

**Construction**

Poland

ZUE

ZUE PW; ZUEP.WA

Buy

(Reiterated)

Current price	PLN 7.33
Target price	PLN 9.20
Market cap	PLN 118.8m
Free float	PLN 26.3m
Avg. daily trading volume (3M)	PLN 0.18m

Shareholder structure

Wiesław Nowak	72.73%
PKO BP Bankowy PTE	5.12%
New shareholders	22.15%

Sector outlook

New year, new deal: in 2012, WIG Construction will no longer underperform the broad index. An opportunity for the industry are investment projects of power utilities, while risks lie in road construction contracts (with their weak operating cash flows and the fact that the contractors' demands are not easily accepted). Within the industry, we recommend overweighting small and medium companies over big ones, as the former tend to work on small, relatively safe contracts and have strong balance sheets.

Company profile

ZUE is the Polish leader in tramline construction, with a market share approaching 30%. The company was in charge of the biggest and most difficult projects in Poland. In early 2010, it took over PRK Kraków, which added momentum to its efforts to enter the railroad construction segment. The company also provides urban infrastructure maintenance services (trackage, streetlights).

Small Player with Tons of Orders

ZUE's shares have taken a dive recently even though its fundamentals remain solid and banks have not called in its loans (cf. the case of Trakcja Tiltr'a's Poldim). In fact, banks seem willing to extend more credit to ZUE. Further, ZUE has no problems with contract margins and hence maintains strong profits. Its customers, who are largely municipalities, are punctual payers, now including Kraków, which faces the toughest fiscal situation in the nation. Finally, ZUE has already accumulated a hefty order backlog for the future, with the 2012 order book worth PLN 450m, and the backlog for future years at PLN 350m. ZUE remains the leader of the niche market for urban rail services, and its standing is so strong that it can dictate prices to subcontractors, thus keeping profit margins well above the averages recorded by other construction sectors. We would not expect many orders from municipalities in 2012, although there are still some cities in Poland with moderate leverage levels that might consider tram line extensions (e.g. some in Silesia). The potential for new railroad business is estimated at PLN 2-3 billion. More orders should come on line in 2013 once the European Union determines its 2014-2020 budget. ZUE's order backlog is enough to tide the company over until then without major revenue or profit losses. We are reiterating a buy rating with the price target at PLN 9.2 per share.

Urban rail still a niche market

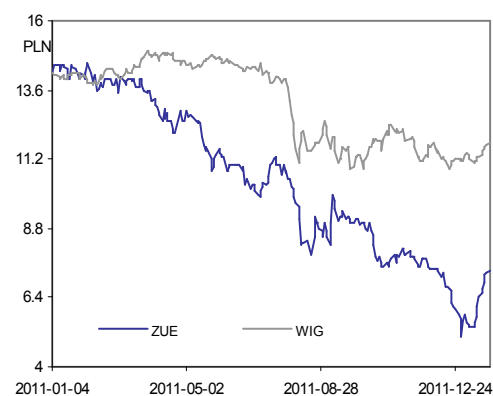
The market for urban rail services remains a niche in Poland even amid intensifying competition in the construction industry at large. Development of tram lines in the midst of city life requires considerable expertise and know-how. ZUE's market position is so strong that it allows it to dictate prices to suppliers and service providers, with positive effects on profit margins.

Small companies make more attractive investments

ZUE is a small company with a large order backlog and a leading market position. As such, compared to its larger counterparts from the construction sector, ZUE is cheaper (it reports small net debt or net cash, and it is trading at low EV/EBITDA), and less risky (it works on shorter deadlines and generally gets paid on time).

Cash flows and contract financing

ZUE's net debt was incurred to finance working capital while the company completes an urban rail contract with a delayed payment scheme (outstanding payments hover around PLN 50m). As of 30 September 2011, the net debt stood at PLN 25.5m and it was equivalent to 0.6 times 2011 EBITDA. ZUE's existing credit lines allow it to borrow up to PLN 100m if need be.

ZUE vs. WIG**Maciej Stokłosa**

(48 22) 697 47 41

maciej.stoklosa@dibre.com.pl

www.dibre.com.pl

(PLN m)	2009	2010	2011F	2012F	2013F
Revenue	199.9	392.4	583.0	594.7	594.7
EBITDA	18.7	32.4	36.1	36.7	36.3
<i>EBITDA margin</i>	9.4%	8.2%	6.2%	6.2%	6.1%
EBIT	16.8	25.6	28.2	27.2	26.6
Net profit	8.6	16.8	21.2	19.9	20.3
P/E	13.4	9.5	7.5	8.0	7.9
P/CE	11.0	6.8	5.5	5.4	5.3
P/BV	2.3	1.0	0.9	0.8	0.7
EV/EBITDA	9.3	5.6	5.5	4.0	3.6
DYield	0.0%	1.0%	0.0%	0.0%	0.0%

Valuation

Based on DCF analysis and relative valuation, we set the nine-month price target on ZUE at PLN 9.2 per share. DCF valuation suggests a 9-month target price of PLN 9.1 per share, and relative valuation yielded a per-share target of PLN 9.3.

	Value per share	Weight
DCF Analysis	8.4	50%
Relative Valuation	8.6	50%
Average	8.5	
9M cost of equity	8.1%	
Target Price	9.2	

Relative Valuation

Peer Group Selection

The peer group that serves as the benchmark for ZUE comprises large and medium-sized construction companies listed on the Warsaw Stock Exchange. The company that most closely matches ZUE's business profile is Trakcja Polska, but it is excluded from relative valuation because of the financial troubles of its subsidiary Poldim which are affecting Trakcja's value. ZUE is trading at a 13.3% discount relative to the peer group.

Relative Valuation Model

	2011F P/E	2012F P/E	2013F P/E	201F EV/EBITDA	2012F EV/EBITDA	2013F EV/EBITDA
Budimex	8.1	8.3	11.0	2.2	4.1	6.9
Erbud	<0	8.6	8.4	<0	5.2	4.6
Elektrobudowa	11.9	10.3	8.7	6.7	6.3	5.3
Mostostal Warszawa	<0	9.3	6.8	<0	3.3	2.5
PBG	5.1	10.9	7.0	10.7	9.4	6.9
Polimex Mostostal	8.3	8.9	8.3	5.9	5.7	5.3
Rafako	7.6	8.2	7.0	6.1	5.0	3.7
Unibep	9.2	7.6	7.5	5.7	6.8	4.1
Median	8.2	8.7	7.9	6.0	5.4	4.9
ZUE	7.5	8.0	7.9	5.5	4.0	3.6
Premium (discount)	-8.0%	-8.5%	-0.4%	-9.3%	-26.0%	-27.5%
Multiple weight	20.0%	20.0%	10.0%	20.0%	20.0%	10.0%

Source: BRE Bank Securities; *Valuation conducted on 23 January 2012

DCF Valuation

DCF model assumptions

- Growth rate after FY2017 = 3%.
- Risk-free rate = 5.7% (equivalent to yield on 10Y T-bonds).
- Our valuation does not take into account properties earmarked for restructuring (the sales process is not progressing, but, at any rate, our valuations of other companies also ignore non-operating assets).
- Capital expenditure higher than D&A expenses.
- Longer payment cycles.
- The EBIT margin is set to decline to a target level of 3.5% (0.5% higher than the average for general construction companies).
- We value the 15% minority stake in PRK Kraków at a price implied by the price at which ZUE bought its 85% stake.

DCF Model

(PLN m)	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2020+
Revenues	583.0	594.7	594.7	612.5	630.9	649.8	669.3	689.4	710.1	731.4	
Change	48.6%	2.0%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
EBITDA	36.1	36.7	36.3	36.0	35.6	35.3	34.8	34.2	35.0	35.8	
EBITDA margin	6.2%	6.2%	6.1%	5.9%	5.7%	5.4%	5.2%	5.0%	4.9%	4.9%	
D&A expenses	7.9	9.6	9.7	9.8	10.0	10.1	10.3	10.3	10.4	10.4	
EBIT	28.2	27.2	26.6	26.1	25.7	25.1	24.5	23.9	24.6	25.4	
EBIT margin	4.8%	4.6%	4.5%	4.3%	4.1%	3.9%	3.7%	3.5%	3.5%	3.5%	
Tax on EBIT	5.4	5.2	5.0	5.0	4.9	4.8	4.7	4.5	4.7	4.8	
NOPLAT	22.8	22.0	21.5	21.2	20.8	20.4	19.9	19.4	19.9	20.5	
CAPEX	-14.3	-10.5	-10.7	-10.8	-11.0	-11.1	-11.3	-10.8	-10.9	-10.4	
Working capital	-30.8	30.4	0.2	-2.0	-2.1	-2.1	-2.2	-2.2	-2.7	-2.7	
Other	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCF	-15.1	51.5	20.7	18.2	17.7	17.2	16.7	16.6	16.8	17.8	18.3
WACC	10.0%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.6%	
Discount factor	100.0%	90.3%	81.6%	73.7%	66.6%	60.2%	54.3%	49.1%	44.3%	40.1%	
PV FCF	-15.1	46.5	16.9	13.4	11.8	10.4	9.1	8.2	7.4	7.1	
WACC	10.0%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.6%	
Cost of debt	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.8%	
Risk-free rate	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.6%	
Credit risk premium	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	
Net debt / EV	14%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Cost of equity	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.6%	
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
FCF growth after the forecast horizon		3.0%									
Terminal value (TV)		241.2									
Present value of terminal value (PV TV)		96.7									
Present value of FCF in the forecast horizon		115.7									
Present value of FCF		212.4									
Net debt		13.0									
Minority interests		-13.8									
Equity value		185.6									
Number of shares (millions)		22.0									
Equity value per share (PLN)		8.4									
9M cost of equity		7.9%									
Target Price		9.1									
EV/EBITDA ('11) for the target price		5.1									
P/E for the target price		8.8									
TV to EV		52%									

Sensitivity Analysis

FCF growth in perpetuity

	2.0%	2.5%	3.0%	3.5%	4.0%
WACC -1.0pp	9.1	9.5	9.9	10.4	10.9
WACC -0.5pp	8.8	9.1	9.5	9.9	10.4
WACC	8.5	8.8	9.1	9.5	9.9
WACC +0.5pp	8.3	8.5	8.8	9.1	9.5
WACC +1.0pp	8.0	8.3	8.5	8.8	9.1

Income Statement

(PLN m)	2007	2008	2009 *	2010	2011F	2012F	2013F
Revenues	198.9	250.6	199.9	392.4	583.0	594.7	594.7
<i>change</i>	138.8%	26.0%	-20.2%	9.0%	48.6%	2.0%	0.0%
COGS	163.0	199.5	174.4	352.4	538.3	549.0	549.6
Gross profit	35.9	51.1	25.5	40.0	44.7	45.6	45.0
<i>gross profit margin</i>	18.0%	20.4%	12.8%	10.2%	7.7%	7.7%	7.6%
SG&A expenses	-5.1	-6.0	-8.9	-14.8	-17.1	-17.4	-17.4
Other net operating income/expenses	0.1	0.2	0.2	0.4	0.5	-1.1	-1.1
EBIT	30.8	45.2	16.8	25.6	28.2	27.2	26.6
<i>change</i>	266.0%	46.8%	-62.9%	52.7%	10.1%	-3.6%	-2.2%
<i>EBIT margin</i>	15.5%	18.1%	8.4%	6.5%	4.8%	4.6%	4.5%
Financial income/expenses	1.5	-29.1	-5.9	-4.5	-1.2	-1.7	-0.7
Pre-tax profit	32.4	16.1	10.9	21.1	27.0	25.4	25.9
Tax	-6.3	-3.3	-2.2	-4.0	-5.2	-4.8	-4.9
Minority interests	0.0	0.0	0.0	0.4	0.5	0.7	0.7
Net profit	26.1	12.8	8.6	16.8	21.2	19.9	20.3
<i>change</i>	287.1%	-50.9%	-32.5%	94.6%	26.2%	-6.0%	1.8%
<i>margin</i>	13.1%	5.1%	4.3%	4.3%	3.6%	3.4%	3.4%
D&A expenses	0.9	1.3	1.9	6.7	7.9	9.6	9.7
EBITDA	31.8	46.5	18.7	32.4	36.1	36.7	36.3
<i>change</i>	198.6%	46.5%	-59.8%	73.0%	11.4%	1.9%	-1.3%
<i>EBITDA margin</i>	16.0%	18.6%	9.4%	8.2%	6.2%	6.2%	6.1%
Shares at year-end (millions)	16.0	16.0	16.0	22.0	22.0	22.0	22.0
EPS	1.6	0.8	0.5	0.8	1.0	0.9	0.9
CEPS	1.7	0.9	0.7	1.1	1.3	1.3	1.4
ROAE	95.1%	30.9%	18.3%	27.9%	12.8%	10.7%	9.9%
ROAA	23.3%	10.4%	5.6%	5.8%	5.0%	4.5%	4.3%

* ZUE data

Balance Sheet

(PLN m)	2007	2008	2009 *	2010	2011F	2012F	2013F
ASSETS	102.9	143.6	162.2	419.0	435.6	458.7	479.1
Fixed assets	27.6	43.8	111.4	134.5	154.9	155.9	156.8
Property, plant and equipment, intangible assets	17.4	17.9	21.2	57.9	69.6	70.5	71.5
Goodwill	0.0	0.0	0.0	31.2	31.2	31.2	31.2
Intangible assets	1.3	2.2	2.4	17.9	17.3	17.3	17.3
Long-term investment	0.0	0.0	78.3	0.0	0.7	0.7	0.7
Investment properties	0.0	0.0	0.0	6.1	4.7	4.7	4.7
Construction contract deposits	5.9	15.5	3.4	3.0	3.1	3.1	3.1
Other	3.1	8.3	6.1	18.5	28.4	28.4	28.4
Current assets	75.3	99.8	50.8	284.5	280.7	302.8	322.3
Inventories	2.9	4.5	1.8	5.5	8.1	8.3	8.3
Receivables	54.7	47.2	17.9	219.8	255.6	228.1	228.1
Construction contract deposits	2.4	3.9	0.8	1.1	0.3	0.3	0.3
Cash and cash equivalents	13.7	43.3	22.2	53.7	13.4	62.8	82.3
Other	1.5	0.9	8.1	4.4	3.3	3.3	3.3
(PLN m)	2007	2008	2009 *	2010	2011F	2012F	2013F
EQUITY AND LIABILITIES	102.9	143.6	162.2	419.0	435.6	458.7	479.1
Equity	40.0	42.8	51.5	155.1	176.4	195.6	215.2
Minority interest	0.0	0.0	0.0	8.5	9.1	9.8	10.4
Long-term liabilities	8.7	33.7	78.1	44.8	62.1	62.1	62.1
Loans, leasing	2.9	1.7	70.3	10.3	12.2	12.2	12.2
Construction contract deposits	2.4	8.0	2.1	2.1	3.3	3.3	3.3
Employee benefits	0.1	0.1	0.1	2.9	2.6	2.6	2.6
Provisions and other	3.4	24.0	5.6	29.5	44.0	44.0	44.0
Current liabilities	54.1	67.1	32.6	210.5	188.1	191.2	191.3
Loans, leasing	1.5	1.7	9.2	56.4	29.5	29.5	29.5
Trade creditors and other	52.1	53.7	19.2	149.4	154.8	157.9	158.1
Other financial liabilities	0.0	9.5	3.3	0.3	0.0	0.0	0.0
Construction contract deposits	0.2	1.9	0.3	1.8	2.0	2.0	2.0
Other	0.4	0.2	0.6	2.6	1.8	1.8	1.8
Debt	4.4	3.5	79.5	66.7	41.7	41.7	41.7
Net debt	-9.4	-39.8	57.3	13.0	28.3	-21.1	-40.6
(Net debt / Equity)	-23.4%	-93.0%	111.3%	8.4%	16.0%	-10.8%	-18.9%
(Net debt / EBITDA)	-0.3	-0.9	3.1	0.4	0.8	-0.6	-1.1
BVPS	2.5	2.7	3.2	7.1	8.0	8.9	9.8

* ZUE data

Cash Flows

(PLN m)	2007	2008	2009 *	2010	2011F	2012F	2013F
Cash flows from operating activities	17.5	42.3	17.6	-42.1	3.2	61.7	30.9
Pre-tax profit	32.4	16.1	10.9	21.1	27.0	25.4	25.9
D&A expenses	0.9	1.3	1.9	6.7	7.9	9.6	9.7
Derivative valuation	0.0	28.1	5.9	-0.4	0.0	0.0	0.0
Working capital	-10.4	3.9	9.5	-83.1	-30.8	30.4	0.2
Taxes paid	-2.7	-8.0	-12.7	8.3	-2.5	-4.8	-4.9
Other	-2.7	0.9	2.1	5.2	1.7	1.1	0.0
Cash flows from investing activities	-2.5	-0.7	-111.5	13.2	-7.5	-10.5	-10.7
CAPEX	-4.4	-1.7	-81.2	-4.7	-9.1	-10.5	-10.7
Equity investment	0.0	0.0	-30.7	-2.9	-0.2	0.0	0.0
Other	1.9	1.0	0.4	20.8	1.8	0.0	0.0
Cash flows from financing activities	-3.8	-12.1	72.8	60.4	-36.0	-1.7	-0.7
Stock issue	0.0	0.0	0.0	86.2	0.0	0.0	0.0
Debt	-1.9	-1.8	73.5	-17.9	-33.8	0.0	0.0
Dividend (buy-back)	-1.7	-10.0	0.0	-1.5	0.0	0.0	0.0
Other	-0.2	-0.3	-0.7	-6.3	-2.2	-1.7	-0.7
Change in cash	11.2	29.5	-21.1	31.5	-40.3	49.4	19.5
Cash at period-end	13.7	43.3	22.2	53.7	13.4	62.8	82.3
DPS (PLN)	0.1	0.6	0.0	0.1	0.0	0.0	0.0
FCF	11.0	39.9	21.8	-60.8	-15.1	51.5	20.7
(CAPEX / Sales)	2.2%	0.7%	40.6%	1.2%	1.6%	1.8%	1.8%

Market multiples

	2007	2008	2009 *	2010	2011F	2012F	2013F
P/E	4.4	9.1	13.4	9.5	7.5	8.0	7.9
P/CE	4.3	8.2	11.0	6.8	5.5	5.4	5.3
P/BV	2.9	2.7	2.3	1.0	0.9	0.8	0.7
P/S	0.6	0.5	0.6	0.4	0.3	0.3	0.3
FCF/EV	10.3%	52.4%	12.6%	-33.6%	-7.7%	34.7%	16.0%
EV/EBITDA	3.4	1.6	9.3	5.6	5.5	4.0	3.6
EV/EBIT	3.5	1.7	10.3	7.1	7.0	5.5	4.9
EV/S	0.5	0.3	0.9	0.5	0.34	0.25	0.22
DYield	1.5%	8.6%	0.0%	1.0%	0.0%	0.0%	0.0%
Price	7.3						
Shares at year-end (millions)	16.0	16.0	16.0	22.0	22.0	22.0	22.0
MC (PLN m)	116.0	116.0	116.0	159.5	159.5	159.5	159.5
Equity attributable to minority shareholders (PLN m)	0.0	0.0	0.0	8.5	9.1	9.8	10.4
EV (PLN m)	106.6	76.2	173.3	181.0	196.9	148.2	129.3

* ZUE data

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

Research Department:

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

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

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

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

Iza Rokicka tel. (+48 22) 697 47 37
iza.rokicka@dibre.com.pl
Banks

Gabriela Borowska tel. (+48 22) 697 47 36
gabriela.borowska@dibre.com.pl
Retail

Piotr Zybala tel. (+48 22) 697 47 01
piotr.zybala@dibre.com.pl
Real-Estate Developers

Sales and Trading:

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

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

Traders:

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

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

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

Michał Stępkowski tel. (+48 22) 697 48 25
michal.stepkowski@dibre.com.pl

Paweł Majewski tel. (+48 22) 697 49 68
pawel.majewski@dibre.com.pl

Foreign Markets Unit:

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

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

Jakub Słotkiewicz tel. (+48 22) 697 48 64
jakub.slotkiewicz@dibre.com.pl

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

"Private Broker"

Jarosław Banasiak tel. (+48 22) 697 48 70
Director, Active Sales
jaroslaw.banasiak@dibre.com.pl

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

List of abbreviations and ratios contained in the report:

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

Recommendations of BRE Bank Securities

A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:

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

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

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

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

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

The present report was not transferred to the issuer prior to its publication.
 BRE Bank Securities S.A. receives remuneration from the issuer for services rendered.
 BRE Bank Securities S.A. serves as an animator in relation to the shares of the Issuer.
 BRE Bank Securities S.A. acts as market animator for the Issuer.

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

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

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

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

Strong and weak points of valuation methods used in recommendations:

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

Previous ratings issued for ZUE

rating	Accumulate	Buy	Buy
rating day	2011-05-20	2011-07-05	2012-01-23
price on rating day	11.62	9.95	7.25
WIG on rating day	48747.55	48481.82	39518.87