3 April 2008

Periodic Report

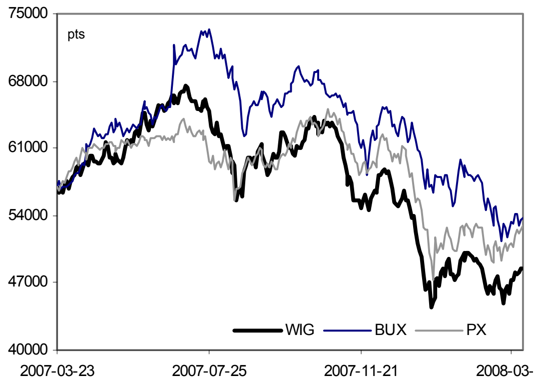
BRE Bank Securities

Equity Market

Macroeconomics

WIG	**48 548**
Avg. 2008E P/E	15.2
Avg. 2009E P/E	12.1
Avg daily trading volume	PLN 1 668m

WIG vs. indices in the region



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Monthly Report

April 2008

Equity market

While problems are not going to disappear overnight, investors at the moment choose to believe that the world economy is going to overcome the crisis. In the medium term, the market will remain very volatile. Whether investors decide to take on more risk depends on how company earnings and further macroeconomic data measure up against their expectations. Until then, the upward trend should continue.

Company news

Banks. The negative sentiment towards banks may be dispelled by the forecast of strong earnings at PKO BP and by Bank Handlowy's new medium-term goals. Whether this indeed happens will depend on Q1'08 results. Bank Millennium will open the reporting season on April 21. We recommend overweighing PKO BP and Bank Handlowy, above all, and we consider ING BSK stock the least attractive investment option.

Gas & Oil. There are still no clear signals that the current trend on the USD/PLN exchange rate, which is unfavorable to the refining sector, will be reversed. We therefore recommend withholding aggressive purchases of PKN stock, despite the fact that it trades below BV. We suggest PGNiG as an alternative, given the higher natural gas tariff set by regulator and the indications that the market will be further deregulated.

Telecommunications. In the medium term, telecom shares remain attractive as defensive securities, less so when the market is growing. TP valuation should no longer be affected by the decreasing European telecom share prices.

Media. The first quarter was good for the advertising market. Companies were spending more. In the TV advertising segment, demand continued to exceed the supply of available airtime. As a result we are expecting very healthy sales growth in Q1.

IT. As there are clear seasonalities in the IT sector, sales always slow down in the first quarter, which can be seen in the lower number of contract announcements. We are expecting Q1'2008 earnings to be affected.

Metals. We believe that the correction in the metal markets is a good opportunity for purchases. Reduction in stockpiles should support copper price on the LME.

Construction. Although last year's comparison base was high, the mild weather in Q1'08 allowed construction and assembly output to grow at high rates (6.6% y/y in January, 20.7% y/y in February).

Developers. Interest in home purchases appears to be picking up, but customers do prefer homes ready (or almost ready) for move-in. As output increases, so will sales. Despite the fairly rich offer of homes available for sale, few of them are move-in ready, which is what the people want.

Retail. The Central Statistical Office's data on sales in the first two months of 2008 give grounds for optimism as regards the Q1 earnings of FMCG companies. In this period, retail sales grew at 14% y/y, and wholesale sales at the whooping 29.5% y/y.

Ratings. We are upgrading our ratings on the following stocks as of the release date of this Monthly Report: Macrologic (Buy), and we are downgrading BZ WBK (Accumulate), GTC (Accumulate), ING BSK (Accumulate), Kredyt Bank (Accumulate), Millennium (Accumulate), Noble Bank (Accumulate).

Table of Contents

Equity Market

After a bearish beginning, the latter part of March saw a big shift in sentiment to equities, which coincided with a correction in materials markets and a slight improvement in the US housing market. All in all, our black scenario did not pan out. While problems are not going to disappear overnight, investors at the moment choose to believe that the world economy is going to overcome the crisis. The IMF warned that it was going to lower 2008 GDP growth projections for the US to 0.5% from 1.5% in anticipation of a recession brought on by the impact that the credit crunch is having on global economic growth. The IMF is also going to revise its GDP forecast for Germany down from 1.5% to 1.2%. With inflation on the rise in the euro zone, the ECB is likely to shy away from interest rate cuts, which could help the US dollar. Investors have stopped reacting to weak macroeconomic data and continuing subprime write-downs (UBS). The rebound in equities will be put to test by company earnings and macro data, which will be rated against lower expectations. What raises concerns is the weak performance of Chinese indexes (which shed 24% in March alone), which are probably discounting a future cooling in an economy expected to be the driving force behind emerging markets.

The Polish economy still looks good compared to other CEE countries. A relatively low inflation rate, fast-paced economic growth, low ratio of deficit to GDP, and even salary growth slower than elsewhere, make for strong incentives for foreign investors. Polish banks like PKO BP, Bank Handlowy, and Millennium are reporting a continuing rise in lending activity, with investors having already discounted the weaker performance of investment funds and brokerage houses. Exporters and companies that need a lot of energy are expected to cut forecasts.

USA still shapes sentiment

The Conference Board Consumer Confidence Index was far short of consensus (75 pts) in March at 64.5 pts – its lowest level since the 1970's oil crisis. This might suggest a further decline in consumption, but could also be a result of consumers forming their expectations in an adaptive manner. Weak consumer data confirmed the Fed's worries about the state of the economy, forcing further rate cuts (Fed Funds rate slashed by 75 bps at the last meeting). If consumer demand continues to weaken, the consensus is that rates will be cut even deeper to 1.25%-1.75%, unless inflation expectations remain high. If they do not rise after the next inflation announcement, further policy easing is more than likely. A rising inflation rate could convince the Fed to wait and see whether the tax relief measure works before slashing rates again, which would disappoint investors. The USA
was not all bad news in March: used home sales rose to 5.03m in February from 4.89m in January, well above consensus, which was accompanied by a slow pickup in property lending - the first sign of activity for months, even if achieved thanks to an over-10% slump in prices. The ISM Manufacturing index also surprised on the upside by rising to 48.6pts in March, i.e. higher than expected (48.2) even if it still hovers below 50 pts.

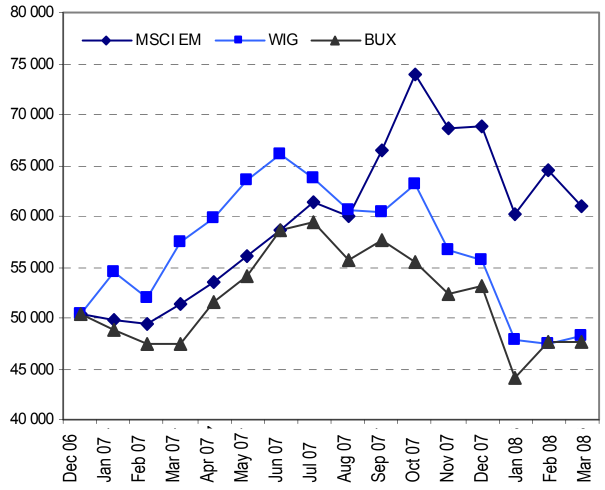
Poland vs. CEE

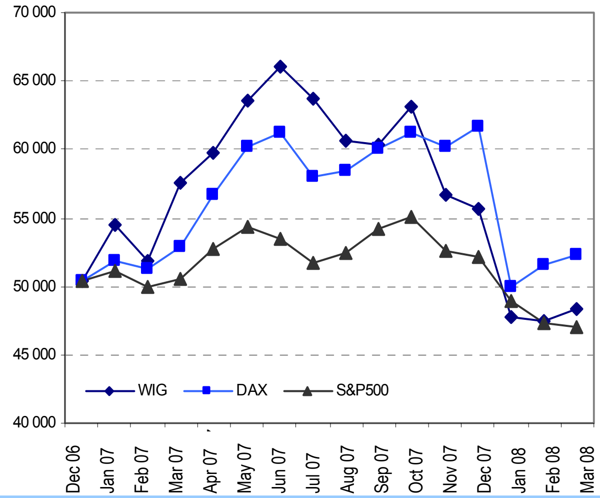
Central and Eastern European markets have performed in line with broad emerging market indices since the beginning of the year. Latin America declined the least, while China, India, and Indonesia were the biggest losers. However, after leading growth toward the end of 2007, these countries had a big influence on the broad MSCI EM index.

Index	Change in Q108	Index	Change in Q108
WIG	**-13.7%**	Bovespa	-4.2%
BUX	-17.2%	Kospi	-10.2%
RTS	-10.3%	Shanghai Comp	-34.0%
PX50	-14.5%	BSE30 (India)	-22.9%
IPSA (Chile)	-4.9%	JKSE (Indonesia)	-10.9%
Merval (Mexico)	-3.1%		

Source: Bloomberg

WIG vs. selected indexes

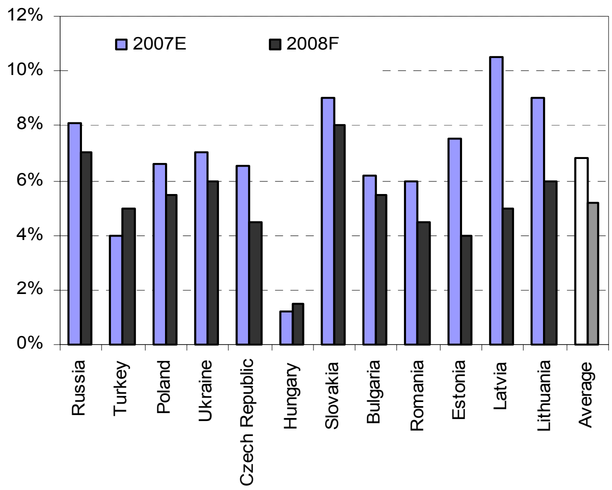


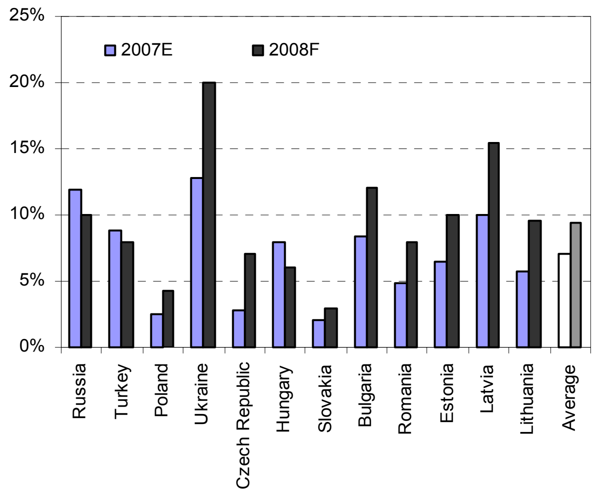


Source: Bloomberg

The Polish economy looks good compared to other CEE countries. Relatively low inflation rate, slow salary growth, and small deficit, paired with comparable GDP growth, make for strong incentives for foreign investors to invest in Polish debt securities, thus supporting the zloty. Our stocks are viewed through a lens of general risk aversion observed in the entire region.

GDP, Inflation in selected CEE countries





Source: Bloomberg, Capital Economics

Energy prices on the rise

Gas and electricity price hikes mean higher production costs, hurting mostly manufacturers. The table below shows the ratios of energy costs to earnings for selected companies.

Estimated ratios of energy costs to earnings for selected companies

		Electricity as pct of		
(PLN m)	**Electricity**	**Revenue**	**Costs**	**Net profit**
KGHM	520.0	4.3%	6.9%	13.7%
Grupa Kęty	23.0	1.8%	2.1%	23.5%
Mondi	51.0	3.4%	4.2%	20.7%
ZA Puławy	221.8	9.1%	10.3%	88.2%
Police	86.3	4.7%	5.2%	40.5%
Apator	4.78	1.54%	1.76%	13.77%
Barlinek	17.00	3.48%	3.95%	30.11%
Boryszew	323.69	6.70%	7.08%	574.94%
Impexmetal	191.43	5.09%	5.40%	137.36%
Projprzem	0.98	0.72%	0.78%	8.11%
Stalprodukt	32.69	1.85%	2.44%	9.33%
Zelmer	9.09	2.22%	2.79%	26.37%
ZPUE	0.72	0.28%	0.30%	4.55%

		Gas as pct of		
(PLN m)	**Gas**	**Revenue**	**Costs**	**Net profit**
Grupa Kęty	20.0	1.6%	1.8%	20.5%
PKN Orlen	1 297.0	2.0%	2.1%	55.8%
ZA Puławy	759.5	31.0%	35.1%	301.9%
Police	350.0	19.2%	21.0%	164.4%
Cersanit	101.8	7%	8.4%	83.4%
Boryszew	30.5	0.63%	0.66%	54.11%
Impexmetal	25.0	0.67%	0.70%	17.97%

		Combined gas and electricity as pct of		
(PLN m)	**Gas. electricity**	**Revenue**	**Costs**	**Net profit**
Ceramika NG	21.7	15.4%	18.3%	148.2%
Ropczyce	40.89	8.80%	9.27%	neg.

Source: Estimates by BRE Bank Securities

Fund Flows

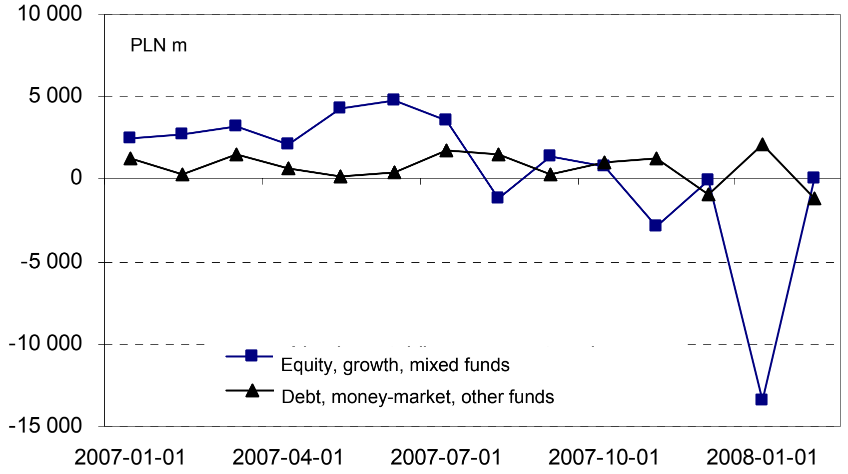
TFI

February was calmer than January, which had witnessed fund withdrawal panic. Investment funds (TFI) still reported outflows (PLN 1.1 billion), but the losses were much smaller than a month earlier (PLN 11.3bn), and were generated mainly by investors backing out of money market funds. Aggressive growth funds saw PLN 0.5bn withdrawals, while mixed and balanced funds enjoyed inflows, the end score being zero net outflows for equity funds.

OFE

Pension funds recorded a marginal, 0.02% decline in the net value of their assets which amounted to PLN 134.6m in February. The share of equities in OFE portfolios declined for the fourth month in a row to its lowest level since September 2006 at 32%. The value of the equity component fell 0.4%, i.e. 0.1 ppt less than the broad WIG index (-0.5%).

TFI inflows/outflows by equity exposure funds and money market/debt funds

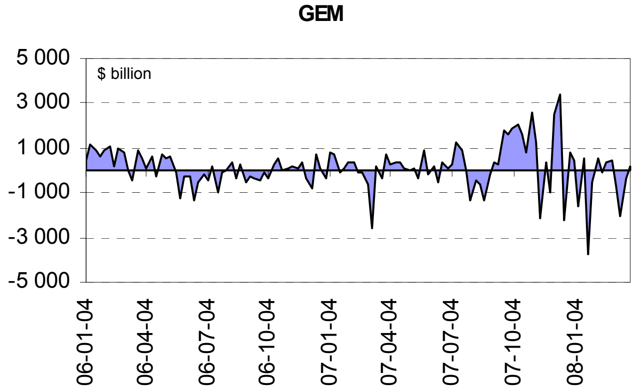


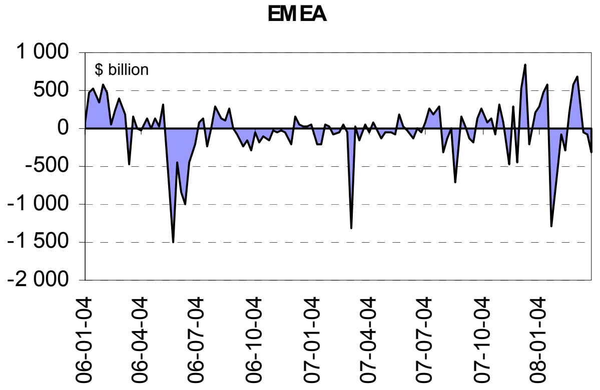
Source: Analizy Online

Emerging Market Funds

Emerging Market Funds recorded $5.8bn outflows in March, which proved far worse than February when EM funds reported $1.0bn inflows. The biggest losers were International Funds which saw net outflows of $4.0bn compared to $3.7bn gains in February. EMEA funds, which include Poland, saw $0.2bn inflows compared to $0.4bn a month earlier.

Weekly inflows/outflows to selected emerging market funds





Source: EmergingPortfolio.com

Current Investment Ratings by BRE Bank Securities

Company	Rating	Target Price	Date
ABG SPIN	Accumulate	7.30	2008-01-31
AGORA	Accumulate	53.00	2008-01-17
ASSECO POLAND	Buy	85.45	2008-01-17
BPH	Suspended		2008-02-28
BUDIMEX	Buy	98.40	2007-10-30
BZWBK	Accumulate	208.90	2008-04-03
COMARCH	Hold	178.70	2007-12-11
DOM DEVELOPMENT	Buy	103.60	2008-03-04
ECHO INVESTMENT	Buy	8.00	2008-02-15
ELEKTROBUDOWA	Accumulate	221.50	2008-02-04
EMPERIA HOLDING	Accumulate	166.10	2008-03-17
ERBUD	Accumulate	95.00	2008-02-04
EUROCASH	Hold	11.50	2008-03-06
FARMACOL	Suspended		2007-10-16
GTC	Accumulate	42.88	2008-04-03
HANDLOWY	Buy	109.80	2008-04-01
ING BSK	Hold	562.50	2008-04-03
J.W. CONSTRUCTION	Buy	51.40	2007-12-11
KĘTY	Buy	165.90	2008-02-11
KGHM	Accumulate	117.00	2008-02-15
KOELNER	Hold	24.20	2008-02-27
KOGENERACJA	Under revision		2007-06-06
KREDYT BANK	Accumulate	25.10	2008-04-03
LOTOS	Accumulate	46.00	2008-01-14
MACROLOGIC	Buy	59.50	2008-04-03
MILLENNIUM	Accumulate	9.70	2008-04-03
MONDI	Buy	76.40	2007-12-04
NETIA	Hold	3.80	2008-01-17
NOBLE BANK	Accumulate	11.40	2008-04-03
PEKAO	Buy	245.00	2008-01-24
PGF	Suspended		2007-10-16
PGNiG	Accumulate	5.53	2008-03-11
PKN ORLEN	Hold	44.30	2008-03-10
PKO BP	Buy	55.50	2008-02-18
POLIMEX MOSTOSTAL	Hold	9.10	2007-12-04
POLNORD	Buy	202.30	2007-12-11
PROSPER	Suspended		2007-10-16
RAFAKO	Suspended		2008-01-17
SYGNITY	Buy	65.00	2008-02-26
TELEKOMUNIKACJA POLSKA	Hold	20.20	2008-01-17
TORFARM	Suspended		2007-10-16
TVN	Hold	22.90	2008-03-07
ULMA CONSTRUCCION POLSKA	Accumulate	322.90	2007-11-07
WSiP	Buy	18.10	2007-07-13
ZA PUŁAWY	Buy	159.20	2008-02-12

Ratings issued in the past month

Company	Rating	Old	Target Price	Date
DOM DEVELOPMENT	Buy	Buy	103.60	2008-03-04
EMPERIA HOLDING	Accumulate	Hold	166.10	2008-03-17
EUROCASH	Hold	Accumulate	11.50	2008-03-06
GTC	Buy	Accumulate	42.88	2008-03-06
HANDLOWY	Buy	Buy	109.80	2008-04-01
ING BSK	Accumulate	Buy	562.50	2008-03-25
NOBLE BANK	Buy	Accumulate	11.40	2008-03-06
PGNiG	Accumulate	Accumulate	5.53	2008-03-11
PKN ORLEN	Hold	Hold	44.30	2008-03-10
TVN	Hold	Hold	22.90	2008-03-07

Ratings changed as of 3 April 2008

Company	Rating	Old	Target Price	Date
BZWBK	Accumulate	Buy	208.90	2008-02-04
GTC	Accumulate	Buy	42.88	2008-02-04
ING BSK	Accumulate	Accumulate	562.50	2008-02-04
Kredyt Bank	Accumulate	Buy	25.10	2008-02-04
Macrologic	Buy	Accumulate	59.50	2008-02-04
Millennium	Accumulate	Buy	9.70	2008-02-04
Noble Bank	Accumulate	Buy	11.40	2008-02-04

Ratings Statistics

	All					Clients of BRE Bank Securities S.A.				
Statistics	Sell	Reduce	Hold	Accumulate	Buy	Sell	Reduce	Hold	Accumulate	Buy
count	0	0	10	14	15	0	0	2	7	5
% of total	0.0%	0.0%	25.6%	35.9%	38.5%	0.0%	0.0%	14.3%	50.0%	35.7%

Macroeconomics

The February inflation data, released after the yearly adjustment of the inflation basket by the Central Statistical Office (GUS), give little ground for optimism, despite the fact that at 4.2% y/y, inflation turned to be significantly lower than expected (4.6% y/y). The weight of food in the basket decreased further, which may, however, be offset by the increase in the weight of goods which are not internationally traded and which are therefore sensitive to inflationary pressures. When forecasting inflation, it is rather important to take into account the consistent growth of the core inflation indicator (adjusted for supply shocks). This year's year-average CPI inflation, on the revised basket, will be approximately 3.9%, with core inflation at approximately 3.5%.

According to GUS, in Q4 2007 in Poland there were 15.54m people in employment. This is over 2m more than in Q1 2004, i.e. before Poland joined the EU. Since the launch of the BAEL research in 1992 (survey of the economic activity of the population conducted by GUS in accordance with ILO standards), the number of people in employment has exceeded 15.5m only once (August 1998). Thanks to newly-created jobs, the number of unemployed people decreased over twofold, as did the unemployment ratio. At the start of 2004, 3.5m people were unemployed, which corresponded to a 20.7% unemployment ratio. At the end of last year, these numbers fell to 1.45m and 8.5%, respectively. This improvement in the Polish labor market is unprecedented. What is more, jobs were created in the sectors that are crucial for a modern economy. Currently, 8.51m people are employed in services and 4.86m in industry, vs. 7.35m and 3.83m, respectively, four years ago. A total of 2.19m new jobs were created in these two sectors (more of them in the previously underdeveloped service sector). The number of people employed in low-productivity sectors such as farming, whose share in the total employment pool used to be rather large, decreased.

Since mid-2007, however, labor supply limitations have been causing more and more difficulties, shifting the capital-labor balance. With employment growing at 6% y/y and salaries at 13% y/y, the employers' total labor expenses were 20% higher in February 2008 than they had been a year ago. The troubling disconnect between salary growth and productivity growth resulted in an over 7% increase in unit labor costs, which is negatively affecting the competitiveness of the Polish economy.

For the zloty, the key factors are currently the EUR/USD exchange rate and the changes in the structure of capital inflows into Poland, which show a tendency towards a lower share of FDI and a higher share of portfolio investment. The significant strengthening of the zloty vs. the dollar and its much less pronounced strengthening vs. the euro reflected the shift of the USD/EUR rate towards the critical level of 1.60. The movement towards the 2.30 PLN/USD exchange rate was in turn accompanied by a reversal of the trend on the USD/EUR rate towards 1.50. In the short term (under 2 quarters), unless the Monetary Policy Council clearly indicates that the rate hike cycle is over, the exchange rate of the zloty to the dollar should remain within the 2.20-2.30 bracket, with the PLN/EUR rate at 3.45-3.55.

The market ignored the revision of the January inflation data and the lower-than-expected CPI indicator in February after the change of weights in the basket. Expectations as regards the repo rate are still at around 6.50% and they may get further entrenched. The Monetary Policy Council meeting minutes indicate that votes are regularly held over motions to increase rates by 50 bps, and there are unofficial indications that the NBP President S. Skrzypek has radically changed his approach, which means that it is much more likely that a hawkish majority will arise if votes are evenly split. The long end of the yield curve is still pricing in not just the high inflation rate, but also the non-convergence with the euro zone (a delay in the acceptance of the euro until after 2012). The return to the expectations of a 6.50% repo rate, which started in February, did not result in a flattening of the curve, but in its upwards shift along its entire length. Long interest rates of 7-8%, entailing a return to yields from before July 2001, will reflect not only the investors' strong risk-aversion, but also their lack of trust in Poland's ability to meet the nominal convergence criteria.

Financial Sector

Pengab down 0.4 pts to 37.7 pts.

The banking industry sentiment gauge was down 0.4pts m/m in March, to 37.7pts. The general financial climate indicator (WOKKB) grew in December vs. November by 2.7 pts to 45 pts. 44% of bank branches surveyed indicated an improvement in their general financial standing, while 5% reported deterioration. 55% expect the situation to improve, 4% to worsen. The Pentor survey indicates that zloty deposits increased at 47% of bank branches and decreased at 15%. 54% of branches are expecting a further increase, 7%, a decrease. 70% of the sample reported an increase in zloty loans, and 10% reported a decrease. Further growth is anticipated by 88% and declines are expected by 3% of branches surveyed. According to Pentor, interest rates on loans stayed flat at 43% of branches surveyed, and increased at 58% of them. 33% of respondents expect loan prices to remain unchanged, and 66% expect an increase. Home loans increased at 56% of the branches, and decreased at 8% of locations surveyed; 76% expect further increase, and 3% a decrease. We can see that the bankers are somewhat more pessimistic in their outlook on the current situation than on the growth perspectives in the individual categories. After the strong increases in November and December, the index has been decreasing gradually for two months. However, November and December 2007 were in fact the low point of last year's downturn. We are awaiting further developments on the Pengab, but given the high comparison base we are not expecting significant improvements at least in H1 2008.

1.73m credit and monitoring reports issued

This is 101% more than in the same period last year. BIK issued 200,000 reports more than in January, and only 100,000 fewer than in December 2007, the seasonal peak in cash borrowings. These are quite impressive numbers given that March is usually not the best season for cash loan sales. Demand was probably driven by car loans (2007 models go on sale in Q1 2008) and by mortgages. This is another signal suggesting that customers still consider mortgage loans attractive. We will be monitoring loan sales data throughout the year.

Margins squeezed by competition

PKO BP dropped the plan to raise margins on mortgage loans, which had been announced in the fall. This change of mind is due to the spectacular success of the "MaxLokata" deposit account which helped it gain funds to finance lending. Last week, BGŻ annulled an earlier hike in its mortgage loan margins. It was the only bank to have raised these margins. Banks say that they do not need to raise margins because clients have increasingly been putting their savings in deposit accounts, providing additional cash which can be used to finance lending. Earlier, they warned that margins would go up due to a shortage of funding (loan/deposit ratios exceeded 100%), and the increasingly expensive financing in the interbank market due to the global credit crunch. While we agree that growing deposits give banks more leverage in running their lending businesses, in our opinion the real reason behind the flat margins is fierce competition. The interest in mortgage loans decreased in H2 2007, forcing banks to offer more attractive borrowing terms in order to acquire customers from the diminishing pool. Now, they are committed to protecting their margins. In the past, customers were able to negotiate significant margin discounts, which we believe will now be getting harder.

UOKiK to fine four banks for fees charged while depositing money

Representatives of the competition watchdog UOKiK said that banks frequently use such fees to squeeze more money from their customers. UOKiK reviewed a total of over 100 agreement templates used by 20 banks. Several of them declared their willingness to cooperate and they are voluntarily dropping the fees. Proceedings have already been launched against four banks: ING BSK, Getin Bank, BZ WBK and Lukas Bank, and UOKiK will shortly go after four more banks: PKO BP, BPH, BOŚ and Fortis Bank. According to the report released by UOKiK, six banks charged consumers a fee for depositing coins (PLN 3-10 or a minimum 0.5% of the amount deposited). UOKiK is also questioning fees for depositing bills and coins that are not arranged in order. Penalties will not affect the long-term income of the listed banks, but they will have to drop such fees. Pekao has recently informed that it is dropping fees for depositing coins. We believe that it is not very common for customers to come into banks with a significant amount of coins and therefore the revenue loss will not be very significant.

Treasury aiming to sell off minority interests in banks by mid-2009

The Ministry of the Treasury wants to sell its remaining under-10% shareholdings in banks by mid-2009. It will attempt to convince majority shareholders to buy these shares. The process should be speeded up by the planned amendments to the commercialization and privatization law. The supply of bank shares will increase as a result. Pekao could be affected the most, although last week the Ministry announced that it was holding talks with UniCredit concerning the sale of the shares.

The Pekao brand is worth over USD 900m, and PKO BP USD 891m

The most valuable brand is the British HSBC (USD 35.5bn, +USD 2bn on last year). With the value of the Citi brand decreasing, HSBC overtook it to take the first place. The situation of Bank of America is similar to that of Citi (-USD 6bn, with rating down from AAA- to AA+). It did manage, however, to keep the 3rd place in the ranking. Last year's ranking included only American and European banks on the top-20 list (11 and 9, respectively). This year, two Chinese banks are joining this elite group: Industrial and Commercial Bank of China (ICBC) and China Construction Bank (CCB). The Italian Intesa Sanpaolo also made its way to the top 20 (at the 19th position). There are 9 Polish banks on "The Banker's" top-500 list. At 135, Pekao SA is at the highest position, followed by PKO BP. The latter brand is valued at USD 891m. Although these two Polish banks are high in the ranking – higher than e.g. Millennium BCP of Portugal or Eurohypo of Germany – they are not regional leaders. The Hungarian OTP Bank is at the 66th position, with brand value estimated at USD 2.5bn, and the brand of the Russian Sberbank is worth USD 3.4bn. "The Banker's" ranking also includes: BZ WBK (240), BRE Bank (272), BPH (285), Citi Handlowy (298), Millennium Bank (309), Getin Holding (318) and Kredyt Bank (374).

Fitch on challenges and threats in the banking sector in 2008

The biggest challenge to the Polish banks will be the introduction of the rules of the Basel II accords. According to the agency it is difficult to estimate when it might again become profitable to seek funds on the international market. The banks are therefore collecting funds from customers, offering them in return attractive interest rates on deposits. At the same time, despite the earlier declarations they have not yet toughened their credit policies and have not chosen to widen their spreads. Given that volumes are expected to slow down, this may make it difficult to maintain the current growth rate of interest income. The agency is also expecting fee income to slow down, due to the decreased inflows into investment funds. It expects costs to continue expanding at last year's rate, due to network enlargement and to the pressure on salaries stemming from, among other things, the competition for the most qualified employees. Fitch is expecting asset quality to continue improving, believing that real-estate prices are the biggest threat in this domain. Given the market conditions and the outlook for 2008, it is rather unlikely that the ratings of the Polish banks should improve this year. In line with our strategy, published in January 2008. We believe that the greatest threats come from the sentiment on the capital markets and the decreased growth rate of interest income (or perhaps even outright decrease in interest income), as well as cost expansion due to network enlargement and increased personnel costs. Our forecasts as regards volumes assume that they will slow down somehow, but as a result of a growing comparison base rather than of dampened demand for loans. Consequently, interest income will slow down, although it will still grow at a healthy rate.

A difficult year for bancassurance?

According to the *WSJ*, the dampened demand for mortgage loans and investment policies might slow down banks' revenues from insurance sales. Last year, the bancassurance market stood at PLN 12bn (+50%). According to the CEO of Getin Holding, who is also the deputy CEO of the TU Europa insurance company, such growth will not be repeated. He believes that at year–end 2008, the market will reach PLN 15-16bn, which means that the growth will slow down to ca. 30%. The higher comparison base is also important in this context. It can hardly be expected that a 50% growth rate should be maintained in the long term.

Getin Holding - Q4'07 results

Net income of PLN 111m was in line with market forecasts. What is striking is the good quality of these earnings. Income from banking operations exceeded expectations by 8%, thanks mainly to high interest income (PLN 182m), which was driven by strong margins. Margins were fueled by several factors, including larger cash and car loans, rising interest rates, a widening deposit spread, and a the increasing contribution of deposits to the financing of Getin Bank's lending business. Rosiński also said that at present the Company has no problems as regards loan financing. The Bank estimates that it had a 10% share in the January increase of deposits in the market. High other operating expenses (PLN 42m) brought about a PLN 32m loss seen in net operating income. If this could be excluded as something not due to recurrent activities, GH results would have been much better than the consensus. Expenses were PLN 169m, in line with the PLN 170m consensus. GH, whose C/I ratio fell to 45.5% at year-end 2007, wants to keep it under 50%. The CEO said that the spin-off of Getin International will have a positive but marginal effect on expenses. Loan and insurance provisions were PLN 39m vs. under PLN 6m that the market expected (although this consensus was heavily impacted by one forecast that assumed provisions reversals of PLN 37m). This is why, despite the results being very good as regards income and costs, the pre-tax income is below consensus. We believe that such costs of risk are appropriate given the scale of the Getin Bank and TU Europa business, and that these companies are cautious as regards their approach to risk. Volumes were growing fast, but their level at year-end 2007 is not unexpected. Net loans stood at PLN 11.14bn (+833% y/y), deposits at PLN 10.4bn (+58.5% y/y) and assets at PLN 19bn (+58% y/y). Despite the CEO's assertions that the Bank has no problems as regards loan funding, the loans to deposits ratio increased from 105% to 107% in Q4'07 (and it was 93% at the end of 2006). However, with the January fast growth of deposits, the situation may get better.

Getin Holding – GH will buy back 4m treasury shares to prevent profit dilution

The special meeting of shareholders, called for March 28, will decide on treasury share buyback for redemption. The draft resolutions assume that no more than 4m treasury shares will be bought back, for no more than PLN 70m. The maximum average price per share will be PLN 17.5. The Management Board will be allowed to carry out the buyback within three years after the resolution has been accepted. GH will buy back treasury shares in order to prevent share dilution that could result from the March 28 draft of a special meeting resolution. Its provisions include a bonds issue, a change to the Company bylaws and a conditional share capital increase through the non-rights issue of "N" shares with total face value not exceeding PLN 4m. According to the Company, the issue is related to the implementation of a management options plan.

Getin Holding – Conditional agreements for the purchase of the Polonia Net brokerage house

Getin Holding bought 74% of shares in DM Polonia.net. It began by buying a 64% share for PLN 9.5m (the brokerage house's net income in 2007 was PLN 2.4m). It also signed conditional agreements for the purchase of additional 10.5% registered preferred shares (365,474), entitling it to a total of 1.11m votes. The price was PLN 1.1m. The agreement will not be carried through unless the Financial Supervision Authority approves the purchase by GH and unless the Supervisory Board of the brokerage house approves the sale of the shares and the finalization of the previous transactions. If all the requirements are met, GH will own a total of 2.6m shares, comprising 74.1% of DM Polonia Net share capital and accounting for 9.33m votes. It is likely that GH wants to purchase a brokerage house in order to obtain a stock broking license. The Noble Bank group of companies is involved in financial intermediation and it sells investment products. In the future, a license will be required for this business.

Getin Holding – Getin International bought Sombelbank’s shares from the new offering

At a special meeting, Sombelbank’s shareholders decided to increase share capital by issuing 5753 shares, each with a face value of BYR 3.3m (PLN 3.531k). The total increase in Sombelbank's share capital amounts to BYR 19bn (PLN 20.3m). GI signed a share subscription agreement with Sombelbank, under which GI agreed to take up 4,318 Sombelbank shares with a total value of BYR 14.275bn (PLN 14.96m). GI used its own funds for the purchase. The book value of these assets in GI’s books is EUR 4.323m (PLN 15.25m). At present, GI holds 3761 shares in Sombelbank, which comprise 75.04% of its share capital. After the share capital increase has been registered, GI will hold 8079 shares (75.049%). Additional capital poured into this new investment.

BPH – Supervisory Board members resign

Messrs. Paolo Fiorentino and Fausto Galmarini resigned as BPH Supervisory Board members. They had been appointed by UniCredit. A technicality, although it might signal that the takeover of UniCredit shares in BPH by GE Money is nearing finalization.

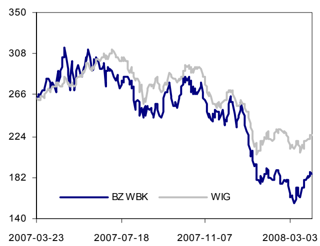
BZ WBK (Accumulate)

Current price: PLN 185.2 Target price: PLN 208.9

Analyst: Marta Jeżewska

Last Recommendation: 2008-04-03

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	1 031.7	1 286.7	24.7%	1 593.9	23.9%	1 842.3	15.6%	Number of shares (m)	73.0
Interest margin	3.3%	3.5%		3.5%		3.5%		MC (current price)	13 512.2
Revenue f/banking oper.	2 365.2	2 940.6	24.3%	3 412.6	16.1%	3 859.2	13.1%	Free float	29.5%
Operating profit	1 084.1	1 395.2	28.7%	1 619.1	16.0%	1 867.3	15.3%		
Gross profit	1 065.5	1 391.4	30.6%	1 485.1	6.7%	1 705.0	14.8%		
Net profit	758.2	954.7	25.9%	1 035.1	8.4%	1 200.5	16.0%		
ROE	20.7%	23.0%		22.5%		22.8%		Price change: 1 month	*7.1%*
P/E	17.8	14.2		13.1		11.3		Price change: 6 month	*-29.3%*
P/BV	3.4	3.1		2.8		2.4		Price change: 12 month	*-29.3%*
D/PS	6.0	6.0		3.0		4.3		Max (52 week)	315.3
Dyield (%)	3.2	3.2		1.6		2.3		Min (52 week)	155.3



BZ WBK's Q1 earnings are affected by the situation in the capital markets and by the expanding costs. In the case of investment funds, fees for asset management will decrease as a result of withdrawals, but this effect will be partially offset by fees for share redemption. At PLN 20.2bn, the average assets under management since the beginning of the year are even higher than in Q1'07 (almost PLN 19bn), but they have decreased since Q4'07 (PLN 22.7bn). Moreover, compared to Q1'07 BZ WBK will not gain as much from the fees for share distribution. As for the brokerage house subsidiary, its turnover has decreased vs. Q1'07, but remained stable vs. Q4'07. For Q1'08, the Bank has planned investment in network expansion, as a result of which total expenses might continue growing at over 20%. We are nonetheless expecting the Bank's operating expenses to decrease vis-à-vis last year. In the first quarter, the Bank's earnings may decrease year-on-year, due to pressure from the expanding costs and the limited likelihood that BZ WBK subsidiaries operating in the capital markets will increase their revenues. We do expect an improvement on the last quarter of 2007, due to lower expenses. With the negative factors affecting BZ WBK's earnings and the risk related to its exposure to capital markets, we see no potential to increase our forecasts. Due to the change in market valuation, we are lowering our rating from buy to accumulate.

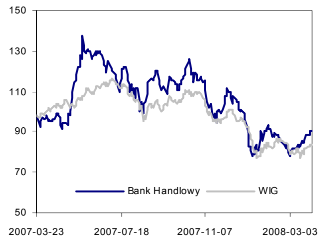
Handlowy (Buy)

Current price: PLN 90.2 **Target price: PLN 109.8**

Analyst: Marta Jeżewska

Last Recommendation: 2008-04-01

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	1 026.4	1 204.4	17.3%	1 437.7	19.4%	1 570.1	9.2%	Number of shares (m)	130.7
Interest margin	3.0%	3.2%		3.6%		3.6%		MC (current price)	11 785.5
Revenue f/banking oper.	2 096.3	2 447.0	16.7%	2 733.8	11.7%	2 973.9	8.8%	Free float	25.0%
Operating profit	801.8	995.1	24.1%	1 255.4	26.2%	1 419.7	13.1%		
Gross profit	832.1	1 041.6	25.2%	1 255.4	20.5%	1 334.7	6.3%		
Net profit	657.1	826.2	25.7%	1 016.9	23.1%	1 081.1	6.3%		
ROE	12.3%	15.0%		17.6%		17.9%		Price change: 1 month	*12.6%*
P/E	17.9	14.3		11.6		10.9		Price change: 6 month	*-18.7%*
P/BV	2.2	2.1		2.0		1.9		Price change: 12 month	*-2.0%*
D/PS	3.6	4.1		5.3		6.5		Max (52 week)	137.5
Dyield (%)	4.0	4.5		5.8		7.2		Min (52 week)	77.5



On March 31, the Management announced new medium-term targets for Bank Handlowy. In 2008—2010, ROE is to exceed 20% in every single year, with C/I ratio falling to below 50%. The Bank also hopes to get 1m new retail customers. These targets exceed our earlier assumptions by a wide margin (year-end 2010 ROE of 17.4%, C/I ratio at 56.4%). We have revised our assumptions to reflect the Bank's new medium-term goals. We are raising our per-share target by 16%, from PLN 95 to PLN 109.8 and we recommend buying the stock. We would advise investors to switch positions from ING BSK to Bank Handlowy. In the past, both of these banks were considered defensive stock. We believe that now, in addition to higher-than-expected growth at Bank Handlowy, shareholders will benefit from a high dividends payout, given its high equity to assets ratio and the low share of loans. The Bank is very liquid, which allows it to develop its loan portfolio without the use of expensive financing.

FY2007 dividend proposal

The Management Board decided to pay out PLN 687,269,496 as dividend, i.e. PLN 5.26 per share. The Board suggested July 4, 2008 as the day of record and August 29, 2008 as the payment day. This implies that 83.2% of the PLN 826m FY2007 consolidated net income will be paid out as dividend. With the share price at PLN 90.2, the gross yield is 5.83%, i.e. close to the yield on 10-year bonds (5.97% at present). We approve of the Bank's decision to offer significant dividend at a period of heavy fluctuations in the market.

Management reshuffle

Mr. Witold Zieliński was appointed the CFO and Head of the Financial Division, effective as of the day the nomination is approved by the Financial Supervision Authority. As of April 1, 2008, he will become the acting CFO. Since January 1, 2006, Mr. Zieliński has been a Management Board member and its deputy president. He has been working at Citibank for many years. In 1991, he was appointed a Management Board member at Citibank Polska. He subsequently worked at the foreign companies of Citigroup in London, Ukraine and Romania. Until now, the post had been held by Ms. Lidia Jabłonowska–Luba. No information was released on a new appointment for her or on her departure from the bank. We are awaiting comments from the bank.

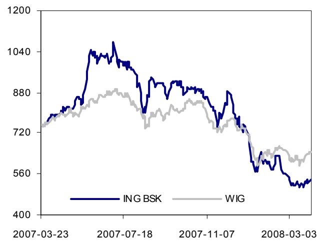
ING BSK (Hold)

Current price: PLN 538 **Target price: PLN 562.5**

Analyst: Marta Jeżewska

Last Recommendation: 2008-04-03

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	936.3	1 048.6	12.0%	1 201.8	14.6%	1 395.7	16.1%	Number of shares (m)	13.0
Interest margin	2.1%	2.1%		2.1%		2.2%		MC (current price)	6 999.4
Revenue f/banking oper.	1 752.2	2 009.5	14.7%	2 194.8	9.2%	2 468.8	12.5%	Free float	18.9%
Operating profit	547.6	639.1	16.7%	704.6	10.2%	856.5	21.6%		
Gross profit	753.3	787.7	4.6%	663.1	-15.8%	803.0	21.1%		
Net profit	591.4	631.4	6.8%	530.1	-16.0%	642.7	21.2%		
ROE	16.2%	16.6%		12.6%		13.3%		Price change: 1 month	*-2.0%*
P/E	11.8	11.1		13.2		10.9		Price change: 6 month	*-41.5%*
P/BV	1.9	1.8		1.5		1.4		Price change: 12 month	*-28.9%*
D/PS	27.5	27.9		0.0		8.1		Max (52 week)	1 075.0
Dyield (%)	5.1	5.2		0.0		1.5		Min (52 week)	505.0



The Bank's Q4'07 results are much below our expectations, mostly due to the negative valuation of derivatives hedging its debt portfolio. These results, coupled with a greater-than-expected scale of exodus from investment funds, have convinced us to revise our forecasts for the upcoming years. We are lowering our net income forecast for FY2008 by 16%, for FY2009 by 12% and for FY2010 by 8%, which brings our valuation down. The valuation is further impacted by the changed assumptions on dividends. The Management is recommending that no dividends be paid from the FY2007 profits, while we had assumed a 61% payout ratio. We have also lowered our payout ratio forecast for the subsequent years from 50% to 20%. We are revising our target price down by 16%, from PLN 668.4 per share to PLN 562.5 per share. Given that the upside potential is 4%, we are downgrading our rating for the bank from accumulate to hold. We are also recommending underweighting ING BSK shares vis-à-vis other WSE-listed banks.

FY2007 dividend proposal

The Management Board is planning to propose to the shareholders that all of 2007 net income be retained, which means that no dividend will be paid out. Slightly negative news in the short term. In the long term it should have no impact on share price, as long as the bank starts to pay dividend again. We assumed that the Bank would pay out 61% of the consolidated net income and we are surprised that there is going to be no dividend. With its capital adequacy ratio at 13.12%, the bank certainly has the potential to pay dividends. The ratio of equity to assets stood at 7.4%, which is the lowest ratio on the WSE. Its loans to assets ratio stood at the low 31.5%, which allowed the Bank to keep the equity to assets ratio low. It is possible that the Bank is currently expecting large loan agreements related to investments that the largest companies are planning, and this might be the reason for capital accumulation. However, these being loans for the biggest companies, we cannot expect margins to improve significantly.

Dividends possible in the future

The Bank will consider paying a dividend in the upcoming years, as long as the capital adequacy ratio exceeds 10%. At year-end 2007, the capital adequacy ratio for the entire group of companies stood at 13.1% (12% for the Bank itself). The CEO said on Wednesday that, if Basel II requirements were taken into account, the Bank's CAR at year-end 2007 would be over 200 bps lower (a reduction of ca. 100 bps is required on account of credit risk and a further 100 bps on account of the capital needed to cover operational risk). He added that changing the methodology under which this ratio is calculated (adapting the so called "advanced models") should make it structurally higher in 2009. Moreover, the CEO said that the Bank needed funds to finance loans, because they can be expected to grow quickly in 2008. We assume that the Bank will pay out 20% of its profits as dividends to shareholders in the upcoming years.

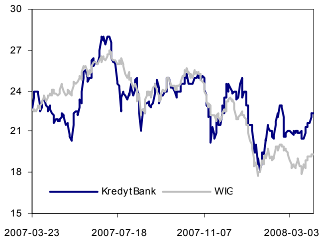
Kredyt Bank (Accumulate)

Current price: PLN 22.4 Target price: PLN 25.1

Analyst: Marta Jeżewska

Last Recommendation: 2008-04-03

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	780.0	871.5	11.7%	999.4	14.7%	1 154.9	15.6%	Number of shares (m)	271.7
Interest margin	3.6%	3.5%		3.2%		3.3%		MC (current price)	6 071.6
Revenue f/banking oper.	1 202.8	1 362.5	13.3%	1 523.5	11.8%	1 747.1	14.7%	Free float	14.5%
Operating profit	439.8	470.4	7.0%	544.4	15.7%	702.5	29.0%		
Gross profit	460.6	502.0	9.0%	454.4	-9.5%	593.1	30.5%		
Net profit	468.1	390.5	-16.6%	368.1	-5.7%	480.4	30.5%		
ROE	24.8%	17.9%		14.8%		17.4%		Price change: 1 month	*6.4%*
P/E	13.0	15.5		16.5		12.6		Price change: 6 month	*-6.4%*
P/BV	2.9	2.7		2.3		2.1		Price change: 12 month	*-6.9%*
D/PS	0.2	0.4		0.5		0.6		Max (52 week)	28.0
Dyield (%)	1.0	1.7		2.1		2.7		Min (52 week)	18.2



The solid Q4 earnings and the good news coming from Kredyt Bank (concerning in particular the sales plans of its subsidiary Żagiel) strengthen our conviction that the Banks' operating income will be consistently improving. What we have heard from the Bank so far is in line with our expectations, without significantly exceeding them. The Bank's exposure to the sentiment prevalent in the capital markets is limited, and it has the capacity to cut its expenses, which limits the effects of the cost squeeze that the other banks are feeling. We do believe, however, that the positive news has by and large already been priced in. Given the increase in the market price of the Bank's shares (21% since our last research report of January 24, 2008, and over 6% since our last monthly report of March 6, 2008), we are lowering our rating from buy to accumulate. With the current market price, the upside potential is 14%.

Rating upgraded

Fitch Ratings upgraded Kredyt Bank's individual rating from D to C/D. Other ratings were kept unchanged, i.e. IDR at A+, short-term rating at F1, support rating at 1. The outlook remains stable. According to Fitch Ratings, the increase of the individual rating to C/D (on an A to E scale) reflects the increased profitability of the Bank's recurrent activities and the improvement in the quality of its assets. The individual rating also reflects its average capital adequacy ratio and the relatively high share of funds coming from the main shareholder (KBC Bank NV, whose rating is AA- with a stable outlook). According to Fitch ratings, IDR at A+ (on an AAA to D scale), support rating at 1 (on a 1-5 scale) and short-term rating at F1 (on a F1 to D scale) reflect the very high likelihood of receiving support from the main shareholder, if needed. The stable rating outlook for Kredyt Bank reflects the stable outlook for KBC. Ratings are changed in reaction to changes that happen in the companies and come with a delay after good earnings are published. Therefore, the news may have already been priced in.

Warta will start selling insurance via the internet using the Bank's sales channels

Warta is considering launching a direct sales channel (over the phone and via the internet). At first, the products will be available to Kredyt Bank customers who use online access to their accounts. Within a few weeks, the offer should include simple tourist and home insurance packages. At the end of 2007, Kredyt Bank's online platform had 280,000 customers. Warta hopes to gain PLN 10–15m in premiums a year through online sales. This is about 10% of last year's total in all the sales channels. Slightly positive news for the Bank. We are not expecting significant revenues from Warta on account of customer access fees. However, the Bank's offering will become more attractive for retail customers and more of them could be drawn to it.

Subordinated loan

The Bank signed a subordinated loan agreement with KBC Bank NV Dublin Branch, up to the amount of CHF100m (PLN 226.46m), on market conditions (the LIBOR rate + margin), payable within 10 years after disbursement. Early payment is possible, upon the Bank's request, but no earlier than after 5 years and with the approval of the Financial Supervision Authority (KNF). In order for the agreement to come into force, the KNF must also agree that the amount of the loan is recognized as part of the company's own funds. The Bank will notify KBC Bank NV Dublin Branch when it receives this approval. The plans to obtain a subordinated loan of such size had been communicated to the market already. This information is in line with expectations.

Żagiel expects strong growth in the consumer finance segment

Żagiel is planning its cash loans and credit card loans to increase by 150% in 2008. It is hoping that the number of credit cards sold will grow by several hundred percent. Very good news, better than what we had assumed. We assumed that Żagiel's loan portfolio would grow by 23% in 2008: non-cash installment loans by 10% y/y, cash loans by 50% y/y and credit card debt by 100% y/y. As of year-end 2007, Żagiel's loan portfolio had the following structure: non-cash installment loans - 72%, cash loans – 25%, credit cards – 3 %. We are expecting that during 2008 the proportions will reach 64%, 31% and 5%, respectively. Faster-than-expected growth of non-cash installment loans would have the greatest impact on earnings. However, it is clear that the Bank is primarily counting on growth being faster in the other two product categories. It should be remembered, however, that what the Bank is talking about are sales, not the portfolio. Given that the consumer finance products have short payment periods, the portfolio will not grow as fast. However, a higher level of sales suggests that the portfolio at year-end will be larger. At the same time, the increase of the share of consumer finance products in the total loan portfolio (due to the fact that they will outpace loans of other types, with the possible exception of mortgage loans) will allow the Bank to improve or at least maintain its interest margin. Given the expanding financing costs and the need to use subordinated debt, we view this as a positive development.

Suggested dividend

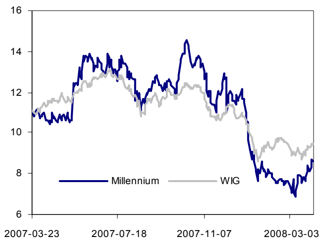
The Management will recommend that PLN 141.26m be paid out as dividend from the 2007 profits, which entails an '07 DPS of PLN 0.52. The proposed date of record is set at July 3, with payout on July 18. The implied payout ratio is 36%. We had assumed that it would be 35%, on lower forecasted revenue (PLN 369m). As a result, our forecasted '07 DPS was PLN 0.47. The bank's plans are somewhat better than we had forecasted, but given the low gross yield of 2.3% the impact on valuation will be small.

Millennium (Accumulate)

Current price: PLN 8.6 **Target price: PLN 9.7**

Analyst: Marta Jeżewska
Last Recommendation: 2008-04-03

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	641.6	771.7	20.3%	995.1	29.0%	1 214.0	22.0%	Number of shares (m)	849.2
Interest margin	2.7%	2.8%		2.9%		2.9%		MC (current price)	7 260.5
Revenue f/banking oper.	1 253.0	1 648.2	31.5%	1 993.9	21.0%	2 341.2	17.4%	Free float	34.5%
Operating profit	409.4	672.7	64.3%	820.9	22.0%	1 016.7	23.8%		
Gross profit	370.7	606.2	63.5%	667.0	10.0%	821.0	23.1%		
Net profit	300.8	483.3	60.7%	529.6	9.6%	651.9	23.1%		
ROE	13.1%	19.5%		19.5%		20.8%		Price change: 1 month	*14.2%*
P/E	24.1	15.0		13.7		11.1		Price change: 6 month	*-31.0%*
P/BV	3.3	2.9		2.5		2.2		Price change: 12 month	*-23.0%*
D/PS	0.5	0.2		0.2		0.2		Max (52 week)	14.6
Dyield (%)	6.3	2.0		2.2		2.6		Min (52 week)	6.9



Revenues will be under pressure from the worsened sentiment prevalent in capital markets, while costs will continue to expand fast due to the network enlargement plan which is underway. At the same time, the Bank's loan portfolio will continue growing above market rates. We are expecting the growth to slow down further into the year due to the growing comparison base, but Millennium will continue to outpace the market. As a result, interest income will be growing. Fast growth can be expected at the net income level, due to the very low comparison base. The Q1 net income was PLN 84m, which was due to the much higher provisions (due to the creation of higher INBR provisions). Higher volumes and the slightly lower provisions will boost earnings. We believe that the negative impact of the worsened mood in the capital markets and the expanding costs in H1 2008 has already been priced in. Due to the increase in the Bank's share price, we are lowering our recommendation from buy to accumulate.

Medium-term goals reiterated

Bank Millennium has reiterated its financial and business goals through 2009, which were announced last year. There are no plans to change them. The CEO pointed out that the market conditions are fairly difficult, which means that super-optimistic targets are out of place. In mid-2007 the Bank said that its year-end 2009 targets were net ROE of 20% and the C/I ratio under 55%. The Bank hopes to have 1.2m active retail clients and a 6% share in the investment funds market. As far as retail loans are concerned, the Bank's target is a 12% share in the market for mortgage loans (by portfolio size) and an 8% share in the credit card number (by the number of cards). For retail loans, the target is 8%. At year-end 2007, the ROE for the entire group of companies was 19.9%, and the C/I ratio was 61.9%. There were 954,000 active retail customers. Our forecasts for year-end 2009 are ROE at 20.8% and the C/I ratio at 57%. We are assuming that in 2010 the Bank's C/I ratio will be 55%. The Bank's targets have been known for some time and we have factored them into our valuation.

Supervisory Board members resign

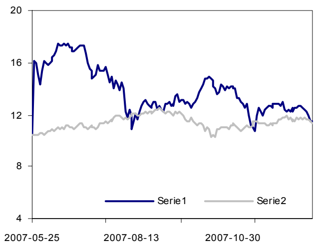
Messrs. Christopher de Beck, Francisco de Lacerda, Pedro Maria Duarte, Zbigniew Sobolewski and Marek Furtka resigned from Millennium's Supervisory Board. A technicality, although it is surprising that five members should resign at the same point in time.

Noble Bank (Accumulate)

Current price: PLN 10.1 **Target price: PLN 11.4**

Analyst: Marta Jeżewska
Last Recommendation: 2008-04-03

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	24.1	32.6	35.4%	74.2	127.8%	112.5	51.6%	Number of shares (m)	215.2
Interest margin	4.2%	3.4%		2.7%		2.9%		MC (current price)	2 173.3
Revenue f/banking oper.	97.3	244.5	151.3%	370.0	51.3%	493.8	33.5%	Free float	12.9%
Operating profit	45.3	138.1	204.7%	224.0	62.2%	292.2	30.5%		
Gross profit	64.8	155.6		211.8	36.2%	263.2	24.3%		
Net profit	52.6	126.5	140.2%	164.6	30.1%	203.4	23.6%		
ROE	23.7%	32.4%		26.7%		25.4%		Price change: 1 month	*2.5%*
P/E	38.4	17.2		13.2		10.7		Price change: 6 month	*-21.9%*
P/BV	8.1	4.0		3.1		2.4		Price change: 12 month	
D/PS	0.0	0.0		0.0		0.0		Max (52 week)	17.5
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	9.2



The Management says that the net income target of PLN 150–160m for FY2008 is a conservative one. Therefore, at PLN 164.46m our forecast appears conservative as well. We believe that the Management's statements should dispel fears about this year's earnings. Until now, we considered the Bank's exposure to capital markets and mortgages a major risk factor as regards meeting our FY2008 forecasts. The overwhelming majority of the Bank's earnings come from these two segments. The fact that the Bank exceeded our forecasts indicates that it has strengthened its standing in both of these areas, which we consider a good sign given the heavy competition in these segments. Our net income forecast for FY2008 implies an '08 P/E of 13.2, which entails a slight discount to the sector average. Since our last monthly report, Noble Bank's share price went up by 5%. Today, we recommend increasing the exposure to the stock. However, given the lower upside vis-à-vis our target price, we are lowering our recommendation from buy to accumulate.

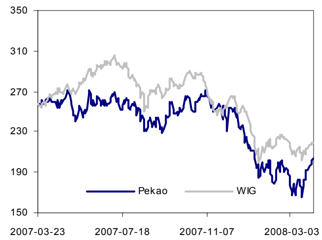
Pekao (Buy)

Current price: PLN 203.3 Target price: PLN 245

Analyst: Marta Jeżewska

Last Recommendation: 2008-01-24

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	2 377.0	2 706.5	13.9%	5 024.3	85.6%	5 457.2	8.6%	Number of shares (m)	262.1
Interest margin	3.7%	3.6%		3.7%		3.7%		MC (current price)	53 278.1
Revenue f/banking oper.	4 656.4	5 260.7	13.0%	9 116.5	73.3%	9 999.6	9.7%	Free float	36.7%
Operating profit	2 335.2	2 635.2	12.8%	5 235.7	98.7%	6 026.7	15.1%		
Gross profit	2 203.8	2 610.7	18.5%	4 963.3	90.1%	5 704.7	14.9%		
Net profit	1 787.5	2 157.5	20.7%	4 011.9	86.0%	4 611.6	14.9%		
ROE	20.7%	24.7%		26.0%		27.7%		Price change: 1 month	*15.5%*
P/E	18.9	16.4		13.3		11.6		Price change: 6 month	*-19.7%*
P/BV	3.8	3.7		3.3		3.1		Price change: 12 month	*-20.3%*
D/PS	7.4	9.0		9.6		12.3		Max (52 week)	271.7
Dyield (%)	3.6	4.4		4.7		6.0		Min (52 week)	165.0



The Bank informed that its Q1 2008 results will be better than comparable Q1 2007 results (with an adjustment for the effects of the merger). For now, it is difficult to estimate Big Pekao's earning in that quarter. The only information the Bank released was that in FY2007 the earnings of Big Pekao were slightly under PLN 3.5bn. We believe that despite the news appearing in the press that there are problems with some aspects of the merger, which the bank did not comment upon, it should be finalized on time. At that point, the potential for cost synergies will appear and the Bank will focus more on sales-improving initiatives. Moreover, dividends proposed by the Management (PLN 9.6 per share, with gross dividend yield of 4.7%) will help the Bank's market valuation. We are reiterating a buy recommendation. At the same time, we do see the possibility of overweighting PKO BP vs. Pekao in the short term, due to the pressure on the latter's earnings from merger-related expenses and from the worsened mood in the capital markets, which affects PKO BP to a much lesser extent.

Management's proposal for the 2007 dividend

The Management will recommend to the shareholders that a dividend of PLN 9.6 per share be paid (a 6.7% increase on PLN 9 paid last year). The proposed date of record is May 15th, with payment on June 3rd. In total, the bank will pay out over PLN 2.5bn, which is 71% of the total net income of Pekao and the part of BPH it had taken over (PLN 3.551bn). Given the current market valuation of PLN 203.3 per share, the gross dividend yield is 4.7%. The payout ratio is lower than what we had assumed and than last year (84% in 2006). We will introduce the new assumptions concerning dividend into our next research report. Although lower than assumed, it is still attractive (only Bank Handlowy has a higher yield). Good news for Pekao market valuation.

The Bank is not probing customer activity

According to *Parkiet*, while Pekao said that the number of customers leaving it did not increase after the merger, it did not say how many of the accounts were active. The Bank did not compare the situation before and after the merger, and it is not planning to do that in the next 12 months. BPH customers who were transferred to Pekao may have been annoyed with the confusion encountered at their new bank. They may have kept their account there and opened a new one elsewhere. They might have returned to BPH, but BZ WBK, Bank Handlowy and the online mBank may have benefitted from the situation as well. If this is the case, we will see weak fee income in the upcoming quarters because no transactions will be performed on these "dead" accounts. Another symptom of this situation may be the fact that deposits have been growing slower than the market, although last year's results may be difficult to interpret given the strong sales of investment funds shares. We are awaiting further data that would confirm or disconfirm this information.

Corporate sector revenues to increase

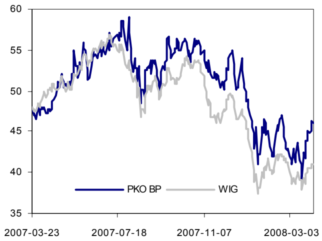
Pekao hopes that the revenues of its corporate division will increase by over 5.5% in 2008, mostly through increased sales to existing customers. With a 20% market share, Pekao is currently the biggest player in the corporate banking sector. The Bank's volume forecast for this sector assumes a 7.3% increase in deposits and a 12.8% increase in loans in 2008. This forecast assumes slower growth than in 2007 (14.4% and 23.4%, respectively). During that year, total deposits increased by 5.2% and total loans by 7.9%; in 2008, the Bank wants them to grow faster. It is more difficult for a larger player to achieve an increase in the number of customers. In addition, competition (such as BPH) may try to entice Pekao customers to change their bank, especially during the period of operational integration after the merger, when the Bank is likely to concentrate on the retail segment (this is where the merger presents the greatest complexities). At the end of February 2008, corporate loans grew by 24.8% y/y, and deposits by 8.2% y/y. We believe that the Bank is being very cautious in its forecasts, in particular as regards loans. The target of achieving faster growth in 2008 than in 2007 entails catching up with the market rather than above-average growth. In 2007 the Bank significantly underperformed the market. A question that remains open is the quality of the Bank's customers vis-à-vis the entire segment. We believe that as it is the biggest player in the market, its customers are a representative sample of the entire segment.

PKO BP (Buy)

Current price: PLN 46.1 **Target price: PLN 55.5**

Analyst: Marta Jeżewska
Last Recommendation: 2008-02-18

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	3 832.2	4 643.7	21.2%	5 330.3	14.8%	6 306.7	18.3%	Number of shares (m)	1 000.0
Interest margin	4.0%	4.4%		4.6%		4.7%		MC (current price)	46 100.0
Revenue f/banking oper.	6 206.0	7 447.1	20.0%	8 488.8	14.0%	9 726.4	14.6%	Free float	43.1%
Operating profit	2 705.8	3 661.5	35.3%	4 477.3	22.3%	5 521.0	23.3%		
Gross profit	2 701.5	3 609.2	33.6%	4 054.4	12.3%	5 008.3	23.5%		
Net profit	2 149.1	2 903.6	35.1%	3 240.6	11.6%	4 006.8	23.6%		
ROE	22.9%	26.4%		24.7%		25.3%		Price change: 1 month	*9.8%*
P/E	21.5	15.9		14.2		11.5		Price change: 6 month	*-18.1%*
P/BV	4.6	3.9		3.2		2.7		Price change: 12 month	*-1.0%*
D/PS	0.8	1.0		0.9		1.0		Max (52 week)	59.0
Dyield (%)	1.7	2.1		1.9		2.1		Min (52 week)	39.1



The CEO of PKO BP said in press interviews that the Bank's net income in Q1'08 may exceed PLN 1bn. He stressed that in January and February earnings had been growing very fast. This confirms our conviction that 2008 will be a very good year for PKO BP. If the Bank earns ca. PLN 1bn in one quarter, we would be inclined to increase our FY2008 earnings forecasts (at present, PLN 3.2bn), provided that such earnings are anchored in recurrent factors. In April, we should learn who will be the candidates for members of the Bank's Management Board, including the CEO. There is a widespread belief in the press that the competition may end without the new CEO being chosen. We believe that under the current Management, the Bank is successfully increasing its revenues in accordance with its strategy, published last year. We think that the press is overly pessimistic as regards the outcome of the competition and that market-savvy professionals will be attracted by the prospect of pursuing a career at the largest Polish bank, especially given the fact that Management pay will soon be no longer legally capped. We are reiterating a buy recommendation.

Good Q1'08 results to come

According to *Rzeczpospolita*, in Q1'08 PKO BP could have earned as much as PLN 1bn. CEO Rafał Juszczak said that 2008 earnings will be better than in 2007, i.e. they will exceed PLN 3bn. It is possible that in January and February the bank's net income grew at ca. 50%. In Q1'07, the PKO BP group earned PLN 672.5m. Asked whether Q1'08 net income could reach PLN 1bn, the CEO said that it cannot be excluded. It is therefore possible that the bank will become the market leader, overtaking Pekao, which is dealing with the operational merger. Analysts believe, however, that at year-end Pekao will see higher earnings than PKO BP. According to Mr. Juszczak, PKO BP's goal is to overtake Pekao within two years. We do not know yet whether last year's profit will be shared with the shareholders. The Management will recommend a dividend payout. The Treasury Minister Aleksander Grad said that a share offering is possible this year, with the Treasury's share decreasing below 50% (from the current 51.4%). The Treasury does, however, want to keep control over the bank. The Ministry estimates that the Bank needs PLN 2–3bn to cover credit and operational risk, as well as for its possible investments. Mr. Grad would like PKO BP to be a strong regional player. Mr. Juszczak believes that the new Board will have to quickly decide where to expand, because without foreign expansion it will not be possible to achieve high growth. Net income over PLN 1bn in one quarter would be a very good signal. Our forecast for the entire year is PLN 3.2bn. Quarterly income over PLN 1bn, as long as it is not due to one-offs, could lead us to revise our assumptions. We believe, however, that this scenario is very optimistic.

113 applications from 74 candidates

This is the shortest numerical summary of the competition. Envelopes containing the applications have already been opened and the Supervisory Board will hold interviews on April 7-11. The composition of the new Management Board should be known before May 19, when the current Board's term ends. According to *Rzeczpospolita*, the people who had been mentioned in this context in the past, such as S. Lachowski, P. Kamiński and K. Marcinkiewicz, did not send applications. R. Juszczak, the current CEO, did. The number of applicants is not important. The end result is what counts.

For whom Bank Pocztowy?

The Polish Post currently has 75% of BP shares minus one, while PKO BP has 25% plus one. PKO BP has been trying unsuccessfully to take control over the bank, with the goal of strengthening its standing vis-à-vis the new market leader, Pekao. The sale of BP is a political decision. Until now, the Post Office defended its bank, agreeing only to close cooperation with

PKO BP. According to *Rzeczpospolita*, it is not changing its approach. Having two shareholders who are focused on their own interests does not help Bank Pocztowy grow. In the recent years, the Bank was attempting to strengthen its position by selling its products at post offices. It took a while to implement this idea. Now, there already are 1200 post office service points with online access to the Bank's system, where one can open an account or a term deposit and get a loan. 300 of them are directly connected to the Bank's IT system and most of the products can be offered there. This year, a further 1200 post offices will offer financial services, but at the same time BP will give up on those post offices that are not selling its products. No impact on our forecasts, because we did not assume that BP would contribute much to PKO BP's earnings, nor that PKO BP would take over a controlling stake. Such a takeover, however, would help the Bank's results. With BP under control of an experienced investor from inside the sector, more products could be sold, new ones could be developed, etc.

The Eastern temptation

The two biggest Polish banks, PKO BP and Pekao, as well as the insurance company PZU have had Ukrainian subsidiaries for several years. The banks would like to become Ukrainian market leaders. For now, PKO BP's Kredo Bank is in the 29th position asset-wise, but its standing should improve within three to five years. Pekao's UniCredit Bank Ukraina is in the 24th position and its standing could improve rapidly. In January, BA CA closed the deal to purchase a 95% share in Ukraine's 4th largest bank, Ukrsotsbank. Decisions are currently being taken on how to carry out UniCredit's Ukrainian operations, but it is hard to imagine that the group would not want to merge the two banks it now owns. The current PKO BP Management has very ambitious plans for Kredo Bank. It wants its loan portfolio to grow from the current USD 670m to USD 6.9bn by the end of 2012, with deposits growing from USD 400m to USD 4bn. In addition, the C/I ratio is to fall to 45%, with ROE growing to 24%. At present, Kredo Bank has 189 branches and 2,500 employees, while UniCredit Ukraina has 61 branches and 1000 employees. PKO BP's plans are ambitious. Several months ago, the CEO said that the Bank was on the lookout for opportunities in the East, especially given that the valuations of Ukrainian banks have decreased. At present, Kredo Bank does not have a material impact on PKO BP, but this could change if its loan portfolio does indeed grow as planned. Pekao, on the other hand, may have the opportunity to become one of key players in the Ukrainian market, as long as UniCredit does indeed make its fully responsible for the Ukrainian operations. No decisions have been taken yet. The bank is planning to pay out 71% of its FY2007 profits as dividend, and we do not believe a large acquisition could happen without a share offering.

A strategic alliance with PZU to be announced in a few weeks?

Within the next month or so (late April or early May) we should learn when PKO BP and PZU will commence their strategic cooperation. According to the *WSJ*, they have been doing work on the project since the beginning of this year. As we have already said, of these two giants PZU will be the one to benefit more in the first stage, as its bancassurance market share is relatively smaller. Strategic cooperation with PKO BP will give it immediate access to a broad customer base. In the long term, PKO BP will benefit as well. Both Companies will have the opportunity to develop their products, and the number of products offered at PKO's branches will increase.

Gas & Oil, Chemicals

Refineries are limiting their output, inventories are going down

According to the Department of Energy, in the week ending on March 21, US crude oil inventories remained stable (vs. the 1.8m bbl expected increase), despite the fact that daily imports decreased by over 6%. This was possible largely because the CUR at the American refineries fell by 1.7 pp (to 82.2%). Refineries are limiting their output because of the rigged crude oil prices, which have little to do with the real supply and demand. The decrease in output, with demand stable, brought about a decrease in gasoline and medium distillate stockpiles, by 3.3m bbl and 2.1m bbl, respectively (a decrease of 1.5m bbl was expected for the gasoline market). As a result, prices went up. This would have been a positive development for refining margins, but unfortunately the situation is being complicated by the fact that crude prices remain high (weak dollar, unrest in Iraq). Gasoline retail prices in the US have reached record-high levels. Higher margins at the current crude prices would therefore lead to further retail price hikes, which could lead to a decrease in demand.

Lotos (Accumulate)

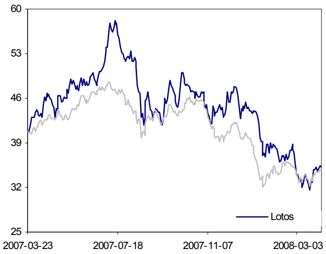
Current price: PLN 35.2 Target price: PLN 46

Analyst: Kamil Kliszcz

Last Recommendation: 2008-01-14

(PLN m)	2006	2007	change	2008F	change	2009F	change
Revenues	12 810.9	13 132.5	2.5%	13 190.1	0.4%	12 699.4	-3.7%
EBITDA	1 095.7	1 030.3	-6.0%	995.0	-3.4%	1 213.2	21.9%
EBITDA margin	*8.6%*	*7.8%*		*7.5%*		*9.6%*	
EBIT	798.3	719.0	-9.9%	647.4	-10.0%	751.7	16.1%
Net profit	679.9	763.5	12.3%	491.0	-35.7%	439.4	-10.5%
P/E	5.9	5.2		8.2		9.1	
P/CE	4.1	3.7		4.8		4.4	
P/BV	0.8	0.7		0.6		0.6	
EV/EBITDA	3.5	4.6		6.0		5.7	
Dyield (%)	0.0	1.0		0.0		0.0	

Basic data (PLN m)	
Number of shares (m)	113.7
MC (current price)	4 002.2
EV (current price)	4 765.7
Free float	41.2%
Price change: 1 month	*3.6%*
Price change: 6 month	*-23.2%*
Price change: 12 month	*-18.1%*
Max (52 week)	58.2
Min (52 week)	31.5



In Q1, the refining margins and the differential were relatively low. This, combined with the significant weakening of the dollar towards the zloty may have a negative impact on Lotos' operating earnings. As the price of crude oil continues to climb, however, these unfavorable macroeconomic conditions should be offset by the LIFO effect, as well as the very good E&P results (although the last few quarters were a disappointments in this respect). At present, Lotos is trading at 0.7 P/BV, much below our target price. We are reiterating an accumulate recommendation, stressing that our valuation assumes that the disadvantageous trend on the USD/PLN exchange rate will be reversed.

CEO hopes to see y/y growth in Q1

Mr. Olechnowicz, the CEO, said in an interview that he hoped that Lotos's Q1'08 net profit will be better year-on-year than the PLN 56m seen in 2007. In nominal terms, this should not be hard given the expected huge inventory-revaluation and currency-hedging gains (and possibly stronger performance from the Exploration & Production segment). As for the quality of the earnings, it could be more problematic, indicating that refineries face long-term troubles at the current USD/PLN exchange rate.

Gilmar bankruptcy proceedings terminated

A court decided to close the bankruptcy proceedings of the Gilmar S.A. refinery. Gilmar is a Lotos subsidiary that had been taken over from the State Treasury together with Petrobaltik and other southern refineries. When the ruling becomes binding, the liquidator will return the assets and the documentation to the Management. *Gazeta Prawna* said that Lotos will face a problem, because Glimar's liabilities stand at PLN 800m, while its book value is PLN 440m. The liquidator, however, decided that there are insufficient funds to continue with the proceedings. The value of Glimar on Lotos' balance sheet is 0, so we do not think that its bankruptcy would be a problem for the parent company.

10+ funding in April, Petrobaltik delayed

Lotos's CEO Paweł Olechnowicz said in an interview that the loan agreements pertaining to the 10+ upgrade plan will be signed in April. The lenders are probably commercial banks exclusively (there was talk that Lotos had filed loan applications with EIB and EBRD). Olechnowicz further confirmed that Lotos is willing to cooperate with PGNiG in hydrocarbon mining in the Baltic Sea and other regions. As for the acquisition of a minority stake in Petrobaltik from the government, it is not going as fast as expected. Negotiations are still going on, and the takeover could be delayed beyond 2008. Last but not least, Lotos is going to announce its new strategic plan in June. The fact that 10+ is going to be funded by commercial banks only, if confirmed, is good news. Investors were worried that more expensive loans from EIB and EBRD would increase the risk of the upgrade scheme. As for the partnership with PGNiG, we suspect that it will be limited to utilization of the gas fields found in Lotos's oil-bearing fields in the Baltic sea (other than that, Lotos does not have much to offer to the gas monopolist). The delay in the Petrobaltik acquisition is bad news.

Retail to start making profits this year

The Company reiterated that the financial goal for this year is positive gross profit (vs. the PLN 26m loss registered in 2007). This will be achieved through cost optimization, through further growth of premium fuel sales and through the expansion of the loyalty program. The restructuring of retail at Lotos has been ongoing for some time now. If the Company's gas stations finally break even, this will be good news, but it is not likely happen until the very end of the year.

PGNiG (Accumulate)

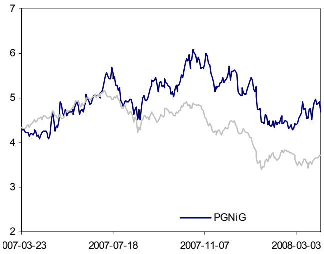
Current price: PLN 4.7 **Target price: PLN 5.53**

Analyst: Kamil Kliszcz

Last Recommendation: 2008-03-11

(PLN m)	2006	2007	change	2008F	change	2009F	change
Revenues	15 197.7	16 629.8	9.4%	18 109.5	8.9%	20 414.5	12.7%
EBITDA	2 766.2	2 731.0	-1.3%	3 570.4	30.7%	3 415.6	-4.3%
EBITDA margin	*18.2%*	*16.4%*		*19.7%*		*16.7%*	
EBIT	1 470.0	1 301.9	-11.4%	2 066.4	58.7%	1 867.3	-9.6%
Net profit	1 327.4	1 251.3	-5.7%	1 791.4	43.2%	1 621.8	-9.5%
P/E	20.9	22.2		15.5		17.1	
P/CE	10.6	10.3		8.4		8.7	
P/BV	1.3	1.3		1.3		1.3	
EV/EBITDA	9.6	9.6		7.3		7.7	
Dyield (%)	0.7	0.6		5.6		5.8	

Basic data (PLN m)	
Number of shares (m)	5 900.0
MC (current price)	27 730.0
EV (current price)	26 282.5
Free float	15.3%
Price change: 1 month	*6.8%*
Price change: 6 month	*-11.3%*
Price change: 12 month	*11.4%*
Max (52 week)	6.1
Min (52 week)	4.1



In the near future we will learn what the energy regulator URE decision on PGNiG's natural gas tariffs is. It can be gathered from statements made by some of the regulator's representatives that there will be a hike of 10-20%. We believe that it should be closer to the upper end of the bracket. In addition to the tariff itself, the new ordinance by the Minister of the Economy changes the calculation methods for regulated prices (new cost categories are now allowed and there is a possibility of factoring in a margin on trading activities). We see these as first steps towards market deregulation. Representatives of both the government and the URE speak increasingly often in favor of this process, arguing that it would give an impulse for new players to enter into the market, which would ensure the diversification of supplies. This contrasts with the previous philosophy under which market opening should follow diversification. This would be a very positive scenario for PGNiG. We have not yet taken it into account in our valuation and we are reiterating PGNiG as an accumulate.

New management board

PGNiG's new management board consists of CEO Michał Szubski (long-time employee and advisor to the management board, and CEO of Mazowiecka Spółka Gazownictwa), Mirosław Dobrut, nominated vice-president in charge of technology and investments (former president of the Chamber of the Natural Gas Industry and industry expert), and Radosław Dudziński, nominated vice-president in charge of strategic projects (former Head of Restructuring at PGNiG, most recently working at A.T. Kearney), and Sławomir Hinc, nominated VP in charge of finance (formerly at Arthur Andersen, recently CFO of Gaz-System). There is still a vacancy in the position of VP in charge of trade and marketing, and recruitment will start on 17 March. The choice of Michał Szubski comes as a bit of a surprise, but a welcome one. Mr. Szubski has long-standing experience in the gas industry, and he knows PGNiG inside out. His appointment could be a step toward de-politicizing the company's executive ranks (to the extent permitted by the ownership structure) and, importantly, it met with the approval of the workers. The new board is going to hold a press conference soon to announce plans for the future. We will then be able to comment in more detail on the new Management.

Interview with VP of URE

In an interview for *Parkiet,* the Vice-President of the energy regulator URE said that PGNiG's new tariff will most likely be made public by April 4, and that the price hike will be 10-20%. He also suggested that it would be a good idea if the government took over gas transmission infrastructure from distribution companies, in order to provide broader access to other companies. The VP also spoke about market deregulation which, many say, should be completed before Poland implements its gas resource diversification strategy. He agrees that faster deregulation could accelerate the emergence of new gas suppliers, and facilitate new investments in the industry. Newspapers have been speculating about an over-10% increase in gas tariff rates for some time. In our valuation model for PGNiG, we assumed a 15% hike, and if we are right, the impact on the company's stock will be neutral; a rally might be triggered by a 16-20% increase. The VP's statements provide interesting insights into the future of our gas market. Faster deregulation would no doubt benefit PGNiG (we did in fact suggest such a scenario in our last report on PGNiG, dated March 11), but the idea for the government to take over the distribution infrastructure raises some doubts. With the current tariff regime, Polish distribution companies are much less profitable than their European counterparts, so, getting rid of distribution business could actually be a welcome development for PGNiG. However, historically low profitability figures might result in these assets being underpriced.

Selecting LNG suppliers

PGNiG's CEO Mr. Głogowski said in an interview that potential LNG suppliers include Algierian

Sonatrach, French Gaz de France, and two Qatar firms, which the company is leaning towards, but whose offer needs approval by the government. The prospective Qatar partners expect to be allowed to make big investments in the hotel and the banking industries, but, unlike Sonatrach and Gaz de France, they are not demanding to be part of our gas trade.

PLN 16m to be spent on investments by 2020

According to *Parkiet*, PGNiG's strategy for the next 12 years foresees that PLN 16bn will be spent on investments. The bulk of this amount will be spent on the E&P segment. PLN 4.9bn will be spent to increase output, and PLN 3.2bn to develop the recently purchased Norwegian deposits. (The latter amount is surprisingly large, given that the minimum required by the contract is USD 600m). Other large projects mentioned by Parkiet include an LNG terminal (PLN 1.6bn), Skanled natural gas pipeline (PLN 0.5bn) and Baltic Pipe (PLN 1.6bn). The remaining investments are distribution infrastructure within Poland and storage facilities. According to PGNiG, at present only the output from Polish sources can be increased, with the first volumes abroad coming in 3-3.5 years (gas from Norway, 2011, and perhaps crude oil from the Pakistani license, estimated at 10-15bn m^3). The Company also believes that the deposits it has in Libia, Egypt and Denmark offer good perspectives. PGNiG does not preclude, however, trading licenses with other oil companies. At present, PGNiG's foreign projects are at an early stage and they cannot be easily factored into the valuation.

PGNiG says yes to LNG terminal

New VP in charge of technology and investments Mirosław Dobrut said that PGNiG, as well as the entire country, definitely needed a new LNG terminal. We agree and are happy to hear that the terminal will be built.

PKN Orlen (Hold)

Current price: PLN 40.9 **Target price: PLN 44.3**

Analyst: Kamil Kliszcz
Last Recommendation: 2008-03-10

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	52 867.2	63 793.0	20.7%	74 375.3	16.6%	73 344.4	-1.4%	Number of shares (m)	427.7
EBITDA	4 684.7	5 039.1	7.6%	4 938.3	-2.0%	5 542.5	12.2%	MC (current price)	17 493.3
EBITDA margin	*8.9%*	*7.9%*		*6.6%*		*7.6%*		EV (current price)	28 957.1
EBIT	2 576.6	2 620.7	1.7%	2 344.3	-10.5%	2 621.7	11.8%	Free float	72.5%
Net profit	1 986.0	2 322.6	17.0%	1 785.4	-23.1%	1 741.9	-2.4%		
P/E	8.8	7.5		9.8		10.0		Price change: 1 month	*2.5%*
P/CE	4.3	3.7		4.0		3.8		Price change: 6 month	*-28.2%*
P/BV	0.9	0.9		0.8		0.8		Price change: 12 month	*-12.8%*
EV/EBITDA	6.1	5.7		6.3		5.7		Max (52 week)	60.0
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	35.7

All throughout March, the price of PKN Orlen stock practically did not budge. The changes in the MSCI Energy EM index were also small. The current macroeconomic conditions are unfavorable for refineries. In the past few days, refining margins did start to improve, but this was mostly due to greater crude oil price decreases. At present, it is difficult to estimate the likelihood of these higher levels remaining in place. Moreover, the Ural/Brent differential grew towards USD 4/Bbl, which gives grounds for optimism for the second quarter. The key parameter, i.e. the USD/PLN exchange rate, is still very unfavorable. In the last few days, it did change somewhat, but it appears that it was no more than a temporary correction and that the trend is there to stay. With the macroeconomic context not improving, and with the expected quality of Q1 earnings being low (very low refining margins, differential and USD/PLN exchange rate), we are unable to upgrade our rating to a positive one.

Salary hike dispute with trade unions solved

After a stormy dispute that lasted several weeks and even included a strike threat, the trade unions and the PKN Management have reached an agreement concerning salary hikes in 2008. It has been decided that the average salary it to grow by PLN 280 and that in December a one-off bonus of PLN 500 will be paid. This agreement puts an end to the dispute, but it needs to be formally approved by the Board. The implied increase in personnel costs in 2008 due to this agreement is ca. PLN 28m, i.e. less than the employees had demanded (ca. PLN 50m).

E&P subsidiary

Orlen registered a wholly-owned subsidiary called Orlen International Exploration&Production Company based in Amsterdam. The company was set up to manage Orlen's international exploration and mining operations. Orlen does not have enough funds at the moment to build a sizeable exploration business.

Board recruitment

As promised, PKN's supervisory board is recruiting a new CEO and management board. The ads were published on 21 March. The current board ends its term in June, when at a general meeting shareholders will look back at FY2007.

Court of arbitration ruling on Polkomtel

In March, the Vienna Court of Arbitration issued a ruling on Polkomtel. Under this ruling, the agreement concerning the sale of the share in the mobile operator that was concluded between TDC and Polkomtel's Polish shareholders is valid and may be carried through. Vodafone will, however, be able to reconsider the right of first refusal to purchase the shares falling to it. According to a statement released by PKN, the Company will not make any moves until it has analyzed in detail the grounds for the ruling. At present, unclarities remain – for example, whether the newly acquired shares entail full voting rights. It is worth remembering that upon purchase of the shares from TDC, Orlen will attempt to sell all the shares it owns.

Za Puławy (Buy)

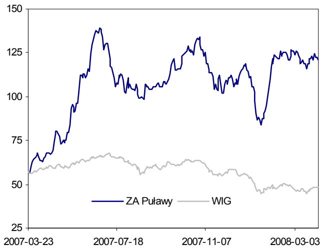
Current price: PLN 120.7 Target price: PLN 159.2

Analyst: Kamil Kliszcz

Last Recommendation: 2008-02-12

(PLN m)	2006	2007	change	2008F	change	2009F	change
Revenues	2 205.3	2 449.2	11.1%	2 565.0	4.7%	2 657.5	3.6%
EBITDA	252.3	352.4	39.7%	330.9	-6.1%	374.4	13.2%
EBITDA margin	*11.4%*	*14.4%*		*12.9%*		*14.1%*	
EBIT	151.4	278.1	83.6%	244.5	-12.1%	273.5	11.9%
Net profit	130.0	251.6	93.5%	200.7	-20.2%	223.7	11.4%
P/E	17.7	9.2		11.5		10.3	
P/CE	10.0	7.1		8.0		7.1	
P/BV	1.8	1.6		1.4		1.3	
EV/EBITDA	7.8	5.3		5.8		5.1	
Dyield (%)	1.7	1.7		3.3		2.6	

Basic data (PLN m)	
Number of shares (m)	19.1
MC (current price)	2 307.2
EV (current price)	1 917.8
Free float	39.4%
Price change: 1 month	*-4.2%*
Price change: 6 month	*4.4%*
Price change: 12 month	*93.1%*
Max (52 week)	138.8
Min (52 week)	62.5



As far as product markets are concerned, ZAP is still in very good position. After the seasonal decrease in February, urea prices returned to ca. USD 400/t; ammonium nitrate prices are still on the rise, and UAN prices have stabilized after falling 13% from the December record-high levels. In Q1, the average USD prices of urea and UAN are close to Q4 levels, while for ammonium nitrate the EUR price is almost 35% higher. During that time, the dollar and the euro weakened vs. the zloty by 5% and 2.4%, respectively. These positive trends on the fertilizer market are further supported by the significant increases in the price of melamine. On the cost side, however, pressure has appeared from the increasing prices of natural gas (with the expected hike of PGNiG's tariffs), coal and electric power. In the upcoming weeks, this may discourage investors from purchasing ZAP's shares. We believe that these threats on the cost side should be offset by the continuing positive product price trends, cost-cutting efforts and the revenues from nitrous oxide emission permits. We are reiterating a buy recommendation.

Supervisory board finally complete

ZAP's shareholders appointed Ms. Irena Ożóg and Mr. Cezary Możeński to the supervisory board, and dismissed Mr. Andrzej Pryzowicz. Ms. Ożóg runs a tax consulting firm, and Mr. Możeński is a chemical engineering specialist and Head of the Fertilizer Research Institute in Puławy. The shareholders also approved a few material purchases, including an ERP-SAP system for PLN 15m and an air compressor for PLN 20m.

New CEO chosen

The supervisory board elected Mr. Paweł Jarczewski to the position of CEO. The term of office of the new management board expires on 16 November 2009. Mr. Jarczewski was regarded the most likely candidate to win the title. This is a smart solution. As a former general sales manager, he knows the company and its industry. Under the new CEO, who has the support of the State Treasury, ZAP will probably intensify its acquisition efforts in Poland and the CEE region.

Telecommunications

LLU might save TPSA from split

The Head of the Office for Electronic Communications (UKE) hinted that she was willing to drop the plans to break TPSA's business up into network and retail operations if the incumbent demonstrates a firm commitment to a fast and mass-scale unbundling of the local loop. The breakup was supposed to be decided by mid-2008, and completed in 2010.
The first operator to launch LLU-based services via TPSA lines was Netia, which aims to attract 1 million customers by the end of the year. After launching trial services via a first unbundled local exchange in December, Netia reached out to customers in Warsaw and Kalisz in mid-March. Netia's LLU-based services include broadband Internet and voice services, offered at the same rates as WLR and BSA services.
TPSA would no doubt be relieved if the UKE decided not to make a functional split, and, since unbundling of the local loop is inevitable, the incumbent will probably realize that compliance will do it much less damage than disobedience. Given the meek competition (Tele2, the largest alternative operator, is considering moving out of Poland), Netia stands to benefit most from this. On the downside, investors are guaranteed not to like the big expenditure required to set up a presence in the open market.

Dialog ready for stock market debut

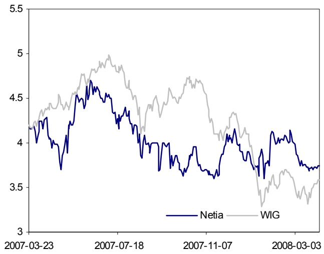
Telefonia Dialog is ready to submit its prospectus with the Financial Supervision Authority (KNF). When the IPO should take place will be decided by Dialog's owner, KGHM, whose new CEO is going to look into the matter within one to two months from appointment. Dialog needs the IPO proceeds to pursue its growth strategy which sets a 1-million customer base target for 2010, consisting of fixed-line, mobile, Internet, and cable users. Sales are expected to increase to ca. PLN 1bn. Dialog plans to offer new shares only. Its net profit for the 12 months ended 31 December 2007 amounted to PLN 66.51m on PLN 496.74m revenue. After many previous attempts, Dialog has never been so close to finally making a debut. One possible obstacle is current negative sentiment to telecom stocks, which could bring Dialog's valuation down to a level unacceptable to KGHM.

Tele2 moving out?

According to unofficial reports, Lazard, the investment bank advising the Swedish Tele2, is gauging the interest of potential buyers in Tele2 Poland. The prospective investors received very general information for now, and a promise to be furnished with full details in March. The Swedish parent is promising to make Tele2 debt-free before putting it up for sale (debt is currently ca. PLN 300m). Rumors about Tele2 moving out of Poland have been circulating for a few months. The general opinion is that Tele2 is asking too much for its Polish operations. Initially, Tele2 was a huge success, having lured over 1 million of TPSA's customers, but its position has been weakening over the past two years, as evidenced by Netia's 75% share in broadband user connections based on BSA. Tele2 was completely marginalized in this market in spite of a huge exposure to retail customers. How the sale of Tele 2 will influence TPSA and Netia will depend on the buyer: if it is a strong telecom player like BT, Telecom Italia, or Telefonica, the impact will be negative, while a private equity fund would be good news.

Netia (Hold)

	Current price: PLN 3.7			**Target price: PLN 3.8**				**Analyst: Michał Marczak**	
								Last Recommendation:	**2008-01-17**
(PLN m)	**2006**	**2007**	**change**	**2008F**	**change**	**2009F**	**change**	**Basic data (PLN m)**	
Revenues	862.1	838.0	-2.8%	1 008.0	20.3%	1 178.3	16.9%	Number of shares (m)	389.2
EBITDA	-68.9	170.7		255.4	49.6%	341.4	33.7%	MC (current price)	1 455.6
EBITDA margin	*-8.0%*	*20.4%*		*25.3%*		*29.0%*		EV (current price)	1 258.6
EBIT	-341.4	-103.8	-69.6%	-25.0	-75.9%	67.8		Free float	100.0%
Net profit	-378.9	-268.9	-29.0%	-87.2	-67.6%	4.1			
P/E						392.4		Price change: 1 month	*-6.0%*
P/CE		282.5		8.2		5.7		Price change: 6 month	*-0.8%*
P/BV	0.7	0.9		0.7		0.7		Price change: 12 month	*-10.3%*
EV/EBITDA		9.6		5.5		3.8		Max (52 week)	4.7
Dyield (%)	3.4	2.0		2.0		3.3		Min (52 week)	3.6



Netia is continuing its strategy of acquiring broadband customers, with record results expected in Q108. Unfortunately, intense user acquisition has a negative impact on costs. Netia's Q108 EBITDA could be as low as PLN 25-30m, half of what was reported last year. We are reiterating a hold rating at the current price level.

P4 sale to become final on 30 April

Having satisfied all conditions precedent, Netia is going to finalize the sale of a 23.4% stake in P4 for EUR 130m on April 30. The buyers are Novator (20.4%) and Tollerton (3%). After the transaction, Novator will control a 75% stake in P4, and Tollerton will own the rest.Netia will post a net gain of PLN 408m from the deal in Q208 accounts.

250,000 broadband subscribers

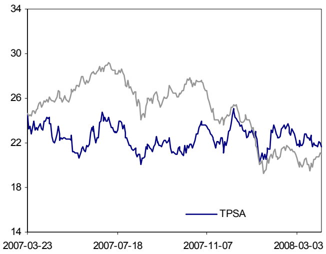
Netia had acquired over 250k broadband subscribers by March. The plan is to gain 400k subscribers by December, and 1 million by 2010. Netia has been very effective in acquiring customers for its broadband services, the downside being the acquisition costs (hence the weak EBITDA prognosis for Q1, and PLN 125m projected on a full-year basis vs. PLN 171m in 2007). The broadband subscriber base at December 2007 counted 217,000 users. In February, Netia acquired an ISP based in Opole serving 4.4k customers for PLN 5.1m. Otherwise, users are mostly acquired based on a BSA agreement with TPSA. This year, Netia plans to spend some PLN 35m more on local ISP acquisitions. If we add to this the near-PLN 280m capex earmarked for other purposes, we get an idea of how much the company pays to grow. While FY2008 is expected to see a 15% increase in revenues and a fast expansion of the subscriber base, EBITDA will decline compared to last year.

TP SA (Hold)

Current price: PLN 21.7 **Target price: PLN 20.2**

Analyst: Michał Marczak
Last Recommendation: 2008-01-17

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	18 625.0	18 244.0	-2.0%	18 032.6	-1.2%	17 826.9	-1.1%	Number of shares (m)	1 400.0
EBITDA	7 856.0	7 721.0	-1.7%	7 636.7	-1.1%	7 473.5	-2.1%	MC (current price)	30 310.0
EBITDA margin	*42.2%*	*42.3%*		*42.3%*		*41.9%*		EV (current price)	37 465.0
EBIT	3 367.0	3 282.0	-2.5%	3 282.4	0.0%	3 282.4	0.0%	Free float	46.0%
Net profit	2 096.0	2 273.0	8.4%	2 163.4	-4.8%	2 353.7	8.8%		
P/E	14.5	13.3		13.7		12.6		Price change: 1 month	*-0.7%*
P/CE	4.6	4.5		4.5		4.5		Price change: 6 month	*0.2%*
P/BV	1.7	1.7		1.7		1.7		Price change: 12 month	*-5.0%*
EV/EBITDA	4.8	4.6		4.6		4.5		Max (52 week)	25.1
Dyield (%)	4.6	8.8		7.9		7.9		Min (52 week)	20.1



TPSA has been going through a rollercoaster of good and bad news. First, the telecom regulator promises to let TPSA off the hook with the functional split plan if the operator shows willingness to cooperate, and, next, we hear plans to accelerate the reduction of wholesale mobile termination rates, or to cap retail price. What is more, TPSA's stock has been under pressure from a generally bearish sentiment to the telecom sector in Europe (-20% since the beginning of the year), and is losing the discount at which it has been trading relative to its European perers. We are reiterating a neutral rating at the current price level.

Battle against Tele2

TPSA is demanding that Tele2 agree to its proposed WLR price changes. The incumbent wants to charge the alternative operator PLN 120 instead of PLN 10 per each new connection, and PLN 32 instead of PLN 20 per user per month. If no agreement is reached by the end of March, TPSA is going to take measures aimed at cessation of service provision to Tele2. Tele2 is willing to negotiate, but only in the presence of the President of the UKE. A court recently quashed a UKE decision concerning the terms of wholesale line rental by TPSA to Tele2. If the incumbent manages to force the new prices, this will make it impossible for alternative operators to compete with TPSA in fixed-line services. For now, however, until the court makes a final ruling, the UKE's decision remains in force.

Network management costs rise

TPSA's service agreements with third-party providers expire in December, meaning that its time to negotiate new terms. The problem is that, in the meantime, some of the providers (Eltel Networks, Relacom) have gained strategic investors who have given them stronger bargaining power than three years ago, when TPSA could dictate terms after spinning them off from its own organization. TPSA pays PLN 950m a year in network- and systems maintenance costs (9% of total operating expenses). Approximately PLN 300m of this goes to said third-party providers. We think that TPSA can still set terms for network services and resist being overcharged. The operator might decide to announce a tender and choose a single provider based on price.

Treasury might sell minority TPSA holdings via WSE

The Ministry of the State Treasury will sell its 3.87% interest in TPSA via the Warsaw Stock Exchange if no compromise is reached with France Telecom. The previous government wanted a 30% premium to the stock's market value from France Telecom, whose interest in Poland's dominant operator will increase from 47.5% to over 50% after acquisition of the Treasury's stake. In our view, WSE investors would put a discount on TPSA's price, and the Treasury is just trying to get an upper hand in the negotiations with FT.

UKE eager to cut MTR

The UKE is considering putting caps on prices of calls made to mobile networks, and wants to make a deeper-than-originally-planned cut in interconnect rates as of January instead of May 2009. The regulator is aiming to bring MTR to a level equal to the average of three lowest MTR rates applied in three EU countries. But MTR rates are falling faster than anyone expected back 2006, and it will be hard to convince operators to play along with this vision (Orange has already made a stance). By introducing maximum prices, the UKE aims for lower MTRs to translate into lower retail rates (not lower operator margins). Similar solutions have been working for years in Scandinavia. Both changes will have a negative impact on TPSA's earnings.

Media

TVP to launch digital TV services

TVP and SES Astra are negotiating the launch of a digital satellite TV service. Reportedly, this project is entirely different from what was previously supposed to unfold as a joint effort between TVP, Polish Radio, and Polkomtel.

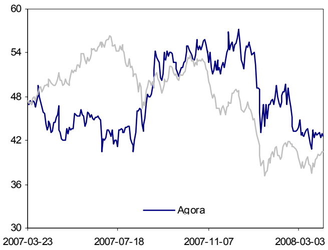
Agora (Accumulate)

Current price: PLN 42.6 Target price: PLN 53

Analyst: Michał Marczak

Last Recommendation: 2008-01-17

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 133.7	1 152.0	1.6%	1 344.4	16.7%	1 398.7	4.0%	Number of shares (m)	56.8
EBITDA	116.5	198.6	70.5%	212.7	7.1%	258.0	21.3%	MC (current price)	2 417.3
EBITDA margin	*10.3%*	*17.2%*		*15.8%*		*18.4%*		EV (current price)	2 118.3
EBIT	39.6	120.3	203.8%	140.5	16.8%	187.1	33.2%	Free float	37.0%
Net profit	32.0	100.2	213.1%	122.9	22.7%	161.8	31.6%		
P/E	73.2	23.4		19.0		14.5		Price change: 1 month	*-2.8%*
P/CE	21.5	13.1		12.0		10.1		Price change: 6 month	*-17.1%*
P/BV	2.0	1.9		1.9		1.9		Price change: 12 month	*-9.1%*
EV/EBITDA	17.5	10.6		9.8		7.9		Max (52 week)	57.2
Dyield (%)	1.2	3.3		4.4		5.3		Min (52 week)	40.5



Agora is planning to pay minimum dividends and make no share buyback even though it reported PLN 400m in cash and cash equivalents in December 2007. In a few months, investors should find out who the company has targeted for takeover (this time, the deal is bigger than a small TV content start up).

CEO confirms strategy objectives, no buyback planned

Agora is not going to make a share buyback this year because of big investment plans. For the same reason, shareholders should not expect more than PLN 0.5 in dividends. Further, Agora hopes to finish several projects in a few months, some of which are probably related to online operations, specifically online financial services. Agora wants revenues generated by its different business lines to grow in line with the market (the Internet segment is forecasted to grow 30% a year in 2009 and 2010, and 35-40% in 2008). The company is also considering special-interest channels, which it might launch alone or with a partner like Liberty Global, owner of cable provider UPC. All these plans are in line with Agora's recent strategy plan. However, investors might be surprised by the no-buyback plans given that the company has PLN 400m of cash. Agora should provide a good explanation soon unless it wants to lose the confidence of its shareholders.

Dziennik in trouble

According to unofficial sources, *Dziennik* is in a financial pickle and faces major changes. The weekly sports supplement was dropped in March, and, reportedly, there will be cuts in the editorial staff. The publisher denied plans to shut the paper down, but rumors are mounting. Good news for Agora.

Agora for sale?

Reuters reported that material equity holders of Agora want to sell a controlling stake in the company, allegedly to Axel Springer among other interested buyers. Some preferred stock is held, among others, by Agora Holding (a portion are employee shares). But Agora vehemently denied these reports. In our opinion, no one can rule out that Agora's shares will eventually be sold to a private equity fund or an industry investor. like, for instance, Polsat, which is not Agora's rival; on the contrary, if the broadcaster and the publisher joined forces, they would form Poland's strongest media group. Agora's founding executives and owners like Ms. Rapaczyńska or Mr. Niemczycki have practically retired, and they will probably want to eventually let go of their shareholdings too. And a good offer from a buyer willing to protect and continue *Gazeta Wyborcza's* mission would be a great opportunity to do that. For now, however, all this is mere speculation.
Note also that, according to the Articles, if Agora Holding sold its interest in Agora, it would have to give the money to charity.

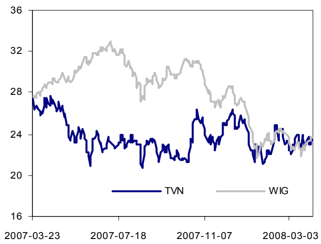
TVN (Hold)

Current price: PLN 23.4 **Target price: PLN 22.9**

Analyst: Piotr Grzybowski
Last Recommendation: 2008-03-07

(PLN m)	2006	2007	change	2008F	change	2009F	change
Revenues	1 165.0	1 554.7	33.5%	1 842.2	18.5%	2 078.2	12.8%
EBITDA	399.8	554.1	38.6%	671.3	21.1%	761.0	13.4%
EBITDA margin	*34.3%*	*35.6%*		*36.4%*		*36.6%*	
EBIT	348.4	482.1	38.4%	597.8	24.0%	679.9	13.7%
Net profit	258.8	243.3	-6.0%	429.5	76.5%	503.0	17.1%
P/E	31.1	33.4		18.9		16.2	
P/CE	25.9	25.8		16.2		13.9	
P/BV	6.5	5.7		4.7		4.0	
EV/EBITDA	22.0	15.9		12.9		11.4	
Dyield (%)	0.0	1.6		1.6		1.6	

Basic data (PLN m)	
Number of shares (m)	347.3
MC (current price)	8 126.2
EV (current price)	8 809.8
Free float	38.8%
Price change: 1 month	*4.0%*
Price change: 6 month	*4.3%*
Price change: 12 month	*-12.2%*
Max (52 week)	27.7
Min (52 week)	20.8



It looks like TVN's new programming lineup continued its success among viewers in March. The impact on advertising revenues, however, will be smaller because the company is increasing the role of fixed ad rates as a source of income. But the strong ratings will no doubt be taken into account when setting prices for April. With a lineup that stands out from the rest of the TV stations, TVN is more than likely to retain its competitive edge at least until the EURO 2008 soccer championships which kick off in June.

February viewership figures

TVN's viewership share reached 16.5% (vs. 16% in Feb. 2007), placing the station in the third place behind TVP1 (23.8%) and TVP2 (16.9%). Polsat was fourth with 15.2%. The combined viewership of the TVN Group improved from 21% to 21.5%, thanks mainly to the TVN and TVN Siedem stations. TVN24 and TVN Turbo recorded a decline in audience numbers.

Polsat to develop special-interest stations

Polsat's owner Zygmunt Solorz-Żak promises new special-interest channels in addition to the five existing ones, the first being a news service called Polsat 24. In addition to quantity, Polsat will also focus on improving the quality of its broadcasting content.

TVN CNBC available via UPC

As of 4 March, TVN CNBC is available to UPC cable subscribers, meaning that its reach increased from 2.35m to 3.0m households. TVN CNBC replaced TVN GRA, which did not generate profits for two years.

Ad revenues of special-interest TV stations

According to research by AGB Nielsen, February's ad sales leader was Polsat Sport with PLN 27.15m, i.e. 88.89% more than a year earlier. TVN24 was second with PLN 13.8m (+18.1%), followed by AXN, MTV Polska, Viva Polska, and Superstacja.

TV Puls plans big investments in 2008/09

According to TV Puls's new CEO Dariusz Dębski, the station will start investing considerable funds, mostly in content, in the fall. Other expenses will serve to reinforce the sales, marketing, and promotional resources. The station is also going to hire a programming director in April. The new CEO reiterated the goal of achieving a 2%-3% audience share by the end of the year.

TVN Siedem's new lineup

As of 4 April, TVN Siedem is changing into a "filmed entertainment" channel targeted at people aged 15 to 39. A change of graphics and logo will follow in July.

IT Sector

IT companies are experiencing a seasonal slowdown. In Poland, most IT purchases are made from budget leftovers toward the end of the year. Hence, hardware and software providers enjoy a sales boost in the fourth quarter, after which there is usually a comedown in orders from customers across the board, including corporations as well as central and local government agencies (except for long-term strategic initiatives such as the e-Government Plan). Hence the scarcity of new contract news from IT companies in the past month.

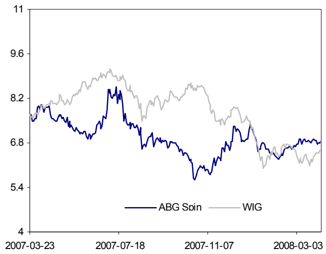
ABG Spin (Accumulate)

Current price: PLN 6.9 **Target price: PLN 7.3**

Analyst: Piotr Janik
Last Recommendation: 2008-01-31

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	516.1	434.3	-15.9%	652.9	50.3%	709.8	8.7%	Number of shares (m)	94.6
EBITDA	43.9	46.8	6.5%	65.4	39.7%	70.4	7.6%	MC (current price)	649.2
EBITDA margin	*8.5%*	*10.8%*		*10.0%*		*9.9%*		EV (current price)	603.7
EBIT	31.5	34.7	10.0%	50.3	45.1%	54.8	8.9%	Free float	33.0%
Net profit	27.6	31.0	12.5%	40.4	30.5%	44.9	11.1%		
P/E	16.0	20.9		16.1		14.5		Price change: 1 month	*1.3%*
P/CE	11.1	15.1		11.7		10.7		Price change: 6 month	*4.1%*
P/BV	1.6	1.5		1.4		1.3		Price change: 12 month	*-8.5%*
EV/EBITDA	9.2	12.9		9.8		8.9		Max (52 week)	8.6
Dyield (%)	1.0	0.0		1.6		2.1		Min (52 week)	5.7

** data includes the consolidation of SPIN starting with Q3 2007*



ABG is implementing the plans announced on the occasion of the Q407 earnings release, which include an internal reorganization (e.e incorporation of Radcomp). An important factor to consider in case of ABG is that it will become a 42.7% subsidiary of Asseco Poland after the latter merges with Prokom Software, and that Asseco plans to reduce its voting powers below 33% so as not to have to make a tender offer. This means that, within two months after the merger is legalized, Asseco will bring to the market approximately PLN 60m-worth of ABG shares.

PLN 10.5m contract

ABG received an order for a data processing center from Alior Polska, a company which is setting up a new bank. The PLN 10.5m (net) contract has a deadline in June 2008. Since the job is system design and development, it is likely to generate a relatively strong gross margin.

General meeting

ABG's annual meeting of shareholders will take place on 23 April The agenda includes a vote to approve the merger with PSI Radcomp (which not necessitate an increase in ABG's equity), and decide on FY07 earnings distribution.

Asseco Poland (Buy)

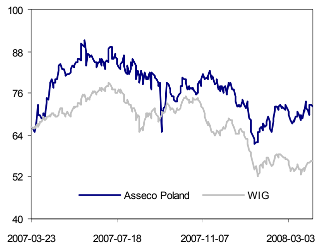
Current price: PLN 72 **Target price: PLN 85.45**

Analyst: Piotr Janik
Last Recommendation: 2008-01-17

(PLN m)	2006	2007	change	2008F	change	2009F	change
Revenues	497.7	1 282.8	157.7%	1 604.9	25.1%	1 800.1	12.2%
EBITDA	58.0	271.9	368.6%	267.0	-1.8%	301.0	12.7%
EBITDA margin	*11.7%*	*21.2%*		*16.6%*		*16.7%*	
EBIT	45.2	234.0	417.1%	242.5	3.7%	274.1	13.0%
Net profit	70.5	163.4	131.7%	158.4	-3.1%	178.0	12.4%
P/E	47.4	22.5		23.2		20.7	
P/CE	40.2	18.3		20.1		18.0	
P/BV	9.7	1.9		2.0		1.9	
EV/EBITDA	57.0	15.2		13.9		12.0	
Dyield (%)	-22.4	-51.8		-88.6		-110.0	

Basic data (PLN m)	
Number of shares (m)	51.1
MC (current price)	3 680.2
EV (current price)	4 138.4
Free float	49.0%
Price change: 1 month	*2.9%*
Price change: 6 month	*-2.6%*
Price change: 12 month	*11.0%*
Max (52 week)	91.0
Min (52 week)	61.5

** data does not include acquisitions made after September 2007 and the merger with Prokom Software*



Asseco is continuing its strategy. The merger with Prokom Software is going well, with Prokom's shares already delisted, and the merger shares issued to former Prokom shareholders scheduled to be floated in early April. Once the marriage is final, Asseco will face big challenges such as cost streamlining and implementation of uniform systems across the group. But Asseco's CEO thinks that the integration will not affect the company's strategy of growth through acquisitions, and that a PLN 250m net profit target is very much feasible. We are reiterating a positive rating on Asseco Poland.

Cost cuts at Prokom Software

Initially, the plan was to reduce Prokom Software's management costs by PLN 65m a year. The CEO said in a recent interview that he would be aiming for a cut from PLN 165m to PLN 40m a year, with some of Prokom's expenses transferred to Asseco Poland's business senters.

ASEE set for a fall debut

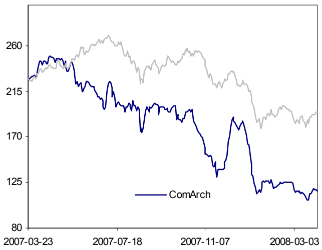
According to CEO Adam Góral, efforts are underway to take Asseco South Eastern Europe public in June, or after the summer vacation at the latest. The IPO is estimated at PLN 200-250m, but its value will increase if ASEE manages to complete two planned acquisitions before the debut. The company's current net profit is an estimated EUR 11.2m. With the two acquisitions, it would increase to EUR 14.2m. ASEE plans to use the IPO proceeds to fund future acquisitions.

ComArch (Hold)

Current price: PLN 116.5 Target price: PLN 178.7

Analyst: Piotr Janik
Last Recommendation: 2007-12-11

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	491.6	581.5	18.3%	777.8	33.8%	895.1	15.1%	Number of shares (m)	8.0
EBITDA	58.2	61.9	6.3%	88.9	43.7%	109.8	23.4%	MC (current price)	927.4
EBITDA margin	*11.8%*	*10.6%*		*11.4%*		*12.3%*		EV (current price)	958.4
EBIT	45.6	44.9	-1.4%	70.3	56.4%	86.5	23.2%	Free float	38.8%
Net profit	52.8	43.4	-17.7%	62.6	44.0%	77.9	24.5%		
P/E	16.6	21.3		14.8		11.9		Price change: 1 month	*-5.6%*
P/CE	13.4	15.4		11.4		9.2		Price change: 6 month	*-39.3%*
P/BV	3.4	3.1		2.6		2.1		Price change: 12 month	*-49.3%*
EV/EBITDA	15.2	15.5		11.1		8.6		Max (52 week)	250.1
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	108.0



Comarch has not reported any new contracts lately. This, combined with a seasonal slump in sales, will weigh down on first-quarter results. We do not see any factors that could boost sentiment to Comarch's stock in the near future.

Plans for 2008

Comarch will not pay dividends from its FY2007 earnings. Instead, the company plans to invest EUR 10m in a German IT company, and launch 2-3 new startups in new fields of the IT business. Earnings projections for 2008 are over PLN 200m for net profit (after a PLN 158m boost from disposition of Interia.pl), an EBIT margin over 8%, and an EBITDA margin of 10%. Revenues are expected to increase 15%.

Macrologic (Buy)

Current price: PLN 50 Target price: PLN 59.5

Analyst: Piotr Janik
Last Recommendation: 2008-04-03

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	38.4	43.2	12.5%	51.6	19.5%	58.5	13.3%	Number of shares (m)	1.9
EBITDA	8.6	11.6	34.2%	12.9	11.2%	15.1	17.4%	MC (current price)	94.5
EBITDA margin	*22.5%*	*26.8%*		*24.9%*		*25.8%*		EV (current price)	95.0
EBIT	5.7	8.3	46.6%	8.6	3.9%	10.7	23.9%	Free float	22.0%
Net profit	4.4	6.1	38.3%	7.0	14.0%	8.8	26.4%		
P/E	21.3	15.4		13.5		10.7		Price change: 1 month	*-8.8%*
P/CE	12.8	10.0		8.4		7.1		Price change: 6 month	*0.0%*
P/BV	5.1	4.8		3.8		3.0		Price change: 12 month	*-3.5%*
EV/EBITDA	10.6	8.2		7.0		5.6		Max (52 week)	58.6
Dyield (%)	3.5	8.9		2.2		2.8		Min (52 week)	45.0

Macrologic has not reported any new contracts (except for one small order) since the Q407 earnings release. At the current share price, the FY08E P/E is 13.3. We are upgrading Macrologic to buy after a recent price decline.

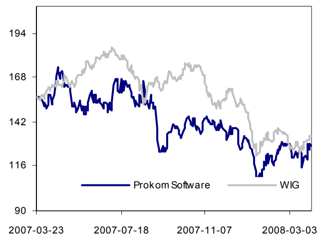
Prokom Software

Current price: PLN 128 **Target price: -**

Analyst: Piotr Janik
Last Recommendation: -

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 693.4	1 916.6	13.2%					Number of shares (m)	13.9
EBITDA	168.0	196.9	17.2%					MC (current price)	1 778.0
EBITDA margin	*9.9%*	*10.3%*						EV (current price)	2 021.0
EBIT	155.8	146.4	-6.0%					Free float	78.5%
Net profit	92.0	258.8	181.3%						
P/E	19.3	6.9						Price change: 1 month	*-0.9%*
P/CE	11.7	5.4						Price change: 6 month	*-6.6%*
P/BV	1.4	1.6						Price change: 12 month	*-17.9%*
EV/EBITDA	10.2	9.5						Max (52 week)	174.5
Dyield (%)	1.2	0.8						Min (52 week)	106.1

** we assume that the merger of Prokom Software and Asseco Poland will take place in 2008*



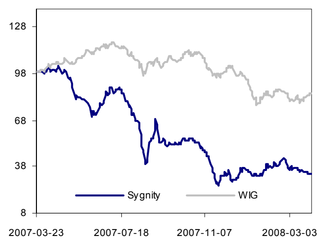
Prokom Software was delisted from the Warsaw Stock Exchange. The merger stock that Asseco Poland issued to former Prokom shareholders will start trading in the first half of April. There is a plan to cut Prokom's management costs from PLN 165m to PLN 40m a year, which will have a positive effect on the value of Asseco Poland.

Sygnity (Buy)

Current price: PLN 33.4 **Target price: PLN 65**

Analyst: Piotr Janik
Last Recommendation: 2008-02-26

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	927.1	1 305.4	40.8%	1 328.7	1.8%	1 428.3	7.5%	Number of shares (m)	11.9
EBITDA	55.2	-22.0		105.4		141.8	34.6%	MC (current price)	397.3
EBITDA margin	*6.0%*	*-1.7%*		*7.9%*		*9.9%*		EV (current price)	517.1
EBIT	-13.3	-71.4	436.7%	58.3		82.0	40.8%	Free float	54.0%
Net profit	-27.5	-64.8	135.6%	42.3		62.4	47.4%		
P/E				9.4		6.4		Price change: 1 month	*-8.7%*
P/CE	6.5			4.4		3.3		Price change: 6 month	*-36.7%*
P/BV	0.6	1.1		1.1		0.9		Price change: 12 month	*-66.5%*
EV/EBITDA	5.3			4.2		2.8		Max (52 week)	103.0
Dyield (%)	2.6	0.0		0.0		5.3		Min (52 week)	26.0



Sygnity continues its restructuring efforts. We maintain that the company will be able to show measurable effects of this exercise in the second half of the year. Sentiment to Sygnity's stock has been bearish recently, which, in our view, is a consequence of a lack of big orders, and of expected disappointing first-quarter results. We are confident that cost cuts and other turnaround efforts will bring about a big improvement this year.

Bond redemption

Sygnity redeemed a portion of its bonds for PLN 4m. PLN 56m-worth of debt remains outstanding.

Contract from Polish Post

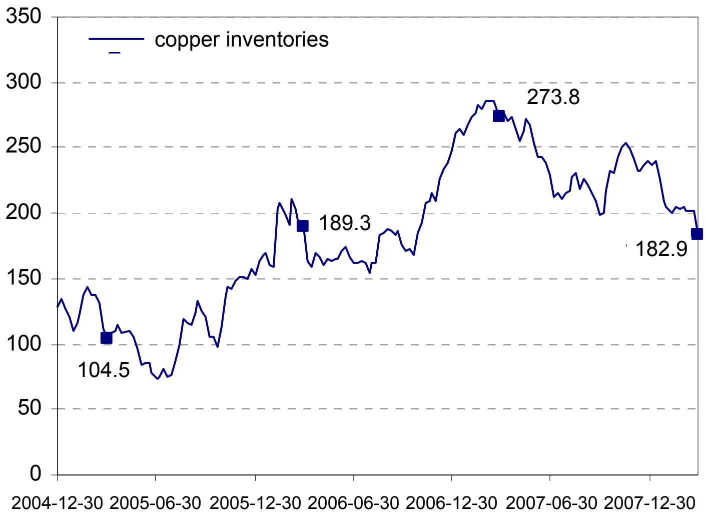
Sygnity signed an annex to a contract with the Polish Post Office increasing its value by PLN 51.3m (net). The Polish Post ordered an integrated system facilitating electronic recording and tracking of shipments, status checks for customers, etc., and ensuring safer handling of shipments. The original contract was signed back in 2004 by the former Emax, and covers delivery of servers, network equipment, peripherals, and software, and development of a shipment tracking system. It expires in December 2009.

Metals

Inventories continue decline

Copper stockpiles monitored by the three main metal exchanges plunged 11% to 21.5 thousand tons in March. The biggest draws were reported in Asian locations. In the last three years, a downward trend in inventories was observed through to July, in line with seasonal demand patterns observed in a balanced market. If inventories continue to decline at the same rate as in recent weeks, by the end of the demand cycle, they should approximate 100,000 tons, enough for 2.5 weeks of global consumption (including producer stockpiles). The current trends should drive copper's value, though prices are hard to predict in the near term due to considerable market volatility. At the moment, we are seeing a correction in commodity markets while stock markets rise.

Copper stockpiles monitored by three main commodity exchanges



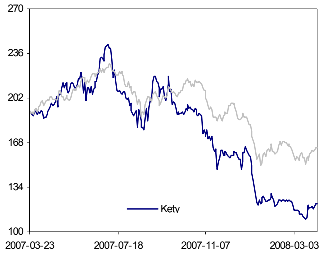
Source: LME, Bloomberg

Kęty (Buy)

Current price: PLN 121 **Target price: PLN 165.9**

Analyst: Michał Marczak
Last Recommendation: 2008-02-11

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 085.6	1 253.0	15.4%	1 520.3	21.3%	1 595.8	5.0%	Number of shares (m)	9.2
EBITDA	154.1	194.0	25.9%	212.4	9.5%	237.0	11.6%	MC (current price)	1 116.3
EBITDA margin	*14.2%*	*15.5%*		*14.0%*		*14.9%*		EV (current price)	1 211.9
EBIT	109.6	141.9	29.4%	150.5	6.1%	174.0	15.6%	Free float	46.0%
Net profit	87.8	97.8	11.4%	103.6	5.9%	123.8	19.5%		
P/E	12.7	11.4		10.7		9.0		Price change: 1 month	*0.8%*
P/CE	8.4	7.4		6.7		6.0		Price change: 6 month	*-36.6%*
P/BV	1.7	1.6		1.4		1.3		Price change: 12 month	*-35.8%*
EV/EBITDA	8.9	7.6		7.1		6.2		Max (52 week)	242.8
Dyield (%)	3.3	3.3		3.7		4.2		Min (52 week)	109.4



Kęty's Q108 earnings guidance was less than impressive. At the same time, just after the close of a quarter which sets the share price applicable to stock option holders, a news release was issued that the Flexible Packaging Segment is going to exceed the FY2008 earnings guidance. In our view, this was no coincidence. If Kęty's executives want to get their shares, they have to demonstrate EBITDA, profit, and share price growth as required by the stock option plan (for details, see our February research update). We are reiterating a buy rating.

Q1 forecast

Kęty's management expect ca. PLN 285-295m of consolidated Q1 revenue (implying a 1.2% decline to a 3% increase compared to the same period a year ago). Earnings are under pressure from a strengthening zloty and an 8% drop in extruded product sales volumes, leading to a 15% y/y plunge in sales revenue. The segments of Building Services and Building Accessories recorded over-30% growth in Q1. The Flexible Packaging Segment is expected to increase sales by ca. 14%, and the Aluminum Systems Segment to report 5% higher revenue. The Q1 consolidated operating profit is estimated at PLN 34-36m, and the bottom line will fall within the range of PLN 17m and 19m. The increase from an operating profit figure of PLN 27m posted in Q107 is owed to a favorable EUR/USD exchange rate. Finance costs increased due to larger debt and higher interest rates, as well as losses incurred on hedging contracts. We estimate the hedging losses at PLN 6-7m, with negative implications for bottom-line profit. What raises our concern is the drop in extruded product sales volumes at a time when the construction industry is booming.

Flexible Packaging Segment

The Head of the Flexible Packaging Segment assured an interviewer that this division of Kety's operations has overcome setbacks and is sure to fulfill its goal of an 8% increase in revenues set for this year. According to unofficial data, the FPS saw a 14% increase in sales in Q108, paired with a an expansion of the operating margin to ca. 10%. This might have been an "accident," but a cheerful interview from one of its managers could be considered a confirmation of our February prediction that, once the deadline for setting the acquisition price for the third installment of stock option plan shares (Q1 average) passes on 31 March, Kęty's management board's main focus is to make the stock price climb further. Otherwise, eligible executives will not be able to acquire their shares.

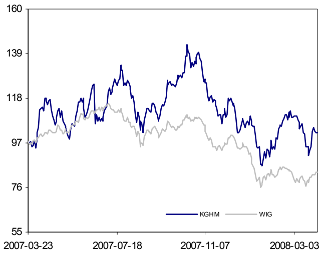
KGHM (Accumulate)

Current price: PLN 101.9 Target price: PLN 117

Analyst: Michał Marczak

Last Recommendation: 2008-02-15

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	11 669.7	12 183.0	4.4%	11 569.7	-5.0%	9 472.8	-18.1%	Number of shares (m)	200.0
EBITDA	4 646.5	5 034.0	8.3%	4 062.6	-19.3%	2 851.8	-29.8%	MC (current price)	20 380.0
EBITDA margin	*39.8%*	*41.3%*		*35.1%*		*30.1%*		EV (current price)	21 795.0
EBIT	4 302.2	4 682.0	8.8%	3 656.0	-21.9%	2 390.1	-34.6%	Free float	36.0%
Net profit	3 504.6	3 799.0	8.4%	3 068.3	-19.2%	2 044.0	-33.4%		
P/E	5.8	5.4		6.6		10.0		Price change: 1 month	*-6.4%*
P/CE	5.3	4.9		5.9		8.1		Price change: 6 month	*-20.9%*
P/BV	2.5	2.3		2.0		1.9		Price change: 12 month	*6.9%*
EV/EBITDA	3.9	3.6		4.3		6.1		Max (52 week)	143.0
Dyield (%)	9.8	16.7		9.8		7.5		Min (52 week)	86.0



Some investors must have been unhappy about KGHM's spending budget which, we think, was overstated so that the company would not have to pay dividends higher than the management's proposed PLN 5.5 per share. In Q108, we expect KGHM to post a net profit of ca. PLN 1bn, which would be one-third of the management's full-year forecast. In our view, because we have a positive outlook on the global economic situation, and in particular on Asia, the current downswing in commodity markets is temporary. Take advantage of any weakness to buy.

2008 financial projections

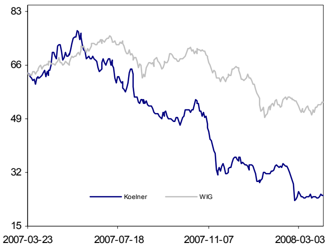
KGHM's management set a PLN 11.19bn revenue target and a PLN 2.9bn net profit target for 2008. They plan to increase equity interest in Polkomtel from 19.6% over 24%. Dividend payout is proposed at PLN 1.1 billion (PLN 5.50 / share). The company expects copper prices this year to average \$7,100/t, and silver prices to average \$15/troz (\$482/kg), and forecasts the average PLN/USD exchange rate at PLN 2.50. KGHM will use less own of its own mining output in production. 2008 CAPEX is set at PLN 1.6bn compared to PLN 845m in 2007. In our valuation model for KGHM, we also assumed somewhat conservatively that copper will trade at an average \$7,250/t this year, and that the PLN/USD exchange rate will hover around 2.49, which suggests that bottom-line profit could approximate PLN 3bn. But, looking at LME price levels at the moment (\$8,400/t), it looks like these forecasts could prove much too conservative (YTD average is \$7,400/t). Net profit is under pressure from a stronger-than-expected zloty. But, at current Cu and PLN price levels, the net effect is positive (the zloty price of copper is 6.6% higher than predicted, the cumulative effect of which at the end of the year, adjusted for hedges, could amount to PLN 330m extra added to the bottom line). That said, we think that KGHM will stick to its conservative estimates at least until the dividend vote at the next annual meeting (the management is proposing payout of 29% of FY07 earnings, i.e. PLN 5.5/share. We think PLN 10/share is a more probable scenario).

Koelner (Hold)

Current price: PLN 24.9 **Target price: PLN 24.2**

Analyst: Kamil Kliszcz
Last Recommendation: 2008-02-27

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	426.9	542.1	27.0%	774.8	42.9%	917.2	18.4%	Number of shares (m)	32.6
EBITDA	66.0	57.4	-13.0%	101.2	76.4%	134.5	32.9%	MC (current price)	809.8
EBITDA margin	*15.5%*	*10.6%*		*13.1%*		*14.7%*		EV (current price)	1 054.6
EBIT	50.6	40.6	-19.8%	76.5	88.5%	107.5	40.6%	Free float	35.7%
Net profit	39.8	8.3	-79.1%	42.2	407.7%	66.7	58.1%		
P/E	19.1	97.5		19.2		12.1		Price change: 1 month	*-4.3%*
P/CE	13.8	32.3		12.1		8.6		Price change: 6 month	*-47.1%*
P/BV	3.5	2.6		2.3		1.9		Price change: 12 month	*-59.9%*
EV/EBITDA	13.2	18.4		11.3		8.6		Max (52 week)	77.0
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	22.9



Koelner is in the middle of a cost restructuring and moving of Rawlplug's production facilities to Poland, which means that Q108 was probably not the best earnings period in its history. We would advise against buying the company's shares until it starts to demonstrate an improvement in profit margins, probably in he next quarter. We are reiterating a hold rating on Koelner.

Koelner considers buy-back

CEO Radosław Koelner announced that the company was considering buying back 2-6% of its own shares which, he feels, are undervalued. The estimated value of such a buyback is PLN 16-48 million. While this development would certainly have a steadying effect on the stock price amid the current negative sentiment, we do not think that Koelner can afford a buyback while its debt is as high as it is (PLN 230m at year-end 2007, expected to increase by a further PLN 20-30m in Q108). Without the buyback, the ratio of net debt to EBITDA could reach 3.2 at the end of 2008. Koelner released a revised FY08 earnings guidance in March, with revenues pegged at PLN 794m, EBIT at PLN 79m, and net profit target set at PLN 50m (our forecasts are PLN 774.8m, PLN 76.5m, and PLN 42.2m respectively). We predict a lower bottom line based on higher finance costs. Koelner says that the PLN 50m was estimated net of minority interests, which, we feel, is worth noting given the company's history of presenting unadjusted profit forecasts.

Construction

Poland's road budget

Parkiet warns about a possible hole in Poland's road budget which could be as big as PLN 52bn due to a lack of sufficient government allocations and ineffective utilization of EU funding. The gap would reportedly be filled through a bond offering. We find this story hard to believe. By increasing public debt through a bond offering, the government would take a step back from joining the euro zone (one of the convergence criteria is to maintain budget deficit at 3% of the GDP max). If there is a real threat of funding shortage, toll roads could be the solution. Further, it is hard to agree with the EU-fund-wastage theory given that the funding is currently being allocated by each member state for itself, not by EU institutions. In Poland, the Ministry of Regional Development is in charge. As far as profitability of road contracts is concerned, the upcoming awards are not expected to be very lucrative because of strong price competition, but future contracts are bound to be more profitable. Construction companies like Budimex and Mostostal Warszawa, which already have road jobs in their pipelines, say that they will not compete for new contracts is they are not profitable.

Central Statistical Office: March better than February for construction industry

General sentiment in the construction industry improved in March, with builders showing a more optimistic outlook on future business opportunities.

ABM Solid: FY2008 guidance

ABM Solid offered the following earnings projections for fiscal 2008: net sales are expected to reach PLN 401.3m, operating profit is estimated at PLN 20.6m, and net profit is pegged at PLN 15.0m. The 2008 contract backlog is estimated at PLN 331.2m.

Budopol: FY2008 earnings guidance

The CEO of Budopol Wrocław expects sales to double this year and reach PLN 110m, and net profit to reach a level allowing the company to rebuild equity. Budopol is controlled by housing developer Gant Development which owns 33% of its equity, and which is a significant revenue source for the subsidiary. Budopol's equity is a positive value, but includes PLN 8.5m in retained losses which the CEO probably had in mind when he spoke about a profit facilitating the rebuilding of equity. This suggests a FY08E P/E ratio of 11.6.

Energomontaż Południe: Plans for the future

Energomontaż Południe is committed to improving the profitability of its power engineering business which generated a gross profit of PLN 5m in 2007. The company's CEO is hoping for a 15% increase in core-business revenue this year. The pipeline is already 80% full. As far as the housing development business is concerned, the company plans to complete 130,000 sqm of living space between 2007 and 2011, expected to generate a total revenue of PLN 700m.

Energomontaż Południe: PLN 8.2m contract

Enegomontaż is going to build biomass facilities for PKE. The value of the company's pipeline is already 80% of the target PLN 263m.

Energomontaż-Południe: PLN 8m buyback

Energomontaż Południe is going to buy back up to 4.39m of its own shares for a maximum total of PLN 8.4m, at the latest by 14 March '09. The average per-share price is capped at PLN 5.15.

Energomontaż-Północ: EUR 1.65m contract extension

Subsidiary Energomontaż-Północ-Gdynia signed an annex to a 2007 contract with Aker Kvaerner Stord AS for delivery of steel structures to a drilling rig in the North Sea which increases the consideration by over EUR 1.65m (ca. PLN 5.82m) to PLN 8.730m (PLN 31.76m).

Energomontaż-Północ: PLN 56.95m order from PKN Orlen

The order is for machine installations, corrosion proofing, and insulations at PKN Orlen's refinery in Płock.

Hydrobudowa Polska: PLN 18.8m subcontractor charges

Hydrobudowa Polska hired a building consortium formed by BUG Gazobudowa and PP-H Omnix to perform PLN 18.8m-worth of construction work as subcontractor.

Mostostal Płock: EUR 4.76m annex

Mostostal Płock signed two annexes to a 2002 contract from TanQuid Polska increasing the consideration for = delivery of two containers by EUR 4.76m (PLN 16.8m). The additional fee accounts for 13.2% of last year's revenue. In 2007, Mostostal Płock reported a net profit of PLN 13.5m, an EBIT of PLN 14.0m, and a revenue of PLN 127.1m.

PBG: Acquisition

PBG acquired a 70% stake in a company called Betpol for PLN 41.3m including PLN 1m payable upon delivery by Betpol of FY08 targets: PLN 60m revenue, PLN 6m minimum net profit. Betpol, which specializes in road construction, reinforces PBG's road business at a time of heightened demand fueled by EU funding and preparations for the EURO 2012. The price seems attractive, and suggests a FY08E P/E below 10 if the forecasts are fulfilled.

PBG: Road-building subsidiary

PBG established a company called APRIVIA SA in Wysogotowo, with an initial capital of PLN 0.5m. Aprivia will acquire and carry our road contracts. The road-building industry will ride a strong upward momentum until 2014, and enjoy expanding profitability (gross profit margins on road contracts are reported to fall in the range of 6% and 10%, and can be expected to exceed 10% in 2009). Hence, a more forceful expansion into this business is no doubt a smart move. In PBG's case, however, major sales growth can only be achieved by taking over an existing road-construction company with a track record acknowledged by the General Directorate for National Roads and Motorways (GDDKiA).
PBG hopes to raise PLN 130m from road contracts this year, and double that next year. At the moment, at the core of the road-building business stands Betpol. Aprivia was established to build a track record to be able to compete for big infrastructure contracts.

Pol-Aqua: Two material contracts

Pol-Aqua landed two contracts for construction work on two office buildings: "Kraków Business Park 800" and "1000" in Zabierzów for a total fee of PLN 128.1m. Deadline is 28 February 2009.

Pol-Aqua: Settling accounts with Polnord and Prokom Investments

Pol-Aqua's Q407 earnings report includes PLN 19.98m posted under other operating income, related to the takeover of general contracting operations from Polnord. Polnord transferred contract rights worth PLN 241m to Pol-Aqua. The pre-tax profit on these contracts was estimated at PLN 15m minimum, and was supposed to be recognized after completion. The actual gain for Pol-Aqua was PLN 5m, and Polnord had to pay ca. PLN 10m to square out the margin. Further, Pol-Aqua received another PLN 10m from settlements of Polnord's receivables and payables from before the sale of the general contracting business. These settlements will probably be discussed at length in Pol-Aqua's and Polnord's annual reports, but they can be considered over and done with, which means that they will have no impact on FY2008 performance of either company.

Pol-Aqua: PLN 100m net profit target for FY08

PolAqua missed its FY2007 earnings targets, with revenues reported at PLN 700m vs. PLN 935m forecasted, which the company attributes to one-offs. Net profit was in line at PLN 56m, but almost half of it was generated from other operating income from settlements with Polnord. Pol Aqua has a contract pipeline worth over PLN 1bn, and expects to generate a revenue of PLN 1.4bn and a net profit of PLN 100m this year.

Projprzem: FY08 guidance reiterated

Projprzem reported that its contract pipeline for the year was full (projects include a factory for UMA Investments for PLN 69m). The company's CEO reiterated a PLN 200m revenue target for FY2008 (vs. PLN 139m in 2007).

Projprzem: PLN 5.5m annex

Projprzem signed an annex to a 2007 contract with Budopol for installations in a hospital in Grudziądz, raising the gross fee from PLN 6.6m to PLN 12.1m. Deadline is 31 October 2008.

Rafako: PLN 195m contract

Rafako landed a PLN 195m boiler contract from PKN Orlen with a 41-month deadline.

Rafako: PLN 24.4m contract

The order from Vitkovice Heavy Machinery is for walls for two boilers operating at the Tusimice Power Station in the Czech Republic.

Resbud: FY08 earnings forecast

Net profit is set at PLN 8.1m, EBIT at PLN 3.2m, revenue at PLN 85m.

Unibep: Share allocation

Individual investors subscribed for 4 million "B" shares compared to 0.4 million offered (allocations were on 25 March). Institutional investors subscribed for all of the 7.5m offered shares, which included 1.2m "A" shares and 6.3m "B" shares sold at the same price of PLN 9.00 apiece. At PLN 9.0 a share, Unibep's market capitalization is PLN 305.3m (33 927 184 shares). Based on forecasted FY08 profit of PLN 24m, the FY08E P/E ratio hovers around 12.7.

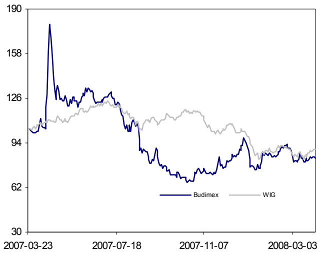
Budimex (Buy)

Current price: PLN 83.4 **Target price: PLN 98.4**

Analyst: Kacper Żak
Last Recommendation: 2007-10-30

(PLN m)	2006	2007	change	2008F	change	2009F	change
Revenues	3 043.2	3 075.9	1.1%	4 058.5	31.9%	4 908.5	20.9%
EBITDA	31.1	51.7	66.1%	104.7	102.5%	227.7	117.5%
EBITDA margin	*1.0%*	*1.7%*		*2.6%*		*4.6%*	
EBIT	9.9	28.0	181.8%	75.6	170.0%	197.4	161.1%
Net profit	3.9	15.1	287.8%	54.2	258.6%	148.0	173.4%
P/E	546.8	141.0		39.3		14.4	
P/CE	84.9	54.9		25.6		11.9	
P/BV	4.1	4.2		4.0		3.5	
EV/EBITDA	57.9	40.1		19.2		8.8	
Dyield (%)	0.0	0.0		0.4		3.0	

Basic data (PLN m)	
Number of shares (m)	25.5
MC (current price)	2 129.2
EV (current price)	2 170.6
Free float	28.8%
Price change: 1 month	*-5.6%*
Price change: 6 month	*20.4%*
Price change: 12 month	*-18.3%*
Max (52 week)	178.9
Min (52 week)	65.8



2008 will see an increase in road contracts as earnings drivers, but not earlier than in Q2'08 / Q3'08. Somewhat unexpectedly, Budimex's housing development business has proved a success: after lower-than-expected sales recorded in H207 due to a general decline in demand, Q108 brought an improvement, and Budimex Nieruchomości managed to sell most of the finished dwellings which it had not sold before.

Budimex needs more capital to grow

Budimex is bidding for several large infrastructure contracts which, if won, will require larger capacity in terms of workers, equipment, and working capital. Infrastructure projects account for ca. 50% of Budimex's production at the moment, and this ratio is expected to increase to 75% in 2011. Budimex's CEO said that an SPO was not out of the question, depending on the company's success in acquiring contracts. The company is trying to focus on acquiring more profitable contracts. In competing for multiple projects, Budimex has to put in place a much more effective cost management policy. Many of the contracts are nominated in euros, giving rise to risks that are likely to generate additional hedging expenses.

Disposition of associated entity

Budimex sold 32.45% out of its 37.5% ownership stake in Autostrada Południe to Cintra Consesiones de Infraestructuras de Transporte for PLN 6.4m. Other shareholders of Autostrada Południe (which is headquartered in the same building as Budimex) are Ferrovial and its road management subsidiary Cintra. The divestment could be a sign that Budimex wants to focus on building rather than managing toll roads.

PLN 158.5m contract

Budimex Dromex signed a contract with Bielsko Business Center 2 for a commercial/residential complex in Bielsko Biała for PLN 158.5m, set for completion in November 2009.

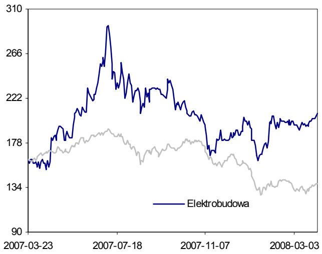
Elektrobudowa (Accumulate)

Current price: PLN 207 **Target price: PLN 221.5**

Analyst: Kacper Żak

Last Recommendation: 2008-02-04

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	473.9	679.6	43.4%	842.0	23.9%	1 018.8	21.0%	Number of shares (m)	4.2
EBITDA	29.0	49.6	71.3%	64.2	29.4%	82.3	28.1%	MC (current price)	873.6
EBITDA margin	*6.1%*	*7.3%*		*7.6%*		*8.1%*		EV (current price)	873.7
EBIT	24.3	44.2	82.0%	57.6	30.3%	73.2	27.0%	Free float	30.0%
Net profit	16.5	34.7	110.3%	42.3	22.0%	51.2	21.0%		
P/E	53.0	25.2		20.6		17.1		Price change: 1 month	*3.5%*
P/CE	41.3	21.8		17.9		14.5		Price change: 6 month	*-3.8%*
P/BV	10.3	8.5		4.3		2.9		Price change: 12 month	*28.0%*
EV/EBITDA	30.2	17.3		13.2		10.1		Max (52 week)	293.8
Dyield (%)	0.6	1.1		1.6		2.2		Min (52 week)	151.6



Elektrobudowa's reported FY07 revenue missed target by PLN 16.3m. The company fulfilled several of its SPO objectives in Q108, including acquisition of "Energoefekt" (100% stake for PLN 10.0m), "Energotest-Energopomiar" (62% stake for PLN 18.7m), and "Vector" (49% stake for PLN 3.8m). Consolidation of Energoefekt and Energotest is set to commence in Q208, while Vector will not have a positive impact on revenues until 2010, after the launch of switchgear and mobile-power-station production (estimated cost is PLN 20m).

PLN 2.5/share dividend payout

Elektrobudowa is going to pay PLN 2.5 per share as dividends to shareholders.

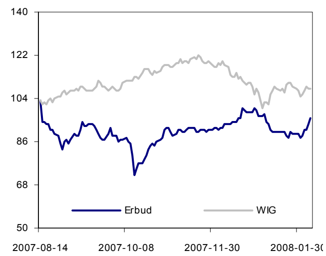
Erbud (Accumulate)

Current price: PLN 89.4 **Target price: PLN 95**

Analyst: Kacper Żak

Last Recommendation: 2008-02-04

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	426.2	664.7	56.0%	932.5	40.3%	1 306.2	40.1%	Number of shares (m)	12.6
EBITDA	26.6	42.3	58.9%	69.9	65.3%	103.4	48.0%	MC (current price)	1 123.8
EBITDA margin	*6.2%*	*6.4%*		*7.5%*		*7.9%*		EV (current price)	1 010.8
EBIT	25.4	40.3	59.0%	66.2	64.2%	98.9	49.5%	Free float	22.5%
Net profit	20.2	32.1	58.9%	51.6	60.7%	74.0	43.4%		
P/E	44.6	35.0		21.8		15.2		Price change: 1 month	*3.4%*
P/CE	41.9	33.0		20.3		14.3		Price change: 6 month	*-1.8%*
P/BV	21.9	5.5		4.2		3.3		Price change: 12 month	
EV/EBITDA	32.8	23.0		14.4		9.3		Max (52 week)	102.8
Dyield (%)	0.1	0.0		0.0		0.0		Min (52 week)	71.0



In spite of a warm winter, Erbud's first-quarter earnings generated from building construction will display seasonality. Further, results will be weighed down by the acquisition of Rembet Plus (positive goodwill).

PLN 26.7m contract

Erbud landed a PLN 26.7m contract from Teatr Pleciuga Sp. z o.o. for a puppet-theater building with a deadline in December 2008.

Polimex Mostostal (Hold)

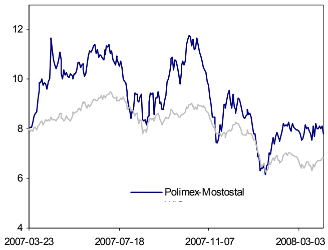
Current price: PLN 7.8 **Target price: PLN 9.1**

Analyst: Samer Masri

Last Recommendation: 2007-12-04

(PLN m)	2006	2007	change	2008F	change	2009F	change
Revenues	2 483.4	3 701.7	49.1%	4 131.4	11.6%	4 935.3	19.5%
EBITDA	129.7	219.3	69.0%	307.1	40.0%	396.4	29.1%
EBITDA margin	*5.2%*	*5.9%*		*7.4%*		*8.0%*	
EBIT	98.5	163.1	65.6%	205.3	25.9%	278.0	35.4%
Net profit	62.6	103.8	65.9%	139.2	34.1%	199.6	43.4%
P/E	57.9	35.2		26.2		18.3	
P/CE	38.6	22.8		15.2		11.5	
P/BV	10.2	3.9		3.5		3.2	
EV/EBITDA	29.2	18.4		12.5		9.7	
Dyield (%)	0.2	0.5		0.6		0.8	

Basic data (PLN m)	
Number of shares (m)	468.2
MC (current price)	3 651.6
EV (current price)	4 047.4
Free float	66.0%
Price change: 1 month	*-1.3%*
Price change: 6 month	*-23.9%*
Price change: 12 month	*-5.8%*
Max (52 w eek)	11.8
Min (52 w eek)	6.2



Mild weather allowed construction companies to continue working throughout the first quarter (production in constant prices rose 6.6% y/y in January and 20.7% y/y in February against a high base). High demand for steel components drove Polimex's sales in the period, however, gross margins in the segment were tight (GPM fell 5.4% in 2007) due to rising salaries and energy and materials costs, the zloty's appreciation against the euro, and fierce competition.

PLN 8m order

Polimex received an order for process pipelines, extending an existing contract with Koksownia Przyjaźń Sp. z o.o. Deadline is in May.

Preliminary PLN 82.9m contract

Polimex Mostostal signed a preliminary agreement with Lotos to deliver prefabricated pipelines and CDU/VDU equipment for an estimated total consideration of PLN 82.8m. Deadline of the final contract is 31 December 2009.

PLN 49m contract

A consortium of Polimex-Mostostal and PMUE Remak received a PLN 49m order from Alstom Power/Rafako for pressure parts of a boiler operating at the Bełchatów Power Plant.

PLN 120.6m contract

A consortium of Polimex-Mostostal and Optronik won a contract to build a dispatch hub in Lublin for the Polish Post Office.

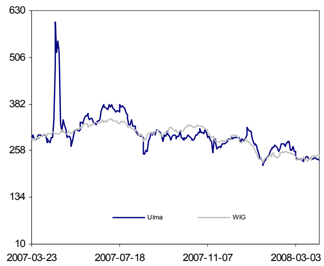
Ulma Construccion Polska (Accumulate)

Current price: PLN 234 **Target price: PLN 322.9**

Analyst: Kacper Żak

Last Recommendation: 2007-11-07

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	154.3	222.6	44.3%	269.8	21.2%	299.8	11.1%	Number of shares (m)	5.3
EBITDA	74.7	108.5	45.3%	145.2	33.8%	172.9	19.1%	MC (current price)	1 229.8
EBITDA margin	*48.4%*	*48.7%*		*53.8%*		*57.7%*		EV (current price)	1 273.4
EBIT	45.6	66.6	46.0%	88.6	33.0%	104.7	18.1%	Free float	24.5%
Net profit	32.9	50.9	54.6%	64.5	26.6%	79.6	23.5%		
P/E	34.8	24.2		19.1		15.4		Price change: 1 month	*-8.2%*
P/CE	18.5	13.3		10.2		8.3		Price change: 6 month	*-24.1%*
P/BV	11.4	5.6		4.3		3.4		Price change: 12 month	*-17.9%*
EV/EBITDA	16.7	12.3		9.3		7.5		Max (52 week)	598.0
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	220.0



After two buoyant months, when mild weather allowed for early completion of a few contracts, Ulma experienced a slight slowdown in March, expected to continue into April. We predict more intense activity in the construction industry starting in May.

Real Estate Development

CEE property market overview

According to *Parkiet*, analysts from Morgan Stanley London are predicting a hard landing for Polish, Czech, and Hungarian real-estate markets, which, they feel, will not avoid the spreading impact of the US credit crunch. They expect that capitalization rates in our region will increase by 25-75 basis points. We predict a 50 bp hike this year, and a further 50-100 bp increase in the next two years. The consequence will be tighter revaluation gains for commercial developers. though the impact on their books will be offset by rising rental rates, especially if we consider that developers like GTC and Echo apply conservative valuation approaches with respect to their properties (book values are usually lower than market values). We are not sure we agree with Morgan Stanley as regards the arrival of the subprime crisis in Poland. First, Polish banks impose much stricter lending rules, and, second, our mortgage market is much smaller thatnWestern European markets (mortgage loans account for ca. 8% of the GDP compared to a EU average of 50% and even higher ratios in the USA and UK). We agree that there is a risk of ripple effects as the subprime crisis discourages US and Western European developers from investing in the CEE region, with a cooling effect on demand. But we should also remember Poland's huge infrastructure and housing gaps that need to be filled, and that will drive business for developers going forward, even if property prices rise at a moderate pace.

Polish property market: Warm winter benefitted developers

Thanks to warm temperatures, real-estate developers completed over 9.4 thousand dwelling units in January and February, i.e. 73% more than in the same period a year earlier. The number of building permits issued in January was 14.6 thousand, 11% more than in January 2007.

The status on big-box laws

The "big-box" bill was passed over six months ago, but relevant certain legislation is still missing, causing a hiatus in decision-making processes. The act restricts the construction of big-box stores over 400 sqm to protect small retailers, and is a pain in the neck for commercial developers like Echo or GTC. Ironically, while the intention of the legislators was to protect local business, big retail chains have found a way to continue their expansion by opening their own appropriately-sized convenience stores, and are still driving small family-run shops out of business. While the new laws wait to be reviewed by the Constitutional Tribunal, there are no supermarkets being built. The best solution would be to repeal or amend the big-box regulations, but the governmental coalition is in two minds: while the PSL would leave the law as it is with only minor changes, the PO would like to see it gone. This probably means that commercial developers have many more months of waiting ahead of them.

Central Statistical Office: home completions up 33.7% y/y in February

Developers completed 11.65 thousand homes, 8.17% fewer than in January.

Gant Development: Q4 earnings miss targets

Gant failed to deliver its PLN 100m net profit target at PLN 93.7m. The property development business generated sales of PLN 127m, a gross profit of PLN 38.1m, and a margin of 30%. Gant's GPM is in line with market averages. Lower-than-expected net profit was due to a weaker momentum in the housing industry. Gant recognized a PLN 113m gain from revaluation of the "Marino" shopping mall in Wrocław. To fulfill this year's earnings targets, the company has to have more financing, which, after the idea of a capital injection by an external investor was dropped, will be secured by selling Marino. As cap rates rise, Gant might not be able to sell homes at the prices it was hoping for last year. As the construction season approaches, the company cannot afford to drag out price negotiations, which affects its bargaining position.

Gant Development: Loan

Gant increased one of its loans by PLN 50.8m to fund the expansion of the Marino shopping mall in Wrocław. After backing out of a PLN 100/share stock offering, Gant needs money to continue its projects. One way of securing such cash is to sell Marino, which, however, will be worth more after the expansion. The mall's opening is set for fall.

Gant set to continue developments despite failed SPO plans

Although Gant did not carry out the planned offering of 2.5m "N" shares, it is going to move ahead with the projects scheduled for 2008 and 2009.

Immoeast: Sale of an office building in Prague

Immoeast sold "Andel Park B" to SEB Asset Management for EUR 71.5m. Given that, at 31 October, the development was appraised at EUR 67.8m, the pre-tax gain on the deal is EUR 3.7m. The property appreciated 5.4% in value from October, suggesting that cap rates in the last five months have been virtually flat. But we should keep in mind the prudence principle used by appraisers, who always assume cap rates a bit higher than market rates. If this principle was applied to the property in question, given that the sale was effected at cap rates close to what was assumed by the appraisers (we do not know what the assumed rate growth rate was), this would confirm our prediction that the downward trend in capitalization rates is reversing.

Orco Property Group: Poland sales forecasts

In an interview for *Rzeczpospolita*, Douglas Noble, Director of Orco Poland, said that he expected a marked improvement in home sales in the second half of the year. According to him, the market is starting to recover, and there is a lot of interest among potential buyers who, however, are waiting for prices to fall more. Noble expects that they will go down up to 5% more, after which the market will enter into a 7-9-year period of steady price growth. Q108 will have seen a decline in new-home sales volumes compared to Q107, but a pickup from Q407. The sales trends will be different for different developers, depending on what they had on offer. Many developers are waiting until fall to put new dwellings up for sale, and many are just finishing apartments which had been sold a few quarters ago. Buyers are waiting for prices to fall, which is unlikely given the growing construction costs. Margins shrink even as prices stay flat. With a 10% hike in the prices of building materials and contractor services, margins are likely to fall from 30-35% to just 20% in two years' time.

Orco Property Group: Dividends

Orco plans to pay EUR 1.4 per share as dividends to shareholders.

Orco Property Group: Endurance Real Estate Fund buys hotel property

Orco's subfund Endurance Real Estate Fund purchased an old hotel building in Bratislava, where it plans to lease 3000 sqm of office space and 800 sqm of retail space. The costs of the investment are estimated at EUR 12.1m.

Plaza Centers: 3-hectare development in Romania

Plaza Centers purchased a 3-hecatre site in Targu Mures, Romania, on which it is going to build a shopping mall. Construction is set to start this year and end in 2010. The development will include 32,000 sqm of leasable space and 2.6 thousand offices. The company estimates the cost at EUR 75m. Targu Mures has a population of 160,000, and a total of 580,000 people live within a 30km radius of the city. A cost of 75 million euros (or EUR 2.2/sqm) seems a bit too much to us. Assuming that it is accurate, at a 7.5% cap rate, the investment would break even if Plaza charged EUR 14-15 a month per square meter of leasable space. This is more than rental rates prevailing in smaller Romanian cities.

Triton Development: FY2008 earnings guidance reiterated

Triton reiterated its FY08 net profit target at PLN 88.1m, and revenue target at PLN 368.4m, however, much will depend on contract terms negotiated with the subcontractors hired for the Triton Park project which is scheduled for completion later this year. To date, Triton sold almost half of the 597 dwellings in the Triton Park complex which consists of ca. 40,000 sqm of living space plus 4,000 sqm of commercial space. To fulfill the FY08 forecasts, the company would have to finish and sell virtually all of the dwellings by the end of the year and account for the resulting profits in accordance with IAS 11. If the company chose IAS 18 as the method of presentation, it would have to sell all of the apartments by the end of the year, otherwise, the Triton Park profits would be deferred to 2009.

Triton Development: Triton purchases subsidiary bonds

Triton purchased bonds issued by its subsidiary Triton Winnica Sp. z o.o. for PLN 24m. The bonds mature in 2012. Triton Winnica will use the profits to purchase a site in Warsaw's Białołęka district to build a multi-family development expected to generate revenues of PLN 185m and an operating profit of PLN 37m.

Warimpex buys hotel in Russia, plans to build another one right next to it

Hotel developer Warimpex bought the "Liner" hotel situated near the Koltsovo airport in Yekaterinburg from Russian company "Renova." The developer plans to build another hotel near the airport.

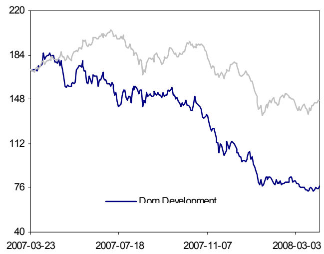
Dom Development (Buy)

Current price: PLN 77.3 **Target price: PLN 103.6**

Analyst: Kacper Żak
Last Recommendation: 2008-03-04

(PLN m)	2006	2007	change	2008F	change	2009F	change
Revenues	729.8	878.8	20.4%	951.0	8.2%	1 370.0	44.1%
EBITDA	127.7	243.5	90.7%	199.7	-18.0%	229.5	14.9%
EBITDA margin	*17.5%*	*27.7%*		*21.0%*		*16.7%*	
EBIT	126.1	241.0	91.1%	197.8	-17.9%	227.4	15.0%
Net profit	115.9	200.6	73.1%	157.7	-21.4%	184.0	16.7%
P/E	16.4	9.5		12.0		10.3	
P/CE	16.1	9.3		11.9		10.2	
P/BV	3.9	2.7		2.3		2.0	
EV/EBITDA	14.7	7.8		9.0		6.2	
Dyield (%)	0.0	0.0		1.6		2.7	

Basic data (PLN m)	
Number of shares (m)	24.6
MC (current price)	1 897.3
EV (current price)	1 900.6
Free float	20.0%
Price change: 1 month	*-5.8%*
Price change: 6 month	*-46.8%*
Price change: 12 month	*-55.2%*
Max (52 week)	185.9
Min (52 week)	73.0



Dom Development's FY2008 earnings estimates, revealed during the Q407 announcement, assume that the developer will sell 2.5 thousand dwellings this year. In our valuation model, we predicted that the company would sell 300-350 homes in Q1, and accelerate construction in the second half of the year.New projects scheduled for the next two quarters comprise ca. 2.7 thousand apartments, some of which are already available for sale. A broader selection of dwellings could incentivize buyers, but DD still faces fierce competition from other developers.

Dividend proposal

Dom Development plans to pay out over PLN 50m (25% of FY07 earnings) as dividends to shareholders. At PLN 2.04 per share, this suggests a dividend yield of 2.8% at the current share price. Further, the company plans to trim the upmarket-dwellings business and expand outside of Warsaw. Such generous dividends are a bit surprising after just one year from market debut. DD's stock is bound to rally on this information in the near term. But we are concerned that DD will find itself missing the cash in the course of the year, and will be forced to borrow.

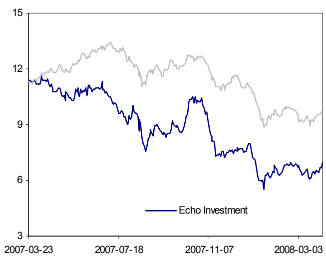
Echo Investment (Buy)

Current price: PLN 6.9 **Target price: PLN 8**

Analyst: Kacper Żak
Last Recommendation: 2008-02-15

(PLN m)	2006	2007	change	2008F	change	2009F	change
Revenues	333.2	380.8	14.3%	476.5	25.1%	792.3	66.3%
EBITDA	382.1	410.0	7.3%	306.0	-25.4%	457.3	49.5%
EBITDA margin	*114.7%*	*107.7%*		*64.2%*		*57.7%*	
EBIT	381.0	403.7	6.0%	303.3	-24.9%	454.5	49.9%
Net profit	278.1	321.9	15.7%	177.4	-44.9%	283.9	60.0%
P/E	10.5	9.0		16.4		10.3	
P/CE	10.4	8.9		16.2		10.2	
P/BV	2.4	2.4		2.1		1.7	
EV/EBITDA	10.4	9.4		14.0		10.0	
Dyield (%)	0.0	0.0		0.0		0.0	

Basic data (PLN m)	
Number of shares (m)	420.0
MC (current price)	2 910.6
EV (current price)	3 856.2
Free float	40.0%
Price change: 1 month	*3.4%*
Price change: 6 month	*-19.1%*
Price change: 12 month	*-38.6%*
Max (52 week)	11.6
Min (52 week)	5.5



Echo has four housing projects set for completion in the first half of 2008, and plans to finish stage one of the Malta Office Park in the second half. Echo's long-term growth as retail property developer rests largely on the law passed last year, which imposes significant restrictions on big-box retail. There are plans to relax the stringent regulatory requirements, but newspapers have been warning recently that this will not happen quickly.

New subsidiary

Echo set up a subsidiary called "Echo Investment Project Management SRL" in Bucharest, Romania.

Acquisition of subsidiary interests

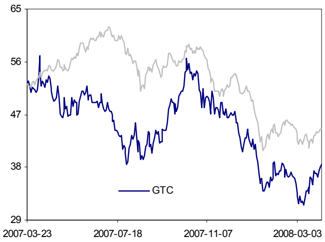
Echo Investment paid PLN 28,000 for a 50% stake in its now-wholly-owned subsidiary "Projekt Echo-64" Sp. z o.o.

GTC (Accumulate)

Current price: PLN 38.4 **Target price: PLN 42.88**

Analyst: Kacper Żak
Last Recommendation: 2008-04-03

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	315.0	278.5	-11.6%	761.8	173.5%	1 848.1	142.6%	Number of shares (m)	220.0
EBITDA	933.6	1 170.6	25.4%	996.8	-14.8%	2 710.8	171.9%	MC (current price)	8 448.0
EBITDA margin	*296.4%*	*420.3%*		*130.9%*		*146.7%*		EV (current price)	9 510.3
EBIT	933.6	1 169.5	25.3%	995.8	-14.9%	2 709.6	172.1%	Free float	50.0%
Net profit	783.4	845.9	8.0%	670.0	-20.8%	1 812.7	170.6%		
P/E	10.8	10.0		12.6		4.7		Price change: 1 month	*14.3%*
P/CE	10.8	10.0		12.6		4.7		Price change: 6 month	*-23.5%*
P/BV	3.0	2.2		1.9		1.3		Price change: 12 month	*-24.4%*
EV/EBITDA	9.4	8.1		11.0		5.3		Max (52 week)	57.0
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	31.6



GTC revealed a list of its current and planned commercial and housing projects, complete with sizes, estimated costs, and completion deadlines, of which some are set for 2012, but most are scheduled in 2009. The total cost of the projects is estimated at EUR 4 billion. GTC also disclosed the value of its investment property as at December 2007, and the cap rates which range between 5.5 and 6.0%. We assumed higher rates in our valuation model, expecting a 3% increase in rental prices and a 10% cost of capital. We predict that new appraisals made in the second half of the year will be based on cap rates 0.5-1.0% higher.

Romanian acquisition

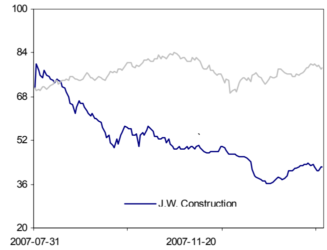
Subsidiaries GTC Real Estate Investment Romania and National Commercial Center acquired an 85% interest in Romania's Cefin Real Estate for EUR 6.34m.

J.W. Construction (Buy)

Current price: PLN 36.2 **Target price: PLN 51.4**

Analyst: Kacper Żak
Last Recommendation: 2007-12-11

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	726.3	782.7	7.8%	1 110.4	41.9%	1 322.1	19.1%	Number of shares (m)	54.7
EBITDA	190.8	214.7	12.5%	255.8	19.1%	251.6	-1.6%	MC (current price)	1 980.1
EBITDA margin	*26.3%*	*27.4%*		*23.0%*		*19.0%*		EV (current price)	2 267.9
EBIT	180.1	201.4	11.8%	246.6	22.5%	243.3	-1.4%	Free float	18.0%
Net profit	132.0	148.4	12.4%	194.3	31.0%	195.6	0.6%		
P/E	15.0	13.3		10.2		10.1		Price change: 1 month	*-4.7%*
P/CE	13.9	12.2		9.7		9.7		Price change: 6 month	*-24.7%*
P/BV	10.2	3.5		2.7		2.3		Price change: 12 month	
EV/EBITDA	11.9	10.6		7.5		7.5		Max (52 week)	80.0
Dyield (%)	0.0	0.0		2.2		2.9		Min (52 week)	32.2



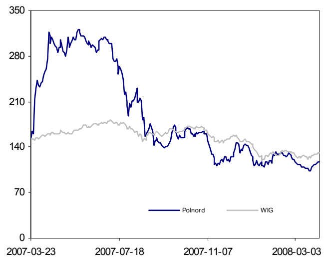
During an excellent fourth quarter of 2007, J.W. Construction sold out its most attractive dwellings. The homes left on offer are less popular among buyers, especially now that people generally prefer to buy apartments when they are ready to move in, and JWC, like most other developers, is still in the process of building dwellings sold in forward-sale agreements. J.W. Construction has a plan to sell 2.8-2.9 thousand homes this year, which, we expect, will be achieved after two of its developments in Warsaw, which consist of about 2000 apartments, are given clearance for sale by planning authorities. We expect JWC to report sales of ca. 250 in Q1, a big decline from 700 in Q107. With the help of intense marketing in H2, the company might fulfill its full-year sales forecast.

Polnord (Buy)

Current price: PLN 117.9 Target price: PLN 202.3

Analyst: Kacper Żak
Last Recommendation: 2007-12-11

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	344.5	132.7	-61.5%	723.8	445.4%	1 376.3	90.2%	Number of shares (m)	17.7
EBITDA	-44.5	34.8		215.1	518.2%	361.3	68.0%	MC (current price)	2 086.8
EBITDA margin	*-12.9%*	*26.2%*		*29.7%*		*26.3%*		EV (current price)	2 279.9
EBIT	-45.6	33.2		209.0	529.6%	355.3	70.0%	Free float	36.0%
Net profit	-37.5	96.5		152.2	57.7%	269.3	77.0%		
P/E		21.6		13.7		7.7		Price change: 1 month	*0.8%*
P/CE		21.3		13.2		7.6		Price change: 6 month	*-25.1%*
P/BV	17.7	11.6		6.5		3.6		Price change: 12 month	*-44.9%*
EV/EBITDA		68.2		11.8		6.9		Max (52 week)	320.0
Dyield (%)	0.0	0.0		0.5		0.7		Min (52 week)	103.0



Polnord issued PLN 400m-worth of bonds in March. The company is about to launch construction of an office building in Petersburg. As a beginner in the commercial development business, Polnord is just starting to build relationships with banks which are a crucial element of a developer's success. And it needs large amounts of capital to finance its housing projects, which can be partly secured by selling developments in progress. One such a deal is for stage one of the Technology Park office complex in Warsaw, which will not only generate an ample gain, but also provide Polnord with the cash it needs to move forward with its other developments.

PLN 80-100m EBIT from commercial projects

Polnord announced that it expected to generate an EBIT of PLN 80-100m from commercial projects alone. Housing projects are expected to generate a net profit of PLN 200m. Polnord is just about to launch the first stage of the "Park Technologiczny" office development this year. Stage one comprises 50,000 sqm of leasable space, of which 18,000 sqm has already been reserved, with the actual lease agreement set for execution in 2010, which is expected to generate annual revenues of an estimated PLN 15m. Polnord hopes to sell these future receivables at a discount, but we doubt whether the resulting gain can be added to income.

Ryszard Krauze considers Polnord a long-term investment

In an interview for *Parkiet*, Polnord's main shareholder Mr. Ryszard Krauze declared that he was going to keep the company in his investment portfolio. What is more, he has been buying more Polnord shares recently via Prokom Investments. Mr. Krauze also quotes Polnord's PLN 2-2.5bn gross profit guidance in the interview. These are the first words of reassurance from Mr. Krauze that he has no intention of dumping Polnord

Polnord to cut costs by hiring Chinese workers

Polnord has a plan to cut costs and speed up construction by bringing in Chinese workers who are already working for the company on sites in Russia. According to CEO Ciurzyński, the cost of one Chinese worker is about one-fifth lower, while their productivity is higher.

New site in Szczecin

Polnord expects to generate PLN 290m in revenue from a housing project in Szczecin called "Ku Słońcu."

Retail

Emperia Holding (Accumulate)

Current price: PLN 153.9 Target price: PLN 166.1

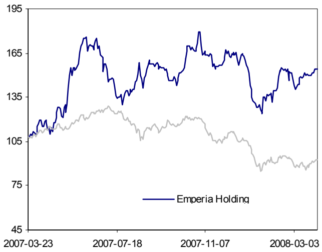
Analyst: Kamil Kliszcz

Last Recommendation: 2008-03-17

(PLN m)	2006	2007	change	2008F	change	2009F	change
Revenues	1 406.7	4 596.5	226.8%	5 936.2	29.1%	6 757.4	13.8%
EBITDA	51.2	173.4	238.5%	210.8	21.5%	278.0	31.9%
EBITDA margin	*3.6%*	*3.8%*		*3.6%*		*4.1%*	
EBIT	33.0	134.3	307.5%	153.1	13.9%	198.6	29.8%
Net profit	23.4	89.7	283.9%	116.2	29.5%	150.3	29.3%
P/E	88.7	25.7		19.9		15.3	
P/CE	49.8	17.9		13.3		10.0	
P/BV	5.8	3.4		2.9		2.6	
EV/EBITDA	42.2	14.0		11.9		9.2	
Dyield (%)	1.8	1.1		0.6		2.0	

Basic data (PLN m)	
Number of shares (m) *	15.0
MC (current price) *	2 307.4
EV (current price) *	2 425.8
Free float	75.4%
Price change: 1 month	*4.7%*
Price change: 6 month	*5.2%*
Price change: 12 month	*41.2%*
Max (52 week)	179.5
Min (52 week)	108.5

** incl. stock issue to BOS shareholders*



Poland's FMCG industry is still undergoing consolidation, in which Emperia takes an active part. So far, the company has always made good acquisition choices, and we expect it to continue taking over retailers as well as wholesalers, while growing organically (through new logistics centers and outlets) in a fast-paced FMCG market. We expect that retail sales of food will continue rising at double-digit rates in the next few years, driven by an increasing purchasing power of the Polish population as well as rising prices. Food inflation might prove the factor which will neutralize salary growth in 2008. As for Emperia, we predict 30% net profit CAGR in the next three years, which suggests an attractive PEG of 0.66. We are reiterating an accumulate rating.

Emperia to launch new retail store brand

According to *Rzeczpospolita*, Emperia has plans to launch a new discount store chain under the name of "Livio" on the basis of the franchise ("Globi Discount" and "Globi Express") taken over in December 2007 from Retail Services Poland. While Emperia has not confirmed yet that Livio is indeed designed as a discount chain, this is what the historical operations of Globi Discount would suggest. The market of discount stores is more competitive in Poland than the market of mid-sized supermarkets. Competition is lesser in areas where there are no "Biedronka" outlets in the vicinity, but such locations are increasingly harder to find.

Partnership with Lewiatan

Emperia signed a partnership agreement with Lewiatan Holding, operator of ca. 2 thousand franchise stores across Poland. The two companies plan to tighten their business relationship and implement joint systems so as to reduce operating costs. Eventually, they will merge. Emperia already owns a few of Lewiatan's regional outlets, and is the main supplier to most of its stores, so, a merger seems an obvious next step. Emperia's CEO Artur Kawa has also hinted that the company was interested in taking over the newsagent chain Ruch.

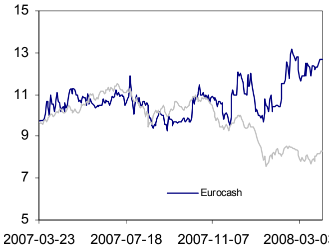
Eurocash (Hold)

Current price: PLN 12.7 **Target price: PLN 11.5**

Analyst: Kamil Kliszcz
Last Recommendation: 2008-03-06

(PLN m)	2006	2007	change	2008F	change	2009F	change
Revenues	3 237.0	4 729.4	46.1%	6 719.6	42.1%	7 838.3	16.6%
EBITDA	87.3	121.9	39.7%	156.6	28.5%	188.7	20.5%
EBITDA margin	*2.7%*	*2.6%*		*2.3%*		*2.4%*	
EBIT	55.2	85.8	55.3%	108.5	26.5%	133.3	22.8%
Net profit	41.6	58.9	41.7%	81.8	38.9%	102.9	25.8%
P/E	39.0	27.5		20.0		15.9	
P/CE	22.0	17.1		12.6		10.3	
P/BV	8.2	7.0		5.3		4.4	
EV/EBITDA	19.0	12.9		11.1		9.0	
Dyield (%)	1.3	1.8		0.7		2.5	

Basic data (PLN m)	
Number of shares (m)	127.7
MC (current price)	1 622.3
EV (current price)	1 566.9
Free float	34.7%
Price change: 1 month	*4.1%*
Price change: 6 month	*30.9%*
Price change: 12 month	*30.0%*
Max (52 week)	13.2
Min (52 week)	9.3



Looking at food sales figures for the first two months of 2008, FMCG companies can be expected to show strong first-quarter results. Retail sales increased 14% in the period, while wholesale sales surged 29.5%. Eurocash can look forward to expanding revenues on the back of an increasing purchasing power of the Polish population. However, since there is no upside potential in the company's stock at the current price level, we are reiterating it as a hold.

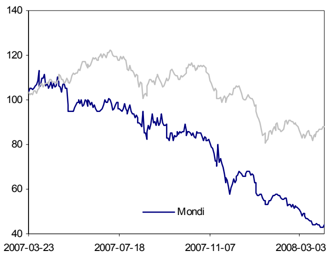
Others

Mondi (Buy)

Current price: PLN 44 **Target price: PLN 76.4**

Analyst: Michał Marczak
Last Recommendation: 2007-12-04

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 443.9	1 610.4	11.5%	1 522.2	-5.5%	1 545.4	1.5%	Number of shares (m)	50.0
EBITDA	434.9	400.0	-8.0%	368.4	-7.9%	344.0	-6.6%	MC (current price)	2 197.5
EBITDA margin	*30.1%*	*24.8%*		*24.2%*		*22.3%*		EV (current price)	2 197.2
EBIT	326.4	295.7	-9.4%	258.3	-12.6%	236.7	-8.4%	Free float	19.0%
Net profit	270.0	246.2	-8.8%	210.7	-14.4%	194.5	-7.7%		
P/E	8.1	8.9		10.4		11.3		Price change: 1 month	*-13.3%*
P/CE	5.8	6.3		6.8		7.3		Price change: 6 month	*-48.3%*
P/BV	2.2	2.2		2.2		2.1		Price change: 12 month	*-57.9%*
EV/EBITDA	5.1	5.5		6.0		6.3		Max (52 week)	113.0
Dyield (%)	11.1	12.3		9.6		7.7		Min (52 week)	42.9



Mondi is operating in unfavorable settings, marked by a strengthening zloty and falling paper prices in European markets, and rising operating costs which affect the EBIT margin. In this environment, the company is launching a EUR 300m investment which is eating into current cash flows, preventing a dividend payout. In our opinion, this huge expenditure is already discounted in the price of Mondi's stock, which we recommend as a lucrative long-term investment.

Will wood prices fall?

A group of wood-industry companies are demanding that State Forests reduce prices by 10%, saying that German manufacturers can buy cheaper wood (7 million cubic meters) left after the passage of hurricane Emma. Wood prices surged over 20% in 2007, considerably affecting Mondi's earnings (ca. PLN 76m). For 2008, we predict a further 3% inflation. Even the smallest reduction in prices, provided that it is actually effected, will have a positive influence on profits. Further, an appreciating zloty will have weighed down Mondi's first-quarter results (net profit estimated at PLN 58m).

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Ratings changed as of the release date of this Monthly Report:

BZ WBK

rating	Reduce	Hold	Hold	Buy	Accumulate	Buy
date issued	2007-06-06	2007-07-05	2007-08-03	2007-09-04	2007-10-03	2007-12-04
price on rating date	313.00	292.60	275.00	257.20	262.00	240.20
WIG on rating date	64499.16	66951.73	62426.43	61010.54	61196.53	56412.82

BZ WBK cont.

rating	Buy	Buy
date issued	2008-01-24	2008-02-26
price on rating date	179.00	183.00
WIG on rating date	45362.07	50149.68

GTC

rating	Accumulate	Buy
date issued	2008-02-15	2008-03-06
price on rating date	37.89	32.99
WIG on rating date	50029.37	45807.69

ING BSK

rating	Reduce	Hold	Hold	Accumulate	Buy	Accumulate
date issued	2007-06-06	2007-08-01	2007-09-04	2007-11-07	2008-01-17	2008-01-24
price on rating date	1025.00	972.00	918.00	865.00	570.00	615.00
WIG on rating date	64499.16	63670.52	61010.54	61527.41	46204.97	45362.07

ING BSK cont.

rating	Buy	Accumulate
date issued	2008-03-06	2008-03-25
price on rating date	540.00	505.00
WIG on rating date	45807.69	45903.70

Kredyt Bank

rating	Hold	Hold	Accumulate	Buy	Accumulate	Buy
date issued	2007-06-06	2007-07-11	2007-07-25	2007-09-04	2007-11-07	2007-12-04
price on rating date	25.50	28.00	24.00	23.80	25.00	23.50
WIG on rating date	64499.16	66850.08	65252.95	61010.54	61527.41	56412.82

Kredyt Bank cont.

rating	Buy
date issued	2008-01-24
price on rating date	19.00
WIG on rating date	45362.07

Macrologic

rating	Hold	Buy	Accumulate	Accumulate
date issued	2007-11-07	2007-12-04	2008-02-04	2008-02-18
price on rating date	56.45	50.60	51.50	51.45
WIG on rating date	61527.41	56412.82	49092.20	49309.45

Millennium

rating	Sell	Reduce	Accumulate	Hold	Accumulate	Buy
date issued	2007-06-06	2007-07-30	2007-09-04	2007-11-07	2008-01-17	2008-01-24
price on rating date	13.78	13.20	12.40	13.03	8.59	8.25
WIG on rating date	64499.16	62609.47	61010.54	61527.41	46204.97	45362.07

Noble Bank

rating	Accumulate	Buy	Buy	Accumulate	Buy
date issued	2007-10-10	2007-12-04	2008-01-24	2008-02-04	2008-03-06
price on rating date	14.07	12.67	9.40	10.15	9.60
WIG on rating date	63068.13	56412.82	45362.07	49092.20	45807.69

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

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

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This Monthly Report exclusively contains information previously published by BRE Bank Securities S.A. and only comprises a comprehensive presentation of unaltered data. The information, including recommendations, contained in the Monthly Report has been published in separate reports, the publication dates of which are on page 7. Recommendations changed as of the release date of this Monthly Report are listed on page 8.
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