-80	nm
Net profit	47	36	-131	nm	83	-29	nm
EBIT margin	15.2%	65.1%	-43.8%		38.8%	27.8%	
Net margin	15.2%	13.0%	-49.3%		14.2%	-5.9%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

## Consumer

Retail sector results should again be very good, in our view. All covered companies (Eurocash, LPP and NG2) are forecast to deliver healthy profits with LPP's numbers being the strongest. Eurocash's C&C and Delikatesy Centrum LFL sales are expected to slow in 2Q12.

Figure 6. Polimex (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A*	YoY Chg	1H12E	1H11	YoY Chg
Sales	4,649	5,570	3,444	61.7%	10,219	6,209	64.6%
EBIT	84	247	192	29.0%	332	215	54.2%
Pre-tax	56	216	175	23.3%	272	200	35.6%
Net profit	47	173	147	17.2%	219	164	33.7%
EBIT margin	1.8%	4.4%	5.6%		3.2%	3.5%	
Net margin	1.0%	3.1%	4.3%		2.1%	2.6%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

## Pharmaceutical Distribution

We are looking for aggregate sales of pharmaceutical distributors to deteriorate by 2% (vs a 4% contraction in wholesale to pharmacies and a 4% increase of wholesale to hospitals). We forecast flat yoy EBIT for the sector, while decent growth of the bottom-line stems from lower interest costs (all distributors posted substantial yoy debt reduction). Pelion, as the only distributor, should deliver higher yoy revenues, but will likely disappoint at the EBIT level (lower gross margin, one-off costs related to the completion of loyalty programmes in retail). Farmacol is likely to deliver the most progress on the operating line with support from improving gross margin. We expect Neuca to report the most significant revenue deterioration due to cessation of supplies to some less profitable customers, though this should be supportive for its gross margin, while EBIT will likely be impacted by costs related to the reorganisation of a call-centre.

**Figure 7. Pharmaceutical Distribution Aggregate Numbers — 1H11A-2Q12E (Zloty in Millions)**

	1Q11	2Q11E	2Q10	YoY Chg	1H11E	1H10	YoY Chg
Sales	4,279	4,219	4,307	-2.0%	8,498	9,070	-6.3%
EBIT	74.1	44.7	45	-0.4%	119	130	-8.3%
Pre-tax	70.0	41.8	33	26.2%	112	108	3.9%
Net profit	51.6	32.9	30	10.9%	84.4	80.3	5.2%
EBIT margin	1.7%	1.1%	1.0%		1.4%	1.4%	
Net margin	1.2%	0.8%	0.7%		1.0%	0.9%	

Source: Companies' reports and Citi Research/Dom Maklerski Banku Handlowego estimates

## Reporting Dates

Figure 8. Reporting Dates – 2Q12 Results

Non-financial	Reporting Date
TPSA	25-Jul
PKN Orlen	02-Aug
Kety	09-Aug
KGHM	14-Aug
GTC	16-Aug
PGNiG	23-Aug
LPP	23-Aug
Tauron	23-Aug
Eurocash	24-Aug
Pelion	27-Aug
Orbis	29-Aug
Neuca	30-Aug
Enea	30-Aug
Budimex	31-Aug
Elektrobudowa	31-Aug
Mostostal Warszawa	31-Aug
Rovese	31-Aug
JSW	31-Aug
Farmacol	31-Aug
Inter Cars	31-Aug
NG2	31-Aug
PGE	31-Aug
Echo Investment	31-Aug
Financials	
Bank Millennium	24-Jul
BZ WBK	26-Jul
BRE Bank	02-Aug
Bank Pekao	03-Aug
PKO BP	06-Aug
Kredyt Bank	07-Aug
ING BSK	08-Aug
GPW	30-Aug
Getin Holding	30-Aug
Getin Noble Bank	30-Aug
Open Finance	30-Aug
PZU	30-Aug

Source: PAP; Citi Investment Research and Analysis/Dom Maklerski Banku Handlowego;

## 2Q12 Forecasts

### PKO BP

Andrzej Powierza  
(48 22) 690-3566

Figure 9. PKO BP (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Net Interest Income	2,059	2,027	1,855	9%	4,087	3,575	14%
Fees and Commissions	723	752	804	-6%	1,476	1,541	-4%
Total revenue	2,923	2,875	2,735	5%	5,798	5,316	9%
Total expenses	-1,152	-1,142	-1,069	7%	-2,294	-2,123	8%
Operating profit before provisions	1,771	1,734	1,666	4%	3,505	3,192	10%
Provision charge	-528	-586	-443	32%	-1,113	-881	26%
Pre tax profit	1,251	1,149	1,222	-6%	2,400	2,307	4%
Net profit	1,005	920	967	-5%	1,925	1,838	5%

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We forecast PKO BP to report a 2Q12 net profit of ZI 920 (-5% yoy and -8% qoq).
- We forecast net interest income (NII) to decline 1.5% qoq due to a lower volume of high-margin consumer loans and rising cost of funding.
- We expect net fee income to increase qoq by 4% due to seasonality (higher card fees in 2Qs), but to decline 6% yoy (driven by lower bancassurance and investment fund fees).
- We forecast administrative costs to decline 1% qoq (due to high base as 1Q12 staff costs were affected by the payment of annual bonuses higher than accrued costs), but to increase 7% yoy driven by rising depreciation (+8% yoy) and staff costs (+10% yoy, affected by salary increases in 3Q11).
- We assume that the cost of risk will rise moderately over the quarter vs. c.149bp in 1Q12 and will reach c165bp in 2Q12.

### Bank Pekao

Figure 10. Pekao (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Net Interest Income	1,193	1,192	1,125	6%	2,385	2,187	9%
Fees and Commissions	551	573	645	-11%	1,124	1,242	-10%
Total revenue	1,920	1,942	1,926	1%	3,862	3,743	3%
Total expenses	-912	-956	-928	3%	-1,868	-1,829	2%
Operating profit before provisions	1,008	986	998	-1%	1,994	1,914	4%
Provision charge	-136	-234	-134	74%	-370	-270	37%
Pre tax profit	884	764	882	-13%	1,649	1,683	-2%
Net profit	711	616	714	-14%	1,327	1,363	-3%

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We forecast Pekao to report a 2Q12 net profit of ZI 616m (-14% yoy, -13% qoq).
- We forecast slightly lower NIM on average assets (3.4% vs. 3.43% in 1Q12) and flat qoq net interest income.
- We forecast net fees to increase 4% qoq due to seasonally higher card fees, that will more than offset lower investment fund fees, but on an annual basis we expect net fees to drop 11% (driven by lower investment fund, lending and other fees).
- We expect administrative costs to increase 3% yoy driven by rising general costs.

- We expect risk cost to rise to increase to 100bp from 58bp in 1Q12 and net provisioning to rise to ZI 234m from ZI 136m, negatively affected by a c.ZI 100m-120m provision on loans to PBG group.

## BZ WBK

Figure 11. BZ WBK (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Net Interest Income	557	566	503	13%	1,123	997	13%
Fees and Commissions	330	335	349	-4%	665	688	-3%
Total revenue	942	1,013	1,002	1%	1,956	1,887	4%
Total expenses	-454	-463	-456	1%	-917	-896	2%
Operating profit before provisions	488	551	546	1%	1,039	991	5%
Provision charge	-81	-135	-79	71%	-216	-174	24%
Pre tax profit	411	418	469	-11%	829	822	1%
Net profit	314	328	371	-11%	642	641	0%

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We forecast Bank Zachodni WBK to report a 2Q12 net profit of ZI 328m (-11% yoy and +5% qoq), negatively affected by additional provisions on loans to PBG of c.ZI 60m and positively by a c.ZI 50m dividend from Aviva Group.
- We expect net interest income to rise 2% qoq due to a slight increase in loans and a small improvement in NIM (to 3.90% from 3.85% in 1Q12).
- We forecast net fees to increase 1.5% qoq, driven by seasonality and so decline 4% yoy, negatively affected by weak investment fund and brokerage fees and positively by eBusiness and payment fees.
- We forecast administrative expense to rise 1.5% yoy.
- We expect risk cost to increase to 140bp from 85bp in 1Q12 and net provisioning to rise to ZI 135m from ZI 81m, negatively affected by a c.ZI 60m provision on loans to PBG group.

## BRE

Figure 12. BRE (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Net Interest Income	539	548	541	1%	1,087	1,047	4%
Fees and Commissions	222	215	208	3%	437	416	5%
Total revenue	916	912	884	3%	1,828	1,706	7%
Total expenses	-392	-412	-419	-2%	-804	-817	-2%
Operating profit before provisions	524	500	466	7%	1,025	889	15%
Provision charge	-112	-116	-59	98%	-228	-173	32%
Pre tax profit	412	385	407	-6%	797	716	11%
Net profit	331	307	313	-2%	638	543	17%

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We forecast BRE to report a 2Q12 net profit of ZI 307 (-2% yoy, -7% qoq).
- We forecast net interest income to increase by 2% qoq driven by a small improvement in net interest margin (to 2.4% from 2.3% in 1Q12).
- We expect net fees to decline by 3% qoq, mainly due to a seasonally high base in 1Q12.

- We note that in 1Q12 the bank booked a c.ZI 10m gain on the sale of the BRE System subsidiary (the back-office company).
- We forecast a 2% yoy decrease in administrative costs.
- We assume cost of risk to remain broadly unchanged over the quarter (70bp vs. 67bp in 4Q11).

## ING Bank Śląski

Figure 13. ING Bank Śląski (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Net Interest Income	514	513	460	12%	1,027	894	15%
Fees and Commissions	247	253	258	-2%	500	510	-2%
Total revenue	840	788	734	7%	1,628	1,458	12%
Total expenses	-465	-472	-420	12%	-937	-829	13%
Operating profit before provisions	375	316	315	1%	691	629	10%
Provision charge	-64	-133	-38	252%	-197	-95	108%
Pre tax profit	318	192	290	-34%	510	557	-9%
Net profit	272	155	234	-34%	427	446	-4%

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We forecast ING Bank Śląski to report a 2Q12 net profit of ZI 155m (-34% yoy and -43% qoq), negatively affected by additional provisions on loans to PBG of c.ZI 60m-70m
- We forecast flat qoq net interest income with NIM at 2.86% (vs. 2.86% in 1Q12 and 2.73% in 4Q11). Slightly higher cost of funding (due to promotion on saving accounts started at the end of May) should be offset by higher interest income driven by higher volumes (we expect loans to grow +2% qoq).
- We expect slightly higher net fees (+2% qoq but -2% yoy) with rising accounts & transaction fees, FX commission fees and seasonally higher card fees.
- We forecast administrative costs to increase +1% qoq, with staff costs rising +2% qoq and general costs growing +1% qoq.
- We assume cost of risk will grow to 110bp from 57bp in 1Q12 and net provisioning to ZI 133m from ZI 64m, negatively affected by a c.ZI 60m-70m provision on loans to PBG group.

## Bank Millennium

Figure 14. Bank Millennium (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Net Interest Income	296	298	288	4%	594	544	9%
Fees and Commissions	133	128	144	-11%	261	294	-11%
Total revenue	457	486	473	3%	943	912	3%
Total expenses	-282	-288	-282	2%	-570	-555	3%
Operating profit before provisions	175	198	191	4%	373	357	4%
Provision charge	-38	-82	-43	89%	-120	-81	48%
Pre tax profit	140	118	147	-20%	258	277	-7%
Net profit	110	94	115	-18%	204	216	-6%

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We forecast Bank Millennium to report a 2Q11 net profit of ZI 94m (-18% yoy, -13% qoq).

- We expect flat qoq NIM (2.37%) and broadly flat net interest income (+0.9% qoq).
- We forecast net fees to decrease 3% qoq driven by seasonally higher bancassurance fees in 1Q12 (Zl 25m vs. Zl 15m in 4Q11 and Zl 20m expected in 2Q12).
- We expect 2Q12 administrative costs to rise 2% yoy.
- We assume credit risk cost will grow to 80bp from 37bp in 1Q11 and net provisioning to Zl 82m from Zl 38m, negatively affected by a Zl c.40m provision on loans to PBG group.

## Kredyt Bank

Figure 15. Kredyt Bank (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Net Interest Income	218	209	298	-30%	427	588	-27%
Fees and Commissions	82	83	81	2%	165	161	2%
Total revenue	372	377	420	-10%	749	822	-9%
Total expenses	-239	-261	-256	2%	-499	-488	2%
Operating profit before provisions	133	116	164	-29%	250	334	-25%
Provision charge	-58	-43	-46	-5%	-101	-115	-12%
Pre tax profit	76	74	120	-38%	150	221	-32%
Net profit	56	59	88	-33%	115	222	-48%

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We forecast Kredyt Bank to report a 2Q12 net profit of Zl 59m (-33% yoy, +5% qoq).
- We forecast net interest income to decrease 4% qoq due to slightly rising cost of funding, driving the decline in NIM to 2.0% from 2.1%.
- We expect another solid quarter of trading income, driven by high profit from swap points, and forecast Zl 50m of trading income vs. Zl 58m in 1Q12 and Zl 11m in 2Q11.
- We expect administrative costs to rise 9% qoq, mainly due to higher marketing spending.
- We assume cost of risk will improve to 60bp from 80bp in 1Q12 due to the positive impact of changes in impairment methodology.

## Getin Noble Bank

Figure 16. Getin Noble Bank (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Net Interest Income	330	328	340	-3%	658	635	4%
Fees and Commissions	226	214	212	1%	440	455	-3%
Total revenue	572	561	600	-7%	1,133	1,168	-3%
Total expenses	-213	-220	-201	10%	-433	-406	7%
Operating profit before provisions	359	341	399	-15%	700	763	-8%
Provision charge	-248	-239	-319	-25%	-487	-554	-12%
Pre tax profit	115	105	81	30%	220	209	5%
Net profit	156	84	691	-88%	240	791	-70%

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We forecast Getin Noble Bank to report a 2Q12 net profit of ZI 84m (-88% yoy, -46% qoq; excluding a ZI 620m gain on the Open Finance IPO in 2Q11 and a ZI 84m gain on the Idea Bank sale in 1Q12 the growth rates are +18% yoy and +15% qoq).
- We forecast net interest margin to decrease immaterially to 2.43% from 2.46% in 1Q12 and net interest income to decline 0.6% qoq.
- We assume net fees to decline 5% qoq, driven by lower fees from the sale of investment products.
- We expect administrative costs to increase 3% qoq driven by seasonality.
- We assume the cost of risk to decline to 236bp from 242bp in 1Q12.

## Other Financials

### PZU

Figure 17. PZU (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11A	YoY Chg
Gross written premium	4,323	3,883	3,696	5.0%	8,205	7,673	6.9%
Net earned premium	3,869	3,943	3,698	6.6%	7,811	7,270	7.5%
Aggregate investment gains	873	667	605	10.2%	1,540	1,079	42.7%
Net claims, benefits and change in claim provisions	-2,777	-2,732	-2,617	4.4%	-5,509	-5,018	9.8%
Acquisition costs	-501	-505	-483	4.6%	-1,005	-953	5.5%
Administrative costs	-365	-369	-304	21.2%	-734	-633	15.9%
Pre tax profit	1,029	986	935	5.5%	2,015	1,897	6.3%
Net profit	822	799	762	4.8%	1,621	1,554	4.3%

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We forecast PZU to report a 2Q12 net profit of ZI 799m (+5% yoy, -3% qoq).
- We assume gross written premium (GWP) to rise 5.0% yoy (5.4% yoy in non-life and 4.6% yoy in life) and net earned premium (NEP) to increase 6.6% yoy.
- We expect the aggregate investment result (the sum of net investment income, net result from investments and writedowns and change in fair value) to decrease to ZI 667m in 2Q12 from ZI 873m in 1Q12 due to a lower gain on equity investments (we expect ZI 37m in 2Q12 vs. ZI 275m in 1Q12 as the WIG declined 1% qoq in 2Q12 vs. 10% qoq growth in 1Q12) and continued solid gains on bond valuations (we expect ZI 602m vs. ZI 617m in 1Q12 as the bond index grew by 2.2% qoq vs. 2.6%, respectively).
- We expect the loss ratio in life insurance to decline to 72% from 81% in 1Q12 but stay above the 2Q11 level (71%), partly due to release of group life provisions (we assume c.ZI 50m release vs. ZI 73m in 2Q11). In the non-life business we assume that due to a lack of major weather-related losses, the loss ratio improved to 70% from 73% in 2Q11 but, due to seasonality, was materially higher than in 1Q12 (51%) or 1Q11 (52%).
- We forecast acquisition costs to rise 5% yoy and administrative costs by 21% yoy.

## GPW

Figure 18. GPW (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11A	YoY Chg
Sales	63.9	69.2	68.3	1.3%	133	137.5	-3.2%
EBIT	35.7	27.9	33.8	-17.6%	64	72.3	-12.2%
Pre-tax	39.4	30.7	40.2	-23.6%	70	86.8	-19.2%
Net profit	33.5	23.2	32.9	-29.5%	57	71.5	-20.7%
EBIT margin	55.8%	40.3%	49.5%		47.7%	52.6%	
Net margin	52.4%	33.5%	48.2%		42.6%	52.0%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect GPW to report a 2Q12 net profit of ZI 23m (-30% yoy, -31% qoq).
- We expect total revenues to rise 8% qoq driven by the consolidation of TGE (we forecast commodity market revenues at ZI 17m) that will more than offset weaker core revenues (we expect financial markets revenues to decline 11% qoq to ZI 51m).
- We assume stable net fees (2.5bp on double-counted turnover) and due to weak cash equity trading (-24% qoq, -37% yoy) we expect a decline in cash equity revenues to ZI 22.5m (-23% qoq, -40% yoy, -35% yoy adjusted for ZI 3m trading revenue booked in 2Q11 due to the correction of a 1Q11 billing error).
- We forecast income from derivatives to increase +3% qoq (-8% yoy) on the back of slight growth of derivatives trading volumes in 2Q12 (+1% qoq, -10% yoy).
- We expect information services revenues to reach ZI 9.5m (+1% qoq) and listing services to increase +7% qoq to ZI 5.6m. We forecast fixed income revenues at ZI 3.7m (-2% qoq).
- Operating expenses are expected to increase +17% qoq and +21% yoy driven mainly by the consolidation of TGE. We expect staff costs at ZI 16m (+27% yoy, +3% yoy excluding TGE) and general costs at ZI 21m (+16% yoy, +4% yoy excluding TGE).

## Open Finance

Figure 19. Open Finance (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	133.0	102.1	97.9	4.3%	235	191.9	22.5%
EBIT	35.7	27.4	26.1	4.9%	63	51.0	23.6%
Pre-tax	37.2	29.8	27.6	8.0%	67	52.7	27.0%
Net profit	30.3	23.8	22.2	7.3%	54	42.4	27.7%
EBIT margin	26.8%	26.8%	26.7%		26.8%	26.6%	
Net margin	22.8%	23.3%	22.7%		23.0%	22.1%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect Open Finance to report a 2Q12 net profit of ZI 23.8m (+7% yoy, -21% qoq, pro-forma, i.e. including Home Broker, -11% yoy).
- We expect revenues from lending products to decline 30% yoy and 20% qoq due to lower sale (-16% yoy, -12% qoq) and declining fees (we assume 3.0% vs. 3.3% in 1Q12 and 3.6% in 2Q11).

- We forecast revenues from distribution of investment products to increase to 19% yoy but to decline 32% qoq because of Easter, a long-weekend in May and the Euro Championships negatively affecting the sale of savings plans in 2Q12 (+63% yoy but -31% qoq)
- We assume Home Broker revenues from real-estate agency to amount to about ZI 18m (+1% qoq).

## Electric Utilities

Piotr Zielonka, CFA  
(48-22) 690-4861

### Enea

Figure 20. Enea (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	2,646	2,391	2,273	5.2%	5,037	4,746	6.1%
EBIT	285	174	155	11.9%	459	438	4.8%
Pre-tax	320	194	210	-7.8%	514	522	-1.6%
Net profit	249	156	168	-6.9%	405	414	-2.1%
EBIT margin	10.8%	7.3%	6.8%		9.1%	9.2%	
Net margin	9.4%	6.5%	7.4%		8.0%	8.7%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect good quarterly results from Enea. Distribution should be strong this quarter with better EBIT yoy: we expect ZI 96m on the back of 1% higher volumes. Generation is expected to deliver a weak ZI 72m on the back of lower volumes at the Kozienice plant and negative profit at Bialystok. Retail should surprise on the upside at ZI 55m on the back of higher volumes by 2% yoy.

### PGE

Figure 21. PGE (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	7,908	7,311	6,621	10.4%	15,219	13,915	9.4%
EBIT	1,824	1,170	1,144	2.3%	2,994	2,663	12.4%
Pre-tax	1,939	1,200	1,203	-0.2%	3,139	2,774	13.2%
Net profit	1,530	961	980	-2.0%	2,491	2,220	12.2%
EBIT margin	23.1%	16.0%	17.3%		19.7%	19.1%	
Net margin	19.3%	13.1%	14.8%		16.4%	16.0%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect a very good 2Q12 in generation segment delivering EBIT of ZI 970m with ZI 50m coming from LTC revenues. Volumes at the lignite power plant should be up 7% yoy, while hard coal plant volumes are forecast to contract 7% yoy. Distribution segment EBIT should increase to ZI 215m with volumes rising by 1-2% yoy. Renewable, wholesale and retail should report EBIT of ZI 15m, ZI 40m and ZI 10m, respectively. We expect ZI 100m other operating costs related to the restructuring of the workforce.

## Tauron

Figure 22. Tauron (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	6,455	5,745	5,032	14.2%	12,200	10,331	18.1%
EBIT	565	585	427	37.0%	1,150	938	22.6%
Pre-tax	506	523	428	22.2%	1,029	915	12.4%
Net profit	387	407	322	26.6%	794	704	12.8%
EBIT margin	8.8%	10.2%	8.5%		9.4%	9.1%	
Net margin	6.0%	7.1%	6.4%		6.5%	6.8%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect very strong results from Tauron with the distribution (ZI 290m) and generation segments (ZI 95m) being the major EBIT generators. However, excluding ZI 150m LTC revenues expected, the generation segment would be in the red. Results in generation will likely be distorted by restructuring costs (ZI 25m). Production volumes are expected to decrease 15% yoy. Volumes in distribution should decrease by 1% yoy, but we expect EBIT to be much higher yoy due to lower fixed costs, lower costs of electricity to cover grid losses and a RAB increase. We expect a healthy ZI 120m EBIT in the retail segment and an improvement in mining which should deliver ZI 45m, with volumes rising to 1.3m tonnes.

## Construction

### Budimex

Figure 23. Budimex (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A*	YoY Chg	1H12E	1H11	YoY Chg
Sales	1,083.4	1,650.0	1,451.1	13.7%	2,733	2,248.9	21.5%
EBIT	37.2	45.8	87.5	-47.7%	83	145.4	-42.9%
Pre-tax	48.4	42.8	90.4	-52.7%	91	148.2	-38.5%
Net profit	37.1	29.1	73.1	-60.3%	66	119.8	-44.8%
EBIT margin	3.4%	2.8%	6.0%		3.0%	6.5%	
Net margin	3.4%	1.8%	5.0%		2.4%	5.3%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect a weak quarter from Budimex. Real estate should deliver only marginal revenues, but we expect a strong increase in revenues in general construction with solid margins of 6.8%. However results will be negatively impacted by a one-off item of ZI 25m from the restructuring of PNI.
- The company should report negative operating cash flow in 2Q12, which we estimate at some ZI 500m.

Piotr Zielonka, CFA  
(48-22) 690-4861

## Elektrobudowa

Figure 24. Elektrobudowa (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A*	YoY Chg	1H12E	1H11	YoY Chg
Sales	184.8	273.0	227.4	20.0%	458	372.5	22.9%
EBIT	9.5	14.1	8.3	70.7%	24	12.6	88.1%
Pre-tax	10.2	14.1	8.4	67.1%	24	12.3	97.9%
Net profit	8.1	11.3	7.5	51.1%	19	10.9	77.2%
EBIT margin	5.1%	5.2%	3.6%		5.2%	3.4%	
Net margin	4.4%	4.1%	3.3%		4.2%	2.9%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect good results from Elektrobudowa with gross margin close to 7.0%. We don't expect any one-off items related to the contract for the national stadium in Warsaw.
- The company should report negative operating cash flow in 2Q12. We estimate negative ZI 13m.

## Mostostal Warszawa

Figure 25. Mostostal Warszawa (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A*	YoY Chg	1H12E	1H11	YoY Chg
Sales	712.2	873.0	876.2	-0.4%	1,585	1,425.5	11.2%
EBIT	-8.2	-16.0	11.2	nm	-24	11.1	nm
Pre-tax	-10.1	-18.5	8.9	nm	-29	12.9	nm
Net profit	-12.9	-17.0	6.6	nm	-30	8.6	nm
EBIT margin	-1.1%	-1.8%	1.3%		-1.5%	0.8%	
Net margin	-1.8%	-1.9%	0.8%		-1.9%	0.6%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect weak results from Mostostal Warszawa again with EBIT being in the red due to losses on road construction contracts.
- The company should report negative operating cash flow in 2Q12. We estimate negative ZI 63m.

## Polimex

Figure 26. Polimex (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A*	YoY Chg	1H12E	1H11	YoY Chg
Sales	1,029.7	1,383.0	1,226.1	12.8%	2,413	2,105.9	14.6%
EBIT	43.2	26.7	35.9	-25.7%	70	65.9	6.1%
Pre-tax	8.3	3.7	15.4	-76.2%	12	35.7	-66.5%
Net profit	17.0	2.9	13.3	-78.0%	20	26.1	-23.5%
EBIT margin	4.2%	1.9%	2.9%		2.9%	3.1%	
Net margin	1.7%	0.2%	1.1%		0.8%	1.2%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect weak results from Polimex-Mostostal. We expect gross margin on sales of 6.7%. SG&A may increase substantially to ZL 55m. However we expect high negative net financials at ZL 23m.

- The company should report positive operating cash flow in 2Q12 of ZI 54m. However, we expect positive OCF in 2Q12 only as a result of the increase in payables (not paying subcontractors).

## Industrials

Rafal Wiatr, CFA  
(48-22) 690-3757

### JSW

Figure 27. JSW (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A*	YoY Chg	1H12E	1H11	YoY Chg
Sales	2,357	2,268	2,393	-5.2%	4,624	4,660	-0.8%
EBIT	631	276	589	-53.1%	907	1,378	-34.2%
Pre-tax	623	267	582	-54.2%	889	1,356	-34.4%
Net profit	497	216	431	-49.9%	713	1,039	-31.4%
EBIT margin	26.8%	12.2%	24.6%		19.6%	29.6%	
Net margin	21.1%	9.5%	18.0%		15.4%	22.3%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates \*EBIT. Pre-tax & Net Profit adjusted for ZI 537m provision for employee shares.

- In 2Q12 benchmark coking coal prices declined qoq by some 9% and by as much as 35% yoy from US\$ 330/t. This should be reflected in JSW's realised pricing. To some extent results should be supported by the weaker zloty versus US\$ observed in 2Q12. We expect external coal sales to be at some 2.1mt with coke at 930kt. Coal production cost (impacted by lower volume) is expected to come slightly above ZI 400/t versus ZI 300/t in 1Q12. Please note that 2Q12 results will also suffer from a ZI 130m charge for bonus payments out of 2011 profits.

### Kety

Figure 28. Kety (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	354.4	385.7	367.3	5.0%	740.1	692.9	6.8%
EBIT	27.6	42.1	41.6	1.2%	69.7	67.8	2.8%
Pre-tax	30.4	38.8	38.1	1.8%	69.2	31.3	121.1%
Net profit	23.9	31.5	30.9	1.9%	55.4	49.7	11.5%
EBIT margin	7.8%	10.9%	11.3%		9.4%	9.8%	
Net margin	6.7%	8.2%	8.4%		7.5%	7.2%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- EBIT is expected to be a comparable level to the same period of last year. Profitability should come under some pressure, which was also visible in the previous quarter. Kety's 1H12 net profit is expected at some ZI 55m, which would be +12% vs. last year.
- On average for the last eight years Kety's 1H accounted for 47% of the annual EBIT line and 46% of net income (45% and 48% last year). Extrapolating the 2Q12 based on this trend would suggest that Kety has the ability this year to deliver EBIT and net income at some ZI 149m and ZI 120m, respectively, versus the consensus of ZI 139m and ZI 101m. We have to admit that this looks very promising, but we believe it would be rather an optimistic assumption as the second half of the year is likely to be more challenging than 2H11.

## KGHM

Figure 29. KGHM (Unconsolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	5,217	5,435	5,227	4.0%	10,560	10,001	5.6%
EBIT	1,757	1,919	2,860	-32.9%	3,646	5,282	-31.0%
Pre-tax	1,749	1,913	2,852	-32.9%	3,662	5,265	-30.5%
Net profit	1,405	1,464	2,361	-38.0%	2,869	4,319	-33.6%
EBIT margin	33.7%	35.3%	54.7%		34.5%	52.8%	
Net margin	26.9%	26.9%	45.2%		27.2%	43.2%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- The company's 2Q12 results should benefit from weaker zloty which to some extent should compensate for weaker yoy and qoq copper and silver prices (copper: -14% yoy, -5% qoq; and silver -22% yoy, -10% qoq). We expect domestic copper volumes to be close to 150kt (with external batches of around 37t) and silver at some 320t. The EBIT line should benefit from ZI 57m coming in dividends from Tauron as well as some fx gains on trading activity.
- This would be a first quarter when KGHM is going to pay royalties and we see the cost associated with this at some ZI 450m (please note that this is not tax deductible). Furthermore for the first time the consolidated results (please note that above we present parent company numbers) will fully reflect the quarterly performance of KGHM international. We do not feel very comfortable to forecast KGHM International results but our ball park figure for revenues and EBIT are US\$ 314m and US\$ 28m.

## PKN Orlen

Figure 30. PKN Orlen (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	29,248	30,710	25,641	19.8%	59,958	48,315	24.1%
EBIT	939	338	1,009	-66.5%	1,277	2,348	-45.6%
Pre-tax	1,532	88	1,119	-92.1%	1,620	2,494	-35.0%
Net profit	1,260	61	899	-93.2%	1,321	2,003	-34.0%
EBIT margin	3.2%	1.1%	3.9%		2.1%	4.9%	
Net margin	4.3%	0.2%	3.5%		2.2%	4.1%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- 2Q12 trading statement points to reported EBIT in the range of ZI 300m-400m (vs. ZI 1bn in 2Q11 and ZI 939m in 1Q12), which looks rather soft. From the statement net income appears to come in the range of ZI 0-100m (due to negative FX impact and higher taxes). The negative inventory impact would be very high at some ZI 900m (above our and market expectations of some ZI 700m). LIFO EBIT is expected to come between ZI 1.2 -1.3bn (more or less as anticipated). The net balance of financial activity is estimated by the company at a negative ZI 300m (with negative ZI 100m attributed to debt revaluation).
- Refining throughput was 6.4mt (-4% qoq and -6% yoy) with Lietuva at just 1.5mt (-28% qoq and -32% yoy) due to a maintenance shutdown. Refining sales volume was down 8% yoy, petchem -3% yoy, while retail volume was +2% yoy. The utilisation rate was 94% at Plock (+9pp yoy), 79% at Unipetrol (+3pp yoy) while just 57% at Lietuva (-26pp yoy).

## Rovese

Figure 31. Rovese (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	365.9	420.8	427.2	-1.5%	786.6	795.0	-1.1%
EBIT	5.1	44.7	49.5	-9.7%	49.8	76.4	-34.8%
Pre-tax	-31.4	33.5	23.7	41.4%	2.1	16.4	-87.2%
Net profit	-28.0	27.2	12.7	114.2%	-0.8	6.5	nm
EBIT margin	1.4%	10.6%	11.6%		6.3%	9.6%	
Net margin	-7.7%	6.5%	3.0%		-0.1%	0.8%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- After the 3Q, 2Q is the best quarter for the company during the year. Therefore, not surprisingly we expect much better results to the poor 1Q12. However, on a yoy basis we are looking for small decline in revenues combined with worsening of profitability on, in our view, a more challenging market versus last year. We expect less negative impact coming at the financial line compared to last year, therefore our net income is expected to more than double vs. 2Q11.

## Real Estate

### Echo Investment

Piotr Zielonka, CFA  
(48-22) 690-4861

Figure 32. Echo Investment (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	153.8	121.0	96.2	25.8%	275	182.3	50.8%
EBIT excl. revaluation profit	77.7	52.0	46.2	12.7%	130	95.8	35.4%
EBIT	-32.0	97.0	40.1	141.9%	65	167.2	-61.1%
Pre-tax	32.8	34.0	22.4	52.0%	67	91.8	-27.2%
Net profit	30.7	28.2	19.9	41.6%	59	75.1	-21.6%
EBIT margin	-20.8%	80.2%	41.7%		23.7%	91.7%	
Net margin	19.9%	23.3%	20.7%		21.4%	41.2%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- The company's revenues should be higher yoy due to higher revenues in residential sales. We forecast revaluation gains coming from currency movements to reach ZI 45m. Financials (interest and revaluation of debt) should decrease EBIT by ZI 63m.

## GTC

Figure 33. GTC (Consolidated) — 1H11A-2Q12E (Euro in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	36.5	36.5	40.9	-10.7%	73	75.6	-3.5%
EBIT excl. revaluation profit	16.3	16.5	13.4	23.0%	33	28.8	13.9%
EBIT	18.6	19.5	-37.9	nm	38	-8.5	nm
Pre-tax	1.8	2.5	-58.4	nm	4	-43.6	nm
Net profit	3.8	1.8	-36.5	nm	6	-26.2	nm
EBIT margin	51.0%	53.4%	-92.7%		52.2%	-11.2%	
Net margin	10.5%	4.9%	-89.4%		7.7%	-34.7%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- Despite the sale of Galeria Mokotow, rental income should be more or less flat yoy. Top line numbers should decrease yoy due to lower residential sales (Konstancja project). We don't expect any revaluation losses in 2Q12 as the company booked significant revaluation losses in 2H11.

Piotr Zielonka  
(48-22) 690-4861

## Consumer Sector

### Eurocash

Figure 34. Eurocash (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	3,734.8	4,481.7	2,564.7	74.7%	8,217	4,644.1	76.9%
EBIT	33.9	80.7	46.4	73.9%	115	61.0	88.0%
Pre-tax	13.1	59.7	39.7	50.3%	73	49.4	47.3%
Net profit	10.3	47.7	35.3	35.1%	58	44.1	31.6%
EBIT margin	0.9%	1.8%	1.8%		1.4%	1.3%	
Net margin	0.3%	1.1%	1.4%		0.7%	0.9%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect Eurocash to show solid top-line growth, driven by the consolidation of Tradis. We forecast 6% LFL growth in the cash&carry segment and 3% LFL growth in Delikatesy Centrum.
- We expect gross sales margin of 10%, which should result in 1.8% EBIT margin.

### LPP

Figure 35. LPP (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	657.9	760.0	580.5	30.9%	1,418	1,081.0	31.2%
EBIT	42.1	114.0	87.7	30.0%	156	98.6	58.4%
Pre-tax	39.9	109.0	80.0	36.2%	149	99.1	50.2%
Net profit	33.6	87.2	64.2	35.9%	121	78.3	54.3%
EBIT margin	6.4%	15.0%	15.1%		11.0%	9.1%	
Net margin	5.1%	11.5%	11.1%		8.5%	7.2%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect very strong 2Q12 results from LPP, with a 58% gross margin on sales. With SG&A costs under tight control, positive operating leverage is working in LPP. We expect the company to deliver net profit 36% higher yoy.

## NG2

Figure 36. NG2 (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	256.6	328.1	299.3	9.6%	585	484.3	20.7%
EBIT	8.5	62.3	57.5	8.4%	71	55.6	27.4%
Pre-tax	2.6	57.3	55.5	3.2%	60	51.8	15.6%
Net profit	2.7	45.8	47.9	-4.4%	48	41.7	16.3%
EBIT margin	3.3%	19.0%	19.2%		12.1%	11.5%	
Net margin	1.0%	14.0%	16.0%		8.3%	8.6%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect good results especially at the EBIT line from NG2 this quarter thanks to solid gross margin which should reach 57%, while overhead costs is expected to be kept under control.

Rafal Materka  
(48-22) 690-3288

## Pharmaceutical Distribution

### Farmacol

Figure 37. Farmacol (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	1,157	1,180	1,223	-3.6%	2,336	2,538	-7.9%
EBIT	26.4	14.2	13.1	8.1%	40.5	42.3	-4.3%
Pre-tax	33.7	21.1	13.3	58.7%	54.7	44.7	22.4%
Net profit	26.4	17.1	16.6	3.2%	43.5	34.8	24.7%
EBIT margin	2.3%	1.2%	1.1%		1.7%	1.7%	
Net margin	2.3%	1.4%	1.4%		1.9%	1.4%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We forecast Farmacol to post 2Q12 revenues shrinking by 3.6% yoy – close to the dynamics observed on the distribution market.
- Farmacol is expected to deliver the most visible improvement in profits, which stems from decent progress in gross profitability (8% vs 7.02% a year ago), partially alleviated by 7% growth in overheads (6.3% of sales vs 6.1% a year ago).
- We expect the bottom line to be positively impacted by increasing balance of financial income and costs (ZI +6.9m vs ZI +0.2m a year ago) due to substantial debt reduction. We point out last year's net profit was inflated by tax optimisation (for 2Q12 we apply 19% tax rate).

## Neuca

Figure 38. Neuca (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	1,459	1,377	1,519	-9.4%	2,836	3,289	-13.8%
EBIT	29.1	16.6	16.3	1.8%	45.7	41.5	10.1%
Pre-tax	25.5	13.4	9.9	34.6%	38.9	29.4	32.6%
Net profit	20.1	10.8	7.8	39.7%	30.9	23.1	34.0%
EBIT margin	2.0%	1.2%	1.1%		1.6%	1.3%	
Net margin	1.4%	0.8%	0.5%		1.1%	0.7%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- Neuca has stopped supplies to some of its customers, on which it realises the lowest margins. We expect it will result in 9% deterioration of its top-line, more significant than the contraction of the pharmacy wholesale market in 2Q12 (-4% yoy).
- The company is likely to deliver decent gross margin of 10.05% (by our estimates, vs 8.33% in 2Q11 and 9.99% in 1Q12) supported by the removal of less-profitable customers, contribution of the value-added services for producers and lack of rebates on reimbursed drugs offered to pharmacies. On the other hand, EBIT will be affected by costs-related to reorganisation of the call-centre structure incurred in 2Q12 (and partially in 3Q12). We forecast SG&A costs at ZI 117m (8.5% of sales vs 7.15% in 2Q12 and 7.7% in 1Q12). We predict EBIT at ZI 16.6m and EBIT margin at 0.8%.
- Despite increasing rates, Neuca should post lower financial costs following the reduction of debt as well as lower loan margins. This, combined with a lower effective tax rate (19% vs 24% a year ago), results in an almost 40% progress forecast on the bottom-line.

## Pelion

Figure 39. Pelion (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	1,663	1,662	1,564	6.3%	3,326	3,243.1	2.5%
EBIT	18.6	13.9	15.4	-9.9%	32.6	45.7	-28.8%
Pre-tax	10.8	7.3	9.9	-26.2%	18.1	33.5	-45.8%
Net profit	5.1	5.0	5.3	-6.9%	10.1	22.4	-55.1%
EBIT margin	1.1%	0.8%	1.0%		1.0%	1.4%	
Net margin	0.3%	0.3%	0.3%		0.3%	0.7%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- We expect Pelion to be the only company in the sector to post increasing revenues on yoy basis. Pelion was able to gain shares in the deteriorating Polish wholesale to pharmacies market and its top-line should be also supported by stable growth in the hospital market and Lithuanian markets.
- We expect Pelion to post an almost 10% deterioration in operating profit following a worsening in gross profitability (11.5% vs 12.14% in 2Q11) and one-off costs related to the completion of loyalty programmes for patients.

- As we expect the retail segment to remain unprofitable in 2Q12, Pelion should still record an effective tax rate well above the nominal, albeit we apply a 25% rate vs 44% reported in the corresponding period of 2011.

## Others

### Inter Cars

Rafal Materka  
(48-22) 690-3288

Figure 40. Inter Cars (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A	YoY Chg	1H12E	1H11	YoY Chg
Sales	669.9	761.8	716.3	6.3%	1,432	1,307.2	9.5%
EBIT	37.7	47.0	37.0	27.0%	84.7	73.8	14.8%
Pre-tax	29.8	39.5	29.6	33.4%	69.3	59.1	17.1%
Net profit	24.7	32.0	27.2	17.7%	56.7	49.6	14.2%
EBIT margin	5.6%	6.2%	5.2%		5.9%	5.6%	
Net margin	3.7%	4.2%	3.8%		4.0%	3.8%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

- Based on monthly sales data, Inter Cars Poland delivered 3% growth of revenues yoy (excluding sales to foreign branches), while foreign branches on aggregate will post 34% yoy progress on the top-line. Overall we forecast consolidated revenues at ZI 762m (+6% vs 2Q11).
- Inter Cars should post gross margin lower yoy by 1pp to 31.8%, albeit improving vs 1Q12 by 0.4pp. We forecast SG&A costs at ZI 110m (14.5% of sales) – higher by ZI+15m qoq driven by bonuses paid to employees. We expect EBIT at ZI 47m (+27% yoy or +2% if excluding costs related to a fire accident in the Ukrainian warehouse in 2Q11)
- Following the 25bps hike in interest rate in May, we assume net financial costs to be ZI0.3m higher vs 1Q12. With assumed 19% tax rate, we estimate a bottom-line of ZI 32m and implied net margin of 4.2% (vs 3.7% in previous quarter and 3.8% a year ago).

## Orbis

Rafal Wiatr, CFA  
(48-22) 690-3757

Figure 41. Orbis (Consolidated) — 1H11A-2Q12E (Zloty in Millions)

	1Q12A	2Q12E	2Q11A*	YoY Chg	1H12E	1H11	YoY Chg
Sales	143.0	221.2	247.3	-10.6%	364.2	396.5	-8.2%
EBIT	-10.8	44.3	48.1	-7.9%	33.5	50.7	-33.9%
Pre-tax	-9.4	45.4	43.2	5.1%	36.0	44.0	-18.0%
Net profit	-7.8	36.7	33.7	8.9%	28.9	33.6	-14.0%
EBIT margin	-7.5%	20.0%	19.5%		9.2%	12.8%	
Net margin	-5.5%	16.6%	13.6%		7.9%	8.5%	

Source: Company reports and Citi Research/Dom Maklerski Banku Handlowego estimates

\*2Q11 results have not been restated for disposal of transport assets (restated revenues should be ZL191.4m according to recent statement from Orbis)

- Orbis preliminary 2Q12 revenues of ZI 221m show a growth of 15.6% versus last year (-3.9% in 1Q12) with pure room revenues estimated at some ZI 155m, +26% yoy. Very strong performance in 2Q12 must have been driven by high traffic and exceptional pricing generated by June's Euro 2012 Football Cup.

- According to Orbis guidance the occupancy rate of 59.6% was +3.9pp yoy (-5pp at economy hotels, but +6.4pp at up & midscale hotels). The ADR of ZI 287 was up by a remarkable 27% yoy (+15% at economy segment and +31% at up & midscale). As a result the RevPAR increased by 36% yoy to ZI 171 at the group level (pushed mainly by a 46% increase at the up & midscale segment).

Figure 42. CIRA/ DMBH Polish Stock Coverage

Stock	Reuters Code	Sector	19-Jul-2012 Closing Price	Rating	Target Price
ING Bank Slaski	SLAS.WA	Banks	76.3	1	89.0
Pekao	BAPE.WA	Banks	141.7	1	157.0
PKO BP	PKOB.WA	Banks	32.7	1	39.7
Getin Noble Bank	GNB.WA	Banks	1.72	1	2.0
BZ WBK	BZWB.WA	Banks	229	1	264.0
Millennium	BIGW.WA	Banks	3.46	2	3.8
BRE Bank	BREP.WA	Banks	288.5	2	266.0
Kredyt Bank	BKRE.WA	Banks	12.79	1H	18.4
Budimex	BMEX.WA	Construction	56.15	2	85.0
Elektrobudowa	LBUD.WA	Construction	96.85	1	131.0
Mostostal Warszawa	MOWA.WA	Construction	13.55	3H	18.5
Polimex Mostostal	MOSD.WA	Construction	0.66	3H	0.8
Eurocash	ERCS.WA	Consumer Sector	39.94	2	41.1
LPP	LPPP.WA	Consumer Sector	3590	1	2275.0
NG2	CCCC.WA	Consumer Sector	60.5	1	52.8
Enea	ENAE.WA	Electric Utility	15.67	1	20.0
Tauron PE	TPE.WA	Electric Utility	4.52	1	6.3
PGE	PGEP.WA	Electric Utility	19.49	2	19.6
Rovese	RSE.WA	Indsutrials/Construction Materials	2.34	3	2.0
Kety	KETY.WA	Industrials/Metals	122.1	1	130.0
KGHM	KGHM.WA	Industrials/Mining	117	2	119.6
JSW	JSW.WA	Industrials/Mining	92	2	99.0
PGNiG	PGNI.WA	Industrials/Oil&Gas	3.94	1	4.8
PKN Orlen	PKNA.WA	Industrials/Oil&Gas	37.5	3	34.0
PZU	PZU.WA	Other Financials/Insurance	342	1	430.0
GPW	GPW.WA	Other Financials/Stock Exchange	35.4	2H	40.0
Getin Holding	GETI.WA	Other Financials/Other Services	1.71	1H	3.5
Open Finance	OPFP.WA	Other Financials/Other Services	16.62	1H	19.6
Inter Cars	IRCR.WA	Others/Auto Parts Distribution	99	2	113.0
Orbis	ORBS.WA	Others/Hotels&Leisure	38.03	2	40.0
Farmacol	FCOL.WA	Pharmaceutical Distribution	23	1H	25.3
Neuca	TORF.WA	Pharmaceutical Distribution	88	1	102.2
Pelion	MDIC.WA	Pharmaceutical Distribution	29.68	1H	35.4
Echo Investment	EPRS.WA	Real Estate	3.7	1	6.4
GTC	GTCE.WA	Real Estate	6.21	1	10.7
TPSA	TPSA.WA	Telecoms	16.07	1	21.5

Source: dataCentral, CIRA/Dom Maklerski Banku Handlowego SA  
dataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports and feeds from Reuters, Datastream, First Call, IBES and Toyo Keizai.

## Appendix A-1

### Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

### IMPORTANT DISCLOSURES

---

DMBH is a market maker in the publicly traded equity securities of Bank Pekao SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients. DMBH is a market maker in the publicly traded equity securities of BRE Bank SA.

---

DMBH has received compensation from Bank Zachodni WBK for providing market maker services in the past 12 months. DMBH is a market maker in the publicly traded equity securities of Bank Zachodni WBK. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH has received compensation from Echo Invest SA for providing market maker services in the past 12 months. DMBH is a market maker in the publicly traded equity securities of Echo Invest SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

---

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients. DMBH is a market maker in the publicly traded equity securities of Tauron Polska Energia.

DMBH is a market maker in the publicly traded equity securities of Telekomunikacja Polska SA. DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

A member of the household of Andrzej Powierza, Analyst, holds a long position in the securities of PKO BP.

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of Bank Pekao SA, Bank Zachodni WBK, Kety SA, Polska Grupa Energetyczna.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from Bank Pekao SA, Bank Millennium SA, Kredyt Bank SA, Budimex SA, BRE Bank SA, Bank Zachodni WBK, Enea, GPW, Jastrzębska Spółka Węglowa, KGHM Polska Miedz SA, Open Finance, Polska Grupa Energetyczna, Polish Oil & Gas, PKO BP, PZU, ING Bank Slaski SA, Tauron Polska Energia, Telekomunikacja Polska SA.

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from Budimex SA, BRE Bank SA, Bank Zachodni WBK, Enea, Getin Noble Bank, GPW, Jastrzębska Spółka Węglowa, Open Finance, Orbis SA, Polska Grupa Energetyczna, Polish Oil & Gas, Polski Koncern Naftowy Orlen SA, PKO BP, PZU, ING Bank Slaski SA, Tauron Polska Energia.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from Bank Pekao SA, Bank Millennium SA, Kredyt Bank SA, Budimex SA, BRE Bank SA, Bank Zachodni WBK, NG2, Enea, Echo Invest SA, Eurocash, Getin Holding, Getin Noble Bank, GPW, Inter Cars SA, Jastrzębska Spółka Węglowa, Kety SA, KGHM Polska Miedz SA, Elektrobudowa SA, LPP SA, Polimex-Mostostal, Mostostal Warszawa, Open Finance, Orbis SA, Polska Grupa Energetyczna, Polish Oil & Gas, Polski Koncern Naftowy Orlen SA, PKO BP, PZU, ROVESE SA, ING Bank Slaski SA, Tauron Polska Energia, Telekomunikacja Polska SA in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): Getin Holding, Bank Pekao SA, Bank Millennium SA, Kredyt Bank SA, Budimex SA, BRE Bank SA, Bank Zachodni WBK, Enea, Getin Noble Bank, GPW, Jastrzębska Spółka Węglowa, KGHM Polska Miedz SA, Open Finance, Orbis SA, Polska Grupa Energetyczna, Polish Oil & Gas, Polski Koncern Naftowy Orlen SA, PKO BP, PZU, ING Bank Slaski SA, Tauron Polska Energia, Telekomunikacja Polska SA.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: Bank Pekao SA, Bank Millennium SA, Kredyt Bank SA, Budimex SA, BRE Bank SA, Bank Zachodni WBK, NG2, Enea, Echo Invest SA, Getin Noble Bank, GPW, Inter Cars SA, Jastrzębska Spółka Węglowa, Kety SA, KGHM Polska Miedz SA, Elektrobudowa SA, LPP SA, Polimex-Mostostal, Open Finance, Orbis SA, Polska Grupa Energetyczna, Polish Oil & Gas, Polski Koncern Naftowy Orlen SA, PKO BP, PZU, ING Bank Slaski SA, Tauron Polska Energia, Telekomunikacja Polska SA.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: Bank Pekao SA, Bank Millennium SA, Kredyt Bank SA, Budimex SA, BRE Bank SA, Bank Zachodni WBK, NG2, Enea, Echo Invest SA, Eurocash, Getin Holding, Getin Noble Bank, GPW, Inter Cars SA, Jastrzębska Spółka Węglowa, Kety SA, KGHM Polska Miedz SA, Elektrobudowa SA, LPP SA, Polimex-Mostostal, Mostostal Warszawa, Open Finance, Orbis SA, Polska Grupa Energetyczna, Polish Oil & Gas, Polski Koncern Naftowy Orlen SA, PKO BP, PZU, ROVESE SA, ING Bank Slaski SA, Tauron Polska Energia, Telekomunikacja Polska SA.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability which includes investment banking revenues.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Research product ("the Product"), please contact Citi Research, 388 Greenwich Street, 28th Floor, New York, NY, 10013, Attention: Legal/Compliance [E6WYB6412478]. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at [https://www.citivelocity.com/cvr/eppublic/citi\\_research\\_disclosures](https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures). Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

#### Citi Research Ratings Distribution

<b>Data current as of 30 Jun 2012</b>	<b>12 Month Rating</b>			<b>Relative Rating</b>		
	<b>Buy</b>	<b>Hold</b>	<b>Sell</b>	<b>Buy</b>	<b>Hold</b>	<b>Sell</b>
Citi Research Global Fundamental Coverage	53%	37%	10%	10%	80%	10%
% of companies in each rating category that are investment banking clients	44%	43%	40%	48%	43%	45%

#### Guide to Citi Research Fundamental Research Investment Ratings:

Citi Research stock recommendations include an investment rating and an optional risk rating to highlight high risk stocks.

**Risk rating** takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.

**Investment Ratings:** Citi Research investment ratings are Buy, Neutral and Sell. Our ratings are a function of analyst expectations of expected total return

("ETR") and risk. ETR is the sum of the forecast price appreciation (or depreciation) plus the dividend yield for a stock within the next 12 months. The Investment rating definitions are: Buy (1) ETR of 15% or more or 25% or more for High risk stocks; and Sell (3) for negative ETR. Any covered stock not assigned a Buy or a Sell is a Neutral (2). For stocks rated Neutral (2), if an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of Citi Research management not to assign a target price and, thus, not derive an ETR. Analysts may place covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and / or trading in the company's securities (e.g. trading suspension). As soon as practically possible, the analyst will publish a note re-establishing a rating and investment thesis. To satisfy regulatory requirements, we correspond Under Review and Neutral to Hold in our ratings distribution table for our 12-month fundamental rating system. However, we reiterate that we do not consider Under Review to be a recommendation.

**Relative three-month ratings:** Citi Research may also assign a three-month relative call (or rating) to a stock to highlight expected out-performance (most preferred) or under-performance (least preferred) versus the geographic and industry sector over a 3 month period. The relative call may highlight a specific near-term catalyst or event impacting the company or the market that is anticipated to have a short-term price impact on the equity securities of the company. Absent any specific catalyst the analyst(s) will indicate the most and least preferred stocks in the universe of stocks under consideration, explaining the basis for this short-term view. This three-month view may be different from and does not affect a stock's fundamental equity rating, which reflects a longer-term total absolute return expectation. For purposes of NASD/NYSE ratings-distribution-disclosure rules, most preferred calls correspond to a buy recommendation and least preferred calls correspond to a sell recommendation. Any stock not assigned to a most preferred or least preferred call is considered non-relative-rated (NRR). For purposes of NASD/NYSE ratings-distribution-disclosure rules we correspond NRR to Hold in our ratings distribution table for our 3-month relative rating system. However, we reiterate that we do not consider NRR to be a recommendation.

Prior to October 8, 2011, the firm's stock recommendation system included a risk rating and an investment rating. **Risk ratings**, which took into account both price volatility and fundamental criteria, were: Low (L), Medium (M), High (H), and Speculative (S). **Investment Ratings** of Buy, Hold and Sell were a function of the Citi Research expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating. Additionally, analysts could have placed covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and/or trading in the company's securities (e.g. trading suspension). Stocks placed "Under Review" were monitored daily by management and as practically possible, the analyst published a note re-establishing a rating and investment thesis. For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings were: Buy (1) (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return). For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings were: Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

#### NON-US RESEARCH ANALYST DISCLOSURES

Non-US research analysts who have prepared this report (i.e., all research analysts listed below other than those identified as employed by Citigroup Global Markets Inc.) are not registered/qualified as research analysts with FINRA. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. The legal entities employing the authors of this report are listed below:

Dom Maklerski Banku Handlowego SA

Rafal Wiatr, CFA; Andrzej Powierza; Piotr Zielonka, CFA; Rafal Materka

Citigroup Global Markets Ltd

Simon Nellis; Dalibor Vavruska

#### OTHER DISCLOSURES

Citigroup Global Markets Inc. and/or its affiliates has a significant financial interest in relation to Enea, Polska Grupa Energetyczna, Polish Oil & Gas, Polski Koncern Naftowy Orlen SA, PKO BP, Tauron Polska Energia. (For an explanation of the determination of significant financial interest, please refer to the policy for managing conflicts of interest which can be found at [www.citiVelocity.com](http://www.citiVelocity.com).)

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the issuer(s) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies

discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Please ask your Financial Consultant for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

**Important Disclosures for Morgan Stanley Smith Barney LLC Customers:** Morgan Stanley & Co. LLC (Morgan Stanley) research reports may be available about the companies that are the subject of this Citi Research research report. Ask your Financial Advisor or use [smithbarney.com](http://smithbarney.com) to view any available Morgan Stanley research reports in addition to Citi Research research reports.

Important disclosure regarding the relationship between the companies that are the subject of this Citi Research research report and Morgan Stanley Smith Barney LLC and its affiliates are available at the Morgan Stanley Smith Barney disclosure website at [www.morganstanleysmithbarney.com/researchdisclosures](http://www.morganstanleysmithbarney.com/researchdisclosures).

For Morgan Stanley and Citigroup Global Markets, Inc. specific disclosures, you may refer to [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures) and [https://www.citivelocity.com/cvr/eppublic/citi\\_research\\_disclosures](https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures).

This Citi Research research report has been reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval was conducted by the same person who reviewed this research report on behalf of Citi Research. This could create a conflict of interest.

**The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by.** The Product is made available in **Australia** through Citi Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992), participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Australia** to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in **Brazil** by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of **Canada** by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. This product is available in **Chile** through Banchile Corredores de Bolsa S.A., an indirect subsidiary of Citigroup Inc., which is regulated by the Superintendencia de Valores y Seguros. Agustinas 975, piso 2, Santiago, Chile. The Product is made available in **France** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 1-5 Rue Paul Cézanne, 8ème, Paris, France. The Product is distributed in **Germany** by Citigroup Global Markets Deutschland AG ("CGMD"), which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). CGMD, Reuterweg 16, 60323 Frankfurt am Main. Research which relates to "securities" (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) is issued in **Hong Kong** by, or on behalf of, Citigroup Global Markets Asia Limited which takes full responsibility for its content. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Research is made available through Citibank, N.A., Hong Kong Branch, for its clients in Citi Private Bank, it is made available by Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citibank N.A. is regulated by the Hong Kong Monetary Authority. Please contact your Private Banker in Citibank N.A., Hong Kong, Branch if you have any queries on or any matters arising from or in connection with this document. The Product is made available in **India** by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. The Product is made available in **Indonesia** through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in **Israel** through Citibank NA, regulated by the Bank of Israel and the Israeli Securities Authority. Citibank, N.A., Platinum Building, 21 Ha'arba'ah St, Tel Aviv, Israel. The Product is made available in **Italy** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. Via dei Mercanti, 12, Milan, 20121, Italy. The Product is made available in **Japan** by Citigroup Global Markets Japan Inc. ("CGMJ"), which is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. If the Product was distributed by SMBC Nikko Securities Inc. it is being so distributed under license. In the event that an error is found in an CGMJ research report, a revised version will be posted on the Firm's Citi Velocity website. If you have questions regarding Citi Velocity, please call (81 3) 6270-3019 for help. The Product is made available in **Korea** by Citigroup Global Markets Korea Securities Ltd., which is regulated by the Financial Services Commission, the Financial Supervisory Service and the Korea Financial Investment Association (KOFIA). Citibank Building, 39 Da-dong, Jung-gu, Seoul 110-180, Korea. KOFIA makes available registration information of research analysts on its website. Please visit the following website if you wish to find KOFIA registration information on research analysts of Citigroup Global Markets Korea

Securities Ltd. <http://dis.kofia.or.kr/fs/fundMgr/DISFundMgrAnalystPop.jsp?companyCd2=A03030&pageDiv=02>. The Product is made available in **Malaysia** by Citigroup Global Markets Malaysia Sdn Bhd (Company No. 460819-D) ("CGMM") to its clients and CGMM takes responsibility for its contents. CGMM is regulated by the Securities Commission of Malaysia. Please contact CGMM at Level 43 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia in respect of any matters arising from, or in connection with, the Product. The Product is made available in **Mexico** by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In **New Zealand** the Product is made available to 'wholesale clients' only as defined by s5C(1) of the Financial Advisers Act 2008 ('FAA') through Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832 and AFSL No. 240992), an overseas financial adviser as defined by the FAA, participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Pakistan** by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in the **Philippines** through Citicorp Financial Services and Insurance Brokerage Philippines, Inc., which is regulated by the Philippines Securities and Exchange Commission. 20th Floor Citibank Square Bldg. The Product is made available in the Philippines through Citibank NA Philippines branch, Citibank Tower, 8741 Paseo De Roxas, Makati City, Manila. Citibank NA Philippines NA is regulated by The Bangko Sentral ng Pilipinas. The Product is made available in **Poland** by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Dom Maklerski Banku Handlowego S.A. ul.Senatorska 16, 00-923 Warszawa. The Product is made available in the **Russian Federation** through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in **Singapore** through Citigroup Global Markets Singapore Pte. Ltd. ("CGMSPL"), a capital markets services license holder, and regulated by Monetary Authority of Singapore. Please contact CGMSPL at 8 Marina View, 21st Floor Asia Square Tower 1, Singapore 018960, in respect of any matters arising from, or in connection with, the analysis of this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore Branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Please contact your Private Banker in Citibank N.A., Singapore Branch if you have any queries on or any matters arising from or in connection with this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). This report is distributed in Singapore by Citibank Singapore Ltd ("CSL") to selected Citigold/Citigold Private Clients. CSL provides no independent research or analysis of the substance or in preparation of this report. Please contact your Citigold/Citigold Private Client Relationship Manager in CSL if you have any queries on or any matters arising from or in connection with this report. This report is intended for recipients who are accredited investors as defined under the Securities and Futures Act (Cap. 289). Citigroup Global Markets (Pty) Ltd. is incorporated in the **Republic of South Africa** (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in **Spain** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 29 Jose Ortega Y Gasset, 4th Floor, Madrid, 28006, Spain. The Product is made available in the **Republic of China** through Citigroup Global Markets Taiwan Securities Company Ltd. ("CGMTS"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan and/or through Citibank Securities (Taiwan) Company Limited ("CSTL"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan, subject to the respective license scope of each entity and the applicable laws and regulations in the Republic of China. CGMTS and CSTL are both regulated by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan, the Republic of China. No portion of the Product may be reproduced or quoted in the Republic of China by the press or any third parties [without the written authorization of CGMTS and CSTL]. If the Product covers securities which are not allowed to be offered or traded in the Republic of China, neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities in the Republic of China. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or financial products. Any decision to purchase securities or financial products mentioned in the Product must take into account existing public information on such security or the financial products or any registered prospectus. The Product is made available in **Thailand** through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand. The Product is made available in **Turkey** through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. In the **U.A.E.**, these materials (the "Materials") are communicated by Citigroup Global Markets Limited, DIFC branch ("CGML"), an entity registered in the Dubai International Financial Center ("DIFC") and licensed and regulated by the Dubai Financial Services Authority ("DFSA") to Professional Clients and Market Counterparties only and should not be relied upon or distributed to Retail Clients. A distribution of the different Citi Research ratings distribution, in percentage terms for Investments in each sector covered is made available on request. Financial products and/or services to which the Materials relate will only be made available to Professional Clients and Market Counterparties. The Product is made available in **United Kingdom** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in **United States** by Citigroup Global Markets Inc, which is a member of FINRA and registered with the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is regulated by Financial Services Authority. Pursuant to Comissão de Valores Mobiliários Rule 483, Citi is required to disclose whether a Citi related company or business has a commercial relationship with the subject company. Considering that Citi operates multiple businesses in more than 100 countries around the world, it is likely that Citi has a commercial relationship with the subject company.

Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Research's Products can be found at [https://www.citivelocity.com/cvr/eppublic/citi\\_research\\_disclosures](https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures).

Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific

transactions or recommendations.

The Product may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted.

Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product. With the exception of our product that is made available only to Qualified Institutional Buyers (QIBs), Citi Research concurrently disseminates its research via proprietary and non-proprietary electronic distribution platforms. Periodically, individual Citi Research analysts may also opt to circulate research posted on such platforms to one or more clients by email. Such email distribution is discretionary and is done only after the research has been disseminated via the aforementioned distribution channels. Citi Research simultaneously distributes product that is limited to QIBs only through email distribution.

The level and types of services provided by Citi Research analysts to clients may vary depending on various factors such as the client's individual preferences as to the frequency and manner of receiving communications from analysts, the client's risk profile and investment focus and perspective (e.g. market-wide, sector specific, long term, short-term etc.), the size and scope of the overall client relationship with Citi and legal and regulatory constraints. Citi Research product may source data from dataCentral. dataCentral is a Citi Research proprietary database, which includes Citi estimates, data from company reports and feeds from Reuters and Datastream.

---

© 2012 Citigroup Global Markets Inc. Citi Research is a division of Citigroup Global Markets Inc. Citi and Citi with Arc Design are trademarks and service marks of Citigroup Inc. and its affiliates and are used and registered throughout the world. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure of this report (the "Product"), including, but not limited to, redistribution of the Product by electronic mail, posting of the Product on a website or page, and/or providing to a third party a link to the Product, is prohibited by law and will result in prosecution. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient to any third party. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, redisseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates. The Firm accepts no liability whatsoever for the actions of third parties. The Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

---

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

---