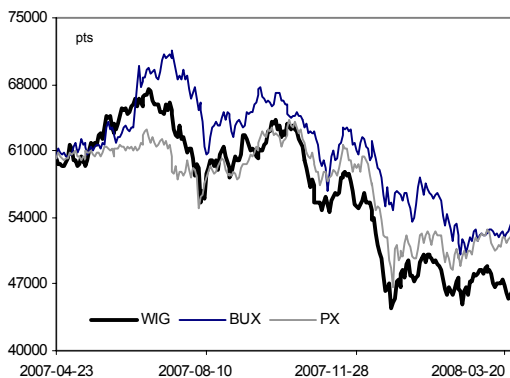


30 April 2008

Periodic Report


Equity Market
Macroeconomics

WIG	46 224
Avg. 2008E P/E	14.5
Avg. 2009E P/E	11.7
Avg daily trading volume	PLN 1 345mln

WIG vs. indices in the region

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Monthly Report

May 2008

Equity market:

Continuing uncertainty in coming months will keep financial markets volatile, unpredictable, and thinly traded. A global rise in inflation will drive interest rates, leading investors away from equity and into debt.

Company News:

Banks. After an announcement of an over-PLN 1 billion net income, PKO BP is sure to be the “star” of the upcoming earnings season. In the first quarter, banks across the board saw declines in their securities-trading revenues, and felt upward pressure on costs, and we do not expect any of them to exceed our forecasts with respect to recurring earnings.

Gas & Oil. The last few days have brought hope for a reversal in the dollar trend, which has significantly hurt refiner earnings. If the dollar continues to rise, investors should think about increasing exposure to Lotos and PKN Orlen. After an in-line weak first-quarter showing, we recommend to buy PGNiG.

Telecommunications. A strong first-quarter showing confirmed that TPSA is a good bet during uncertain times. We are reiterating the telecom as an accumulate.

Media. In spite of signals of dwindling confidence, the advertising market continues its upward momentum. Media stocks performed in line with the broad market in April (WIG index down 2.35%, WIG-MEDIA index down 2.66%). Media companies will thrive in the months ahead as advertisers expand budgets for the upcoming EURO 2008 soccer championship.

IT. Sentiment to IT stocks did not change in April, but a rebound is possible in some cases after Q108 earnings announcements (mainly Asseco Poland), and once public-sector orders pick up (the Ministry of Education was very active this past month).

Metals. Copper producers are struggling with bottlenecks caused by Chile’s energy problems and miner strikes. Still, we maintain a positive outlook on KGHM.

Construction. Construction companies were able to continue building in the first quarter thanks to mild temperatures, and production was up against last year’s high base (6.6% y/y in January, 20.7% y/y in February).

Developers. Residential property prices are under constant downward pressure. Sales were basically flat in April, but slightly higher in case of developers who brought new projects to the market.

Retail. FMCG wholesaler stocks have been steady lately, and we do not expect a shift in sentiment any time soon. Investors will not be disappointed with the first-quarter results of either Eurocash, or Emperia, and confidence in the FMCG sector will likely remain strong amid general volatility.

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

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Equity Market

Despite some positive economic news (budget surplus, inflation in-line), Poland's equity market in April was among the weakest of all emerging markets, not to mention developed markets which continue to recover from their March losses. The reason for the WSE's underperformance could be the increasing number of initial public offerings made while Polish investment funds do not record any inflows. Added to this are weak industrial production data announced in March, which raised worries about first-quarter earnings. The tax season, which ends on April 30, probably also contributed to our market's sluggish performance, as individuals cash out to settle their tax dues amid weak demand and small trading volumes (usually below PLN 1bn in each session), putting pressure on prices. From the point of view of foreign investors, a potential source of new cash for the WSE, Polish equities have no advantage whatsoever over their EM counterparts, especially given the appreciation of the zloty. Foreigners clearly prefer Polish debt.

Continuing uncertainty in coming months will keep financial markets volatile, unpredictable, and thinly traded. A global rise in inflation will drive interest rates, leading investors away from equity and into debt. With the era of cheap money coming to an end, the equity market has to be affected. While the consequence does not necessarily have to be a prolonged bearish trend, returns on investments in developed-country indexes are sure to return to their long-term averages of 8%-12%. As far as the Polish economy is concerned, there is a consensus that interest rates will rise to 6%, but if the optimistic predictions of inflation easing in the second half of the year (on higher prices of energy and food) do not pan out, investors could be presented with an alternative of bonds offering yields at 8%-9%. Paired with growing concerns about EPS growth for listed companies, this might reinforce risk aversion in the stock market.

The situation in world financial markets is still shaky. On the one hand, we are dealing with weak economic data, a slowdown in developed economies (USA, euro-zone), downward revisions in company earnings forecasts, and rising inflation (especially in emerging markets), and, on the other hand, we see high dividend yields, attractive valuations (at least those based on current EPS estimates), more share purchases by insiders, and a general pessimism, as best demonstrated by the market's reaction to weak US data and bank earnings announcements. In fact, investors started to discount the weak earnings outlook for the financial industry, as well as other sectors, as early as in January. There is no way of telling today whether world economic data, which will shape sentiment toward equities in the next few months, will be better, or worse than expected. Growing instability of commodity markets and currencies, paired with still-expensive money, suggest that we should not expect a major rebound to happen soon.

A new factor (new mainly in terms of scale) which could significantly undermine the future strength of the global economy are increasing food prices. Demand across the world rises (changing eating habits, increasing wealth = greater meat consumption, more expensive grain, climbing demand for biofuel), while production capacity has limited growth potential (climate), inventories remain low, and speculators return to the market, all of which sent food prices soaring. As a result, some countries (former exporters) either introduced, or raised existing export duties on food (Argentina), and abolished import duties, spurring civil unrest. Farmers in these countries do not benefit from the global price uptrend, and are forced to cut production due to its increasing costs. Except for fuel prices, food is currently the main inflation driver, primarily in emerging countries, and we have yet to see its full impact on the real sphere of the economy and macroeconomic factors.

Investors in Poland were surprised by weak industrial production data for March, as output was reported rising a mere 0.9% year on year (expectations were 8.3%) compared to 15% in February. Adjusted for working days, production was up 6.1% from March 2007, also below expectations. Almost all industries experienced a slowdown (only 11 out of 29 saw an increase). Note, however, that a similar situation happened in December, also a holiday month, which was followed by a big surge in production in January. Investors might also be worried about the resignation of Deputy Finance Minister Stanisław Gomułka, proponent of closer cooperation between the government and the Monetary Policy Council aimed at implementing measures to facilitate faster fulfillment of convergence criteria by Poland (through faster and sharper interest-rate hikes).

Sentiment to stocks in the near term will be shaped by first-quarter earnings announcements, most of which are scheduled for early May. The Q108 results reported so far were ahead of expectations (Millennium, TPSA, Świecie), which, we hope, will prevent the market from a major downturn.

Fund Flows

TFI

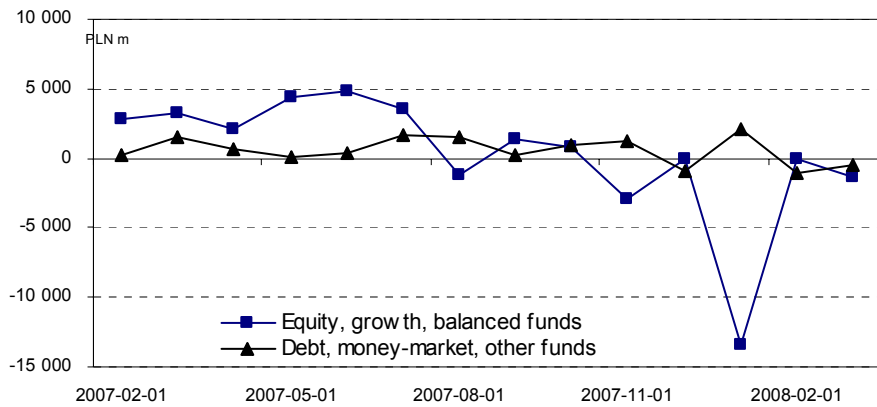
March was the fifth consecutive month of withdrawals for investment funds (TFI). Net outflows were higher than in February (PLN 1.9bn vs. PLN 1.1bn), but this time equity funds were the biggest losers (-PLN 1.4bn). Assets under management of TFIs stood at PLN 108.3bn at 31 March, i.e. 7.7% less than in the same month a year earlier.

OFE

Assets under management of pension funds expanded 2.6% m/m to PLN 138.1bn in March. The equity and debt components of the OFE portfolios stayed the same as in February (62.2% and 32.2% respectively).

In March, pension funds received PLN 2.1 billion from Social Insurance contributions, which was 2.5 times more than in the preceding month, making the highest payment since November 2006.

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

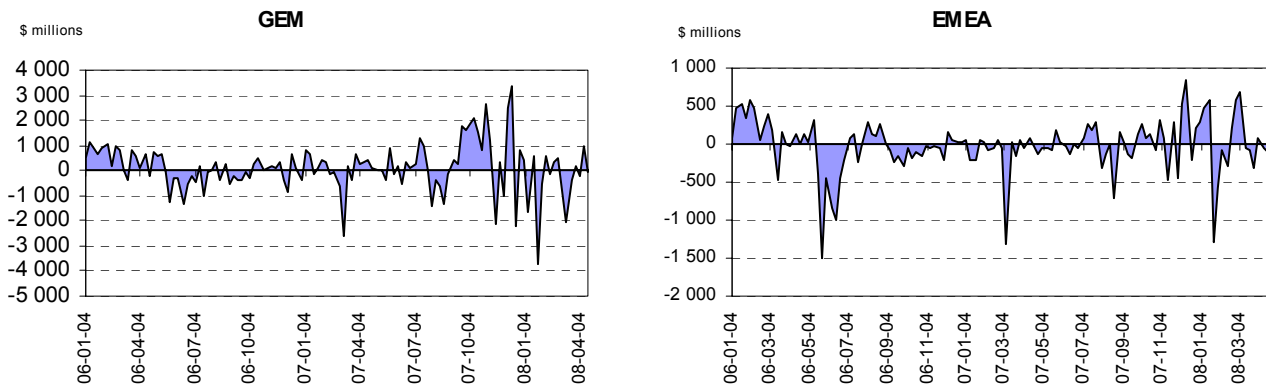


Source: Analyz Online

Emerging Market Funds

Emerging market funds had a successful three weeks in April, and most of them recorded considerable inflows. Asia and International funds were the biggest gainers in the period, garnering \$2.4bn and \$2.0bn respectively. In turn, EMEA funds, which include the CEE region, saw minor outflows (-\$66m).

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	Hold	7.30	2008-04-29
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	Buy	208.90	2008-04-29
CIECH	Buy	101.10	2008-04-09
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	Buy	42.88	2008-04-29
HANDLOWY	Buy	109.80	2008-04-01
ING BSK	Accumulate	562.50	2008-04-29
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	Buy	25.10	2008-04-29
LOTOS	Buy	46.00	2008-04-29
MACROLOGIC	Buy	59.50	2008-04-03
MILLENNIUM	Accumulate	8.44	2008-04-28
MONDI	Buy	76.40	2007-12-04
NETIA	Hold	4.00	2008-04-14
NOBLE BANK	Accumulate	11.40	2008-04-03
PEKAO	Buy	245.00	2008-01-24
PGF	Suspended		2007-10-16
PGNiG	Buy	5.53	2008-04-30
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	Accumulate	23.60	2008-04-14
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
BZWBK	Accumulate	Buy	208.90	2008-04-03
GTC	Accumulate	Buy	42.88	2008-04-03
HANDLOWY	Buy	Buy	109.80	2008-04-01
ING BSK	Hold	Accumulate	562.50	2008-04-03
KREDYT BANK	Accumulate	Buy	25.10	2008-04-03
MACROLOGIC	Buy	Accumulate	59.50	2008-04-03
MILLENNIUM	Accumulate	Accumulate	8.44	2008-04-28
NETIA	Hold	Hold	4.00	2008-04-14
NOBLE BANK	Accumulate	Buy	11.40	2008-04-03
TELEKOMUNIKACJA POLSKA	Accumulate	Hold	23.60	2008-04-14

Ratings changed as of 30 April 2008

Company	Rating	Old	Target Price	Date
ABG	Hold	Accumulate	7.30	2008-01-31
BZWBK	Buy	Accumulate	208.90	2008-03-04
GTC	Buy	Accumulate	42.88	2008-03-04
ING BSK	Accumulate	Hold	562.50	2008-03-04
Kredyt Bank	Buy	Accumulate	25.10	2008-03-04
LOTOS	Buy	Accumulate	46.00	2008-01-14
PGNiG	Buy	Accumulate	5.53	2008-03-11

Ratings Statistics

Statistics	All					Clients of BRE Bank Securities S.A.				
	Sell	Reduce	Hold	Accumulate	Buy	Sell	Reduce	Hold	Accumulate	Buy
count	0	0	9	11	19	0	0	3	5	6
% of total	0.0%	0.0%	23.1%	25.6%	51.3%	0.0%	0.0%	21.4%	28.6%	50.0%

Macroeconomics

After March, the annual inflation rate reached 4.1%. When regulated prices go up in April and May, the rate is likely to go up to ca. 4.5%, and the pre-harvest food price hikes will add a further 0.4-0.5%. According to the market consensus, after peaking in August the inflation rate will start to go down in the second half of the year towards 4.1% at year end, mostly due to a high base effect. There is, however, a significant risk that this scenario will not play out, as it is based on several assumptions that may not necessarily prove valid: first, that salaries will gradually decelerate; second, that the zloty will be strong, perhaps even stronger than today; third, that the effects of supply shocks will pass. Another scenario, however, is that salaries will continue to grow at double-digit levels in the next three quarters, that the zloty will approach 3.50 per euro rather than 3.30, that food prices will follow the world trends, increasing by 10% rather than 7% y/y and that energy prices will grow at double-digit rates. In that case, inflation might not decrease significantly in the second half of the year. This would send the year-average CPI to 4.5-4.6% vs. the 3.9% consensus and slow down the GDP, initially to 4.5%.

Given these risks, the Monetary Policy Council faces a very difficult task. Opinions are being voiced by the Council members and others that inflation is independent of the Council's actions in 60-80% (supply-side shocks from high fuel and food prices, as well as from the increases of regulated prices). According to this view, interest rate hikes targeted at the much less important demand side are inadequate, costly and poorly motivated, because salary growth does not translate into consumption growth, which means that it does not boost inflation via high domestic demand. In fact, such an interpretation of the macroeconomic situation encourages those in charge of the monetary policy to tolerate negative real interest rates, which creates a danger that the economy will fall into more serious trouble.

What generates inflation are goods that are not internationally traded, and this is the only area that the domestic monetary policy may affect. At the end of last year, there were merely hints of trouble brewing; today, although the final data from the Central Statistical Office have not yet been released, there are clear reasons to worry. For some elements in this part of the basket, inflation is exceeding 6%. Fuelled in the first half of this year by salary increases, tax-wedge reduction and the legally-mandated indexation, with the decrease of the PIT rates set to provide another stimulus at the start of next year, the growing domestic demand will thus also affect goods and services which are not internationally traded.

With inflation at high levels, the government will not so much attempt to push through reforms that strengthen the supply side as strive to prevent public finances from being destroyed, which appears unavoidable given the unfailingly inflationary nature of budgetary expenditures. In real terms, these expenditures in 2009-10 must not grow by more than 3%. A high inflation rate would not only destroy the reputation of the central bank, but it would also hinder the government in its plans of reforming the labor market and the public finances.

For the zloty, the key factor is currently the EUR/USD exchange rate as well as 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 EUR/USD rate towards the critical level of 1.60. The movement towards a 2.30 PLN/USD exchange rate was in turn accompanied by a reversal of the trend on the USD/EUR rate towards 1.50. Given that the EBC does not appear willing to cut interest rates in the first half of the year, while the Fed funds rate is expected to be cut to 1.25%, in the near future the USD/EUR rate should remain in the 1.57-1.63 bracket. A reversal of this trend and a strengthening of the dollar will not come until the central banks intervene in the FX market in a coordinated way. For this to happen, however, we need to wait until the euro strengthens against the dollar to at least 1.65. In the short term, i.e. not longer than the next two quarters, the zloty should remain in the 3.43-3.55 bracket vs. the euro and 2.15-2.25 vs. the dollar. This is not, however, a return to a lasting upwards trend. After the trend on the EUR/USD rate changes, GDP growth slows down to 4.5%, the year-average inflation increases to ca. 4% and the C/A deficit to over 6% of GDP, the zloty will start to weaken, especially towards the dollar. Towards the end of the year, it will return to the levels of 3.55 per euro and 2.40 per dollar.

The long end of the yield curve is still pricing in not just the high inflation rate, but also non-convergence with the euro zone (a delay in the acceptance of the euro until after 2012). The expectations that the repo rate will be increased to 6.50%, which revived in February, did not cause the curve to flatten, but to shift upwards along its length. Given the excellent execution of the budget after Q1, with a PLN 3bn surplus, the mood in the market must be described as rather poor. 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 and the growing fears that the macroeconomic situation will worsen and that reforms strengthening the supply side will be stymied.

Financial Sector

Pengab up 4.4pts to 42.1pts.

The banking industry sentiment gauge increased by 4.4 pts in April, reaching 42.1 pts. The bankers' assessment of the current situation improved by 5.4 pts, while their forecasts improved by 3.4 pts. The general financial climate indicator (WOKKB) grew in April vs. March by 7.2 pts to 52.2 pts. 48% of bank branches surveyed indicated an improvement in their general financial standing, and only 4% reported a deterioration. 61% expect the situation to improve, 1% to worsen. According to Pentor, loan interest rates stayed flat through April at 35% of branches surveyed, increasing at 64% locations. 29% of respondents expect loan prices to remain unchanged, and 70% expect an increase. This is the highest reading since the start of the year. Pengab reached a higher level in April 2007 (at 44.1 pts), and afterwards it declined. Since the beginning of 2005, there were only three occasions when the index was higher. This could indicate a springtime revival at bank branches.

GUS: In 2007, net earnings of the banking sector increased by PLN 28.5%, reaching PLN 13.7bn

Pre-tax earnings increased by 29.2% y/y, reaching PLN 16.8bn. Pre-tax return and net return were 13.5% and 11%, respectively, vs. 13.5% and 11.1% in 2006. Operating revenues were PLN 124.9bn, i.e. they increased by 29.4% y/y. The total revenues of the commercial banks amounted to PLN 120.6bn. Income from banking operations increased by 32.1%, to PLN 113bn. This amount comprised mostly revenues from financing and FX operations (PLN 55bn, +44% y/y), interest (PLN 43bn, +23% y/y) and fees (PLN 14bn, +24%). Costs of banking operations were PLN 108bn, which is 29.3% more than in 2006. 2007 was a great year for banks. We are expecting volumes to continue growing this year, but due to the poor sentiment in equity markets, which results in net outflows from investment funds and decreased stock market turnover, as well as to the rapidly expanding costs, we believe that net income will grow at a much slower pace.

Volumes

In Q1'08, total household deposits increased by PLN 22bn, of which PLN 4bn came in March. This is almost five times as much as in Q1'07. The increase can be attributed to interest rate hikes, which bring about ever more attractive offers of savings account and term deposits, and to the weak stock market. During the same period, corporate deposits decreased by PLN 10bn. Compared to March 2007, deposits increased by only 6.1%. Households loans increased at the same pace as before (+37% y/y in volumes), as did corporate loans (portfolio up by 25% y/y). Economists believe that later in the year household loans will slow down. The loans to deposits ratio remained largely stable vs. the previous months (103% vs. 101–102%). Growth rates remain at their levels from the end of February. We are also expecting loan sales to slow down later in the year, even just because the comparison base is going up. At present, total loans are growing by 29.5%, with household and corporate loans increasing by 32% y/y. Our assumption for loan sales growth during the year are 20–25%. Corporate deposits keep decreasing month-on-month. Such a decrease in January is normal, but in February or March the portfolio usually picks up. Perhaps the companies are investing a lot, using not just loans, but also the savings they have accumulated in bank deposits.

Mortgage loan portfolio

In March, the portfolio increased by PLN 5.79bn, compared to under PLN 1.5bn in February and PLN 5.8bn in January. CHF-denominated loans increased the most (PLN 3.9bn in March), vs. only PLN 1.9bn for zloty-denominated ones. A revival can indeed be seen in the March data, especially as far as zloty-denominated loans are concerned (in January, the portfolio of PLN-denominated mortgage loans increased by PLN 928m and in February by under PLN 800m). In the case of foreign-currency loans, exchange rates matter a lot. CHF is the main foreign currency used for mortgage loans. In January, PLN weakened by over 4%, inflating the CHF-denominated mortgage loan portfolio. In February it strengthened by over 2%, which artificially dampened the portfolio growth. In March, on the other hand, we saw PLN weaken by over 1.5%, which again boosted the portfolio. Given these F/X fluctuations, it is difficult to estimate current sales. There are nonetheless two clear trends in the market: CHF-denominated loans are gaining popularity and sales are picking up with the onset of the spring. We have already passed the low point of mortgage sales.

Cost of the euro for the banking sector

According to an analysis conducted by the National Bank of Poland, the introduction of the euro will cost the Polish banking sector ca. PLN 4bn. Of that amount, PLN 1.66bn would have to be invested in IT changes, while PLN 2.1bn will be lost as zloty-euro transactions are eliminated. Indeed, the euro will entail additional expenses, and banks will lose F/X income. We do not know, however, the underlying assumptions of this analysis. For example, we do not know whether the analysis assumes that the entire business of currency exchange (e.g. USD/EUR)

will be taken over by international institutions (the strategic investors in our banks). Nor do we know how the additional expenses on IT systems were estimated. Banks are continuously upgrading their IT systems; it is therefore possible that, maintenance expenses excluded, they would have to spend less. The loss of F/X revenues is the biggest threat; IT expenses are a one-off.

Car loans: sales volume increases 30% y/y

In Q1'08, the 11 banks that dominate the car loan market sold PLN 1.67bn worth of car loans, i.e. 30% more than a year earlier (PLN 1.023bn). Getin Bank is still in the lead (PLN 411.8m), followed by Santander Consumer Bank (PLN 372m), GE Money Bank (PLN 250.1m), Volkswagen Bank (PLN 176.7m), Fiat Bank Polska (PLN 128.8m) and others. Another indication of positive trends in the consumer finance segment. Many people buy cars with ordinary cash loans. Good news for Getin Bank. The large growth in car loan sales should offset the slightly worse mortgage sales at Dom Bank.

Leasing: PLN 8.3bn in Q1'08 sales for the Polish Leasing Union

The market increased by 18% y/y, which is a much slower growth rate than before. In Q1'07, year-on-year growth exceeded 80%. The base was very low at that time. Moreover, the Polish Leasing Union has changed its data collection methodology. Members of the Union are only allowed to report data concerning objects that have been transferred to the customer. Previously, all the agreements signed were taken into account in the data. The leasing companies also say that the investors are less active. Non-property leasing after Q1'08 amounted to PLN 7.8bn (+25% y/y). The growth was slightly faster for machinery and equipment (+29% y/y, PLN 2.3bn) than for cars (+22% y/y, to PLN 5.1bn). Property leasing decreased by 35% y/y, to slightly over PLN 0.5bn. Growth is stumped by the high comparison base, which is hardly surprising.

Higher turnover for factoring companies

The factoring segment continues to grow. In the first quarter, the member companies of the Polish Factoring Union bought PLN 7.3bn of invoices, which is 88% more than a year earlier. There also got reshuffled as regards the position they occupy in the market. This year, ING Commercial Finance is the leader, with a 43% market share, followed by Pekao Factoring (17%), Polfactor (11%), GMAC Commercial Finance (8%). In total, there are 8 companies in the Union. This is good news for banks with exposure to corporate clients. Companies are using banking services and products more and more. ING CF is not a subsidiary of ING BSK.

Rabobank has the approval to exercise over 50% of votes at the BGŻ general meeting

The 50% threshold was exceeded when Rabobank purchased 12.87% of BGŻ shares from the EBRD, after receiving approval to do so. As a result of the transaction, whose value has not been disclosed, Rabobank has a 59.35% share in BGŻ. According to the BGŻ CEO Jacek Bartkiewicz, the increased involvement of the Dutch shareholder will allow the Bank's standing in the financial market to be strengthened. In August 2007, shareholders voted in favor of a public offering, which should take place in H1 2008, and not later than the end of Q3'08. In January, the deputy Minister of the Treasury said the Treasury hoped that the stock market debut of BGŻ would take place in mid-2008. The ministry wants to sell all the shares it has (37.32%) through a public offering. It is a good development that one industry investor will hold a majority package. This has, however, already been announced, together with the decision to float the bank on the stock market. We are awaiting details and a possible date for the debut.

Agencies is the way to go

Banks may open as many as 700 franchise points this year (vs. 400 created last year). At year-end 2006, the BZ WBK partner network (minibank) consisted of 3 branches, at year-end 2007 there were 29 of them and 120 will be opened this year. Eurobank's first agency opened in March 2007, there were 50 of them a year later and 140 are expected to be in place at the end of 2008. GE Money Bank, Getin Bank and AIG Bank also want to strengthen and deepen their cooperation with franchisers. In contrast to the smaller banks, PKO BP's and Pekao's agency networks shrunk last year. The former is systematically cutting the number of agents. However, it has also announced that a new network of franchise-based branches will be created, which is going to resemble the Bank's own branches in terms of services and products offered. The target for 2012 is 800 branches, but only 20% of the current agents will join the new network. Last year, Pekao lost several hundred agents. Even though when it took over the lion's share of BPH it also took over 440 franchise-based branches, it is now down to approximately 100. BPH agents have opted to go to other banks. According to the banks' plans, 500–700 franchise-based branches should be opened this year, much more than in preceding years. This means that it will be increasingly difficult not only to find appropriate locations, but interested franchisers as well. It is a cheap method of bank branch expansion, used in particular to enter smaller towns. Banks have been leaning this way for several years.

S. Kluzka on the stability of the banking sector

Stanisław Kluzka believes that developments in the foreign markets will not have a direct impact on the liquidity and solvency of the Polish banking sector. He said that the Financial Supervision Authority encourages financial institutions to retain their 2007 earnings to the extent possible. This is not, however, a formal regulation. Retaining the earnings is the simplest form of capital injection. According to Mr. Kluzka, there is no subprime risk in Poland, because Polish banks do not grant such loans. He believes that a challenge to the Polish banks would be a slowdown in the Polish economy, should it occur. We concur. This year, the bank's cut their dividend payout ratios.

Polbank wants to enter the top 5 by 2012

Polbank EFG, which is a branch of the Greek EFG Eurobank, has plans to become one of the top 5 banks in Poland asset-wise. At present, it is in the 21st position. The CEO said that at the end of 2007, the Bank's retail loan portfolio was PLN 5.8bn, and the retail deposit portfolio was PLN 2.2bn. At the end of 2007, there were 259 branches, including 114 franchise-based ones. Since the launch of its operations in the Polish market in mid-February 2006, Polbank EFG has acquired 300,000 customers. The competitors of the WSE-listed banks are quite active. Whether Polbank EFG succeeds in its attempt to join the top five depends on how fast the competition will be growing. A PLN 5.8bn loan portfolio within two years of launch under a previously unknown brand is a major success, but the question remains whether Polbank EFG will be able to maintain such a growth rate (one obstacle may be the flat sales of mortgage loans).

Another financial broker

A new financial broker, Finamo, is to enter the market. It will focus on loan sales. It will be set up by Hexagon, a company that already owns investment funds and a private equity firm. Up to PLN 100m may be invested. The new project will be run by the managers who set up Polbank, a branch of the Greek EFG Eurobank. Competition is getting fiercer. However, with the stagnating sales of mortgage loans, which are the key product sold by brokers in Poland, and with the dampened demand for investment products, the market is getting tougher. Only the biggest and the strongest will survive. Smaller players may be taken over. In the long term, growth prospects are still good.

Alior Bank – Carlo Tassara's new bank

The Financial Supervision authority yesterday approved the creation of this new bank. The Bank, set to be launched in the second half of 2008, is supposed to have 100 branches by the end of the year. It will begin operations with 80 branches, each of which is to break even in three years. In addition to retail branches, the bank will open eight corporate centers. The target is 200 branches and 400 agencies. Most locations for the 80 branches have already been rented and at present remodeling work is being done. 270 people have been hired and 300-400 people are being recruited. The bank hopes to gain a 2-4% market share within three years and to win approximately 1m customers. It will begin operations with a full retail offer, including investment products. As soon as it is registered in the National Court Register, it will apply for a brokerage license. Mr. Sobieraj said that the bank will be offering mortgage loans, including foreign-currency denominated ones. The Bank's equity is PLN 1.5bn and further financing might be sought in the future. Serious competition coming in 2009. However, in the first few quarters of the year it will not be able to sell enough to affect the volumes of the listed banks. For now, this is a competitor in the hunt for experienced staff.

Bank securities

These debt instruments are similar to bonds. Pekao is planning to issue them, and BPH and one more bank may follow suit. Another stock market product. Until now, they were traded outside the regulated market, placed directly to corporations. Their advantage vs. deposits is that selling them before maturity does not cause interest to be lost. Banks could quickly and easily obtain large funds to finance loans. We are awaiting first offerings to estimate the real interest in the product. It could provide a liquidity boost to the sector.

Credit and debit card transactions up to PLN 72.15bn in Q4'07

A year earlier, these transactions totaled PLN 60.4bn. At the end of December, there were 26.496m cards in circulation, i.e. +2.26% q/q, vs. 23.848m at the end of Q4'06. The number of cash and non-cash transactions increased to 288.47m, from 243m a year earlier. The data reflect the increasing activity on the part of the banks' customers. This development has already been reflected in the results for Q4'07.

BPH – KNF approval to come in May

According to *Parkiet*, in May the Financial Supervision Authority (KNF) will approve GE Money's purchase of up to 66% of shares in BPH. This will allow the deal GE and the Italian UniCredit signed last August to be finalized. KNF did take its time, given that the approval was initially expected in Q1'08. This is almost a 3 month delay. For the minority shareholders at BPH, it is

an important decision. We believe GE will not show its cards or reveal its plans for the future until the KNF grants its approval and the transaction has been finalized.

BPH – Board appointment

The Supervisory Board appointed Mr. Piotr Królikowski deputy CEO in charge of the retail division. Mr. Królikowski has many years of experience in banking. Starting in July 2006, he was employed at Deutsche Bank PBC, where he led the consumer finance division, and in May 2007 he was appointed to the Board of Deutsche Bank PBC, where he was in charge of db kredyt. A good appointment. It is however overshadowed by the expectations of the KNF's approval for GE's takeover of a 55% share in BPH.

BPH – The Treasury Ministry to sell the remaining shares (3.68%)

The sale will be either through the stock market or to the new strategic investor, GE Money. We believe the Ministry will have to wait if the latter is to happen. GE Money could be interested in purchasing these shares, but by buying them it would exceed the 66% threshold and it would have to make a tender offer for the remaining ones. We believe this will not happen before the takeover of BPH shares by GE has been finalized and GE's new strategy for the Bank has been made public.

BPH – No dividends from 2007 profits

The Management will recommend that no dividends be paid on 2007 profits, arguing that the Bank's business has shrunk after the division and that there is a pressing need to boost equity in order to pursue the ambitious growth plans for the current year, which require significant expenses. Coupled with the ca. PLN 50m that the strategic investor, GE Money, promised to invest in Poland in 2008, these retained earnings will provide important support for the Bank in the pursuit of its growth strategy. This decision could have been expected.

BPH – 400 corporate clients

Józef Wancer, the CEO, is surprised with such fast growth of the client base. They are all companies with over PLN 15m in annual revenues. BPH is planning to open 10 corporate centers serving 1000 clients by the end of 2008. The plans for this year also include 30-50 retail branches. With the corporate segment at BPH being rebuilt so fast at such an early stage, Pekao has reasons to worry. BPH will in the first place reach out to its former clients who are attached to its brand and standard of service.

Getin Holding – L. Czarnecki is not planning to sell Getin Holding

Leszek Czarnecki denied the rumors that he had plans to sell Getin Holding. He also said there will be further acquisitions, including abroad. The recent takeover of a share in the Polonia Net brokerage house is not the last such occasion this year. Mr. Czarnecki admits that it is a part of a much bigger project. We are awaiting further information on acquisitions.

Getin Holding – Getin International hopes to raise PLN 250m through a share offering

GI, the Company that is taking over the GH's foreign assets, is planning to gain PLN 250m from a share offering, which is expected in Q3'08. The offering is supposed to double GI's equity and to reduce GH shareholding to under 50%. An acquisition of a Russian bank by Getin International will be delayed by at least one year. If an opportunity arises, however, it will be pursued; if necessary, the share offering could be expanded. This is not news. We are awaiting further information.

Getin Holding – If Fiolet merges with PDK, player no. 3 will arise

Fiolet specializes in mortgage loan sales (as DOM Bank's distribution channel). Last year, it sold loans totaling PLN 1.4bn (PLN 995m in mortgage loans, the rest in cash loans). PDK in turn sold PLN 930m worth of loans (PLN 442m in mortgages, car loans, PLN 423m in car loans, PLN 58m in cash loans). PDK's target is no less than PLN 530m in car loans, but according to the Company's representatives, with the market booming as it is now, it should be possible to exceed PLN 600m. If the two Companies merged, they would have the most powerful distribution network of all the financial brokers. Fiolet, after last year's takeover of Getin Rata, has 100 branches and 1,800 partners. PDK has 115 offices and 2,500 partners. It is focusing more and more on the Internet, where 25-30% of its sales happen. The new company would likely have the broadest offer in the market, with mortgages, car loans, credit cards, cash loans and investment products. At present, however, both companies are a distribution channel for Getin Holding companies, especially Getin Bank. Until now, they have not generated significant standalone revenues. GH used them to distribute its products, as a result of which the success of their sales effort was mostly seen in the quickly growing GB volumes. A merger will be cost-optimizing, enabling centralized advertising and the use of one of the companies' networks to sell the products of another (e.g. car loans, which only PDK has on offer).

Getin Holding – Loan sales at DomBank in Q1'08 reach PLN 653m

This is slightly less than last year (PLN 692m). DomBank's target for FY2008 is a 15% increase y/y (from PLN 3.1bn to PLN 3.57bn). The Bank's representatives have said that the customers' interest in mortgages is picking up and that the market should rebound in the spring. At present, the average mortgage loan granted by the bank is ca. PLN 225k. Most of the loans are CHF-denominated (98% of the current sales). Almost half of the sales are carried out in its 38 branches, the rest being sold by unrelated brokers. The CEO said that the Bank wants its network to expand at a faster rate. (The plan so far has been to open 10 new branches by the end of the year). Other Banks are seeing similar trends in their mortgage sales. This will certainly not be the best quarter as regards sales growth, with the exception of a few players who did not have a strong position in the market one year ago. GH sells mortgages, but also cash and car loans. In addition to DomBank, loans are sold by Noble Bank, Getin International and TU Europa. As the oldest entity in the holding, Getin Bank will grow at the slowest rate (its business is already big).

Getin Holding – Car loan sales

In Q1'08, Getin Bank sold PLN 411.8m worth of car loans (+51% y/y). At the end of March 2008, the total car loan portfolio stood at PLN 2.42bn, vs. PLN 1.67bn a year earlier (+45% y/y). The data was announced yesterday. Within the past year, Getin Holding saw its consumer finance division grow very strongly. This will to a large extent offset the weaker sales of mortgage loans and investment products.

Getin Holding – Shares taken up in a new Ukrainian subsidiary, Gwarant Plus

Akcept and its subsidiary Plus Bank took up shares in the newly created Gwarant Plus Ukraina. Its share capital is UAH 3.28m (PLN 1.43m). Akcept took up shares with nominal value of UAH 3.279m (PLN 1.428m), comprising 99.9% of the share capital, and Plus Bank took up a 0.1% share with nominal value of UAH 3282.5 (PLN 1430), comprising 0.1% of the share capital. The new company's business areas will include guarantees, factoring, financial leasing, financial funds transfer, asset management and loans granted from its own funds. We are waiting to see businesses to the east of Poland grow. So far, the company is setting up multiple subsidiaries, which are just launching their operations.

Getin Holding – Subsidiary Panorama Finansów formed

GH took up 500 registered shares with face value totaling PLN 0.5m, comprising 100% of the share capital of the newly created company. Another investment, at present without impact on earnings.



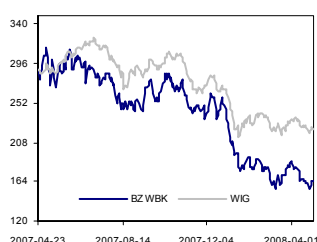
BZ WBK (Buy)

Current price: PLN 163.9 Target price: PLN 208.9

Analyst: Marta Jeżewska

Last Recommendation: 2008-04-30

(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)	11 958.2
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 income	1 084.1	1 395.2	28.7%	1 619.1	16.0%	1 867.3	15.3%		
Pre-tax income	1 065.5	1 391.4	30.6%	1 485.1	6.7%	1 705.0	14.8%		
Net income	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	-11.2%
P/E	15.8	12.5		11.6		10.0		Price change: 6 month	-39.3%
P/BV	3.0	2.8		2.5		2.1		Price change: 12 month	-43.5%
D/PS	6.0	6.0		3.0		4.3		Max (52 week)	315.3
Dyield (%)	3.7	3.7		1.8		2.6		Min (52 week)	155.3



BZ WBK's Q1 earnings are affected by the situation in the equity markets and by the expanding costs. At PLN 19.8bn, the average assets in Q1 were 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 the distribution of shares in investment funds. Stock turnover at the brokerage house decreased vs. Q1'07, but remained stable vs. Q4'07. For Q1'08, the Bank had planned investments in network expansion, as a result of which total expenses might have continued growing at over 20%. In the first quarter, the Bank's earnings will decrease year-on-year, due to pressure from the expanding costs coupled with the limited likelihood that subsidiaries operating in capital markets will increase their revenues. We do expect an improvement on the last quarter of 2007, due to lower expenses. If our Q1'08 forecast of PLN 248m in net income is met, our FY net income forecast of PLN 1035 net income will prove realistic. At present, the Bank is trading at '08P/E of 11.6, i.e. with an over 11% discount to the other banks we cover. We are upgrading our rating from accumulate to buy.

The best time to acquire wealthy customers

In an interview for *Rzeczpospolita*, BZ WBK CEO M. Morawiecki said that the bank will attempt to attract the wealthiest customers. He believes the time is ripe for that, as the segment is already large enough. Moreover, the number of BZ WBK customers with at least PLN 1m in assets is increasing. The Bank would like not to miss its chance, as Western European and US potentates might invade the Polish market within a few years. According to the CEO, within four years private banking will become the fourth pillar of the Bank's business (in addition to retail, corporate and asset management). It could generate over 10% of BZ WBK's revenues. BZ WBK is planning to hire 10 advisors this year, with the number growing to 20–25 next year. The Bank had already revealed its private banking plans late last year. We are awaiting products and sales results.

BZ WBK to be in control of AIB's CEE operations

BZ WBK CEO, M. Morawiecki, said that AIB, which is the Bank's strategic investor, has plans to make it largely responsible for its operations in the region. AIB has recently acquired a mortgage broker operating in the Baltic states (Lithuania, Latvia and Estonia), AmCredit, for EUR 40m. It has also bought a 49.99% share in the SME-oriented Bulgarian American Credit Bank for EUR 216m. In the Baltics, the Polish IT platform for retail banking will probably be employed. BZ WBK is also supposed to support business growth in these countries. Moreover, AIB is holding talks concerning a takeover of a large Ukrainian bank, and BZ WBK is taking part in this operation. After the purchase, it will have a say in managing that business. In fact, capital investment within a few years is possible. According to *Parkiet*, Rodowid Bank may be the target. In January 2008, it was among banks ranked 11–20, with assets of PLN 5bn. The price could be EUR 450m. For now, this is mostly a matter of prestige and BZ WBK will bear consulting costs. It should, however, get some revenues as well, e.g. from the outsourcing of the IT system. We believe that the initial costs will be small and that AIB's participation is boosting the Bank's chances of a success in the region. If capital investment comes to pass, CEE operations could become another pillar of BZ WBK's business.



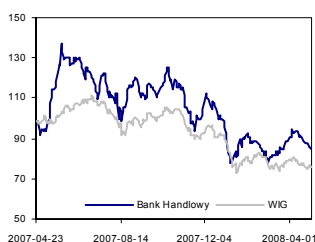
Handlowy (Buy)

Current price: PLN 85 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)	11 106.1
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 income	801.8	995.1	24.1%	1 255.4	26.2%	1 419.7	13.1%		
Pre-tax income	832.1	1 041.6	25.2%	1 255.4	20.5%	1 334.7	6.3%		
Net income	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	-4.2%
P/E	16.9	13.4		10.9		10.3		Price change: 6 month	-26.3%
P/BV	2.1	2.0		1.9		1.8		Price change: 12 month	-9.0%
D/PS	3.6	4.1		5.3		6.5		Max (52 week)	137.5
Dyield (%)	4.2	4.8		6.2		7.6		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%. Further, the bank has an ambition to acquire 1 million 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%). The Q1'08 net income forecast of PLN 171m assumes that a restructuring reserve of PLN 40m will be created for the planned layoffs. Net income in Q1'08 will be lower than a year ago (PLN 197m), but in terms of recurrent revenues and costs there will be a significant improvement. Last year, earnings were boosted by the sale of shares (ca. PLN 7m) and by net provision releases of PLN 20m. This year we are assuming zero balance of provisions, no gains from the sale of shares and the restructuring reserve. Adjusted for one-offs, operating income before provisions would be 13% higher y/y, and pre-tax income 24% y/y. In addition to the earnings growth the Management has promised, an investment in Bank Handlowy stock gives access to attractive dividends of PLN 5.26 per share, which at the current share prices entails gross yield of 6.2%. We are reiterating a buy recommendation.

Layoffs to boost effectiveness

The rumors that Bank Handlowy was preparing mass layoffs proved true to an extent – the bank has just started negotiations with trade unions on laying off 490 staff in the next three months. At the same time, however, the bank's CEO is talking about creating 390 new jobs. 570 staff are scheduled to leave voluntarily.

New targets for the medium-term

Bank Handlowy has an ambition to be the fourth in retail banking revenues (it is currently ranked 7th), and move to the top three (from 5th place) of biggest corporate-banking earners. The cross-sales ratio is to increase from 1.3 to 2.5 products per customer. The bank is going to work to increase its market share in deposits from 2% to 4%. The upcoming changes are a part of Citi's global business revival plan, and Citi's full support is guaranteed. The layoffs will carry certain costs with them, but in the long-term, a more sales-oriented bank is more likely to succeed. The new strategic objectives are very ambitious but, as other banks have demonstrated, feasible.

Rating outlook changed from stable to negative

Moody's changed the outlook for the long-term rating of Bank Handlowy's local currency deposits from stable to negative. At present, the rating is at "Aa3". We are waiting to hear the rationale for this change. It can have been caused by the problems affecting the main shareholder.



ING BSK (Accumulate)

Current price: PLN 495.5 Target price: PLN 562.5

Analyst: Marta Jeżewska

Last Recommendation: 2008-04-30

(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)	6 446.5
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 income	547.6	639.1	16.7%	704.6	10.2%	856.5	21.6%		
Pre-tax income	753.3	787.7	4.6%	663.1	-15.8%	803.0	21.1%		
Net income	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	-6.5%
P/E	10.9	10.2		12.2		10.0		Price change: 6 month	-44.3%
P/BV	1.7	1.7		1.4		1.3		Price change: 12 month	-39.4%
D/PS	27.5	27.9		0.0		8.1		Max (52 w eek)	1 075.0
Dyield (%)	5.5	5.6		0.0		1.6		Min (52 w eek)	494.0



The Bank's Q4'07 results are much below our expectations, mostly due to the negative valuation of derivatives hedging its debt portfolio. The growing interest rates in the market could have a negative impact on the Bank's trading income, with outflows from investment funds putting a squeeze on fee income. The Management did change its mind as regards dividends. At the annual meeting, shareholders approved the proposal to pay out 25% of 2007 profits, which entails PLN 11.7 DPS. The CEO said that this decision may force the Bank to seek a subordinated loan. To a large extent, these factors have already been priced in. Since our last monthly report published on April 3, the ING BSK share price fell by 8%. We are upgrading our rating from hold to accumulate.

A subordinated loan is being considered

The CEO believes that the Bank is likely to take a subordinated loan, given the fact that it has decided to pay dividends on last year's profits. In some circumstances, the planned dividends (PLN 11.7 per share, 25% of 2007 earnings) may force the bank to take such a loan this year. The CEO believes that there is an over 50% chance that this will happen. On Thursday, the Bank's representatives confirmed press speculations that the Bank will soon start giving out CHF-denominated mortgage loans, changing its policy of only granting zloty-denominated loans. According to Mr. Bartkiewicz, although the mortgage loan market did slow down, since February it has started accelerating again, and the low point is already behind us. This could have been expected. Given the growing interest rates, the Bank may see losses on debt revaluation through the revaluation reserve. In expectation of large loans to its biggest corporate clients, ING BSK will be taking out subordinated loans. From the point of view of a minority shareholder, a subordinated loan is a cheaper source of financing than equity.

Supervisory Board changes

At the general meeting, the shareholders accepted the resignations of Messrs. Marc van der Ploeg and Ignace van Waesberghe from their Supervisory Board posts. Messrs. Nicolaas Cornelis Jue and Tom Kliphuis were appointed to replace them.



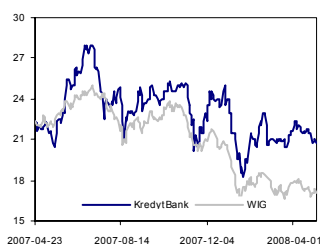
Kredyt Bank (Buy)

Current price: PLN 20.7 Target price: PLN 25.1

Analyst: Marta Jeżewska

Last Recommendation: 2008-04-30

(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)	5 615.2
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 income	439.8	470.4	7.0%	544.4	15.7%	702.5	29.0%		
Pre-tax income	460.6	502.0	9.0%	454.4	-9.5%	593.1	30.5%		
Net income	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	-4.3%
P/E	12.0	14.4		15.3		11.7		Price change: 6 month	-17.0%
P/BV	2.7	2.5		2.2		1.9		Price change: 12 month	-5.6%
D/PS	0.2	0.4		0.5		0.6		Max (52 week)	28.0
Dyield (%)	1.1	1.8		2.5		2.9		Min (52 week)	18.2



The solid Q4 earnings and the good news coming from Kredyt Bank (concerning in particular the sales targets of its subsidiary, Żagiel) have strengthened our conviction that the Banks' operating income before provisions will be consistently improving. 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. However, one-offs are not there (i.e., we believe that collections and bad debt sales will be drying out as a source of revenue in 2008). As a result, the FY2008 net income and ROE will decrease. In the subsequent years, however, net income should improve significantly, due to the moderate base. We think the news that has been coming from Kredyt Bank during the past month was good news. Given the price decline, we are upgrading our rating from accumulate to buy.

Loans to increase

This year, the loan portfolio is to grow 30–40% (ca. 15% for corporate loans). At the end of 2007, the loan portfolio stood at PLN 17.6bn, of which PLN 9.6bn were in the retail segment and PLN 8bn in the corporate segment. These targets are in line with our forecasts. Given the structure of the portfolio, such growth should boost the volume of loans by 23–28% in 2008.

Changes at the Board

The Supervisory Board set the number of members at 5 and appointed Ms. Lidia Jabłonowska-Luba deputy CEO in charge of finances and risk. Investors know Ms. Lidia Jabłonowska-Luba very well. She transferred from Bank Handlowy, where she was also in charge of finances.

In Q1'08, mortgage loan sales grew by over 75% y/y

In Q1'07, mortgage loan sales totaled PLN 532.2m. With an increase of over 75% y/y, the minimum total amount of mortgages sold is PLN 931.8m. The Bank may not reach PLN 1bn in this quarter. We believe, however, that given the current situation in the market, such sales will boost the Bank's market share, allowing it to continue the trends observed since H2'07. Our Q1'08 forecast was PLN 900m. Neutral as regards our forecasts. We expect ca. PLN 4bn in mortgage loan sales during the entire year.

Q1'08 earnings much better than last year

Maciej Bardan, the new CEO of Kredyt Bank, estimates that Q1'08 will be a significant improvement on Q1'07, thanks to increased mortgage and cash loans sales, but also to achievements on the deposit side. There had already been harbingers of strong sales in previous statements by the Bank's representatives and by the strategic investor. We predict that the Bank's Q1'08 net earnings will be PLN 85m, i.e. 7% more than last year. This low growth rate is due to the fact that we are not assuming that the Bank will be selling debt (in Q1'07, this alone brought PLN 8m) and to the provisions we assume (PLN 21m vs. practically zero last year). We are expecting a significant improvement as regards operating income before provisions (by 26%); if this comes to pass, it will be a positive signal. Our long-term outlook on the Bank will not be swayed by any released provisions, even though that will boost net income growth.



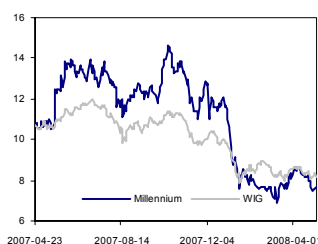
Millennium (Accumulate)

Current price: PLN 7.6 Target price: PLN 8.4

Analyst: Marta Jeżewska

Last Recommendation: 2008-04-28

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Net interest income	641.6	771.7	20.3%	967.9	25.4%	1 170.2	20.9%	Number of shares (m)	849.2
Interest margin	2.7%	2.8%		2.8%		2.7%		MC (current price)	6 479.3
Revenue f/banking oper.	1 253.0	1 648.2	31.5%	1 906.2	15.7%	2 216.7	16.3%	Free float	34.5%
Operating income	409.4	651.1	59.0%	714.7	9.8%	855.2	19.7%		
Pre-tax income	370.7	584.6	57.7%	613.8	5.0%	697.2	13.6%		
Net income	300.8	461.6	53.5%	487.3	5.6%	553.5	13.6%		
ROE	13.1%	19.5%		18.2%		18.2%		Price change: 1 month	-8.0%
P/E	21.5	14.0		13.3		11.7		Price change: 6 month	-44.8%
P/BV	2.9	2.6		2.3		2.0		Price change: 12 month	-27.7%
D/PS	0.5	0.2		0.2		0.2		Max (52 week)	14.6
Dyield (%)	7.1	2.2		2.5		2.6		Min (52 week)	6.9



At PLN 127m, Bank Millennium's Q1'08 net income was ahead of our forecasts of PLN 118m and the market expectations of PLN 112.5m. Although the Q1'08 earnings turned out to be very good both in terms of their structure and size, we believe it will be difficult to repeat this feat in the subsequent quarters, especially as regards the growth of operating income before provisions. We have lowered our forecasts for the subsequent years, due to: (1) lower forecasted revenues from equity markets, (2) lower forecasted loan portfolio, (3) pressure on margins from tight competition and increasing costs of financing, (4) higher forecasted levels of employment. We do stress, however, that our current projections are below the Bank's current targets, such as '09 ROE of 20% and C/I ratio of 55%. We believe that cost pressure and the declining equity market revenues will make it impossible for earnings to grow as fast as before. We recommend accumulating the stock in the long term.

New Board Member

The Supervisory Board appointed Mr. Piotr Romanowski to the Management Board of Bank Millennium. He had previously been a partner at the Warsaw office of McKinsey & Company, where he had been employed since 1998. He specializes in the banking sector, with a special focus on retail and corporate banking. The projects he had led in Poland and the CEE countries included strategy, process optimization, organization and the implementation of large turnaround programs. We approve of this appointment.

The C/I ratio will not fall below 60% in 2008; 55% target for 2009 reiterated

The CFO of Bank Millennium said that the cost/income ratio will not fall below 60% this year yet. The Bank did reiterate, however, the 55% target for this ratio in 2009, describing it as "ambitious". We forecast that the Bank will fail to achieve these targets, mostly due to the weaker sentiment in the capital markets and the significant cost expansion in the past two years due to the ongoing network expansion.



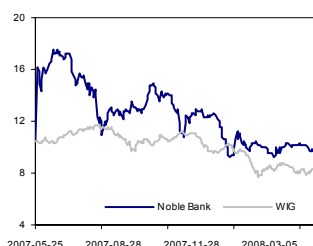
Noble Bank (Accumulate)

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)	2 166.8
Revenue f/banking oper.	97.3	244.5	151.3%	370.0	51.3%	493.8	33.5%	Free float	12.9%
Operating income	45.3	138.1	204.7%	224.0	62.2%	292.2	30.5%		
Pre-tax income	64.8	155.6		211.8	36.2%	263.2	24.3%		
Net income	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	-1.4%
P/E	38.3	17.1		13.2		10.7		Price change: 6 month	-36.0%
P/BV	8.1	4.0		3.1		2.4		Price change: 12 month	-2.0%
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)	9.3



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 mortgage loans a major risk factor as regards meeting our FY2008 forecasts. The overwhelming majority of the Bank's earnings come from these two segments. However, sales results of Open Finance in Q1'08, both as regards mortgage loans and investment products, suggest that the broker is improving its market standing. In this light, the Management's optimism on FY2008 earnings may prove well-founded. Our net income forecast for FY2008 implies an '08 P/E of 13.2, which is in line with the sector average of 13.0. However, in its early years it is normal for a company to outpace the sector. We are reiterating an accumulate recommendation



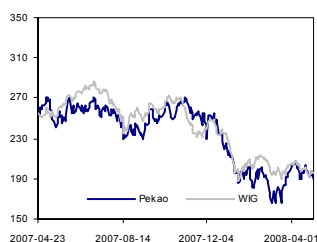
Pekao (Buy)

Current price: PLN 190.5 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)	49 923.6
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 income	2 335.2	2 635.2	12.8%	5 235.7	98.7%	6 026.7	15.1%		
Pre-tax income	2 203.8	2 610.7	18.5%	4 963.3	90.1%	5 704.7	14.9%		
Net income	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	-3.4%
P/E	17.7	15.4		12.4		10.8		Price change: 6 month	-28.7%
P/BV	3.6	3.4		3.1		2.9		Price change: 12 month	-26.2%
D/PS	7.4	9.0		9.6		12.3		Max (52 week)	271.7
Dyield (%)	3.9	4.7		5.0		6.4		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). This will be possible due to the recognition of revenue from the sale of a part of the CDM Pekao brokerage house, which will add estimated PLN 430m to pre-tax income and PLN 348m to net income. We are also expecting that the earnings will show significant merger-related expenses (ca. PLN 100m). The Bank's recurrent earnings are being squeezed by the weaker sentiment in the equity markets. The press is reporting on merger-related difficulties, usually basing this on customer complaints. No indications of trouble are coming from the Bank itself. We assume that, the merger completed, the Bank will find it easier to focus on improving customer service. In addition, when the operational merger has been completed, the possibility of cost synergies will arise, and the Management will be able to focus on sales to a greater extent. Moreover, dividends proposed by the Management (PLN 9.6 per share, with gross yield of 5.0%) will help the Bank's market valuation. We are reiterating a buy recommendation.

UOKiK to check on the mess at Pekao

The competition watchdog UOKiK will investigate whether transactions were being erroneously processed during the merger of Pekao SA and BPH, as data were being transferred from one IT system to another. UOKiK is also questioning changes introduced into some products that had previously been offered by BPH. The Office has received complaints suggesting that BPH customers may not have been fully informed about the consequences of their transfer to Pekao. If this is confirmed, UOKiK may start proceedings concerning the violation of consumer rights, carrying a possible penalty fine of up to 10% of last year's revenues. So far, we have not managed to obtain a comment from Pekao's press office. We are awaiting UOKiK's findings. Last year's revenues, i.e. Pekao's revenues for 11 months prior to the merger and post-merger December revenues, amounted to PLN 5.36bn. The penalty could therefore be as high as PLN 536m, which would have a very negative impact on the Bank's earnings. We do not know yet how long the investigation may last, and we do not know whether, should the penalty be imposed, it will indeed be equal to 10% of revenues or whether this number is merely a theoretical limit. Without doubt, a penalty like that will be harmful to the Bank's image, which has already suffered from customer complaints. A penalty could influence the way customers and investors perceive the bank.

Further problems with the merger

Parkiet describes the problems faced by customers who hold shares in investment funds. Customers from the BPH branches taken over have encountered the greatest problems; one of them waited over a month for his order to be processed. We do not know the scale of these problems. One dissatisfied customer does not entail problems for a bank with 5m customers. However, in the recent months the press has been reporting on Pekao's problems in the different product areas. If this continues, the Bank may start to lose clients.



PKO BP (Buy)

Current price: PLN 45.4 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)	45 400.0
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 income	2 705.8	3 661.5	35.3%	4 477.3	22.3%	5 521.0	23.3%		
Pre-tax income	2 701.5	3 609.2	33.6%	4 054.4	12.3%	5 008.3	23.5%		
Net income	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	0.9%
P/E	21.1	15.6		14.0		11.3		Price change: 6 month	-18.9%
P/BV	4.5	3.8		3.2		2.6		Price change: 12 month	-10.5%
D/PS	0.8	1.0		0.9		1.0		Max (52 week)	59.0
Dyield (%)	1.8	2.2		1.9		2.1		Min (52 week)	39.1



The departing CEO of PKO BP said in press interviews that the Bank's net income in Q1'08 could exceed PLN 1bn. We believe that it is a very ambitious target if just the recurrent earnings are to be taken into consideration. Our own forecast for net income is PLN 900m. This could be boosted via the balance of provisions. Our own estimate of the costs of risk is PLN 96m (0.5% of the average net loan portfolio). A boost to net income from lower provisions would not affect our long term outlook on the bank. Given the high quality of its assets, opportunities in collections are very limited, and the expanding loan portfolio will start to generate higher costs of risk. We see some potential in the corporate segment. The data that have been coming from the Bank in the recent months give ground for optimism. The market expects the retail segment to grow fast. Given what the CEO said as well as the Bank's limited exposure to the main risk factors affecting the banking sector in 2008 (lower equity market income and higher expenses), we believe there are no threats to our FY2008 net income forecast of PLN 3.2bn being met. We are reiterating a buy recommendation.

Jerzy Pruski appointed CEO

The Supervisory Board appointed Mr. Jerzy Pruski the CEO of PKO BP as of May 20. Until the Financial Supervision Authority approves this appointment, he will be the acting CEO. The outcome of the competition for the remaining Board posts is not yet known. It is a good choice. Above all, both the experts and his co-workers have a very high opinion of Mr. Pruski. At the May 20 annual meeting we will get to know who the other Board members will be. According to the charter, the Board members are appointed at the CEO's request. Mr. Pruski will therefore have a say as regards the composition of his team. Most likely, it will include people who ran in the competition for Board membership in the hope that Mr. Pruski would win the CEO race. This will invalidate the fears, raised by the press, that the formula of the competition will have a negative impact on the new Board's quality and coherence.

Indecision

According to *Parkiet*, as a result of the uncertainty concerning the planned changes at the Management Board, at its last meeting a decision was taken to withhold large restructuring projects. This applies in particular to the implementation of the integrated IT system, as well as to the planned changes to the bank's sales model. The current Board decided to extend negotiations with the trade unions pertaining to the latter (new incentive scheme). Certainly not good news, but we do not think that a two-month delay in the implementation of the integrated IT system will change much in the context of the entire project, which has been in development for several years. It is certainly not good news that an agreement on remuneration has not yet been reached with sales employees, because insecurity as to the level of bonuses is certainly not a good incentive to pursue targets. We do not know what other projects have been interrupted. The Board members appear to be preparing to go – although several of them, including the CEO, have put forward their candidacies in the competition – which means that this move is an attempt to undermine their successors. There is no justification for stopping a project which has been going on for three years, under several different Boards.

FY2007 Earnings Distribution

The Management will recommend a dividend payout at PLN 1.09 per share. Such dividends are proposed in the drafts of resolutions for the May 20 general meeting. The date of record is set at August 18th, with payout on September 4th. The Bank will devote 37.5% of its consolidated net income to dividends (PLN 2.9bn). The dividend payout ratio decreased from the 46% seen in 2006, but in nominal terms, dividends increased by slightly over 11%. The proposed payout ratio is somewhat higher than our assumption of 30%, but given that at the current market price

the gross yield is 2.4%, this has no impact on the share price.

Inteligo on the offensive

At the end of April, Inteligo will offer a savings account with the highest interest on the market, 5.75% (25 bps. higher than mBank's). Every month, the first bank transfer from such account will be free, and each subsequent one will cost ca. PLN 10. Loans will be offered as well. At present, Inteligo has 600,000 customers with ca. 730,000 accounts. The CEO is promising that the offer is going to become more competitive. Until now, account fees were PLN 4.99 per month, with PLN 0.99 charge per transfer and PLN 4.5 per ATM withdrawal. It was thus not very competitive vs. the online banks. This will be a part of the new strategy, which is being developed. As promised earlier, the Bank will be on the offensive. This is a part of changes at Inteligo which follow its separation from the online banking division of PKO BP (iPKO). The Bank would like to gain ca. 100,000 new customers a year, hoping that its current clients will also become more active. An ambitious strategy. We approve of the separation of Inteligo and iPKO, as we believe that they target different groups. This should therefore be good for the customer base of the entire group of companies. Despite the lack of intensive promotion, the Inteligo brand is still widely known and well perceived. With its offer becoming more competitive, in the short term fee income from existing accounts may decrease (as we do not know the new pricing, it is difficult to estimate the total impact). In the long term, however, higher volumes and higher revenues can be expected. Margins will be lower, but the tight competition in the market would bring this about anyway.

Inteligo Financial Services will cooperate with PTC

Inteligo will become an MVNO operator, using the Era infrastructure. It is planning to gain ca. 250,000 customers during its first three years in business. The timeline was not given. This will not be a source of revenues for the bank. It will rather be an extra gadget accompanying the online account, potentially attractive for customers. The mobile phone market in Poland is nearly saturated, however, and few of the Bank's customers can be expected to take up this offer.

Q1'08 sales results

The Bank sold PLN 2.9bn worth of mortgage loans, which is 6.5% less than in Q1'07. Its sales of consumer loans increased by 25% y/y, to PLN 1.5bn. The number of credit cards increased by 5,000 (1.01m cards at the end of March 2008). The number of current accounts increased by ca. 30,000 during the quarter, to 6.24m (vs. 6.21m at year end). We had expected that there would be a slight year-on-year drop in mortgage loan sales in the market as a whole. The largest player can hardly be expected to show different trends. We are pleased by the improvements in cash loan sales. We believe that in the past PKO BP did not sell as many cash loans as it should have given its retail orientation and its wide branch network. Credit card growth has definitely slowed down. PKO BP issues credit cards as add-ons to various products. We do not believe, therefore, that the customers use them very actively. The increase in the number of current accounts, while it may be small given the Bank's size, shows that it is not losing customers. For the smaller banks, 30,000 new customers would be a great result.

Corporate loan portfolio

In Q1'08, the corporate loan portfolio at PKO BP grew from PLN 18m to PLN 19.1m. In the first quarter, we saw significant increases of treasury and deposits products, which boosted revenues of the corporate segment. Good news. Perhaps good Q1 results are due not just to retail. Portfolio grew by 6% q/q and 13.8% y/y. This is still, however, below-market growth (25% y/y).

The Treasury's share in PKO BP to decrease to ca. 30%

The State Treasury is planning to decrease its shareholding in PKO BP to approximately 30%, but it does want to confirm the Bank's "national" status by introducing appropriate changes into its charter. The Council of Ministers agreed to proceed with the further stages of the privatization process; several stages are likely. It is certain that there will be no strategic investor in the Bank. The Minister assumes that a capital increase at PKO BP will come before any possible sale of shares held by the Treasury. It is typical for many foreign banks to be owned by small shareholders. At PKO BP there has been no strategic investor so far. We believe this will not change until the State Treasury gives up on being the leading shareholder with its role confirmed in the Charter. The strategic investor could always be outvoted by the ST.

Gas & Oil, Chemicals

Will the US demand for gasoline decrease in the summer for the first time in 18 years?

According to the April report published by EIA, this summer there will be a decrease in the US demand for gasoline, for the first time since 1991. This will be due to the growing prices, which can reach USD 3.6 per gallon, and the general reduction in summer travel caused by the economic slowdown. The forecasted drop in demand is small (0.4%) and it most likely reflects the decrease observed in the first quarter (-0.9%), but it does send a first warning sign to the refineries. With high crude oil prices and decreasing demand, they will not be able to impose higher margins on their products, even at the height of the travel season.

Russia likely to give up on BTS-2

It now appears very likely that the Russian government will halt work on the pipeline linking Urecha and Primorsk. It was meant to constitute a new part of the Baltic Pipeline System, which could pose a serious threat to supplies via the "Friendship" pipeline (including supplies to Orlen and Lotos). The Ministry of the Industry presented the Russian government with a report critical of the investment. It pointed out its high cost, the risk that the new capacity would not be fully utilized (a competing pipeline to China is under construction), as well as political problems caused by by-passing Poland and Belarus. We believe these arguments have been known before and we agree that the project makes neither economic nor strategic sense for Russia, as a reduction in supplies via the "Friendship" pipeline could seriously undermine the position of Russian exporters, given the expansion of oil companies from the Caspian Sea region. Should this news be confirmed, the risk that supplies to the Polish refineries might be interrupted would decrease. Until recently, this risk was an important factor in Orlen's and Lotos's discounted valuations.

Poland to take part in a Ukraine refinery project?

During President Yushchenko's visit to Poland, a declaration was issued according to which the agreement on Nowa Sarmatia (a company which will work on extending the Odesa-Brody pipeline to Gdańsk) allows Poland to participate in the construction of a new refinery in Ukraine. Other countries, which are involved in the Odesa-Brody-Gdańsk project, will most likely participate as well. Good news. As we have been saying, if the Polish oil companies were to remain passive in the face of the Caspian-region investors' plans to build a refinery next to the Polish border, they would face tough competition in the future and their geographical advantage would be sharply reduced.

Oil workers go on strike in Scotland

On Sunday, April 27, BP closed down its Forties pipeline, which transports 40% of all crude oil produced in the UK (700k barrels a day). The decision was triggered by the strike that commenced at the Scottish Grangemouth refinery, which supplies power and steam to BP's Kinneil refinery. With supplies via this pipeline reduced, exploitation may be reduced or halted altogether at some of the 50 oil fields in the Northern Sea which use the Forties pipeline. Such decisions could temporarily ruffle the markets and push prices up. The UK government does say that there will be no fuel shortages and that stockpiles are sufficient, but the atmosphere in the markets is palpably nervous.

Crude oil inventories down, refineries back at work

In the week ended April 18, US crude inventories rose by over 2.4m bbl instead of 1.5 m bbl as the market expected. The refineries increased their CUR from 81.4% to 85.6% due to the much higher refining margins (which had been brought about by the reduced output). Imports returned to their standard levels as well. Gasoline inventories decreased more than was expected (-3.2m bbl vs. -2m bbl consensus), but they remain at a safe level. Middle distillates provided a surprise as well: while stabilization was expected, they decreased by 1.4m bbl. We believe that the American refineries' return to the market, visible in the significant increase of the CUR, may cause the margins to fall, as they have been inflated by artificial cutbacks in supplies.



Ciech (Buy)

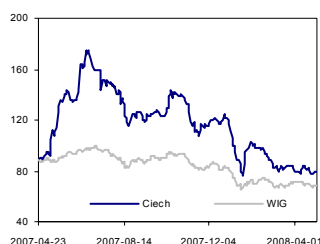
Current price: PLN 79

Target price: PLN 101.1

Analyst: Kamil Kliszcz

Last Recommendation: 2008-04-09

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	2 174.3	3 418.7	57.2%	4 365.3	27.7%	4 754.4	8.9%	Number of shares (m)	28.0
EBITDA	276.6	487.4	76.2%	649.7	33.3%	792.8	22.0%	MC (current price)	2 212.0
EBITDA margin	12.7%	14.3%		14.9%		16.7%		EV (current price)	3 311.9
EBIT	180.7	310.2	71.6%	410.0	32.2%	531.1	29.5%	Free float	42.7%
Net profit	184.6	233.4	26.4%	257.0	10.1%	345.8	34.5%		
P/E	12.0	9.5		8.6		6.4		Price change: 1 month	0.9%
P/CE	7.9	5.4		4.5		3.6		Price change: 6 month	-18.9%
P/BV	2.0	1.7		1.5		1.2		Price change: 12 month	-10.5%
EV/EBITDA	9.8	6.9		5.6		4.6		Max (52 week)	59.0
Dyield (%)	1.0	2.7		2.7		2.3		Min (52 week)	39.1



In April, the price of Ciech's shares did not depart significantly from PLN 80. Peers such as Solvay, Tata Chemicals, Sisecam and Soda Sanayii performed much better. Their prices went up by 10-20%. Given the price trends on Ciech's basic materials and products, we see no justification for this divergence. The situation did worsen somewhat in the epoxy resin segment, but year-on-year this should be fully offset by the agrochemical segment. For Q1'08, we are expecting PLN 214.5m in consolidated EBITDA and PLN 105m in net income (one-offs excluded). The results will be released on May 15. We are reiterating our buy rating on Ciech.

Coal contract with Kompania Węglowa

Ciech's Soda Division signed a coal supply contract with Kompania Węglowa with an effective term of 2008-2010. The prices for 2008 will be determined based on the coal-dust pricelist, and renegotiated in subsequent years. The net value of the contract is PLN 143m in 2008. The order was not made by Ciech Group as a whole (the Group's coal expenses in 2007 totaled PLN 220m), but just the EC Kujawskie power plant providing energy to the Soda Division. A similar contract signed last year had a value of PLN 119m. Therefore, assuming steady volumes – the available information is insufficient to verify this - the price of coal has increased by 20% since last year. In our valuation model for Ciech, we predicted a 30% surge in coal prices this year, versus the company's 15% forecast.

Ciech buys 2% stake in Soda Deutschland Ciech

As per November 2007 agreement, Ciech bought a 2% stake in Soda Deutschland for EUR 3m, increasing its equity interest in the German soda producer from 90% to 92%. This is a part of the agreement with Mr. Joachim Ohm, under which Ciech, after purchasing the 90% stake in SWS, is to buy the remaining 10% in systematic installments. According to the Q4 earnings report, the process was to comprise three stages. In stage one, a 2.5% share was to be bought after March 31 for EUR 3m, in stage two, 5% after December 29, 2008 for EUR 2m plus 50% of profits in the cavern project, and in stage three, 2.5% after December 31, 2009 for EUR 1m + 50% of profits from the cavern project. All in all, Ciech was to pay EUR 5m (+1) for the remaining 10% in SWS, plus 50% of profits from the two cavern projects. According to the Board, the fact that in April only 2% were bought instead of 2.5% for the same amount is a technicality, and the total sum paid for the 10% shareholding will be EUR 5m.



Lotos (Buy)

Current price: PLN 32.7 Target price: PLN 46

Analyst: Kamil Kliszcz

Last Recommendation: 2008-04-30

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	12 810.9	13 132.5	2.5%	13 190.1	0.4%	12 699.4	-3.7%	Number of shares (m)	113.7
EBITDA	1 095.7	1 030.3	-6.0%	995.0	-3.4%	1 213.2	21.9%	MC (current price)	3 714.6
EBITDA margin	8.6%	7.8%		7.5%		9.6%		EV (current price)	4 478.0
EBIT	798.3	719.0	-9.9%	647.4	-10.0%	751.7	16.1%	Free float	41.2%
Net profit	679.9	763.5	12.3%	491.0	-35.7%	439.4	-10.5%		
P/E	5.5	4.9		7.6		8.5		Price change: 1 month	-6.7%
P/CE	3.8	3.5		4.4		4.1		Price change: 6 month	-30.5%
P/BV	0.7	0.6		0.6		0.5		Price change: 12 month	-26.9%
EV/EBITDA	3.2	4.3		5.8		5.5		Max (52 week)	58.2
Dyield (%)	0.0	1.1		0.0		0.0		Min (52 week)	31.4



In April, Lotos shares declined by 8.5%, thereby heading in a totally opposite direction than regional peers (+4.2% on MSCI EM Energy) and significantly underperforming the WIG20 index. Most likely, investors are increasingly worried about the NPV of 10+, the huge investment project that is being launched right now, with the USD/PLN exchange rate at a very unfavorable level. Moreover, Lotos is hedging its refining margins on a significant part of its volumes, which in Q2 will prevent it from taking the full advantage of the increasing profitability of the sector. We nonetheless believe that a positive scenario could play out, with a reversal of the downward trend on the dollar and very good nominal Q1 earnings (due largely to cash earnings from currency hedging). In that case, the sentiment towards Lotos shares could change as well. We are raising our investment rating from accumulate to buy.

Legal caps on management pay to be lifted; incentive scheme unnecessary

According to the Treasury Ministry, in June the law that imposes caps on the remuneration of managers at state-owned companies will be amended, making it possible to pay market rates at Lotos. As a result, there will be no need for the Supervisory Board to approve the incentive scheme proposed by the Board.



PGNiG (Buy)

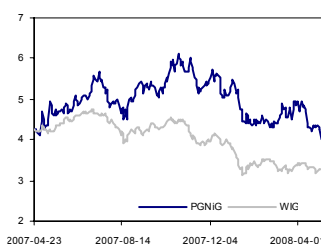
Current price: PLN 4

Target price: PLN 5.53

Analyst: Kamil Kliszcz

Last Recommendation: 2008-04-30

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	15 197.7	16 629.8	9.4%	18 109.5	8.9%	20 414.5	12.7%	Number of shares (m)	5 900.0
EBITDA	2 766.2	2 731.0	-1.3%	3 570.4	30.7%	3 415.6	-4.3%	MC (current price)	23 777.0
<i>EBITDA margin</i>	18.2%	16.4%		19.7%		16.7%		EV (current price)	22 329.5
EBIT	1 470.0	1 301.9	-11.4%	2 066.4	58.7%	1 867.3	-9.6%	Free float	15.3%
Net profit	1 327.4	1 251.3	-5.7%	1 791.4	43.2%	1 621.8	-9.5%		
P/E	17.9	19.0		13.3		14.7		Price change: 1 month	-17.6%
P/CE	9.1	8.9		7.2		7.5		Price change: 6 month	-31.9%
P/BV	1.1	1.1		1.1		1.1		Price change: 12 month	-2.7%
EV/EBITDA	8.2	8.2		6.2		6.6		Max (52 week)	6.1
Dyield (%)	0.9	0.6		6.6		6.8		Min (52 week)	4.0



The tariff hike announced by the energy regulator URE was below market expectations, as result of which PGNiG's share price declined by the whopping 12% in April. Moreover, investors are expecting weak earnings in Q1'08 – a 30% y/y decrease in profits due to the lack of tariff hikes in that period, and the costs of maintaining transfer assets taken over from Gaz-System. We had expected that the tariff hike would offset the weak first quarter, but we find its size disappointing. Following up on these negative developments, there appeared signals positive for PGNiG, both as far as the new tariff is concerned (according to the Board, preliminary models show that it could be sufficient), as well as concerning settlements with Gaz-System (negotiations are currently being held concerning compensation for the fact that the cost of the newly acquired assets was not factored into the distribution tariffs). Despite the lowered profitability in Q1, we are expecting an improvement further into the year (tariff, USD/PLN exchange rate). Given the recent decline of the share price, we are upgrading our rating from accumulate to buy.

Disappointing 15.3% hike in wholesale gas prices

The Energy Regulatory Office (URE) made what we consider a disappointing gas tariff announcement. PGNiG can increase wholesale prices by 15.34%, less than the 16% recently forecasted by the media (recent statements by the URE representatives were also pointing in that direction). Factoring in all variables, the wholesale price is going up 14.3% as of April 24, less than the "bare" tariff rate. This stems from a decline in the distribution fees charged by GazSystem, and an organizational realignment after certain sales responsibilities to date handled by PGNiG's distribution companies were handed over to PGNiG itself together with the relevant portion of distribution income. In our valuation model for PGNiG, we predicted a 15% hike as of April, and the actual raise is so close to our estimate that we do not feel prompted to revise our financial projections for the company, especially since it is hard to predict the earnings impact of the new tariff regime because there is no comparable base.

The Board considers the tariff satisfactory; there is a chance for a deal with Gaz-System

PGNiG's deputy CEO Mirosław Dobrut said in an interview that financial analyses have reassured the company's management that the new tariff prices are enough to generate satisfying results this year. At the moment, PGNiG is waiting for the government's permission to become involved in mining projects in Iran (a letter of intent with an Iranian partner has already been signed). Like last year, a lower-than-requested increase in wholesale gas prices has proved enough to boost profitability in the trade business, which is additionally supported by a weak dollar (we do not know what exchange rate was assumed to calculate the new tariff). In other news, PGNiG is reportedly negotiating with Gaz-System to determine a compensation for maintenance of distribution assets taken over in January 2008. As a reminder: because PGNiG had to wait over three months for the new tariff to enter into force, its distribution subsidiaries had to pay for the maintenance without being compensated. The compensation, which we took into account in our Q1 forecasts, could total PLN 50m.

PGNiG's aggressive investment plans

In a press interview, Michał Szubski, the new CEO of PGNiG, indicated that there will be some changes to the Company's investment strategy. First, he believes that the Company cannot afford to simultaneously construct Baltic Pipe and the LNG terminal. Second, PGNiG will focus on the diversifying its energy business through capital investments in the largest gas purchasers, both energy companies and chemical companies. We believe that whether the transfer infrastructure and the terminal turn out to be profitable depends above all on whether appropriate regulation comes into effect. It is in PGNiG's interest to fight for such regulation, as otherwise it will not be able to become a significant player in the regional natural gas distribution mar-

ket. What is more, after the Polish market is opened, it might even lose its position here. We believe that the LNG terminal project is the more interesting one. A pipeline from Poland to Denmark would only be interesting if PGNiG were allowed to re-export Russian gas, or if it were able to significantly increase its own output. As far as investments in the energy sector are concerned, we disagree with the press speculations and we do not think that large energy companies such as PGE or Enea could be the targets. We think that PGNiG should rather popularize the use of gas in the Polish energy sector by co-investing in the construction of small CHPs that provide energy to individual cities. It does not make sense to invest in the coal-focused PGE. Closer cooperation with chemical companies would be a good idea, but only if it would be possible to connect them directly to PGNiG's natural gas deposits. Previous experience has shown that it might be difficult.

LNG terminal to be ready in Q4 2012

PGNiG's former management hoped to complete the terminal by the end of 2011, and launch deliveries in 2012. But new VP in charge of strategic projects Radosław Dudziński thinks that this optimistic timeline is unrealistic, as it assumes that all the required administrative decisions and approvals will all be fast-tracked. According to the new management, the terminal could be ready in Q4 2012. A governmental team in charge of energy security matters has two months to decide whether the LNG terminal is going to be a governmental or a commercial project. Their decision will determine whether PGNiG is going to build it alone, or with a partner, probably selected from among the five companies which have expressed their interest in supplying LNG to Poland. The delay has no influence on our valuation of PGNiG because we had not factored the terminal into our model. What worries us are reports that the potential partners for PGNiG include Gaz de France, a major-league distributor which would get a head start into our gas market. We believe that for PGNiG a much better choice would be a firm without such "expansionist" ambitions.

Imported gas price hike?

According to *Rzeczpospolita*, Gazprom is planning to increase the price of the gas it sells to Poland, by changing the price formula used in its transactions with PGNiG. The newspaper reminded the readers of what happened towards the end of 2006, when the Russian holding forced the Polish side to agree to a price hike, blackmailing it with a threat that the contract with RosUkrEnergo will not be renewed. According to the journalists, the initial talks between the new CEO of PGNiG and Gazprom have already been held. Although the atmosphere was chilly, the Russians refrained from demanding a price increase. It is hard to estimate how likely this scenario is to unfold, but it is worthwhile to stress a number of facts. According to *Rzeczpospolita*, Poland is currently paying USD 340 per 1,000 m³, and Gazprom wants to charge USD 370-380 per 1,000 m³. This cannot be true, as it would mean that the cost of imported gas is lower than the current tariffs. We estimate that in Q1 the average price for imported gas has already exceeded USD 370 per 1,000 m³. It should also be noted that the current contract with RosUkrEnergo doesn't expire until the end of 2009; this is therefore when pressure from the Russian side could conceivably come. (Given the current progress of its diversification efforts, PGNiG will need to secure spot supplies for at least 2010). A possible hike of import prices should be fully factored into tariff; therefore such developments should have no impact on the Company's earnings.

Agreement possible on investment in Iran

During his visit to Warsaw, the Iranian deputy foreign minister said that there are reasons to believe that talks will soon be held between Iran and PGNiG concerning the exploration of natural gas fields in that country. No negotiations have started yet. A success in this area would be great news for PGNiG. However, serious announcements have not been issued to date.

URE has decided that the customers' complaints against low quality of gas are without merit

The head of the energy regulator URE said that after a detailed analysis complaints filed by 585 PGNiG customers had been found to be without merit. These customers believed that the Company had inflated their bills by selling them gas with lowered energy value. Given these doubts raised by customers, however, the URE head will make a proposal that the sales of natural gas be based on its quality, and not just quantity. No impact on stock performance. Changing the sales system, if it comes to pass, should not entail significant costs.



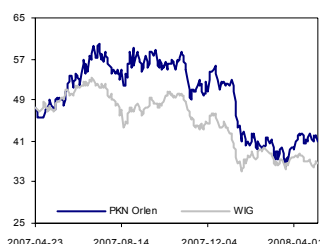
PKN Orlen (Hold)

Current price: PLN 40.8 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)	17 450.5
EBITDA margin	8.9%	7.9%		6.6%		7.6%		EV (current price)	28 914.3
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	3.2%
P/CE	4.3	3.7		4.0		3.7		Price change: 6 month	-30.2%
P/BV	0.9	0.9		0.8		0.8		Price change: 12 month	-10.8%
EV/EBITDA	6.0	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



In April, the price of Orlen's shares increased by 5.5%, thereby following the sector index MSCI EM Energy (+4.2%) and outperforming the WIG20 index by a wide margin (-2.8%). In April, there was a surge in refining margins, which was comparable to the record-high increases in Q2'07 in the case of some benchmarks (the ones in which diesel is weighted more heavily). Therefore, investors focused their attention on the refining segment. According to our estimates, which found support in one of the statements the IR head made to the press, Orlen's refining margin in April was close to the April 2007 level, but much lower than the record-high levels observed in May 2007. In this light, we pointed out that there were no reasons to believe that in Q2'08 the average margin should approach last year's level of USD 5.9/Bbl. Taking into account the lower exchange rate of the dollar (by 20%), we should not expect the very good Q2'07 results to be repeated, both as regards the quality of the earnings and their nominal levels (in that period, the LIFO effect brought in additional PLN 595m in net income). We do not believe, therefore, that the situation in the refining segment alone warrants purchasing Orlen stock. A "buy" signal could be provided by an appreciation of the dollar, which is something we have been observing in the last few days. If this trend persists, we could be persuaded to change our neutral recommendation to a positive one.

Q1'08 earnings estimates

PKN Orlen announced its estimate of the first-quarter earnings. As far as the macroeconomic environment is concerned, the company reported a 65% y/y drop in the refining margin, and more or less flat trends in the petrochemical and chemical margins and the differential, which, however, deteriorated significantly when translated into zlotys; further, the PLN/USD exchange rate plunged 20% y/y and 6% q/q, while prices of crude oil surged 10% q/q and 67% y/y. As for developments in PKN's business activity, throughput across the PKN Orlen group increased 13% compared to a year earlier after Mazeikiu Nafta raised its CUR by 26ppts to 79% and boosted output from 62% to 68%. These trends are in line with the quarterly predictions for PKN Orlen we published on April 16. As regards their impact on first-quarter earnings, Orlen's estimates are as follows: tighter margins weighed operating profit down by PLN 300m compared to Q1'07 (we estimated a PLN 265m charge), while negative effect of the dollar's depreciation is PLN 200m (our estimate was PLN 193m). In spite of a capacity increase and restoration of distilling facilities toward the end of January, weak macro settings prevented Mazeikiu Nafta from generating an operating profit in Q1 (in line with expectations), and brought Refinery's EBITDA to zero (the impact on consolidated EBIT was a ca. PLN 120m charge). Weak zloty margins affected earnings of the petrochemical segment, with Unipetrol contributing four times less to consolidated profit than the PLN 263m added a year earlier (a near-PLN 200m drop). We were surprised to hear this given that the y/y decline in zloty margins amounted to ca. 9% in olefins, and 13% in petrochemicals (the unexpectedly painful deterioration in overall earnings might have been due to a cold box failure). All told, the nominal value of Q1'08 operating profit was strongly supported by a positive LIFO effect which stemmed from soaring crude prices and the fact that PKN had stocked up on mandatory reserves in the fourth quarter. PKN Orlen suggests that the LIFO effect could be higher than our expected PLN 230m. All in all, the first-quarter operating profit might exceed last year's (PLN 375m) by several dozen percent (we predicted a 31% increase to PLN 492m). PKN's first-quarter guidance clearly demonstrates that the health of its earnings performance will always suffer when the dollar is weak. Still, we expect investors to be pleased with the company's predictions which will give them a basis to make bets on Q2 results being much better thanks to much wider margins. As far as growth is concerned, however, it will be hard for PKN Orlen to demonstrate year-over-year improvement in Q2 due to a high base made up of strong refining margins and the USD/PLN exchange rate, as well as a huge, PLN 595m LIFO effect.

Q2 macroeconomic outlook

According to PKN Orlen's IRO Dariusz Grębosz, refining margin in Q2 should be much higher than in Q1, when it plunged 65% compared to a year earlier. At the moment, the margin hovers around \$4/Bbl, vs. \$1.3/Bbl in Q1'08 and \$5.9/Bbl in Q2'07. The Urals-Brent differential remains at the same level as in Q1'07. Mr. Grębosz said that PKN has no problem selling paraxylene (PX) after its former main customer Elana shut down its chemical division, having found buyers abroad. The company's investment plan provides that the existing paraxylene facilities will be closed by December, and a new plant will reopen in 2010 together with PTA facilities (PX is the main component of PTA). Further, Grębosz said that Mazeikiu Nafta will report an EBITDA well over the zero expected to be reported for Q1'08. The earnings results of the PKN group, however, might be slightly affected by downtime in the olefin division and at Anwil scheduled for June. It is true that the macroeconomic environment for refining is much more favorable in Q2 than in Q1. It will be hard, however, to match the record-high levels of Q2'07. The benchmark crack spreads quoted by some news agencies suggest that margins in dollar terms have caught up with last year's record levels, but we find it hard to believe. These benchmarks are probably inflated by a large share of diesel, and have nothing to do with PKN Orlen's refinery slate. What Mr. Grębosz said clearly confirms this. According to our estimates, crack spreads this month are close to the level recorded in April 2007, but still far off from their May 2007 record highs – a fact which, we think, investors should take into account when predicting Orlen's Q2 earnings performance, together with the 20% drop in the dollar's value.

No dividend

PKN Orlen confirmed that it is not paying out dividends from last year's earnings. This is in line with expectations, although some PKN representatives have caused some confusion lately by hinting otherwise.

F/X adjustments in the annual report

In its annual report, PKN made several adjustments to its Q4 release. All in all, operating profit was lowered from PLN 2.62bn to PLN 2.6bn, and net income was increased from PLN 2.32bn to PLN 2.41bn. These revaluations are primarily due to the positive F/X differences, which turned out to be PLN 135m higher (the valuation of USD liabilities stemming from the purchase of a 10% share in Mazeikiu Nafta from the Lithuanian government).



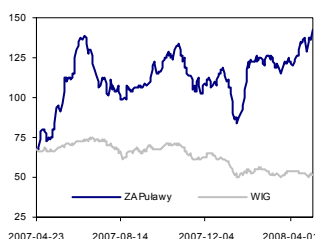
Za Puławy (Buy)

Current price: PLN 142 Target price: PLN 159.2

Analyst: Kamil Kliszcz

Last Recommendation: 2008-02-12

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	2 205.3	2 449.2	11.1%	2 565.0	4.7%	2 657.5	3.6%	Number of shares (m)	19.1
EBITDA	252.3	352.4	39.7%	330.9	-6.1%	374.4	13.2%	MC (current price)	2 714.3
EBITDA margin	11.4%	14.4%		12.9%		14.1%		EV (current price)	2 324.9
EBIT	151.4	278.1	83.6%	244.5	-12.1%	273.5	11.9%	Free float	39.4%
Net profit	130.0	251.6	93.5%	200.7	-20.2%	223.7	11.4%		
P/E	20.9	10.8		13.5		12.1		Price change: 1 month	16.0%
P/CE	11.8	8.3		9.5		8.4		Price change: 6 month	6.0%
P/BV	2.2	1.8		1.7		1.5		Price change: 12 month	91.6%
EV/EBITDA	9.4	6.5		7.0		6.2		Max (52 week)	142.0
Dyield (%)	1.4	1.5		2.8		2.2		Min (52 week)	73.0



April was an excellent month for ZAP's shareholders, with the share price increasing by almost 14% despite the negative sentiment in the market as a whole (WIG20 -3%). Even the 15% hike in natural gas tariffs (slightly below expectations) did not change this. As we expected, ZAP is still benefiting from the advantageous trends in the market for nitrogen-based fertilizers, whose prices kept climbing in April (urea by 35% and UAN, after a period of stabilization, by 23%, beating the record set in December 2007). Wheat prices weakened somewhat (-13%), but we do not believe this is a harbinger of an end to the world agricultural boom, but rather an effect of the traditional alignment of the price of wheat to the price of corn, which is a substitute in many uses and which practically did not budge. The Q1 results merely confirmed the boom in nitrogen-based fertilizers. In the near future, we will update our forecasts and valuation. We are reiterating a buy recommendation.

Very good Q3 2007/08 results

ZAP's earnings for the third quarter of 2007/2008 business season came ahead of our expectations and the analysts' consensus. Net profit and EBITDA exceeded forecasts by close to 10% thanks to higher selling prices of urea, ammonium sulfate, UAN, and melamine, while revenues from ammonium nitrate fell slightly short of estimates. The quarter-on-quarter improvement in profitability was mainly owed to a continuing strong momentum in the market of nitrogen fertilizers. As expected, margins on caprolactam sales were contracted (in line with expectations) by a narrowed zloty price spread between caprolactam and benzene. Further, ZAP's finance income of PLN 6m fell short of our expected PLN 8m. Thanks to strong operating cash flows (PLN 117m), the company managed to improve its cash position (net cash up from PLN 316m at 31 December 2007 to PLN 409m at 31 March 2008).

New targets

ZAP revised upwards its earnings guidance for the 2007/2008 business season ending in June. The net profit forecast was raised to PLN 298.7m from PLN 224.1m, estimated EBIT is up to PLN 324.6m from PLN 251m, EBITDA raised to PLN 397.3m from PLN 323.3m, with revenues pegged at PLN 2.48bn vs. PLN 2.4bn. The exchange-rate assumptions for the fourth business quarter are EUR/PLN=3.42, and USD/PLN=2.17. In our view, the new forecasts are perfectly feasible in the current favorable market settings, and we will soon update our own financial projections for ZAP as well to account for the higher-than-expected increase in fertilizer prices. The company's year-to-date net profit stands at PLN 255.3m, which represents 85% of the full-year estimate. Earnings will continue to be buoyant going forward, fueled by high fertilizer prices (urea soared 35% m/m in April, UAN was up 23% m/m, both reaching new record highs).

Strategic partnership?

According to *Parkiet*, ZA Puławy and ZCH Police will sign a Memorandum of Understanding to establish a strategic partnership. The CEO of ZCH Police confirmed this information, saying that such a partnership can generate considerable synergies in sales and distribution, as well as materials purchases. In turn, the CEO of Puławy admitted that he was thinking about forging an alliance with a big player, but did not specifically mention ZCH Police. He quoted the example of Yara and Kemira GrowHow which ended in a merger. The Polish chemical industry needs to consolidate, and we expect that the government will outline a roadmap for this process in a strategy plan for the industry expected this month. Synergy potential can be found between virtually all chemical companies, but the government will decide the M&A configuration. With initial public offerings still ahead of enterprises such as ZA Tarnów and ZA Kędzierzyn, to prematurely involve them in potentially weakening alliances would not be smart from the State Treasury's standpoint.

**New CEO speaks about his plans**

In an interview for *Puls Biznesu*, Paweł Jarczewski spoke about PGNiG's acquisition plans. He thinks that a strategic alliance with one of the Polish chemical enterprises would be a good idea, but only if it was indeed a partnership (acquisition of equity in a company like the fertilizer manufacturer might be frowned upon by anti-monopoly agencies). ZAP and PGNiG are set to start talks this week about usage of domestic gas resources by the former. Also, ZAP would like to get involved in the LNG terminal project, which in the long term could allow it to partially move production to gas-producing countries. First, however, the company is going to improve its financial health by cutting costs by up to PLN 100m annually, and expanding production capacity using the SEZ created in its vicinity. Mr. Jarczewski would like to see revenues reach EUR 1 billion in 2009 (our forecast for fiscal 2009/10 season is PLN 2.7 billion). These plans sound very promising, albeit not very specific.

Telecommunications

The advent of mobile TV

The Office of Electronic Communications (UKE) is going to announce a tender for a mobile TV operator in mid-May. If the award is made in early fall, mobile TV services could be launched toward the end of the year. The UKE is allocating 38 frequency channels in the 470-790 MHz range, in 31 towns and cities. This spectrum will be allocated on an exclusive basis to one operator until June 2015. The minimum bid is PLN 17.3m. An alliance of four mobile operators, Centertel, Polkomtel, PTC, and P4, declared willingness to roll out mobile TV services. According to their estimates, such a launch in DVB-H format will cost 100-200 million euros. To guarantee success and maximize ARPU, the operators should adopt uniform transmission standards and build a joint infrastructure.

Mobile call prices

According to the UKE, prices of mobile telephony services in Poland fell 36% between 2005 and 2007. Poland was rated second out of nineteen EU countries surveyed which recorded the biggest drop in post-paid prices, and third in combined post-paid and pre-paid. Mobile operators Orange and Plus reduced prices by 47% and 42% respectively. The cheapest mobile services in 2007 were offered by Play, which charged an average PLN 0.28 per minute. The average price of a call in the PTC network decreased from PLN 0.67 to PLN 0.34 per minute (49%). Pre-paid call rates charged by "Tak Tak," "Heyah," "Orange," "Simplus," and "Sami Swoi" fell by 36%, 43%, 38%, 28% and 4% respectively. Keep in mind that Play, as newcomer to the mobile market, applies asymmetrical interconnection rates, which means that it mainly earns revenue from incoming calls. The prices charged for outgoing calls are designed to cover the MTR plus a tiny profit margin.

Polkomtel takeover not before 2009?

According to unofficial reports, Polish shareholders might not be able to complete the repurchase of Polkomtel shares from TDC before 2009. The obstacle are pledges on the shares which an arbitration court ordered to be removed by a Polish court before the deal can close. A court proceeding could take as long as one year. From KGHM's standpoint, this means a higher dividend payout from 2007 earnings (if the delay is confirmed, the State Treasury is sure to push for more than the PLN 5.5 per share proposed by KGHM's management; We predict PLN 10). From PKN Orlen's standpoint, this is bad news given the plan to resell the stake and use the gain to reduce debt.

Poland appeals to ECJ

Poland's incumbent operator TPSA is involved in litigation against the national regulatory authority UKE over PLN 440m fines imposed by the NRA for alleged violations in sales of broadband access services (prices, DSL "glued" to calling plans). The telecom is threatening to take the case to the European Court of Justice and claim a compensation from the government if the UKE does not repeal the fines. TPSA has the support of the European Commission, expressed in a 2007 letter. If the NRA lost the case, it would lose credibility, including among investors. The regulator has already got unfavorable rulings in the broadband/calling plan bundling dispute (an appeal is pending), and in another one concerning WLR charges for Tele2.

UKE goals vs. TP expectations

This week, the UKE will publish its 2008-2012 regulatory strategy, with key goals defined as: lowering MTR rates in 2010 from PLN 0.22 to PLN 0.15, unbundling 10% of local loops through LLU (2010) and 20% through LLU, BSA and WLR (2010). For his part, the CEO of TP estimates that several billion euro are needed to build NGN network in Poland. TP could invest half of this amount, if it knew the precise conditions of the investment. We believe that a lowering of termination rates without imposing regulated retail prices is not as threatening to the operators as they claim; As for the unbundling targets, they are somewhat more cautious than our assumptions that, in 2010, TPSA will be sharing 11.3% of its lines via LLU, 23% via WLR and 10% via BSA. As long as wholesale rates remain at the current level, TPSA should be able to keep its EBITDA margin above 41%. According to our earlier estimates, based on the BT case, TP should invest ca. PLN 7bn in NGN. This investment will be stretched out in time, and TP will procrastinate until the UKE confirms the conditions under which the other operators will be able to use this infrastructure.

VoIP gains momentum

According to a report by the UKE, around 400,000 Poles use Internet telephony every day (over half of them since 2007), and close to 1.5m want to swap their old handsets for VoIP phones. Six times more people (2m) than a year ago declare that they know what VoIP is. Money.pl predicts that if operators manage to convince only those people to switch, the value of the Polish Internet telephony market could surge to PLN 1.1bn in 2008 from PLN 250m in 2007. We find these predictions very far fetched. 1 billion zlotys can maybe be reached in three years.



Netia (Hold)

Current price: PLN 3.7

Target price: PLN 4

Analyst: Michał Marczak

Last Recommendation: 2008-04-14

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	862.1	838.0	-2.8%	949.2	13.3%	1 118.5	17.8%	Number of shares (m)	389.2
EBITDA	-68.9	170.7		142.4	-16.6%	215.3	51.2%	MC (current price)	1 436.1
EBITDA margin	-8.0%	20.4%		15.0%		19.3%		EV (current price)	1 239.1
EBIT	-341.4	-103.8	-69.6%	-98.6	-5.0%	-22.4	-77.3%	Free float	100.0%
Net profit	-378.9	-268.9	-29.0%	300.7		-14.5			
P/E				4.8				Price change: 1 month	-0.5%
P/CE		254.7		2.7		6.4		Price change: 6 month	-1.9%
P/BV	0.7	0.8		0.7		0.7		Price change: 12 month	-7.3%
EV/EBITDA		8.6		8.7		6.0		Max (52 week)	4.7
Dyield (%)	3.4	0.0		0.0		0.0		Min (52 week)	3.6



Netia would like to repeat the success of France's Iliad (2.9m subscribers), or Italy's Fast Web (1.3m subscribers). Thanks to a liberalized regulatory regime and the weakness of other alternative operators, the company is shaping up to be TPSA's main rival in fixed-line telephony; in Q407, it acquired 28,000 subscribers via bitstream access, while TPSA, which operates a much larger sales network, added 70,000 new customers. By selling its mobile subsidiary P4, Netia gained resources to move further ahead of competition. The management's primary goal is to build a subscriber base, we think as a way of increasing value for a future industry investor. In the short term, the stock price is not important for the main owner. Netia's three main shareholders are buying back shares (free-float is only 34% at the moment). We would venture a guess that, after improving operating profits, the company will offer itself to an investor. 2008 will see increased expenditure and weak earnings results affecting stock performance, in particular in the first half of the year. We are reiterating a hold rating on Netia, with a new price target of PLN 4.0 per share.



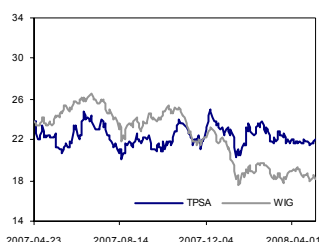
TP SA (Accumulate)

Current price: PLN 22 Target price: PLN 23.6

Analyst: Michał Marczak

Last Recommendation: 2008-04-14

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	18 625.0	18 244.0	-2.0%	17 949.8	-1.6%	17 564.0	-2.1%	Number of shares (m)	1 400.0
EBITDA	7 856.0	7 721.0	-1.7%	7 636.7	-1.1%	7 472.0	-2.2%	MC (current price)	30 800.0
<i>EBITDA margin</i>	42.2%	42.3%		42.5%		42.5%		EV (current price)	37 955.0
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%	2 256.5	-0.7%	2 241.4	-0.7%		
P/E	14.7	13.6		13.3		13.4		Price change: 1 month	-0.5%
P/CE	4.7	4.6		4.6		4.7		Price change: 6 month	-8.3%
P/BV	1.7	1.7		1.7		1.7		Price change: 12 month	-0.5%
EV/EBITDA	4.8	4.7		4.6		4.5		Max (52 week)	25.1
Dyield (%)	4.5	8.6		7.7		7.8		Min (52 week)	20.1



In spite of the UKE's aggressive regulatory policy, TPSA manages to keep its EBITDA margin over 42%, and can pay generous dividends to its shareholders, with an estimated gross dividend yield of 9.3% (buyback). This might not be the most satisfactory yield at times when sentiment is bullish, but, when risk aversion is high, defensive stocks become more attractive. We predict that, even faced with heated competition, falling prices, and unfavorable regulatory rulings, TPSA can keep its FCF/EV at 11% in the next few years. As tension mounts between the UKE and the Ministry of Infrastructure, and with only limited support from the European Commission, there is a chance that the regulator will hold back the pressure, narrowing the discount at which TPSA is trading relative to its European counterparts. We are upgrading our rating on TPSA from hold to accumulate, and set a new nine-month price target of PLN 23.60/share.

Market regulations

Tension is escalating between the national regulatory authority UKE and the Infrastructure Ministry, who have different views on the government's role in the financing of telecommunications infrastructure. What is more, the UKE does not have full support of the European Commission, which is expected to back TPSA in the matter of retail Internet access charges.

Fines, real estate

The UKE imposed a total of PLN 600m in fines on TPSA. The operator appealed, but no rulings have been made yet as to whether the penalties were grounded. If TPSA loses, its financial forecasts are under pressure. The fines account for 2% of the company's market cap. The two biggest ones are for PLN 440m and PLN 100m. But TPSA announced that it was going to sell some of its real-estate, which could result in several hundred million in extra cash not taken into account by equity analysts.

TPSA ready to buy back shares from the government

TPSA is ready to buy back the 4.05% equity stake held by the State Treasury, though no extra premium is foreseen. The operator is going to pay out PLN 2.053bn (PLN 1.5/share) from FY07 profit as dividends to shareholders. The date of record was set at May 21st, with payment on June 11th. TPSA's shareholders agreed to allocate PLN 700m (up to 5% of equity) to a share buyback. Further, Richard Shearer (former executive director) was appointed to the management board, and two new managers were promoted to executive positions.

TPSA expands TV service

TPSA is getting ready to launch a satellite TV service in late summer as the next step toward expansion in the PLN 3 billion television market. After launching digital broadcasting in September 2006, by December 2007, the telecom only managed to attract 40,000 subscribers. This year is supposed to be more successful. Technical support from TPSA's satellite broadcasts will be provided by Canal+ Cyfrowy (c. 1m subscribers). The two providers will not directly compete with one another as TPSA will be bundling its satellite TV services with call plans and Internet access, only in locations not covered by its cable network.

Unfavorable court ruling

A court of appeals overturned a previous ruling by the consumer court which had decided that the UKE's President had no right to impose a PLN 100m fine on TPSA for bundling call plans with broadband Internet access. This is bad news for TPSA, but it does not mean that the operator has to pay the fine (which accounts for 0.3% of market cap and 10% of quarterly NFCF).

Q1 results above consensus

TPSA recorded a net profit of PLN 681m in Q108, on an EBIT of PLN 949m, an EBITDA of PLN 2016m, and a revenue of PLN 4.5bn, topping analysts' consensus (respectively: PLN 562m, PLN 802m, PLN 1.88bn, PLN 4.4bn) and our forecasts (respectively: PLN 496m, PLN 733m, PLN 1.83bn, PLN 4.4bn). By line of business, fixed-line telephony generated an operating profit of PLN 473m vs. PLN 368m a year earlier, on 3.7% lower revenue (we predicted a 15.3% drop in sales), and mobile telephony posted an EBIT of PLN 476m vs. PLN 416m in Q107, on 12.6% higher revenue (we expected a 12% rise). The subscriber base expanded by 9.6% from Q107 to 14 million.

Media

New media laws

The Sejm passed amendments to the media law, transferring many of the responsibilities to date handled by the National Broadcasting Council (KRRiTV), including spectrum license allocations, to the Office of Electronic Communications (UKE). The new laws also introduce new election procedures for the KRRiTV and the supervisory and management boards of public media companies. President Lech Kaczyński warned that he would veto the bill.

Moods dwindle in marketing communications

Briefindex, a confidence indicator for the media and advertising industries, fell to 74 pts in March, and is 4.5 pts lower than in November 2007. Of the 100 marketing, advertising, and media executives surveyed, 22 think that the situation in the advertising market will improve, 72 think that it will remain steady, and 16 think that it will deteriorate.

Blooming outdoor

According to IGRZ, expenditure on outdoor advertisements (excl. transit media) surged 26.5% to PLN 143.4m in Q1. During the same period, expenditure on transit media fell ca. 6%.



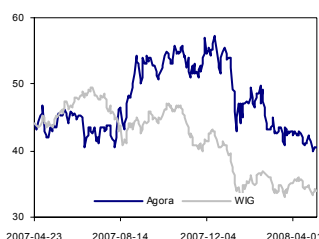
Agora (Accumulate)

Current price: PLN 40.4 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)	2 293.0
EBITDA margin	10.3%	17.2%		15.8%		18.4%		EV (current price)	1 994.0
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	69.4	22.2		18.1		13.7		Price change: 1 month	-4.7%
P/CE	20.4	12.4		11.4		9.5		Price change: 6 month	-26.5%
P/BV	1.9	1.8		1.8		1.8		Price change: 12 month	-9.0%
EV/EBITDA	16.5	10.0		9.2		7.4		Max (52 week)	57.2
Dyield (%)	1.2	3.4		4.6		5.5		Min (52 week)	40.0



Strong consumption growth is fueling the advertising market. We predict that rising ad revenues will offset upward pressure on costs and help expand the EBITDA margin. We expect Agora to post a revenue of PLN 317m for Q108, 4.8% more than a year earlier. Earnings growth in the period was affected by lower book sales which amounted to PLN 35m versus PLN 47.5m achieved a year earlier on a series of best-selling collections. Agora's flagship newspaper *Gazeta Wyborcza* ("GW") increased advertising revenues by an estimated 5.5%. First-quarter sales were most robust in the free-newspaper segment and in online advertising (+70% to PLN 18m). We are reiterating a positive rating on Agora.

Agora taking over Bankier.pl?

According to MCI (21% owner), several buyers are interested in acquiring the finance portal Bankier.pl for a selling price which will carry a premium of several dozen percent minimum to market value. Agora is among the suitors. Such an acquisition would be in line with Agora's strategy plan. That said, the asking price is rumored to be as high as PLN 130m while the portal's capitalization is PLN 106m. In 2007, Bankier generated a revenue of PLN 15m (+90% y/y) and a net profit of PLN 2.5m. Given the expectations of the main owner (MCI together with Arka, Allianz, and Noble investment funds hold a combined 32.5%), and Bankier.pl's growth potential, a premium this high might be hard to accept for investors.

Newspaper sales in February

Gazeta Wyborcza sold 442,000 copies in February, 6.1% fewer than a year earlier. In the same month, sales of rival daily *Dziennik* fell 24.6% to 167,800 copies, and sales of *Rzeczpospolita* steadied at 159,000 copies (-0.2%). Compared to January, the three papers recorded a 4.8% increase, a 1.4% increase, and a 1.5% decline respectively. The newcomer *Polska*, for which there is no year-on-year comparable base, reported an 8.9% month-on-month increase in sales to 339,000 copies (total sales of all of Polskapresse's publications was up 6.9% y/y to 396,000). The sales leader remains the tabloid *Fakt* which sold 522,400 copies in February, 0.9% fewer than a year earlier. *SuperExpress* improved 12% to 229,400 copies. *Gazeta Wyborcza* did quite well against last year's high comparable base which will last through April. Steady sales at 420,000-450,000 copies per day make the paper an attractive advertising medium compared to other papers. No impact on stock performance.



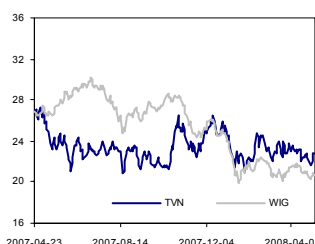
TVN (Hold)

Current price: PLN 22.8 Target price: PLN 22.9

Analyst: Piotr Grzybowski

Last Recommendation: 2008-03-07

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 165.0	1 554.7	33.5%	1 842.2	18.5%	2 078.2	12.8%	Number of shares (m)	347.3
EBITDA	399.8	554.1	38.6%	671.3	21.1%	761.0	13.4%	MC (current price)	7 917.8
<i>EBITDA margin</i>	34.3%	35.6%		36.4%		36.6%		EV (current price)	8 601.4
EBIT	348.4	482.1	38.4%	597.8	24.0%	679.9	13.7%	Free float	38.8%
Net profit	258.8	243.3	-6.0%	429.5	76.5%	503.0	17.1%		
P/E	30.3	32.5		18.4		15.7		Price change: 1 month	-0.4%
P/CE	25.2	25.1		15.7		13.6		Price change: 6 month	-10.2%
P/BV	6.3	5.5		4.6		3.9		Price change: 12 month	-12.7%
EV/EBITDA	21.4	15.5		12.6		11.1		Max (52 week)	27.2
Dyield (%)	0.0	1.6		1.6		1.6		Min (52 week)	20.8



TVN is enjoying boosted ratings thanks to a winning successful program lineup. On the downside, the effect of the larger viewership on revenues will not be as strong as might be expected because TVN changed its ad-pricing policy to one based on fixed rates. Further, huge costs of developing new programs affected the broadcaster's first-quarter results. But the boosted audience is factored in TVN's price list for April, and revenues are bound to accelerate going forward.

TV station viewership in March

According to March viewership data, TVN's audience share increased from 17.4% last year to 18.7%. The other big stations were losing audience: TVP1's share fell from 24.1% to 22.3%, TVP2's share from 17.4% to 16.8%, and Polsat's share shrunk from 17.5% to 15.1%. TVN's specialty stations were gaining, in particular TVN7 (1.5% to 1.8%). Moreover, in addition to the general audience, TVN improved its viewership figures among its target demographic, both general and prime time.

A license for Polsat 24

The National Broadcasting Council (KRRiT) granted a license to the round-the-clock news channel, Polsat 24. According to one of Polsat's Supervisory Board members, the station is ready for launch and had merely been awaiting the license. Zygmunt Solorz's Polsat will also be granted licenses for Polsat HD and Polsat Sport HD.

Mobile TV and the media market

The Office of Electronic Communications (UKE) decided to allocate 38 channels covering a spectrum of 470-790 MHz to mobile television providers. The spectrum will be granted to a single company for a renewable period until June 2015.

Ad revenues in March

According to rate-card-based revenue data reported by AGB Nielsen, Polsat was the biggest earner last month with PLN 274.5m, 34% more than a year earlier. TVN was second with PLN 240m (+17.95% y/y), TVP1's revenues fell 4.1% to PLN 130.3m, and TVP2 generated PLN 96.8m from commercials.



WSiP (Buy)

Current price: PLN 16.3 Target price: PLN 18.1

Analyst: Michał Marczak

Last Recommendation: 2007-07-13

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	266.4	226.4	-15.0%	253.1	11.8%	255.7	1.0%	Number of shares (m)	31.3
EBITDA	30.7	39.0	26.9%	42.1	8.0%	43.2	2.7%	MC (current price)	507.8
EBITDA margin	11.5%	17.2%		16.6%		16.9%		EV (current price)	393.5
EBIT	23.2	32.0	38.1%	35.1	9.6%	36.2	3.2%	Free float	100.0%
Net profit	20.1	48.8	143.1%	33.1	-32.2%	34.1	3.1%		
P/E	25.3	8.8		13.0		12.6		Price change: 1 month	8.3%
P/CE	18.4	7.7		10.7		10.5		Price change: 6 month	6.9%
P/BV	3.9	3.5		3.2		3.2		Price change: 12 month	22.4%
EV/EBITDA	13.3	9.2		7.7		7.5		Max (52 week)	16.5
Dyield (%)	0.0	4.7		6.7		7.7		Min (52 week)	12.5



The fourth and first quarters are seasonally the weakest sales periods for WSiP which, however, might report a slight improvement in earnings as a result of an ongoing restructuring effort. Sales are bound to pick up no earlier than in late Q2. Thanks to a favorable court ruling (see below), WSiP will probably be able to reverse a claim allowance. We are reiterating a positive rating on the stock.

Tender offer a success

In a tender offer for 1.637 million WSiP shares announced on 19 March, shareholders tendered a total of 15.197 million shares (the offers had to be reduced by 89.162%).

Favorable court ruling

An appeals court overturned an earlier ruling ordering WSiP to pay PLN 7.8m in damages to Mr. H. Gierowski in a dispute over a property in Warsaw. Another appeal is pending. WSiP set aside a PLN 38m provision for the dispute, and has so far paid PLN 3m to Mr. Gierowski. The ruling is good news. The company will probably reverse the provision, but is not likely to recover the PLN 3m.

PLN 54m contracts

WSiP signed textbook distribution agreements with Wikr Konsorcjum and Super Siódemka for PLN 40m and PLN 14m respectively.

IT



ABG Spin (Hold)

Current price: PLN 7.3

Target price: PLN 7.3

Analyst: Piotr Janik

Last Recommendation: 2008-04-30

(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)	688.9
EBITDA margin	8.5%	10.8%		10.0%		9.9%		EV (current price)	643.5
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	17.0	22.2		17.0		15.3		Price change: 1 month	7.2%
P/CE	11.7	16.0		12.4		11.4		Price change: 6 month	20.7%
P/BV	1.7	1.5		1.4		1.4		Price change: 12 month	-2.7%
EV/EBITDA	9.8	13.7		10.4		9.4		Max (52 week)	8.6
Dyield (%)	1.0	0.0		1.5		2.0		Min (52 week)	5.7

* data includes the consolidation of SPIN starting with Q3 2007



Sentiment to ABG shares has rebounded on expectations of strong first-quarter earnings, generous dividends (entire FY07 profit plus reserve capital), the proposal to build a new integration division together with Asseco Poland, and the latter's change of heart about ABG's future. We expect that this bullish trend will last in the near term. We are downgrading our investment rating on ABG from accumulate to hold after a recent rally.

Shareholder resolutions

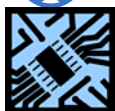
ABG's shareholders approved the acquisition of Radcomp without an increase in share capital, and resolved to pay out PLN 30.3m as dividends to shareholders (PLN 21.3m to be distributed from FY07 earnings, PLN 3.1m from prior years' undistributed profit, and PLN 5.9m from reserve capital).

Q1 2008 preview

According to VP Karol Cieślak, ABG generated a revenue over PLN 100m in the first quarter. Net profit margin is expected to be at least as good as in FY2007 (7.0%), but the plan for FY2008 is to increase it to 8%. In Q1 2007, the pro-forma revenue of ABG and SPIN amounted to PLN 86.5m, and the bottom line was a net loss of PLN 1.5m. SPIN alone generated a loss of PLN 3.2m. When speaking about net-margin growth projections for Q1 2008, Mr. Cieślak referred to the standalone FY07 result of ABG, without specifying whether it also included the H1 results of SPIN (no official accounts were released, but we estimated that the company generated a PLN 3m loss in the period). PLN 100m revenue would be an impressive result given the lack of material contract tenders, and would signify a 15.6% improvement from the PLN 86.5m posted in the same period a year earlier. Note also that Q108 marked the commencement of consolidation of the earnings of the medical services business taken over from Sygnity, which also drive revenues.

Realigning integration operations

ABG asked Asseco Poland to negotiate the creation of an infrastructure integration subsidiary within the Asseco Group based on existing companies Asseco Systems and Optix (ABG's subsidiary), as well as other integration divisions of both Asseco and ABG. The two companies gave each one another exclusive negotiation rights until 30 May. After accepting the invitation to negotiate, Asseco decided not to transfer its 100% stake in Asseco Systems to Asseco Business Solutions (ABS) in exchange for shares. As a result, a vote on an offering of the stock consideration to Asseco Poland was struck from ABS's special meeting agenda. Instead, ABS's shareholders will vote on a stock offering related to the acquisition of Anica System.



Asseco Poland (Buy)

Current price: PLN 64.7 Target price: PLN 85.45

Analyst: Piotr Janik

Last Recommendation: 2008-01-17

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	497.7	1 282.8	157.7%	1 604.9	25.1%	1 800.1	12.2%	Number of shares (m)	51.1
EBITDA	58.0	271.9	368.6%	267.0	-1.8%	301.0	12.7%	MC (current price)	3 304.5
EBITDA margin	11.7%	21.2%		16.6%		16.7%		EV (current price)	3 762.7
EBIT	45.2	234.0	417.1%	242.5	3.7%	274.1	13.0%	Free float	49.0%
Net profit	70.5	163.4	131.7%	158.4	-3.1%	178.0	12.4%		
P/E	42.6	20.2		20.9		18.6		Price change: 1 month	-11.0%
P/CE	36.1	16.4		18.1		16.1		Price change: 6 month	-15.0%
P/BV	8.7	1.7		1.8		1.7		Price change: 12 month	-19.1%
EV/EBITDA	51.1	13.8		12.5		10.8		Max (52 week)	91.0
Dyield (%)	-24.9	-57.7		-98.7		-122.5		Min (52 week)	61.5

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



The merger between Asseco Poland and Prokom Software became official in March, followed by assimilation of the shares constituting the stock merger consideration. Further, Asseco accepted a proposition from ABG to form a new integration division by joining the operations of Asseco Systems and ABG's subsidiary Optix. We expect to be pleasantly surprised by the company's first-quarter results, which will probably have a positive impact on the stock price.

A court registers Prokom merger

The merger occurred via a transfer of all Prokom assets to Asseco in exchange for the latter's "F" shares. Concomitant with the registration of the merger, the court also registered a share capital increase at Asseco Poland, through the issue of no more than 19,847,748 common bearer "F" shares (merger stock consideration).

Q1 estimates, plans for ABG

The CEO of Asseco Poland announced that this year's Q1 earnings will be much better than a year earlier. The full benefits of the ongoing restructuring exercise will become evident in 2009, and synergies resulting from the merger with Prokom Software will facilitate savings higher than the originally predicted PLN 63m. The merger had no impact on Asseco's Q108 earnings results according to the CEO, who further confirmed payment of 30% of last year's earnings as dividends to shareholders. As for the future of ABG, Asseco plans to increase its equity interest to 66%, after an initial reduction below 33% to avoid having to make a tender offer. In a few years' time, ABG will be merged with Asseco Poland.



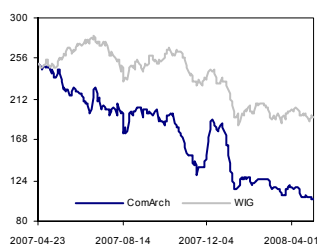
ComArch (Hold)

Current price: PLN 103.4 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)	823.1
EBITDA margin	11.8%	10.6%		11.4%		12.3%		EV (current price)	854.1
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	14.7	18.9		13.2		10.6		Price change: 1 month	-12.0%
P/CE	11.9	13.6		10.1		8.1		Price change: 6 month	-40.6%
P/BV	3.0	2.7		2.3		1.9		Price change: 12 month	-58.1%
EV/EBITDA	13.5	13.8		9.9		7.7		Max (52 week)	247.8
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	102.8



There were no developments in March that could reverse negative investor sentiment to ComArch, and first-quarter results are also not likely to do the trick. The company has very vague plans as to how to spend the cash earned on divestiture of Interia.pl shares, and keeps employing new staff while salaries in the IT industry continue to rise, and the hiatus in public-sector orders persists. We predict that hefty salary expenses will eat into ComArch's sales profits, and that negative sentiment will last until the company presents a clear-cut plan for its business lines and general growth (specifically, for how to spend the Interia.pl proceeds), or at least acts on its acquisition- and foreign-expansion promises.

Computers for schools

ComArch will supply computer hardware and software as subcontractor in two contracts awarded by the Ministry of Education to OFEK foundation (PLN 48.4m) and BIW KONCEPT (PLN 53.2m).



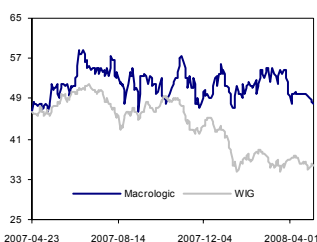
Macrologic (Buy)

Current price: PLN 48 Target price: PLN 59.5

Analyst: Piotr Janik

Last Recommendation: 2008-04-03

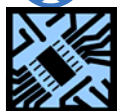
(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	38.4	43.2	12.5%	51.6	19.5%	58.5	13.3%	Number of shares (m)	1.9
EBITDA	8.6	11.6	34.2%	12.9	11.2%	15.1	17.4%	MC (current price)	90.7
EBITDA margin	22.5%	26.8%		24.9%		25.8%		EV (current price)	91.2
EBIT	5.7	8.3	46.6%	8.6	3.9%	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	20.4	14.8		13.0		10.2		Price change: 1 month	-2.8%
P/CE	12.3	9.6		8.1		6.8		Price change: 6 month	-9.6%
P/BV	4.9	4.6		3.6		2.9		Price change: 12 month	0.0%
EV/EBITDA	10.2	7.9		6.7		5.3		Max (52 week)	58.6
Dyield (%)	3.6	9.2		2.3		2.9		Min (52 week)	46.3



We expect good Q108 performance from Macrologic, with revenue and net profit up 30% from a year earlier. In March, the company won a contract from the authorities of Warsaw's Praga district which can pave the way for more similar assignments from other districts. Moreover, Macrologic reallocated its top sales people to form a new team which is expected to make a positive impact on earnings starting in Q208. In spite of these developments, the company's stock price is being affected by illiquid shares, but we predict that this negative impact will be offset by new contracts and the management's turnaround efforts.

Order for property management solutions

Macrologic received a PLN 0.9m order from the Property Administration Authority of Warsaw's Praga Południe district for a solution supporting management of properties located in the district. A successful implementation could open the door for Macrologic to adjacent districts of Warsaw.



Sygnity (Buy)

Current price: PLN 32

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)	380.0
EBITDA margin	6.0%	-1.7%		7.9%		9.9%		EV (current price)	499.7
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				9.0		6.1		Price change: 1 month	-2.8%
P/CE	6.2			4.2		3.1		Price change: 6 month	-40.7%
P/BV	0.6	1.1		1.0		0.9		Price change: 12 month	-68.3%
EV/EBITDA	5.1			4.0		2.7		Max (52 week)	100.9
Dyield (%)	2.7	0.0		0.0		5.6		Min (52 week)	26.0



Sentiment to Sygnity's stock turned bearish after a first-quarter earnings warning. By now, the predicted net loss is priced in the company's stock, and a weak Q108 showing should not depress the share price any further. In better news, Sygnity reached an agreement with its financing banks, and reduced the number of lenders from seven to three, minimizing the risk of one of these lenders terminating their commitment, or changing the financing terms. Moreover, the banks are surely aware of Sygnity's financial situation and first-quarter earnings outlook, and were not discouraged.

Agreement with banks

Sygnity signed an agreement with three financing providers introducing uniform borrowing terms and reaffirming the financing commitments, valid through 27 June 2008. Sygnity also announced that its ongoing turnaround efforts have resulted in a reduction in net debt from PLN 253m at 30 September 2007 to PLN 63m at 31 March 2008, and a PLN 135m decrease in borrowings and the value of debt securities outstanding. Sygnity and the three financing banks made a commitment to agree the terms of a financing plan beyond June 2008.

Asset sales

Sygnity plans to divest a non-core line of automated logistics systems as well as other assets. The company's management estimate that resulting gain at close to PLN 20m.

PLN 84m contracts

Subsidiary Aram landed two hardware and software contracts for a combined PLN 84m. The first PLN 43.8m order was placed by BIW Koncept, and the other PLN 40.0m order by Ente, both with a deadline on 7 June.

PLN 7m government order

Sygnity signed a one-year systems upgrade and maintenance contract with the Ministry of Labor and Social Policy worth PLN 7m

Metals



Kęty (Buy)

Current price: PLN 116.8 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)	1 077.6
EBITDA margin	14.2%	15.5%		14.0%		14.9%		EV (current price)	1 173.2
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	12.3	11.0		10.4		8.7		Price change: 1 month	-2.6%
P/CE	8.1	7.2		6.5		5.8		Price change: 6 month	-38.5%
P/BV	1.6	1.5		1.4		1.3		Price change: 12 month	-41.3%
EV/EBITDA	8.6	7.4		6.9		6.0		Max (52 week)	242.8
Dyield (%)	3.4	3.4		3.9		4.3		Min (52 week)	109.4



Kęty's Q108 earnings forecast is less than impressive. At the same time, just after the close of a quarter during which the strike price for incentive stock options was set to be calculated, a news release was issued that the Flexible Packaging Segment was 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 on Kęty.

PLN 4.5 dividend

Kęty's management are proposing payment of dividends at PLN 4.5 per share. This is in line with our predictions and earlier suggestions of a 40-50% payout ratio. The management promise to apply the same profit distribution policy going forward. We are reiterating a positive rating on Kęty.

Kęty acquires Ukrainian distributor

Kęty acquired a 100% stake in Ukrainian "Rollotrade" company for PLN 5.2m. Rollotrade distributes Aluprof roller shutters manufactured by Kęty, and is a major marketer of ready-made roller blinds in the Ukraine. Expansion of business operations to include the final stage of the sale process is aimed at a deeper penetration of the Ukrainian market. The acquisition has marginal importance for the Kęty group and its value.



KGHM (Accumulate)

Current price: PLN 102.8 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)	20 560.0
<i>EBITDA margin</i>	39.8%	41.3%		35.1%		30.1%		EV (current price)	21 975.0
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	5.9	5.4		6.7		10.1		Price change: 1 month	0.4%
P/CE	5.3	5.0		5.9		8.2		Price change: 6 month	-26.3%
P/BV	2.5	2.3		2.1		2.0		Price change: 12 month	-4.8%
EV/EBITDA	4.0	3.6		4.3		6.2		Max (52 week)	143.0
Dyield (%)	9.7	16.5		9.7		7.5		Min (52 week)	86.0



We maintain a positive outlook on KGHM and the entire materials industry. As the biggest mines in Chile struggle with energy problems and worker strikes, production volumes shrink (Escondida -20% y/y in Q108), and copper prices rise; we expect the PLN/USD exchange rate to stay steady at the current level in the next two quarters. The appointment of new CEO Mr. Krutin, which we consider a good decision, does not have as much bearing on KGHM's business as the macroeconomic situation.

New CEO makes plans

In line with press speculation, the CEO position was given to Miroslaw Krutin. Mr. Krutin is CEO of PCC Rokita, a large chemical company co-owned by Germany's PCC SE, a firm with an international presence in chemical materials, transport, energy, coal, coke, fuels, plastics, and metallurgy. Mr. Krutin turned PCC Rokita around after the company had found itself in deep financial trouble six years ago. In 2006, Rokita generated a revenue of PLN 600m, expected to increase to PLN 1bn in 2009. The CEO appointment is neutral to KGHM's stock performance during a time of volatile commodity markets.

Mr. Krutin announced that the new management board was going to look into KGHM's FY08 earnings guidance, and possibly revise it to take account of changes in copper prices and the USD/PLN exchange rate (the current FY08 net profit target is PLN 2.9bn). Further, the new directors are going to develop a growth plan and identify assets for disposal in the near future (Mr. Krutin mentioned a possible IPO of Dialog). The CEO's ambition is to de-politicize KGHM and unlock investments at mines and copperworks, and to make strategic acquisitions. Subsidiary KGHM Cuprum obtained a license to explore copper deposits in Sachsen, Germany, in April.

More worker demands

KGHM's workers are demanding an extra salary for May as compensation for a smaller-than-expected increase in the taxable base (a 2.3% raise instead of 15%), and a share of the dividends that KGHM receives from Polkomtel. Worker demands are inherent to KGHM's business, and are bound to repeat again and again, just like at most copper-mining companies in the world. We predict a 12% salary raise.

Back to old mines

KGHM is considering going back to old copper deposits near Bolesławiec, where it stopped mining in the 1980s. The company has filed for permission to analyze the deposits for copper content and extraction costs. Although these are just plans at this stage, investors are likely to frown. We are waiting to learn more details.



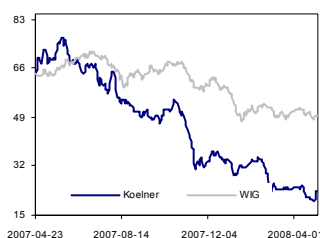
Koelner (Hold)

Current price: PLN 23.2 Target price: PLN 24.2

Analyst: Kamil Kliszc

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)	755.4
EBITDA margin	15.5%	10.6%		13.1%		14.7%		EV (current price)	1 000.2
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	17.8	90.9		17.9		11.3		Price change: 1 month	-7.1%
P/CE	12.8	30.1		11.3		8.1		Price change: 6 month	-53.6%
P/BV	3.3	2.5		2.2		1.8		Price change: 12 month	-66.9%
EV/EBITDA	12.4	17.4		10.8		8.2		Max (52 week)	77.0
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	20.1



According to the management board, the situation at Koelner is improving, and this improvement will be reflected in Q108 results. Even so, we do not expect the first-quarter earnings announcement to cause a dramatic change in the company's stock performance, nor will it give investors confidence as to delivery of the full-year PLN 42m profit target. Q108 figures will still be affected by restructuring expenses and finance costs incurred on debt service and revaluation of the loan granted to Rawlplug. We estimate the first-quarter net profit at PLN 3.3m, and reiterate Koelner as a hold until the company proves that it can deliver on its earnings promises, for instance by exceeding our Q1 forecasts.

Construction

Price trends in the road development industry

Building companies forecast a 10%-15% price increase in building materials this year, and a surge in labor costs as high as 30%. As a consequence, the cost of one kilometer of a motorway could increase from EUR 9m to EUR 12m. This calls into question the 2008-2012 road development plan which provides for 1,000 km of motorways and 2,100 km of expressways, with a budget of PLN 121bn which was established last year, and now faces a reality check as prices rise and the zloty keeps appreciating against the euro, the currency of the EU's infrastructure subsidies. The road authority GDDKiA is already thinking about removing from the plan a few expressway sections which have not yet been granted environmental clearance, and hence have little chance of being finished by 2012.

Energomontaż Południe: PLN 19m contract

Energomontaż Południe won a PLN 19m contract from Rafako/Alstom Power for welding work on the pressure parts of a boiler operating in the Bełchatów power plant. The contract price is PLN 19m. Deadline is 30 April 2009. With this contract, Energomontaż Południe's 2008 pipeline, estimated at PLN 263m, is 90.5% full.

Energomontaż Południe: Acquisition

Competition watchdog UOKiK gave permission to Energomontaż-Południe to acquire a 100% stake in PM Amontex Sp. z o.o.

Energomontaż Południe: Contract extension

Energomontaż Południe signed an annex to a contract with Energetyka Dwory extending the scope of work and the deadline. The contractual consideration was raised from PLN 29.4m to PLN 31.0m. The new deadline is 31 March 2009.

Hydrobudowa: Bank guarantee renewal

Hydrobudowa signed an annex to a 2006 bank guarantee agreement with Kredyt Bank, extending the guarantee period until April 9, 2010 and lowering the principal amount to EUR 3,542,531.42.

Hydrobudowa: Hydrobudowa ordered PLN 10.57m-worth of engineering services from "PI Budomont 6" and PLN 11.54m-worth of construction work from SOBET Sp. z o. o.

Mostostal Export: Talks with prospective investors

Mostostal-Export's CEO Michał Skipietrow hopes to find a strategic investor for his company by the end of June. Talks are underway with three potential buyers.

Mostostal Export: Contracts in Russia

Mostostal Export signed two contracts with OOO Shik to build three car dealerships in Russia's Ivanovo Oblast. The contract for Nissan and GM dealerships has an estimated value of \$8.27m (ca. PLN 17.86m), and the Hyundai dealership is estimated at \$3.86m (ca. PLN 8.33m). Construction is set to start in Q208 and end in Q209.

Mostostal Warszawa: PLN 42m contract

Mostostal Warszawa signed a PLN 42.19m contract with Xander SA for a building shell to be erected within Warsaw's "Eolian Park" development.

Mostostal Warszawa: Building bridges

Mostostal Warszawa and its Spanish parent Acciona are going to build one of the world's largest suspension bridges over the Odra river. The 1.75-kilometer bridge, designed as a part of a beltway around Wrocław, will take 30 months to build and cost 166 million euros.

Mostostal Zabrze: Contract extension

On March 31., Mostostal Zabrze signed a PLN 2.34m annex to its contract with Lentjes U.K. Ltd, for an FGD plant for UK's Ferrybridge power station. The new contract value is estimated at PLN 58.57m.

Mostostal Zabrze: Subsidiary contract

ZMP "Częstochowa" won a PLN 19m contract from Euroglas Polska glassworks for steel components and casings with a deadline in March 2009.

Mostostal Zabrze: EUR 2.65m contract

Mostostal Zabrze signed a EUR 2.65m (ca. PLN 9.3m) FGD plant contract with Fisia Babcock

Environment GmbH for Germany's Datteln power plant. The value of all contracts awarded by FBE GmbH over the past 12 months exceeds PLN 35.5m.

Mostostal Zabrze: Logistics center

Mostostal Zabrze has plans to build and sell logistics facilities near Bytom covering 160,000 square meters of leasable space. The building site is 25 hectares. The company hopes to get PLN 4,500 per square meter of the finished facilities. The expected net gain is PLN 250m, which we find much too optimistic. If we were to optimistically assume a monthly rental rate of EUR 4 per sqm (as prevailed in Warsaw in November 2007 according to Jones Lang Lasalle), annual income per square meter would approximate PLN 170. Assuming equally optimistic, 6.5% cap rates on logistics centers, the pre-tax value of one square meter figures to a little over PLN 2,500. Even in this optimistic scenario, at an estimated cost of PLN 300m, Mostostal Zabrze's gain would be closer to PLN 120m than PLN 250m.

PA Nova: Forecast revision after Q208 results

PA Nova will decide whether to revise its earnings forecasts for 2008 after the Q2 earnings announcement. The company is considering expansion into hotel development.

Pol-Aqua: Contract from Grupo Lar Real Estate

Polaqua signed a PLN 56.08m contract with Grupo Lar Real Estate Polonia as general contractor for the first stage of a residential/commercial complex in Warsaw called "Nowe Bielany" with a deadline in October 2009.

Pol-Aqua: PLN 38.5m contract

Pol-Aqua signed a PLN 38.5m contract for a shopping mall in Hława with Dion Investments Sp. z o.o. Deadline is in May 09.

Pol-Aqua: FY2008 forecast reiterated

Earnings targets for this year are PLN 131m for EBIT, PLN 163m for EBITDA, and PLN 1.42bn for revenue. Bottom-line profit will be affected by bank debt taken out to finance the acquisition of a 20% stake in Polnord.

Pol-Aqua: Order from Dom Development

Pol-Aqua received a PLN 40.45m order for sewage channels in Warsaw from Dom Development. Deadline is June 2009.

PBG: FY2008 earnings guidance

PBG pegs FY08 revenue at PLN 1.9bn, and net profit at PLN 142.6m. Based on these estimates, the FY08E P/E figures to 30. PBG's forecasts are based on the existing contract pipeline, going to fill up as the year progresses, and do not take into account potential acquisitions.

PBG: \$210m deal

PBG is going to perform upgrades for Armenian chemical company Nairit for \$210 billion - its largest contract in history. PBG is set to start work within a month, and finish in 2.5 years. The company plans to hedge currency risk in the event that the dollar continues to weaken against the zloty. According to the CEO, the profit margin on the contract will be higher than on any Polish deal. A portion of the revenues will be recognized still this year. With this latest addition, PBG's contract backlog is nearing PLN 3.5 billion. FY08 revenue is expected to reach PLN 1.9 billion, with profit at PLN 142m.

Żurawie Wieżowe: Two contracts

EFH Żurawie Wieżowe received two orders worth a total PLN 2.34m from Unibep for 12 tower cranes to be delivered and installed on a building site in Warsaw.



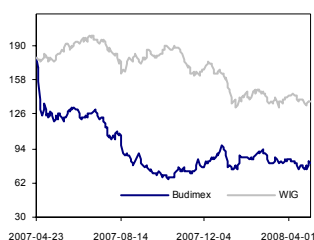
Budimex (Buy)

Current price: PLN 80.6 Target price: PLN 98.4

Analyst: Kacper Żak

Last Recommendation: 2007-10-30

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	3 043.2	3 075.9	1.1%	4 058.5	31.9%	4 908.5	20.9%	Number of shares (m)	25.5
EBITDA	31.1	51.7	66.1%	104.7	102.5%	227.7	117.5%	MC (current price)	2 057.7
EBITDA margin	1.0%	1.7%		2.6%		4.6%		EV (current price)	2 099.1
EBIT	9.9	28.0	181.8%	75.6	170.0%	197.4	161.1%	Free float	28.8%
Net profit	3.9	15.1	287.8%	54.2	258.6%	148.0	173.4%		
P/E	528.4	136.3		38.0		13.9		Price change: 1 month	-3.8%
P/CE	82.0	53.0		24.7		11.5		Price change: 6 month	8.2%
P/BV	3.9	4.0		3.8		3.4		Price change: 12 month	-42.5%
EV/EBITDA	55.6	38.7		18.5		8.5		Max (52 week)	140.2
Dyield (%)	0.0	0.0		0.4		3.1		Min (52 week)	65.8



We are confident that Budimex will have a successful second half of the year, and meet our full-year earnings forecasts. Performance in the years ahead will depend on the company's hit rate in the upcoming series of infrastructure contract awards.

Good Q108 results

Budimex's first-quarter revenue was slightly lower than in the same quarter a year earlier at PLN 653.1m. However, net profit came over PLN 15m vs. a PLN 1.2m loss reported in Q107. Overall, Budimex had a good quarter, with profit driven mostly by the Construction business, which, surprisingly, generated a small profit compared to a PLN 14m loss a year earlier. We had also not expected a profit as high as PLN 15m from the Property Development line. Apparently, Budimex was successful in selling dwellings which remained in developments completed in preceding quarters, given that it did not complete any major projects in Q108. Another profit driver in the first quarter were finance gains generated from currency hedges (some of Budimex's contract prices are denominated in euros).

Earnings to accelerate in 2009

The CEO of Budimex says that the earnings outlook for next year will improve dramatically once the company gets one of the several big infrastructure contracts it is bidding for. But the main goal is to improve profitability by working toward acquiring contracts that yield at least 8%-10% sales margins. Meanwhile, some old low-margin contracts have yet to be completed.

FY2008 revenue is expected to increase 10% this year, and net profit is estimated at over PLN 50m. In the second half of the year, we expect that several major infrastructure contracts will finally be awarded to successful bidders if Poland wants to be ready to host the EURO 2012 soccer cup.

Budimex's shareholders are meeting on 17 June to vote on FY07 profit distribution and supervisory board changes.

PLN 150m revolving loan

Budimex signed a PLN 150m revolving loan agreement with Pekao S.A. effective until 30 November 2008. Collateral for a total amount of PLN 180m, provided by Budimex and Budimex Dromex, will remain in place until 30 November 2011.



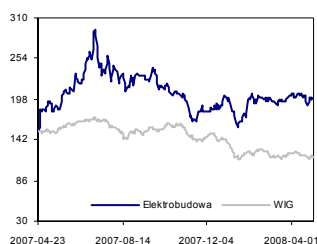
Elektrobudowa (Accumulate)

Current price: PLN 199 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)	839.8
EBITDA margin	6.1%	7.3%		7.6%		8.1%		EV (current price)	840.0
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	50.9	24.2		19.8		16.4		Price change: 1 month	-1.5%
P/CE	39.7	20.9		17.2		13.9		Price change: 6 month	-2.4%
P/BV	9.9	8.2		4.2		2.8		Price change: 12 month	10.5%
EV/EBITDA	29.1	16.6		12.7		9.7		Max (52 week)	293.8
Dyield (%)	0.7	1.2		1.7		2.3		Min (52 week)	160.0



Elektrobudowa's reported FY07 revenue missed target by PLN 16.3m. The company fulfilled several of its SPO objectives in Q108, including acquisition of "Energofekt" (100% stake for PLN 10.0m), "Energotest-Energopomiar" (62% stake for PLN 18.7m), and "Vector" (49% stake for PLN 3.8m). Consolidation of Energofekt 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).

Dividends

Budimex's supervisory board will recommend payment of PLN 2.5 per share as dividends to shareholders. The date of record is set at July 21., with payout on August 7.

Acquisition

Elektrobudowa purchased a 62% stake (82 shares) in Energotest-Energopomiar Sp. z o.o. pursuant to an 11. April agreement.

PLN 150m revolving loan

Budimex signed a PLN 150m revolving loan agreement with Pekao S.A. effective until 30 November 2008. Collateral for a total amount of PLN 180m provided by Budimex and Budimex Dromex will remain in place until 30 November 2011.

PLN 5.98m contract

Elektrobudowa signed a contract with Junimex Development for general contracting services in a development including a supermarket, a pumping station, and a restaurant. The PLN 5.98m contract has a deadline in October 2008. The value of all contracts signed with Junimex Development over the last 12 months amounts to PLN 17.23m.

Shareholder resolutions

Elektrobudowa is going to pay PLN 2.5/share as dividends to shareholders. During the April annual meeting, the company's shareholders appointed a new supervisory board consisting of Aleksander Chłopecki, Jacek Chwałek, Dariusz Wojda, Dariusz Mańko (Chairman), Ryszard Rafalski, Karol Żbikowski, and Tomasz Mosiek.

First-quarter results

Elektrobudowa's Q108 revenue amounted to PLN 169.6m (+34.57% y/y), and net profit came in at PLN 9.9m (+94.28% y/y).



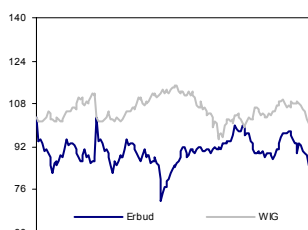
Erbud (Accumulate)

Current price: PLN 82.6 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)	1 038.4
<i>EBITDA margin</i>	6.2%	6.4%		7.5%		7.9%		EV (current price)	925.3
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	41.2	32.3		20.1		14.0		Price change: 1 month	-8.2%
P/CE	38.7	30.5		18.8		13.2		Price change: 6 month	-15.7%
P/BV	20.3	5.1		3.9		3.1		Price change: 12 month	
EV/EBITDA	30.2	21.0		13.2		8.5		Max (52 week)	102.8
Dyield (%)	0.1	0.0		0.0		0.0		Min (52 week)	71.0



2007-09-11 2007-11-05 2008-01-03 2008-02-26 2008-04-22

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



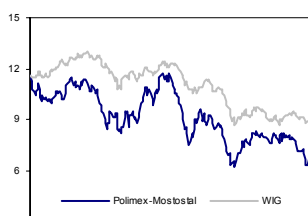
Polimex Mostostal (Hold)

Current price: PLN 6.9 Target price: PLN 9.1

Analyst: Kacper Żak

Last Recommendation: 2007-12-04

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	2 483.4	3 701.7	49.1%	4 131.4	11.6%	4 935.3	19.5%	Number of shares (m)	468.2
EBITDA	129.7	219.3	69.0%	307.1	40.0%	396.4	29.1%	MC (current price)	3 230.3
<i>EBITDA margin</i>	5.2%	5.9%		7.4%		8.0%		EV (current price)	3 626.0
EBIT	98.5	163.1	65.6%	205.3	25.9%	278.0	35.4%	Free float	66.0%
Net profit	62.6	103.8	65.9%	139.2	34.1%	199.6	43.4%		
P/E	51.2	31.1		23.2		16.2		Price change: 1 month	-13.8%
P/CE	34.2	20.2		13.4		10.2		Price change: 6 month	-34.2%
P/BV	9.0	3.4		3.1		2.8		Price change: 12 month	-34.9%
EV/EBITDA	26.0	16.5		11.2		8.6		Max (52 week)	11.8
Dyield (%)	0.2	0.6		0.6		0.9		Min (52 week)	6.2



2007-04-23 2007-08-14 2007-12-04 2008-04-01

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 profit margins remained tight (after a 5.4% drop in 2007) due to rising salaries and energy and materials costs, the zloty's appreciation against the euro, and fierce competition.

PLN 223m contract

Polimex-Mostostal, as 43% consortium partner, won a PLN 223m contract for two sections of a road running through Zabrze.

Rosy FY2008 outlook

Polimex's CEO said in a TV interview that 2008 is shaping up to be a very good year. Polimex has a contract backlog worth PLN 6 billion, of which 80% will be completed this year (FY07 revenue was reported at PLN 3.7bn), and GPM is expected to increase from 2.8% in 2007 to 3% in 2008, and 4% in 2-3 years. Polimex's management board will suggest payout of 10% of the FY07 profit as dividends to shareholders.



Ulma Construccjon Polska (Accumulate)

Current price: PLN 233 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)	1 224.6
<i>EBITDA margin</i>	<i>48.4%</i>	<i>48.7%</i>		<i>53.8%</i>		<i>57.7%</i>		EV (current price)	1 268.2
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	34.6	24.1		19.0		15.4		Price change: 1 month	-1.7%
P/CE	18.4	13.2		10.1		8.3		Price change: 6 month	-24.4%
P/BV	11.3	5.6		4.3		3.4		Price change: 12 month	-55.2%
EV/EBITDA	16.6	12.2		9.2		7.5		Max (52 week)	550.0
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	220.0



After first two buoyant months, when mild weather allowed for early completion of a few contracts, March and April saw a slight slowdown. We expect more activity in the construction industry starting in May.

Annual meeting

Ulma's annual shareholders' meeting is scheduled for 6 May.

Real Estate Development

BBI Development: Subsidiary equity raise

The share capital of subsidiary Realty Management Sp. z o.o. Projekt Developerski 5 SKA was raised to PLN 10.02m. By acquiring 1000 shares with a nominal value of PLN 1m, BBI increased its stake in the company to 99.8%.

Gant Development: Incentive plan

Gant put in place an incentive plan for its top management providing for bonuses conditioned on achievement of a minimum PLN 150m net profit in FY2008, and at least PLN 170m in FY2009. The management's bottom-line guidance for FY2008 is PLN 172m.

Immoeast: Shopping mall order

Immoeast will build a mall called "Cherno More Park" in Varna, Bulgaria, for EUR 150m. Construction is set to start in Q408 and end in Q42010. The 90K square-meter mall will house 180 shops and restaurants.

Octava NFI: Expanding Magnolia Park

Investment fund Octava NFI plans to expand the "Magnolia Park" shopping mall in Wrocław, and build an office/entertainment complex next to it. These investments cover a total of 55,000 square meters of leasable space. Further, the fund is going to build a shopping center in Wałbrzych with 40,000 sqm of leasable space. The total cost of these projects is estimated at EUR 200m. Octava NFI's most valuable asset is Legnicka Development in which it holds a 70% interest, and which has the 74,000 sqm Magnolia Park in its portfolio. Securing EUR 200m to finance investments is a big challenge for the fund, which will probably have to enlarge its PLN 200m debt. But, considering that Magnolia Park generates ca. PLN 60m a year in revenue at low operating expenses, if Octava starts the projects next year to last for 2-3 years, they are doable.

Orco Property Group: 2008 plans

The value of Orco's contract portfolio amounted to EUR 2.4bn at the end of 2007. NAV per share was EUR 91.7-106.3 depending on the calculation method. FY2007 revenue surged 73% to EUR 299.2m, driven mainly by rental revenues boosted by the German GSG taken over in mid-year. This year, the management expect that commercial space rental revenue will increase by 21%. The big improvement in revenues recorded last year was also owed to a large number of completions (1502 in 2007 vs. 894 in 2006). In 2008, the company hopes to generate a total revenue of EUR 347m. 2007 revaluation gain was the same as in 2006 at EUR 147m. Orco plans to spend EUR 700m on developments this year (EUR 140m of which will be earned from sales of developments currently in progress). The company has a net debt of EUR 1.2bn. One of the biggest challenges in the near term is to fill unleased space in the property taken over from GSG. At the moment, the takeup rate for the 825,000 sqm is 73%, and the plan is to reach 85% in two years. Orco is going to pay EUR 1.4 per-share dividends this year.

Orco Property Group: Croatian deal

Orco Property Group signed a contract to develop a vacation resort called "Obonjan Riviera" in the town of Šibenik, Croatia, via the Suncani Hvar hotel chain. Orco will manage Obonjan Riviera, which is designed to include hotels, apartments, sports facilities, and a yacht marina, for 50 years, and then pass it on to the Šibenik authorities free of charge. Construction is set to start in 2010 and end in 2012. The total cost of the project is estimated at EUR 100m, and revenue is projected at EUR 16m in 2014 and EUR 20m annually in subsequent years.

Orco has plans to develop PLN 2bn-worth of homes in Poland in the next three years. 170,000 square meters of living space have already been approved for construction (this figures to 2000-2,500 dwellings). Orco builds upscale and luxury apartments. Last year, the developer completed 1500 dwelling units globally.



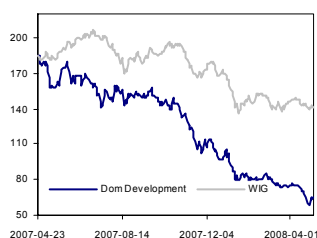
Dom Development (Buy)

Current price: PLN 65.2 Target price: PLN 103.6

Analyst: Kacper Żak

Last Recommendation: 2008-03-04

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	729.8	878.8	20.4%	951.0	8.2%	1 370.0	44.1%	Number of shares (m)	24.6
EBITDA	127.7	243.5	90.7%	199.7	-18.0%	229.5	14.9%	MC (current price)	1 601.3
<i>EBITDA margin</i>	<i>17.5%</i>	<i>27.7%</i>		<i>21.0%</i>		<i>16.7%</i>		EV (current price)	1 604.6
EBIT	126.1	241.0	91.1%	197.8	-17.9%	227.4	15.0%	Free float	20.0%
Net profit	115.9	200.6	73.1%	157.7	-21.4%	184.0	16.7%		
P/E	13.8	8.0		10.2		8.7		Price change: 1 month	-13.1%
P/CE	13.6	7.9		10.0		8.6		Price change: 6 month	-53.3%
P/BV	3.3	2.3		1.9		1.7		Price change: 12 month	-63.4%
EV/EBITDA	12.3	6.6		7.5		4.9		Max (52 week)	180.0
Dyield (%)	0.0	0.0		1.9		3.2		Min (52 week)	59.2



Dom Development sold over 320 dwellings in the first quarter, slightly below expectations. The outlook for the second quarter, which will be critical to delivery of the full-year earnings targets, is not good, as property prices continue on their downward curve. The 2.5K-home sales forecast is starting to look bleak.

Annual meeting

Dom Development's supervisory board is going to recommend payment of PLN 50.1m (PLN 2.04/share) as dividends to shareholders. The remaining PLN 180.28m of last year's profit will be allocated to reserve capital. The date of record is tentatively set at May 28, with payout on June 12.



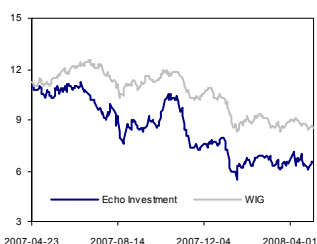
Echo Investment (Buy)

Current price: PLN 6.5 Target price: PLN 8

Analyst: Kacper Żak

Last Recommendation: 2008-02-15

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	333.2	380.8	14.3%	476.5	25.1%	792.3	66.3%	Number of shares (m)	420.0
EBITDA	382.1	410.0	7.3%	306.0	-25.4%	457.3	49.5%	MC (current price)	2 730.0
<i>EBITDA margin</i>	<i>114.7%</i>	<i>107.7%</i>		<i>64.2%</i>		<i>57.7%</i>		EV (current price)	3 675.6
EBIT	381.0	403.7	6.0%	303.3	-24.9%	454.5	49.9%	Free float	40.0%
Net profit	278.1	321.9	15.7%	177.4	-44.9%	283.9	60.0%		
P/E	9.8	8.5		15.4		9.6		Price change: 1 month	-2.3%
P/CE	9.8	8.3		15.2		9.5		Price change: 6 month	-37.5%
P/BV	2.3	2.2		2.0		1.6		Price change: 12 month	-39.8%
EV/EBITDA	9.9	9.0		13.4		9.6		Max (52 week)	11.3
Dyield (%)	0.0	0.0		0.0		0.0		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.

Contract with subsidiary

Echo Investment signed a PLN 218.7m contract with Projekt Echo-66 Sp. z o.o. under which it will build an office complex in Warsaw scheduled for completion by December 2009.



GTC (Buy)

Current price: PLN 36.7 Target price: PLN 42.88

Analyst: Kacper Żak

Last Recommendation: 2008-04-30

(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)	8 080.6
<i>EBITDA margin</i>	296.4%	420.3%		130.9%		146.7%		EV (current price)	9 142.9
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	10.3	9.6		12.1		4.5		Price change: 1 month	-2.0%
P/CE	10.3	9.5		12.0		4.5		Price change: 6 month	-27.6%
P/BV	2.9	2.1		1.8		1.2		Price change: 12 month	-26.5%
EV/EBITDA	9.0	7.8		10.6		5.2		Max (52 week)	56.5
Dyield (%)	0.0	0.0		0.0		0.0		Min (52 week)	31.6



GTC purchased a 4.3 ha lot in Petersburg, Russia, designated for an office building with 110 sqm of leasable space in which it has a 50% stake. The building will be completed in stages between 2011 and 2013. GTC's contribution to the project is EUR 28.6m.



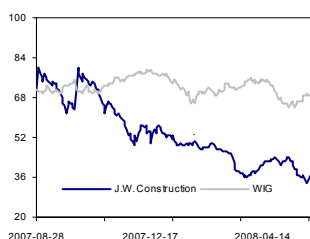
J.W. Construction (Buy)

Current price: PLN 28.2 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)	1 542.5
EBITDA margin	26.3%	27.4%		23.0%		19.0%		EV (current price)	1 830.3
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	11.7	10.4		7.9		7.9		Price change: 1 month	-13.8%
P/CE	10.8	9.5		7.6		7.6		Price change: 6 month	-38.8%
P/BV	8.0	2.7		2.1		1.8		Price change: 12 month	
EV/EBITDA	9.6	8.5		5.8		5.8		Max (52 week)	80.0
Dyield (%)	0.0	0.0		2.8		3.8		Min (52 week)	28.2



Sales dwindled in the first quarter, forcing JWC to revise its full-year sales forecast down from 2.9-3.0K to 2.7K dwellings. On the upside, weak first-quarter sales will not affect the PLN 200m full-year net profit forecast because JWC has already sold most of the work currently in progress. To deliver the full-year earnings target, JWC has to sell approximately 1.2 thousand apartments.

Q108 sales

JWC sold a meager 200 dwellings in the first quarter, compared to over 600 in the same period a year ago. Nevertheless, the company expects to sell more apartments by the end of the year than the originally projected 2700, at higher prices, and reiterated its consolidated FY08 earnings estimates at PLN 219.7m for net profit, PLN 278.2m for pre-tax profit, PLN 295.5m for operating profit, and PLN 1.085bn for revenue.

Cheaper homes thanks to new technology

JWC's CEO said in an interview that it is possible to build homes for less thanks to a German technology which, he claims, can reduce costs by up to 20%. Very generally speaking, the technology consists in using ready-made blocks and walls. JWC is not the first developer to look for a solution that would enable it to lower construction costs. For instance, TUP is building dwellings from steel components. The question is whether such novelties will not affect quality. Going forward, the most profitable segments of the housing market will be upscale apartments, where unique design and location are most important, and affordable homes which are most in demand, and where price is the key consideration for buyers. And affordable homes are JWC's specialty.

Expensive sponsorship

JWC's owner is considering backing out of sponsoring Warsaw's second-league soccer club "Polonia" (the company Polonia SSA is a 100% non-consolidated subsidiary of JWC). His decision depends on the team's performance: Polonia is hoping to move to the top division of Poland's premier league ("Orange Ekstraklasa"), and has a good chance of succeeding. The budget of a top-notch premier-league football club exceeds PLN 20m. We can assume that at least half of it comes from sponsors. A team like Polonia will need some PLN 5-10m from J.W. Construction next season - an amount which should be deducted from the company's EBIT. Advertising during football games is not very effective as a revenue driver, so, sponsorship actually affects margins. In this light, Polonia's success will be a source of headache for JWC owners. The downside of withdrawing sponsorship would be that JWC would lose, and probably write down receivables worth PLN 8m. However, after this one-off, the company would not incur any more losses.

Other news

JWC signed an annex to a revolving credit agreement with BOŚ SA increasing the limit by PLN 55m to PLN 115m. The money will be allocated to the "Górczewska Park" development in Warsaw.

Further, JWC signed a contract with Prumstav Develop Poland Sp. z o.o. for 14 multi-family buildings for a fixed consideration of PLN 62.96m. Deadline is October 2009.

JWC's CEO Jerzy Zdrzałka reported a considerable drop in sales in Q108 compared to Q407, but emphasized that one weak season was not going to affect the company's earnings targets (net profit pegged at PLN 219.7m, 1200 dwellings sold). To meet the needs of prospective customers, JWC has developed a new offer whereby buyers can make a 30% downpayment and move into their homes, and pay the rest over a 10-year period. The offer is targeted to people whom banks would rate as "subprime" borrowers, like students or people working in the "grey" market.



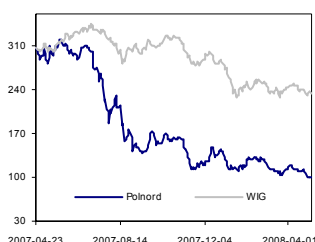
Polnord (Buy)

Current price: PLN 99.6 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)	1 762.0
EBITDA margin	-12.9%	26.2%		29.7%		26.3%		EV (current price)	1 955.1
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		18.3		11.6		6.5		Price change: 1 month	-14.2%
P/CE		18.0		11.1		6.4		Price change: 6 month	-38.5%
P/BV	14.9	9.8		5.5		3.1		Price change: 12 month	-66.1%
EV/EBITDA		58.9		10.3		6.0		Max (52 week)	320.0
Dyield (%)	0.0	0.0		0.5		0.9		Min (52 week)	98.3



Polnord made headlines in April after it was announced that it was being taken over by Pol-Aqua. The deal is to be sealed as soon as Pol-Aqua's minority shareholders give their OK. We do not understand this move given that, just last year, Polnord sold Pol-Aqua its general contracting line, and that Polnord's main shareholder declared a few weeks ago that he had no intention of divesting his stake. We do not see any potential for synergies in this merger. In our view, a much more reasonable solution would be to spin off Polnord's building operations. Granted, developers now are struggling with a shortage of building contractors, but, once found, the contractor usually bears all risks and liability for delays or negligence. As for Pol-Aqua, its business extends beyond housing development, which generates relatively weak margins, and if the company limits itself to building just for Polnord, it will lose margins achievable in other types of construction.

Development projects in Russia

Polnord signed a memorandum of understanding to establish a partnership with Russia's JSC Ruseurocapital. The first project will be a housing-and-commercial development in an undisclosed location, toward which Polnord is going to allocate PLN 44m in the first stage of construction. Polnord is already cooperating with other Russian partners like PLP Development and Russkiye Samotsvety on projects in Novosibirsk, Saratov, and Petersburg. The development could be built on Ruseurocapital's land in Moscow.

Pol-Aqua buys Polnord

Pol-Aqua signed a preliminary agreement to purchase 3,562,676 shares of Polnord representing 20% of votes for PLN 399.95m. The sellers are Prokom Investments and its subsidiary Osiedle Wilanowskie. Further, the management board of Pol-Aqua resolved that, after the parties sign a final sale agreement, they would recommend that Pol-Aqua and Polnord merge at an exchange ratio of 1.45 shares of Pol-Aqua for each share of Polnord.

Retail



Emperia Holding (Accumulate)

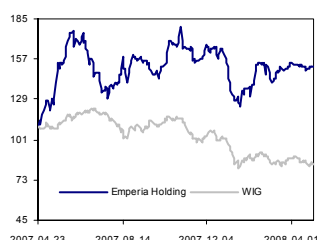
Current price: PLN 151.5 Target price: PLN 166.1

Analyst: Kamil Kliszcz

Last Recommendation: 2008-03-17

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	1 406.7	4 596.5	226.8%	5 936.2	29.1%	6 757.4	13.8%	Number of shares (m) *	15.0
EBITDA	51.2	173.4	238.5%	210.8	21.5%	278.0	31.9%	MC (current price) *	2 271.4
EBITDA margin	3.6%	3.8%		3.6%		4.1%		EV (current price) *	2 389.8
EBIT	33.0	134.3	307.5%	153.1	13.9%	198.6	29.8%	Free float	75.4%
Net profit	23.4	89.7	283.9%	116.2	29.5%	150.3	29.3%		
P/E	87.3	25.3		19.5		15.1		Price change: 1 month	-1.6%
P/CE	49.0	17.6		13.1		9.9		Price change: 6 month	-15.6%
P/BV	5.7	3.3		2.9		2.5		Price change: 12 month	28.4%
EV/EBITDA	41.6	13.8		11.7		9.0		Max (52 w week)	179.5
Dyield (%)	1.8	1.1		0.6		2.0		Min (52 w week)	110.0

* incl. stock issue to BOS shareholders



Emperia's shares held steady through April, and the company did not report any major developments except for internal reorganization and takeover of a small "Lewiatan Orbita" franchise near Olsztyn. In the near term, performance will be depend on the 15. May first-quarter earnings announcement and acquisition news. We predict a 28% year-on-year improvement in Q108 net profit, and a 23% increase in revenue. We are reiterating an accumulate rating on Emperia.



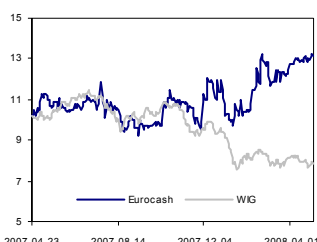
Eurocash (Hold)

Current price: PLN 13.1 Target price: PLN 11.5

Analyst: Kamil Kliszcz

Last Recommendation: 2008-03-06

(PLN m)	2006	2007	change	2008F	change	2009F	change	Basic data (PLN m)	
Revenues	3 237.0	4 729.4	46.1%	6 719.6	42.1%	7 838.3	16.6%	Number of shares (m)	127.7
EBITDA	87.3	121.9	39.7%	156.6	28.5%	188.7	20.5%	MC (current price)	1 673.4
EBITDA margin	2.7%	2.6%		2.3%		2.4%		EV (current price)	1 618.0
EBIT	55.2	85.8	55.3%	108.5	26.5%	133.3	22.8%	Free float	34.7%
Net profit	41.6	58.9	41.7%	81.8	38.9%	102.9	25.8%		
P/E	40.3	28.4		20.6		16.4		Price change: 1 month	3.1%
P/CE	22.7	17.6		13.0		10.7		Price change: 6 month	19.1%
P/BV	8.4	7.2		5.4		4.5		Price change: 12 month	28.4%
EV/EBITDA	19.5	13.3		11.4		9.3		Max (52 w week)	13.2
Dyield (%)	1.2	1.8		0.7		2.4		Min (52 w week)	9.3



There are signs that Eurocash might exceed Q108 earnings expectations (announcement set for May 15.) in spite of a seasonal sales slowdown. Organic growth is driving the EBITDA margin, unimpeded by the company's aggressive price policy aimed at acquiring new customers and generating like-for-like growth at the cash&carry wholesale outlets). If Eurocash does indeed beat our forecasts, we might revise upward our full-year projections and valuation. For now, we remain neutral.

McLane acquisition final

Eurocash finalized the acquisition of McLane. The company did not disclose the price of the 100% stake, but we estimate it at PLN 87.5m, including PLN 11m payable in Eurocash shares. In our financial forecasts for 2008, we assumed that McLane's earnings would be consolidated from the beginning of the year (PLN 1bn revenue, PLN 10m EBITDA). By sealing the deal so fast after the UOKiK's takeover permission, Eurocash can start to consolidate its new subsidiary still in Q2.

Others



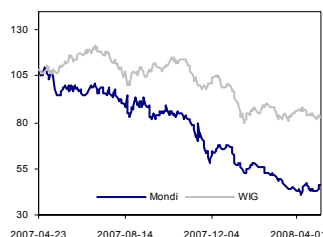
Mondi (Buy)

Current price: PLN 46.1 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)	2 302.5
EBITDA margin	30.1%	24.8%		24.2%		22.3%		EV (current price)	2 302.2
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	8.5	9.4		10.9		11.8		Price change: 1 month	7.3%
P/CE	6.1	6.6		7.2		7.6		Price change: 6 month	-43.8%
P/BV	2.3	2.3		2.3		2.2		Price change: 12 month	-56.6%
EV/EBITDA	5.4	5.7		6.3		6.6		Max (52 week)	110.1
Dyield (%)	10.6	11.7		9.2		7.3		Min (52 week)	41.1



Mondi topped analysts' expectations as to first-quarter results thanks to higher selling prices (sales to the dollar zone largely shifted to the euro zone), and a quarter-on-quarter decline in scrap paper prices (-24%) and wood prices (-0.2%, reduced imports plus a 17% depreciation in imported birch wood). Mondi has already signed contracts for upcoming upgrades with Strabag. We are reiterating a positive rating.

Q108 results

Mondi generated a net profit of PLN 59.4m in the first quarter, 26% less than a year earlier. Operating profit was 28% down year-on-year to PLN 67m, and revenues slipped 2% to PLN 380.5m. The reason behind the year-on-year deterioration was expensive scrap paper (prices up 20%) and, not surprisingly, a strong zloty. Despite the decline, Mondi's Q108 earnings exceeded analysts' consensus of PLN 38m for net profit, PLN 44.8m for EBIT, and PLN 365m for revenue, and our forecasts, which were PLN 44.4m, PLN 51.6m, and PLN 368.3m respectively. EBIT was boosted by stronger sales (higher prices achieved thanks to a sales shift from the dollar zone to the euro zone) and lower feedstock prices: the price of recycled paper plunged 24% from Q407, and wood was 0.2% cheaper. Lastly, Mondi posted a PLN 11m gain on currency hedges.

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

rating	Buy	Accumulate	Buy	Buy	Buy	Accumulate	Hold
date issued	2007-09-04	2007-10-03	2007-12-04	2008-01-24	2008-02-26	2008-04-03	2008-04-03
price on rating date	257.20	262.00	240.20	179.00	183.00	185.20	538.00
WIG on rating date	61010.54	61196.53	56412.82	45362.07	50149.68	48548.05	48548.05

ING BSK

rating	Hold	Accumulate	Buy	Accumulate	Buy	Accumulate
date issued	2007-09-04	2007-11-07	2008-01-17	2008-01-24	2008-03-06	2008-03-25
price on rating date	918.00	865.00	570.00	615.00	540.00	505.00
WIG on rating date	61010.54	61527.41	46204.97	45362.07	45807.69	45903.70

Kredyt Bank

rating	Buy	Accumulate	Buy	Buy	Accumulate
date issued	2007-09-04	2007-11-07	2007-12-04	2008-01-24	2008-04-03
price on rating date	23.80	25.00	23.50	19.00	22.35
WIG on rating date	61010.54	61527.41	56412.82	45362.07	48548.05

Lotos

rating	Reduce	Accumulate
date issued	2007-10-09	2008-01-14
price on rating date	49.00	43.76
WIG on rating date	61752.98	50400.82

PGNiG

rating	Hold	Reduce	Hold	Accumulate	Accumulate
date issued	2007-09-06	2007-11-07	2008-01-15	2008-03-06	2008-03-11
price on rating date	5.37	5.66	5.25	4.40	4.90
WIG on rating date	60397.88	61527.41	49644.93	45807.69	46397.34

ABG

rating	Hold	Accumulate	Buy	Accumulate	Accumulate
date issued	2007-01-08	2007-08-28	2007-11-07	2007-12-04	2008-01-31
price on rating date	7.10	6.98	5.96	6.55	6.45
WIG on rating date	50477.49	60073.46	61527.41	56412.82	48451.01

GTC

rating	Accumulate	Buy	Accumulate
date issued	2008-02-15	2008-03-06	2008-04-03
price on rating date	37.89	32.99	38.40
WIG on rating date	50029.37	45807.69	48548.05

**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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DCF – acknowledged as the most methodologically correct method of valuation; it consists in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.

Comparative – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.