15 October 2008

Periodic Report

BRE Bank Securities

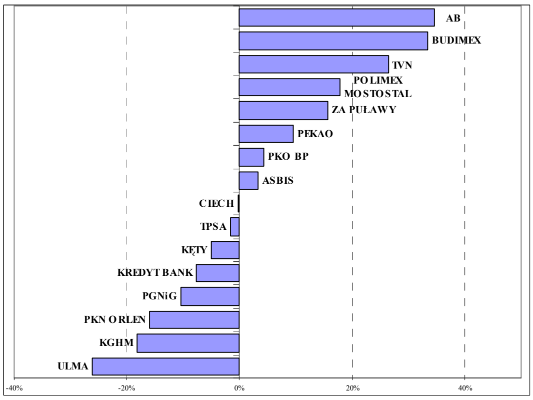
Equity Market

Forecasts of Quarterly Results

Q3 2008

WIG	**32 757**
Average 2008E P/E	10.0
Average 2009E P/E	10.1
Avg dialy trading volume (3M)	PLN 1 215m

EPS dynamics of selected companies*



**calculated for: 4Q'07-3Q'08 / 3Q'07-2Q'08*

Banks. We are expecting a 9% increase in the Banks' net income in Q3'08 (excluding Pekao, for which we lack pro-forma Q3'07 results). Operating income before provisions will increase by 18% y/y, which suggests a significant spike in the cost of risk. This fits in with our FY2008 forecast of an 11% y/y net income increase. A challenge will come next year, when net income is expected to fall by 12%.

Gas&Oil. In nominal terms, Orlen's and Lotos's Q3'08 earnings may disappoint due to a negative LIFO effect and the revaluation of FCY liabilities after the significant appreciation of the USD. With the price of petroleum declining, the quality of the earnings should surprise on the upside. PGNiG's earnings will be much worse than last year, mostly due to a loss incurred by the Trade and Storage segment.

Telecommunications. We are expecting telecoms to register similar earnings as last year. There will be no reversal to current trends: Netia will increase BSA and WLR revenue, but its EBITDA margin will remain weak due to customer acquisition costs; TPSA will lose 15% of its fixed telephony revenue, with only a 6% increase at Centertel and a 12% increase in data transmission revenue.

Media. Television broadcasters including TVN and Cyfrowy Polsat are likely to post stronger results in Q308 than a year earlier. In case of newspaper publisher Agora, higher revenues will not be reflected in either the quarter's operating profit, or net income.

IT. All computer suppliers will see higher margins in Q308, achieved mainly thanks to favorable exchange-rate trends. As far as sales performance is concerned, we expect to be disappointed by Komputronik, which experienced some troubles early in the quarter. AB will show an improvement in sales against last year's low base.

Metals. The drop in copper prices and the appreciation of the zloty will make KGHM net income fall by half y/y, to PLN 560m. We estimate the current valuation of the copper division of the company at PLN 600m.

Construction. In Q3'08, construction companies will see excellent results due to work on contracts landed when the economy peaked, i.e. in 2007. A positive, margin-boosting surprise, will come from the decelerating costs (slower salary growth, decrease in the price of construction materials). Construction material producers will see their earnings decrease.

Retail. In Q3'08, FMCG companies should maintain their Q2'08 revenue growth rates, but this will not be possible for profits due to the pressure on costs exerted by the labor market and organic growth needs.

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Financial Sector

BZ WBK

Accumulate

Banks

Analyst: Marta Jeżewska

FY08E P/E 9.1
FY09E P/E 10.0

FY08E P/BV 1.7
FY09E P/BV 1.6

Current price **PLN 127.0**
Target price **PLN 155.8**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Net interest income	414	329	25.7%	1191	923	29.0%	1612	1287	25.3%
Net fee income	343	388	-11.6%	1055	1144	-7.7%	1413	1545	-8.6%
NIM	3.5%	3.6%		3.5%	3.4%		3.4%	3.5%	
Income from banking operations	791	736	7.5%	2412	2186	10.3%	3263	2955	10.4%
Operating expenses	-438	-379	15.7%	-1273	-1074	18.5%	-1782	-1559	14.3%
Operating income*	362	364	-0.5%	1170	1118	4.6%	1481	1395	6.1%
Provisions	-34	-22	60.1%	-54	3	n/a	-95	-4	2309.2%
Pre-tax income	328	344	-4.6%	1116	1122	-0.6%	1386	1391	-0.4%
Net income	241	226	6.6%	808	784	3.0%	1017	955	6.6%

** before provisions*

Interest income remains the main driving force behind BZ WBK's earnings. Before deposit margins came under pressure in the fourth quarter, banks saw record margin levels in the third quarter. Q308 fee income was affected by the turmoil in equity markets. BZ WBK's CEO promised maintain the cost-to-income ratio at a safe level which we estimate at less than 55% in Q3, and 52% in the year to October, compared to 51% and 49% respectively a year earlier. Based on our income forecasts, to achieve these C/I ratios, the bank would have to reduce costs relative to Q2 to approximately PLN 410m - a goal which seems unrealistic even assuming tight cost control and increased savings measures (the bank spared on marketing expenses during the Q2 vacation season), as BZ WBK is continuing its sales-network expansion exercise. If the bank achieves the Q308 net-income estimate of PLN 241m, it will be just PLN 216m short of meeting our full-year bottom-line forecast of PLN 1017m. Earnings performance in the fourth quarter might come under pressure from falling deposit margins and growing expenses.

Handlowy

Buy

Banks

Analyst: Marta Jeżewska

FY08E P/E 10.3
FY09E P/E 9.7

FY08E P/BV 1.4
FY09E P/BV 1.3

Current price **PLN 61.0**
Target price **PLN 78.2**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Net interest income	333	307	8.5%	996	890	12.0%	1 318	1 204	9.4%
Net fee income	162	191	-15.3%	489	555	-11.9%	661	737	-10.3%
NIM	3.4%	3.2%		3.4%	3.1%		3.33%	3.22%	
Income from banking operations	635	597	6.3%	1 862	1 841	1.1%	2 507	2 447	2.5%
Operating expenses	-377	-376	0.3%	-1 143	-1 050	8.9%	-1 554	-1 523	2.1%
Operating income*	274	240	14.2%	776	752	3.2%	1 029	990	3.9%
Provisions	-17	-11	58.2%	-50	35	n/a	-70	53	n/a
Pre-tax income	257	229	12.1%	726	779	-6.7%	959	1 034	-7.3%
Net income	208	179	16.4%	585	618	-5.4%	777	824	-5.7%

** before provisions*

We expect Bank Handlowy to post a 16-percent year-on-year increase in bottom-line income in Q3, achieved on a combination of a 6% lift in income from bank operations and flat costs (owed to downsizing) which drove operating income before provisions 16% above last year's Q3 figure. Costs of risk remained flat at their H108 level of 0.5% of average net loans. Bank Handlowy's third-quarter results are not likely to be affected by loan delinquencies as the bank has been following a conservative lending policy and achieving moderate growth in loan volumes. Going forward, Polish banks across the board are sure to tighten their lending requirements. The income momentum at Bank Handlowy is an effect of relatively modest interest-income growth (generated on relatively modest sales volumes), quarter-on-quarter increase in trading income (from PLN 98m to an estimated PLN 140m in q308), and a falling fee income (downward pressure on securities brokerage and trust operations). There is no way of predicting whether the bank reversed a downsizing allowance recognized in Q108; the management have HINTED ON a partial reversal, but its scale and timing depend on employee relocation processes. The allowance is sure to be reversed in Q4 at the latest.

Banks

ING BSK

Buy

Analyst:
Marta Jeżewska

FY08E P/E 7.0
FY09E P/E 8.3

FY08E P/BV 1.2
FY09E P/BV 1.1

Current price **PLN 420**
Target price **PLN 647**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Net interest income	291	262	11.1%	841	781	7.8%	1 141	1 049	8.8%
Net fee income	214	232	-8.1%	636	688	-7.5%	869	931	-6.7%
NIM	1.9%	2.0%		2.0%	2.0%		2.0%	2.1%	
Income from banking operations	597	525	13.8%	1781	1542	15.5%	2 406	2 010	19.7%
Operating expenses	-395	-355	11.3%	-1145	-1032	11.0%	-1 550	-1 376	12.7%
Operating income*	214	173	23.6%	639	530	20.5%	871	639	36.2%
Provisions	-10	67	n/a	48	100	-52.1%	43	105	-59.0%
Pre-tax income	215	250	-14.0%	724	663	9.2%	962	788	22.1%
Net income	174	198	-12.1%	582	533	9.1%	779	631	23.4%

** before provisions*

We expect ING BSK to post a third-quarter income similar to the Q2078 figure of PLN 174m. We predict that income trends remained intact, with a steadily expanding interest income offset by a contracted fee income. Trading income will be steady. In spite of favorable trends in debt yields, ING BSK might not repeat its strong trading performance due to the turmoil in financial markets.

We predict that expenses in Q308 increased at a recurring rate of 11%-12%, while costs of risk expanded considerably to 20 bps. That said, the bank's historically conservative approach to lending and loan-loss reserves ensures that its costs of risk will remain below industry averages until next year.

If the bank achieves the Q308 net-income estimate of PLN 174m, it will be just PLN 172m short of meeting our full-year bottom-line forecast of PLN 779m.

Banks

Kredyt Bank

Hold

Analyst:
Marta Jeżewska

FY08E P/E 10.6
FY09E P/E 12.0

FY08E P/BV 1.3
FY09E P/BV 1.3

Current price **PLN 12.0**
Target price **PLN 12.2**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Net interest income	267	208	28.4%	760	635	19.7%	1 041	871	19.5%
Net fee income	82	86	-4.1%	226	219	3.1%	308	310	-0.5%
NIM	3.45%	3.62%		3.45%	3.40%		3.45%	3.53%	
Income from banking operations	406	333	22.0%	1 146	971	18.0%	1 565	1 362	14.9%
Operating expenses	-288	-238	20.8%	-824	-698	18.0%	-1 106	-975	13.5%
Operating income*	128	102	25.9%	352	293	20.2%	499	470	6.1%
Provisions	-40	26	n/a	-73	65	n/a	-121	30	n/a
Pre-tax income	88	128	-31.0%	279	362	-23.0%	380	502	-24.3%
Net income	72	100	-28.7%	219	279	-21.5%	308	391	-21.1%

** before provisions*

Kredyt Bank will see a drop in pre-tax income caused by increased costs of risk which could not have been offset by strong operating income before provisions (we forecast a 20% increase in the year to October). According to our estimates, costs of risk in the third quarter reached 80 basis points. Reserves and provision charges in Q208 were reduced by a reversal of a sizeable litigation allowance, and costs of risk also approximated 80 bps.

Kredyt Bank's main earnings driver in the third quarter was interest income which soared on fast-paced volumes, resisting downward pressure on margins created by a realignment of loan-the portfolio structure. We estimate Q308 asset growth at 15%. The bank's new management want to put more emphasis on balanced growth of loans and deposits, but the pace observed in the past few quarters will affect the level of volumes reported for Q308.

Expenses are expected to grow at the same rate as in Q208 and reach PLN 288m due to a large share of overheads (related to an expanding sales network).

Noble Bank

Accumulate

Banks

Analyst:
Marta Jeżewska

FY08E P/E	7.7	FY08E P/BV	1.8	**Current price**	**PLN 5.91**
FY09E P/E	8.4	FY09E P/BV	1.5	**Target price**	**PLN 7.59**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Net interest income	19	10	94.4%	49	22	123.9%	67	34	99.6%
Net fee income	51	49	3.9%	138	117	17.2%	186	156	18.9%
NIM	2.0%	3.0%		2.1%	6.1%		2.0%	2.6%	
Income from banking operations	100	75	32.5%	267	176	51.6%	365	245	49.5%
Operating expenses	-41	-33	24.5%	-114	-91	25.2%	-155	-126	22.8%
Operating income*	61	51	18.8%	161	113	43.1%	220	138	59.6%
Provisions	-6	-6	1.2%	-8	4	n./a	-13	17	n/a
Pre-tax income	55	45	20.9%	154	115	33.8%	207	156	33.4%
Net income	44	35	26.7%	123	91	34.4%	165	126	30.2%

** before provisions*

We are expecting the Bank's net income to improve again, which is in line with our FY net income forecast of PLN 165m. We believe loan volumes will further improve in Q3, both for loans extended through brokers, as well as in-house products under the Metrobank brand. The sales of investment products at Open Finance are still under pressure. Noble Funds TFI assets under management fell by only 6% q/q, which is very good when compared to the market-wide drop of 10% q/q. Asset management income will fall only slightly, and as its share in the group's revenues is small, this will not have a significant impact on group-wide revenue. We believe expenses will continue to grow at over 20%, but operating efficiency will improve anyway, with the C/I ratio moving towards 40%. We expect the cost of risk to surge compared to the Bank's past results. We estimate it at 1% of the net loan portfolio, in line with our full-year prediction

The loans-to-deposits ratio will be crucial, determining how investors view the Bank in the medium term and revealing the upside potential of its lending business.

Pekao

Hold

Banks

Analyst:
Marta Jeżewska

FY08E P/E	11.8	FY08E P/BV	2.7	**Current price**	**PLN 163.9**
FY09E P/E	14.1	FY09E P/BV	2.6	**Target price**	**PLN 154.5**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Net interest income	1185	n/a	n/a	3450	n/a	n/a	4 704	4 323	8.8%
Net fee income	610	n/a	n/a	1839	n/a	n/a	2 446	2 932	-16.6%
NIM	3.8%	n/a	n/a	3.7%	n/a	n/a	3.7%	3.6%	
Income from banking operations	1994	n/a	n/a	5842	n/a	n/a	7 903	8 314	-5.0%
Operating expenses	-984	n/a	n/a	-2877	n/a	n/a	-3 895	-3 805	2.4%
Operating income*	1032	n/a	n/a	3505	n/a	n/a	4 569	4 510	1.3%
Provisions	-4	n/a	n/a	-126	n/a	n/a	-198	-320	-38.3%
Pre-tax income	1056	n/a	n/a	3476	n/a	n/a	4 497	4 342	3.6%
Net income	852	n/a	n/a	2819	n/a	n/a	3 630	3 547	2.3%

** before provisions*

The Bank will register a q/q improvement to its earnings again, but once more the key driver will be one-offs. We estimate that last quarter, the Bank's pre-tax income was boosted by a ca. PLN 65m gain from the sale of shares in MasterCard. This quarter, we are expecting a boost from the sale of NPL portfolio at approximately PLN 70m before tax (ca. PLN 57m net). Excluding this transaction, net income would be slightly under PLN 795m, which is only slightly more than the Q2'08 recurrent net income of PLN 777m. We are also expecting the cost of risk to remain at the Q2'08 level of 40 bps, meaning that we will see another quarter with the cost of risk at a lower level than last year.

As the Bank's market share in deposits continues to shrink, its lending abilities may suffer. The loans-to-deposits ratio stood at 82% at the end of Q2'08, vs. 75.5% a year earlier. We believe that the pressure on savings across the corporate sector – shown by the mere 3.4% y/y increase in corporate deposits at the end of August – will strongly affect Pekao volumes (over half of its deposits are corporate deposits).

Banks

PKO BP

Hold

Analyst:
Marta Jeżewska

FY08E P/E 9.6 FY08E P/BV 2.5 **Current price** **PLN 35.8**
FY09E P/E 10.6 FY09E P/BV 2.2 **Target price** **PLN 42.6**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Net interest income	1556	1209	28.8%	4471	3330	34.3%	6 046	4 644	30.2%
Net fee income	574	607	-5.5%	1746	1699	2.8%	2 325	2 335	-0.4%
NIM	5.2%	4.6%		5.2%	4.2%		5.2%	4.4%	
Income from banking operations	2317	1877	23.4%	6721	5370	25.2%	9 061	7 447	21.7%
Operating expenses	-1153	-1000	15.2%	-3163	-2832	11.7%	-4 300	-4 083	5.3%
Operating income*	1196	953	25.6%	3707	2679	38.4%	4 942	3 662	35.0%
Provisions	-88	-25	250.4%	-265	-137	93.2%	-347	-57	512.7%
Pre-tax income	1114	929	20.0%	3466	2543	36.3%	4 625	3 609	28.1%
Net income	896	745	20.2%	2744	2030	35.2%	3 718	2 904	28.0%

** before provisions*

Q3 will still be a good quarter as far as deposit margins are concerned. The Bank's new savings products were not launched until October, which means that its net interest margin can be expected to remain at previous levels. As far as fee income is concerned, revenue from equity markets will shrink, but not as sharply as at other banks. We are expecting operating income before provisions to improve once again, although the growth rate will decrease as a result of high base (from 45% y/y after H1'08, including the whooping 51% y/y in Q2'08 alone, to 26% y/y).

The cost of risk will decrease vs. Q2'08, as in that quarter the Bank recognized additional provisions when the loan portfolio was being reviewed by the new Management. We estimate provisions at 40 bps of the net loan portfolio, which is in line with our FY2008 projections.

The Bank remains the 2008 leader as far as profit growth is concerned, but starting in Q4 its interest margin will be under increased pressure, due to the newly-introduced deposit products. Moreover, most of PKO BP's income comes from lending and savings; if volumes slow down next year, so will the Bank's income.

Oil & Gas, Chemicals

Ciech

Chemicals — **Buy**

Analyst: Kamil Kliszcz

FY08E P/E	5.8	FY08E EV/EBITDA	4.0	**Current price**	**PLN 47.0**
FY09E P/E	4.8	FY09E EV/EBITDA	3.5	**Target price**	**PLN 77.5**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	1 132.8	841.3	35%	3 190.1	2 633.8	21%	4 313.2	3 415.0	26%
EBITDA	134.1	103.9	29%	461.2	409.5	13%	633.1	493.0	28%
margin	11.8%	12.3%	-	14.46%	15.55%	-	14.68%	14.44%	-
EBIT	79.1	56.9	39%	298.8	273.1	9%	394.1	313.6	26%
Pre-tax profit	49.1	51.6	-5%	236.2	257.5	-8%	280.0	290.0	-3%
Net profit	36.1	28.1	29%	171.6	185.9	-8%	226.8	240.2	-6%

Agro & Soda divisions lift third-quarter earnings

In line with expectations, Ciech will show a quarter-on-quarter improvement in Q308. We expect the strongest performance from the Soda Division (EBIT up ca. PLN 10m on 10%-15% price hikes) and the Agro Division (which thrived on rising prices of fertilizers). In turn, the Organic Division will display a further tightening in margins (EBIT down PLN 13m vs. Q2) due to narrower cost-price spreads on EPI / propylene and TDI / toluene, and another decline in the prices of epoxy resins. On a year-on-year basis, Ciech will post a significant increase in consolidated EBIT, achieved in spite of a deteriorated macroeconomic environment (unfavorable EUR/PLN trends), thanks to a Q307 low-base effect created by maintenance downtime on EPI facilities (4 weeks) and epoxy machines (7 weeks), as well as failure and shutdown at Govora in Romania. All in all, Q308 EBITDA will exceed PLN 134m, meaning that Ciech will have delivered 73% of its full-year estimate after three quarters. Looking at current market trends (the zloty's 4% depreciation against the euro, falling prices of petrochemicals, 17% drop in the prices of steam coal in September), and factoring in a PLN 10m gain from the sale of a building in Warsaw, the company should easily achieve its FY08 EBITDA target of PLN 633m.

Lotos

Oil and Gas — **Buy**

Analyst: Kamil Kliszcz

FY08E P/E	3.1	FY08E EV/EBITDA	4.1	**Current price**	**PLN 21.9**
FY09E P/E	23.3	FY09E EV/EBITDA	8.0	**Target price**	**PLN 39.6**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	4 427	3 535	25.2%	12 206	9 150	33.4%	15 759	13 125	20.1%
EBITDA	179	334	-46.3%	817	788	3.7%	1 068	1 020	4.7%
margin	4.0%	9.4%	-	6.7%	8.6%	-	6.8%	6.7%	-
EBIT	101	256	-60.5%	582	560	3.8%	721	714	1.0%
Pre-tax profit	-15	303	-105.0%	858	687	24.8%	1 056	1 004	5.1%
Net profit	-32	237	-113.6%	634	532	19.0%	817	777	5.1%

LIFO charges, revaluation losses weigh on EBIT figure

The third-quarter results of Lotos might seem a disappointment at first sight due to huge LIFO charges, negative exchange differences, and hedging losses. But a more in-depth look reveals that the situation is not so bad. First, Refinery will post higher margins (thanks to reduced costs of crude feedstock, and higher margins earned on non-benchmarked products which, historically, always depreciate as crude prices rise). Second, Exploration & Production will oddly show a strong profit by recognizing deferred proceeds from refined oil. On the downside, Lotos may post a PLN 116m finance loss due to huge hedging charges (-PLN 115m) and negative exchange differences on debt revaluation (-PLN 90m), offset by gains on crack-spread hedging (PLN 100m). After all these accounting disclosures (or anticipated H108 profit reversals), the bottom line could show a loss as high as PLN 32m. Like in the case of PKN Orlen, current macroeconomic trends (USD/PLN exchange rate, crack spreads) are supporting Lotos's cash flows. We plan an adjustment of our financial forecasts for Lotos, especially for the Refining business, to factor in the plunge in oil prices in September.

Oil and Gas

PGNiG

Accumulate

Analyst:	FY08E P/E 12.2*	FY08E EV/EBITDA 5.2*	**Current price** **PLN 3.39**
Kamil Kliszcz	FY09E P/E 9.5*	FY09E EV/EBITDA 4.3*	**Target price** **PLN 4.07**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	3 770	3 135	20.3%	13 030	11 575	12.6%	20 251	16 652	21.6%
EBITDA	548	761	-28.0%	2 480	2 850	-13.0%	3 227	2 282	41.4%
margin	14.5%	24.3%	-	19.0%	24.6%	-	15.9%	19.0%	-
EBIT	177	386	-54.3%	1 387	1 772	-21.7%	1 790	852	110.2%
Pre-tax profit	221	413	-46.5%	1 591	1 818	-12.5%	1 912	1 003	90.7%
Net profit	179	303	-41.1%	1 238	1 417	-12.6%	1 549	915	69.3%

**Adjusted for leased transmission assets, Norwegian deposits, and Europolgaz.*

Trade & Storage falter, Upstream faces higher costs

We expect a weak showing from PGNiG, particularly from the Trade and Storage business which is likely to report a drop in EBIT from PLN 225m a year earlier to a PLN 81m loss. Such a huge decrease stems from a widening negative spread between selling and import prices of gas (over PLN 120 per 1000 cubic meters; compared to Q208, the average tariff price is 4.6% is higher, while the zloty price of imported gas is 13.7% higher). In Exploration & Production, we also expect a year-on-year decline in EBIT (to PLN 248m from PLN 357m) in spite of higher sales prices of natural gas and oil, due mainly to an increase in unit costs of extraction observed in Q208 (increasingly difficult access to resources, higher costs of compressor operation in wells with falling pressure). The Distribution segment will brighten the gloomy Q308 picture by posting a year-on-year surge in EBIT to PLN 20m from a PLN 157m loss, owed to the introduction of an updated tariff regime in April. A finance gain of an estimated PLN 44m will be a product of positive exchange differences on swaps hedging a loan extended to PGNiG Norway resulting from a decline in the NOK/PLN exchange rate (+PLN 9m), and on currency hedges (+PLN 30m), and deposit yields (+PLN 20m), offset by other operating expenses in the amount of PLN 15m. All told, we expect PGNiG to report a net income of PLN 179m, which is a full PLN 120m less than a year earlier.

Oil and Gas

PKN Orlen

Buy

Analyst:	FY08E P/E 6.6	FY08E EV/EBITDA 4.9	**Current price** **PLN 30.5**
Kamil Kliszcz	FY09E P/E 7.5	FY09E EV/EBITDA 4.8	**Target price** **PLN 45.5**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	21 524	17 264	24.7%	61 552	46 891	31.3%	82 105	63 793	28.7%
EBITDA	881	1 437	-38.7%	4 286	4 304	-0.4%	4 632	5 035	-8.0%
margin	4.1%	8.3%	-	7.0%	9.2%	-	5.6%	7.9%	
EBIT	273	834	-67.2%	2 485	2 500	-0.6%	2 223	2 604	-14.6%
Pre-tax profit	32	573	-94.3%	2 962	2 298	28.9%	2 569	3 011	-14.7%
Net profit	12	562	-97.8%	2 379	1 747	36.2%	1 987	2 412	-17.6%

Leaner numbers but higher quality

We updated our preliminary September estimates of PKN Orlen's third-quarter results by reducing the EBIT estimate for Refinery to account for a deeper-than-expected decline in oil prices (LIFO charges up from PLN 193m to PLN 243m) the consequences of which will be most painfully felt in the fourth quarter. Although Q308 earnings figures will be weak after a significant drop from Q307, we expect a demonstration of PKN's ability to generate strong operational cash flow, which will be much higher than in H1 in spite of lower oil prices. Reduced costs of feedstock and very attractive crack spreads achieved in September (and in Q4 so far) will probably offset weak macroeconomic conditions observed in July and August. The Petrochemical segment should show a quarter-on-quarter improvement in EBIT (to PLN 100m from PLN 35m) even after scheduled maintenance at the olefin plant in July, achieved on wider margins generated by falling prices of naphtha. Anwil, representing the Chemicals segment, will post an EBIT of approximately PLN 54m vs. PLN 73m in Q208 due to scheduled PVC plant maintenance. Retail will demonstrate very strong performance as PKN's service stations must have improved their margins in the third quarter amid falling wholesale fuel prices and rising volumes. Other businesses will report significant year-on-year growth driven by sales of utilities. As far as financial transactions are concerned, PKN Orlen was affected by a weaker zloty, and euro and US dollar debt revaluation; at exchange rates of 3.4 for EUR/PLN and 2.42 for USD/PLN as at the close of the third quarter, the losses could be as high as PLN 270m. After all this, the Q308 bottom line will show a meager PLN 12m profit.

Chemicals

Police

Sell

Analyst: Kamil Kliszcz

FY08E P/E	2.1	FY08E EV/EBITDA	1.3	**Current price**	**PLN 12.2**
FY09E P/E	9.3	FY09E EV/EBITDA	4.4	**Target price**	**PLN 12.9**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	860.6	458.2	88%	2 346.8	1 344.0	75%	3 104.1	1 824.2	70%
EBITDA	167.3	52.5	219%	487.3	142.0	243%	602.9	235.1	156%
margin	19.4%	11.5%	-	20.77%	10.56%	-	19.42%	12.89%	-
EBIT	150.7	41.4	264%	438.9	108.3	305%	539.5	187.5	188%
Pre-tax profit	158.1	44.1	259%	460.5	116.3	296%	550.6	208.4	164%
Net profit	128.1	38.5	233%	380.9	103.9	267%	446.0	204.0	119%

Last record quarter

Contrary to general belief, we do not expect a seasonally induced decrease in Q3 fertilizer sales this year (for the second consecutive year, Police will recognize seasonal a slowdown in sales in the third instead of in the second quarter as it did in 2005 and 2006). What is more, Police will probably report record weighed prices on fertilizer products, mainly ammonia and NPK fertilizer sold at home (average prices of DAP on foreign exchanges remained more or less steady vs. 2Q). According to research by the Institute of Agricultural and Food Economics (IERiGŻ), the third quarter in Poland witnessed prices of polifoska and phosphate reach record levels after soaring between 20% and 30% compared to the second quarter, and Police sells 60% of production to Polish buyers. On the costs side, prices of potash salt and phosphate rock continued to climb in the period, but should not have affected margins as sales increased. According to our estimates, Police impressively generated an EBITDA of PLN 167m and a net income of PLN 128m in Q308. Going forward, the company will see a significant deterioration in earnings caused by falling prices of fertilizers across the world, inventory losses, and a discrepancy between long-term and spot prices of phosphate rock and potash salt. For FY2009, we predict a drop in EBITDA from PLN 600m to PLN 174m.

Chemicals

ZA Puławy

Reduce

Analyst: Kamil Kliszcz

FY08E P/E	4.9	FY08E EV/EBITDA	1.8	**Current price**	**PLN 64.4**
FY09E P/E	11.9	FY09E EV/EBITDA	3.1	**Target price**	**PLN 73.0**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	674.8	488.1	38.3%	2 744.5	2 503.5	9.6%	2 557.2	2 744.5	-6.8%
EBITDA	125.7	55.6	126.1%	388.8	432.8	-10.1%	227.2	388.8	-41.6%
margin	18.6%	11.4%	-	14.2%	17.3%	-	8.9%	14.2%	-
EBIT	105.4	38.4	174.4%	304.5	358.7	-15.1%	127.9	304.5	-58.0%
Pre-tax profit	112.4	48.7	130.6%	307.5	401.4	-23.4%	128.2	307.5	-58.3%
Net profit	91.0	38.7	135.2%	249.1	330.8	-24.7%	103.9	249.1	-58.3%

Record summer prices of fertilizers drove Q3 earnings

ZA Puławy (ZAP) ended the first quarter of fiscal 2008/09 with record margins on fertilizers earned thanks to a sharp upsurge in urea and UAN prices in July and August. On a year-on-year basis, the prices of ZAP's fertilizers will have soared by an average 40% (in case of UAN, the rally was as high as 50%). That is why, in spite of a seasonal sales slowdown (fertilizers, caprolactam) and a continuing narrowing in margins earned on chemicals (a further 2-3 ppt decline in margins taking into account just the costs of key raw materials), we expect the company to show a year-on-year as well as a quarter-on-quarter (EBITDA up 20%) upturn in earnings.

Telecommunications

Netia — Buy

Telco

Analyst: Michał Marczak

FY08E P/E	3.1	FY08E EV/EBITDA	5.9	**Current price**	**PLN 2.4**
FY09E P/E	-68.8	FY09E EV/EBITDA	6.2	**Target price**	**PLN 4.0**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	254.4	205.6	23.8%	735.4	615.5	19.5%	949.2	838.0	13.3%
EBITDA	35.1	34.8	1.1%	104.4	153.0	-31.8%	142.4	170.7	-16.6%
margin	13.8%	16.9%		14.2%	24.9%		15.0%	20.4%	
EBIT	-33.5	-35.7	-6.1%	-95.8	-58.9	62.8%	-98.6	-103.8	-5.0%
Pre-tax profit	-31.0	-79.2	-60.8%	230.1	-168.0	-237.0%	332.5	-266.6	-224.7%
Net profit	-31.6	-80.6	-60.9%	227.7	-169.6	-234.3%	332.0	-268.9	-223.5%

At the operating level, the Company's earnings should match its Q2'08 results. The over-20% revenue growth we are expecting is by and large a consequence of the growth in the number of broadband subscribers (local network acquisitions and organic growth through BSA), as well as WLR subscribers. We are expecting a further decrease in direct voice revenues (-8% y/y), as well as in the number of retail customers. The y/y decrease in EBITDA margin is a result of customer acquisition costs and outlays on LLU infrastructure. The Company concluded the Tele2 Polska acquisition, but its impact on Q3 earnings will be limited (half of September only). It will, however, have a significant impact on the reported number of subscribers. Tele2 Polska will also have a limited impact on Q4 EBITDA, mostly due to merger-related expenses. Operating income will surge in Q1'09 (+PLN 15m). After the Q3'08 results are in, the Company will present an updated FY2008 earnings guidance.

TPSA — Hold

Telco

Analyst: Michał Marczak

FY08E P/E	10.6	FY08E EV/EBITDA	4.7	**Current price**	**PLN 22.2**
FY09E P/E	12.2	FY09E EV/EBITDA	4.6	**Target price**	**PLN 22.6**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	4 537.3	4 647.0	-2.4%	13 584.3	13 594.0	-0.1%	18 324.7	18 244.0	0.4%
EBITDA	2 038.3	2 053.0	-0.7%	6 132.3	5 773.0	6.2%	7 569.0	7 721.0	-2.0%
margin	44.9%	44.2%		45.1%	42.5%		41.3%	42.3%	
EBIT	944.3	962.0	-1.8%	2 877.3	2 434.0	18.2%	3 282.4	3 282.0	0.0%
Pre-tax profit	743.3	817.0	-9.0%	2 466.3	2 073.0	19.0%	3 575.4	2 830.0	26.3%
Net profit	602.1	644.0	-6.5%	1 981.1	1 657.0	19.6%	2 894.0	2 273.0	27.3%

We are expecting a 2.4% decrease in consolidated revenue, which entails 0% growth YTD. Fixed telephony revenue (subscription fees and call chargers) will decrease by 15% y/y. TPSA will continue to face a shrinking subscriber base, with customers migrating to mobile networks and other operators (WLR, BSA). Due to the decrease in MTR rates, we are expecting Centertel's revenue to slow down to 6% y/y. We assume its subscriber base will grow by 250,000. Revenues will be boosted by data transmission (+11.6% y/y), in particular broadband internet access (+18% y/y). The Company will recognize a PLN 45m gain from a property sale in Warsaw. We project no other one-offs.

Media

Agora

Media — **Buy**

Analyst: Michał Marczak

FY08E P/E	14.5	FY08E EV/EBITDA	7.3	**Current price**	**PLN 25.5**
FY09E P/E	11.8	FY09E EV/EBITDA	7.2	**Target price**	**PLN 43.4**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	299.8	284.0	5.5%	956.9	919.9	4.0%	1 252.3	1 152.0	8.7%
EBITDA	47.8	50.2	-4.9%	140.7	147.7	-4.7%	183.1	198.6	-7.8%
margin	15.9%	17.7%		14.7%	16.1%		14.6%	17.2%	
EBIT	27.4	30.6	-10.6%	80.1	89.6	-10.6%	106.4	120.3	-11.5%
Pre-tax profit	28.9	33.0	-12.7%	83.8	96.4	-13.1%	115.6	129.3	-10.6%
Net profit	23.1	26.7	-13.6%	63.3	73.8	-14.3%	92.6	100.2	-7.6%

Q3 is seasonally Agora's weakest. With a decrease in revenues coupled with the high share of fixed costs, the EBITDA margin is depressed. It should be remembered, however, that in Q3 the Company will not bear very high costs of the employee incentive scheme (just PLN 0.5m vs. PLN 9m in the previous quarters). Moreover, we are expecting promotional and marketing expenses at *Gazeta Wyborcza* to decrease by some PLN 5-8m. On the revenue side, we are expecting 5% growth in *Gazeta's* advertising revenue and 74% increase in advertising revenue generated by the free-of-charge publications and the internet. We assume that revenue from retail sales of *Gazeta Wyborcza* will decrease by 13% y/y. Book sales will decrease by PLN 5m (-30%), which is not as dramatic as the decrease seen in Q2'08 (-67% y/y), due to the lower comparison base. AMS should see a 3% improvement in its revenues. Such low growth will mostly be due to last year's high base (parliamentary elections).

Cyfrowy Polsat

Media — **Buy**

Analyst: Piotr Grzybowski

FY08E P/E	15.2	FY08E EV/EBITDA	11.2	**Current price**	**PLN 14.0**
FY09E P/E	11.0	FY09E EV/EBITDA	8.1	**Target price**	**PLN 16.7**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	290.6	198.7	46.3%	816.7	553.3	47.6%	1109.9	796.7	39.3%
EBITDA	106.1	60.1	76.5%	298.7	167.8	78.0%	335.5	165.9	102.2%
margin	36.5%	30.3%		36.6%	30.3%		30.2%	20.8%	
EBIT	101.3	56.7	78.7%	284.2	155.4	82.9%	314.2	145.1	116.5%
Pre-tax profit	100.3	53.1	n/a	279.0	152.6	82.8%	305.1	140.2	117.7%
Net profit	80.8	42.7	n/a	224.6	122.4	83.6%	247.2	113.4	117.9%

Growth in line with expectations

In Q3'08, the number of subscribers increased again; we estimate that it exceeded 2.4m. On the revenue side, the growth in the number of subscribers will be accompanied by ARPU growth, as promotions from late 2007 expire and as customers upgrade to higher packages. Revenues will be additionally boosted by a payment from Nagravision on account of set-top box replacement. In Q3, the average exchange rate of the EUR remained below the Q2 level, which should once again have a positive impact on license fees. In addition, the launch of in-house set-top box production should help reduce the negative impact of set-top box subsidies on earnings. The MVNO business should bring only a moderate loss of ca. PLN 4m. As a result, the Company should see operating income above PLN 100m for the first time in its history, with PLN 80.8m net income.

Media

TVN

Accumulate

Analyst: Piotr Grzybowski

FY08E P/E	14.6	FY08E EV/EBITDA	9.6	**Current price**	**PLN 16.0**
FY09E P/E	13.8	FY09E EV/EBITDA	8.9	**Target price**	**PLN 21.0**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	369.5	296.6	24.6%	1320.7	1033.1	27.8%	1904.2	1554.7	22.5%
EBITDA	72.0	56.4	27.6%	445.7	340.9	30.8%	682.0	554.1	23.1%
margin	19.5%	19.0%		33.7%	33.0%		35.8%	35.6%	
EBIT	53.0	37.7	40.5%	388.6	288.6	34.7%	604.0	482.1	25.3%
Pre-tax profit	-17.9	-103.9	n/a	318.2	128.1	148.4%	472.7	297.3	59.0%
Net profit	-14.5	-78.3	n/a	256.5	107.5	138.7%	382.9	243.3	57.4%

Another good quarter

TVN's operating earnings will be good in Q3. The success of TVN's fall schedule, coupled with the low viewership figures for the Olympic Games (due to the timing of the broadcasts) helped boost the Group's sales. In turn, marketing and promotional expenses, as well as production costs themselves (cf. the higher number of celebrity and talent shows, three vs. two last year) will result in fast cost expansion. All in all, the Company will manage to achieve a slight improvement in its EBITDA margin (from 19.0% to 19.5%).

In addition, the Company will reverse a significant part of the revaluation gain on options built into its Eurobonds. We expect that this will bring ca. PLN 30m finance charge. Finance costs will also by affected by higher bond debt (PLN 500m bonds offering in Q2), more expensive euro (higher interest as well as debt revaluation effect, the latter by an large offset by hedging) and the 25% of ITI Neovision's loss attributable to the Company. As a result, the Company will see a net loss, just like last year, but a much lower one (-PLN 14.5m vs. -PLN 78.3m in Q3'07).

Media

WSiP

Buy

Analyst: Piotr Grzybowski

FY08E P/E	9.7	FY08E EV/EBITDA	6.5	**Current price**	**PLN 13.0**
FY09E P/E	9.6	FY09E EV/EBITDA	6.4	**Target price**	**PLN 18.4**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	115.8	143.7	-19.4%	176.6	210.5	-16.1%	190.7	224.9	-15.2%
EBITDA	51.9	55.0	-5.6%	60.1	51.7	16.2%	41.3	34.6	19.4%
margin	44.8%	38.3%		34.0%	24.6%		21.7%	15.4%	
EBIT	51.0	53.8	-5.2%	57.5	48.1	19.6%	37.6	29.8	26.0%
Pre-tax profit	51.4	54.9	-6.5%	59.2	49.2	-16.9%	40.3	48.9	-17.6%
Net profit	42.3	45.3	-6.5%	48.5	38.5	25.9%	33.0	49.2	-32.8%

Good earnings, but not higher than last year

After last year's restructuring and divestments, sales contracted sharply. This will be particularly clear in Q3'08, when 70% of annual sales take place, despite the fact that the current situation is excellent for the Company and its standalone earnings are growing. This time, the decrease in revenue will not be accompanied by an increase in EBITDA margin, because the divested subsidiaries, while less profitable in general, had positive Q3 operating margins. As a result, the Company's net income will be merely PLN 42.3m vs. 45.3m a year ago.

IT Distributors

AB

Hold

IT

Analyst: Piotr Grzybowski	FY08E P/E 5.8	FY08E EV/EBITDA 6.1	**Current price** **PLN 10.2**
	FY09E P/E 5.1	FY09E EV/EBITDA 5.8	**Target price** **PLN 12.8**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	627.1	346.5	81.0%	1819.9	987.9	84.2%	3069.0	3012.2	1.9%
EBITDA	8.5	2.5	234.1%	22.0	12.5	75.4%	53.7	39.5	36.0%
margin	1.4%	0.7%		1.2%	1.3%		1.7%	1.3%	
EBIT	7.1	2.2	216.0%	18.1	10.4	73.4%	48.4	35.2	37.5%
Pre-tax profit	4.1	1.2	242.3%	9.9	4.7	109.1%	31.8	22.2	43.2%
Net profit	3.0	0.7	333.8%	7.1	3.5	99.7%	25.8	16.1	60.2%

Back to normal

We expect that after the very weak second quarter of the calendar year, in Q3 the Company will improve its earnings. Earnings will be difficult to compare y/y due to the takeover and consolidation of the Czech AT Computers. We expect that as competition de-intensifies in the Czech Republic and Slovakia, sales will go up. The higher share of the Czech market in sales should boost margins, which will be further strengthened by the advantageous FCY trends. We are expecting net income at the same level as in Q1'08, when ATC earnings were already being consolidated.

Action

Accumulate

IT

Analyst: Piotr Grzybowski	FY08E P/E 7.4	FY08E EV/EBITDA 6.3	**Current price** **20.4 PLN**
	FY09E P/E 7.0	FY09E EV/EBITDA 5.4	**Target price** **24.0 PLN**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	676.9	505.2	34.0%	1813.8	1362.7	33.1%	4568.6	2339.7	95.3%
EBITDA	18.8	13.1	43.8%	49.6	35.3	40.6%	128.6	64.9	98.4%
margin	2.8%	2.6%		2.7%	2.6%		2.8%	2.8%	
EBIT	14.7	10.2	44.1%	39.0	28.3	37.8%	113.4	53.7	111.4%
Pre-tax profit	12.3	9.6	28.1%	32.4	26.4	22.6%	101.3	48.2	110.2%
Net profit	9.5	5.0	89.2%	23.9	19.0	25.9%	76.3	34.9	118.9%

In line

We believe Q3 was good for the Company. Sales increased at the same rate as in the previous quarters, i.e. ca. 33%. Moreover, due to the depreciation of the PLN, gross margin will increase, while other operating income will fall (this is where the Company recognized FCY gains stemming from PLN appreciation). There will also be an organic increase in operating margin, pushing operating income from PLN 10.2m to PLN 14.7m.

IT

ASBIS

Buy

Analyst: Piotr Grzybowski

FY08E P/E	6.9	FY08E EV/EBITDA	4.4	**Current price**	**PLN 6.0**
FY09E P/E	5.8	FY09E EV/EBITDA	3.8	**Target price**	**PLN 9.5**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	467.4	393.1	18.9%	1172.2	933.1	25.6%	1774.2	1397.3	27.0%
EBITDA	11.1	8.6	28.9%	25.7	15.2	69.4%	38.8	27.6	40.5%
margin	2.4%	2.2%		2.2%	1.6%		2.2%	2.0%	
EBIT	10.4	8.2	28.1%	23.8	13.8	72.7%	34.5	25.7	33.9%
Pre-tax profit	8.5	7.1	20.1%	19.2	11.0	74.7%	29.7	21.6	37.1%
Net profit	6.9	6.2	12.5%	14.2	9.3	52.3%	24.0	18.9	27.0%

Higher profitability thanks to in-house brands

We believe Asbis will report good earnings in Q3. Sales will increase both organically, in markets where the Company has been present for a while, as well as through successful entry into countries such as, for example, Turkey. As far as revenue is concerned, Asbis should see its gross margin grow, thanks to the higher share of in-house brands in sales as well as the increasing importance of Russia, where margins are higher (in particular, the distribution of Microsoft products). The 0% VAT rate and discounts granted by Microsoft will result in a higher effective tax rate; as a result, net income will increase from USD 6.2m to USD 6.9m only.

IT

Komputronik

Buy

Analyst: Piotr Grzybowski

FY08E P/E	8.3	FY08E EV/EBITDA	5.0	**Current price**	**PLN 20.5**
FY09E P/E	6.0	FY09E EV/EBITDA	3.6	**Target price**	**PLN 33.9**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	181.3	123.4	47.0%	491.3	314.5	56.2%	921.2	519.2	77.4%
EBITDA	5.2	2.3	127.5%	13.0	5.4	142.5%	30.6	15.9	92.4%
margin	2.9%	1.8%		2.6%	1.7%		3.3%	3.1%	
EBIT	3.9	1.8	120.1%	9.6	3.3	193.4%	25.9	13.3	94.6%
Pre-tax profit	2.6	2.1	21.2%	6.8	3.2	111.7%	25.8	13.3	93.8%
Net profit	2.0	1.7	15.9%	4.7	2.4	92.4%	20.3	10.2	99.0%

Weak summer affects earnings

Komputronik’s Q3’08 earnings will disappoint investors and miss the Management’s guidance. The first half of the quarter was very weak, which is partially due to the Beijing Olympics, and this will shape revenues despite the very good September. As a result, sales will increase at only 47%, despite the consolidation of Karen Notebook's earnings, whose sales also disappointed. The weaker sales will be partially offset by an improvement in the margin, achieved thanks to advantageous FCY trends and faster-than-expected growth of high-margin product sales. Net income will increase by 15.9% only (from PLN 1.7m to PLN 2.0m).

Metals

Metals	Kęty		Buy	
Analyst: Michał Marczak	FY08E P/E 7.5	FY08E EV/EBITDA 5.3	**Current price**	**PLN 71.0**
	FY09E P/E 6.6	FY09E EV/EBITDA 5.0	**Target price**	**PLN 109.4**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	297.5	332.8	-10.6%	884.6	974.8	-9.3%	1 280.0	1 253.0	2.2%
EBITDA	51.7	53.7	-3.8%	147.2	133.9	10.0%	187.9	194.0	-3.2%
margin	17.4%	16.1%		16.6%	13.7%		14.7%	15.5%	
EBIT	36.5	41.1	-11.2%	102.7	97.0	5.9%	128.0	141.9	-9.8%
Pre-tax profit	28.5	35.3	-19.3%	77.8	89.5	-13.1%	106.5	122.3	-12.9%
Net profit	23.6	28.3	-16.7%	62.2	70.8	-12.2%	86.1	97.8	-12.0%

The Company has already presented its preliminary Q3'08 earnings forecast. Given the fact that the Management's projections have been right on target in the past, our expectations agree with the Company's.

Metals	KGHM		Accumulate	
Analyst: Michał Marczak	FY08E P/E 1.8	FY08E EV/EBITDA 0.7	**Current price**	**PLN 33.3**
	FY09E P/E 2.5	FY09E EV/EBITDA 0.7	**Target price**	**PLN 108.0**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	2 632.9	3 410.7	-22.8%	8 663.9	9 270.8	-6.5%	11 202.5	12 183.0	-8.0%
EBITDA	798.7	1 515.9	-47.3%	3 225.2	3 959.0	-18.5%	4 126.1	5 034.0	-18.0%
margin	30.3%	44.4%		37.2%	42.7%		36.8%	41.3%	
EBIT	682.7	1 428.0	-52.2%	2 877.2	3 695.3	-22.1%	3 666.1	4 682.0	-21.7%
Pre-tax profit	666.2	1 420.1	-53.1%	2 842.9	3 675.2	-22.6%	3 789.7	4 656.0	-18.6%
Net profit	559.8	1 162.9	-51.9%	2 374.5	3 007.1	-21.0%	3 069.6	3 799.0	-19.2%

In Q3'08, the average price of copper was USD 7,571/t, i.e. 0.7% less than a year earlier. With the zloty appreciation taken into account (+20% y/y Q3 average), the PLN price of copper decreased by 21% vs. last year and by 8% vs. Q2'08. In the case of silver, the average price was USD 480/kg (+17% y/y, -3% y/y in PLN). Our forecast assumes that copper sales will reach 130,000 tons, of which 25,000 tons will be from third-party feedstock, and 35,000 tons will be hedged with swap options. Silver sales will reach 280 tons. We estimate the unit cost of production for copper at PLN 12,681, which is 6% higher than last year, due mostly to higher salaries, outsourcing (upgrades, preparatory work) and taxes. The y/y increase in unit production cost is offset by the lower cost of third-party feedstock (scrap, concentrate), thanks to lower copper prices at the LME. Our forecast foresees no one-offs.

Construction

Construction	Budimex				Buy	
Analyst:	FY08E P/E	19.6	FY08E EV/EBITDA	11.9	**Current price**	**PLN 64.8**
Maciej Stokłosa	FY09E P/E	14.7	FY09E EV/EBITDA	9.3	**Target price**	**PLN 96.3**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	899.1	888.4	1.2%	2388.4	2322.4	2.8%	3237.0	3075.9	5.2%
EBITDA	105.8	14.9	610.3%	167.7	28.2	495.1%	118.8	51.7	129.8%
margin	11.8%	1.7%		7.0%	1.2%		3.7%	1.7%	
EBIT	29.2	9.2	218.3%	81.7	11.7	596.5%	94.7	28.0	238.2%
Pre-tax profit	28.6	7.8	269.1%	90.9	5.3	1607.1%	104.3	13.6	666.9%
Net profit	23.2	1.4	1551.5%	69.1	-2.8	-2532.1%	84.5	15.1	459.6%

Improving profitability

We expect Budimex to post a higher quarterly profit on flat revenue in Q308. By line of business, the company will post PLN 435m from construction excluding road development, PLN 396m from road contracts, PLN 28m from real-estate development, and PLN 40m from other operations. Gross profit margins will reach an estimated 7.5% in construction, 25% in real-estate development, and 11% in other lines. Operating profit and net income figures will be affected by allowances. Total other net operating expenses will approximate PLN 7.5m.

Construction	Elektrobudowa				Buy	
Analyst:	FY08E P/E	15.1	FY08E EV/EBITDA	10.9	**Current price**	**PLN 182.0**
Maciej Stokłosa	FY09E P/E	13.6	FY09E EV/EBITDA	9.6	**Target price**	**PLN 246.2**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	224.5	149.9	49.8%	598.9	436.0	37.4%	873.3	679.6	28.5%
EBITDA	21.5	16.0	34.1%	54.5	36.8	48.0%	79.9	49.6	61.1%
margin	9.6%	10.7%		9.1%	8.4%		9.2%	7.3%	
EBIT	17.9	14.7	21.6%	47.5	32.9	44.4%	69.4	44.2	56.8%
Pre-tax profit	17.8	15.3	16.8%	48.9	32.9	48.7%	70.7	44.8	57.9%
Net profit	14.4	12.4	15.4%	39.7	25.0	58.7%	57.3	34.7	65.0%

Not much q/q change

Elektrobudowa will likely post a higher revenue in the third quarter than in the second (among others thanks to consolidation of Energotest-Energopomiar taken over in June). Q308 gross profit margin will be an estimated 9.3%, and SG&A expenses will be essentially flat. We expect costs to rise in Q408 in line with increasing sales. Q308 net income will be similar to that posted in the preceding quarter (PLN 14.4m).

Construction

Erbud

Buy

Analyst: Maciej Stokłosa

FY08E P/E	12.2	FY08E EV/EBITDA	9.6	**Current price**	**PLN 53.0**
FY09E P/E	11.0	FY09E EV/EBITDA	8.9	**Target price**	**PLN 80.2**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	273.3	485.3	-43.7%	771.5	799.3	-3.5%	1047.6	663.1	58.0%
EBITDA	21.5	32.2	-33.2%	46.6	52.3	-11.0%	65.2	34.6	88.4%
margin	7.9%	6.6%		6.0%	6.5%		6.2%	5.2%	
EBIT	19.5	31.0	-37.0%	42.1	50.3	-16.3%	58.7	32.8	79.0%
Pre-tax profit	19.4	31.4	-38.2%	40.5	50.3	-19.6%	64.0	39.2	63.3%
Net profit	16.0	25.8	-38.0%	31.7	40.6	-22.1%	51.8	31.8	62.9%

Earnings up after a two weak quarters

The third quarter will bring a big improvement achieved on completion and recognition of PLN 300m-worth of contracts. In Q2, Erbud did not post revenues from any major contracts, which inflated SG&A expenses and weighed on the operating margin. By line of business, we expect the company to generate PLN 190m from domestic construction contracts, PLN 31m from real-estate development, PLN 25m from exports, and PLN 27.5m from road construction. Gross margins will approximate 7.5% in domestic construction, 20% in real estate, 17% in exports, and 10% in road construction.

Construction

Mostostal Warszawa

Buy

Analyst: Maciej Stokłosa

FY08E P/E	12.2	FY08E EV/EBITDA	6.9	**Current price**	**PLN 48.2**
FY09E P/E	11.0	FY09E EV/EBITDA	5.9	**Target price**	**PLN 68.9**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	661.7	559.1	18.3%	1601.5	1368.2	17.1%	2275.9	1928.4	18.0%
EBITDA	31.7	33.1	-4.2%	82.5	59.7	38.2%	113.8	78.5	45.0%
margin	4.8%	5.9%		5.1%	4.4%		5.0%	4.1%	
EBIT	25.3	29.0	-12.5%	65.9	45.7	44.3%	90.9	58.9	54.4%
Pre-tax profit	26.5	29.0	-8.6%	82.5	46.7	76.6%	109.9	62.3	76.3%
Net profit	19.8	20.0	-0.9%	60.1	40.5	48.4%	78.7	52.9	48.6%

Rising profits

We predict that Mostostal Warszawa will post a gross margin of ca. 7.2% in Q308, equal to the average for the last four quarters +0.2%. Higher sales entail higher SG&A expenses which will reach an estimated PLN 20.5m. The third-quarter bottom-line figure will not be affected by any one-offs. For Q408, we expect similar performance as in Q308.

Construction

PBG

Hold

Analyst: Maciej Stokłosa

FY08E P/E	19.5	FY08E EV/EBITDA	13.6	**Current price**	**PLN 208.0**
FY09E P/E	12.0	FY09E EV/EBITDA	9.0	**Target price**	**PLN 245.1**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	484.9	350.7	38.3%	1311.7	805.0	62.9%	2036.4	1376.8	47.9%
EBITDA	62.7	30.9	102.9%	167.4	86.4	93.6%	268.4	138.2	94.2%
margin	12.9%	8.8%		12.8%	10.7%		13.2%	10.0%	
EBIT	55.5	23.8	133.2%	140.4	66.6	110.7%	234.3	109.4	114.2%
Pre-tax profit	51.0	30.0	70.2%	119.8	86.1	39.1%	210.3	144.1	45.9%
Net profit	37.4	21.5	74.1%	87.4	63.1	38.6%	143.1	102.1	40.2%

Another good quarter

We expect flat quarter-on-quarter revenues (approx. PLN 506.3m), and a gross margin slightly lower than in H108 at 15%. SG&A expenses will increase to PLN 30.5m in the third quarter, to decline in subsequent quarters as the company starts work on the LMG gas extraction project and a gas storage for PGNiG. We predict that the company will post a PLN 10m F/X gain (other finance income) and settle past losses related to Hydrobudowa 9, producing a PLN 2.0m boost to the quarter's net income. In line with usual seasonal patterns, PBG is certain to record the strongest revenue and profits in the fourth quarter.

Construction

Polimex Mostostal

Buy

Analyst: Maciej Stokłosa

FY08E P/E	12.0	FY08E EV/EBITDA	6.1	**Current price**	**PLN 3.5**
FY09E P/E	10.2	FY09E EV/EBITDA	5.7	**Target price**	**PLN 7.3**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	1279.9	934.8	36.9%	1839.4	1359.8	35.3%	4618.4	3720.5	24.1%
EBITDA	80.3	43.0	86.6%	222.0	143.9	54.3%	323.3	205.4	57.4%
margin	6.3%	4.6%		12.1%	10.6%		7.0%	5.5%	
EBIT	66.0	30.8	114.4%	173.8	111.7	55.7%	259.2	160.4	61.6%
Pre-tax profit	56.2	28.8	95.2%	141.7	105.8	33.9%	197.9	149.4	32.5%
Net profit	40.9	21.6	89.1%	99.6	75.2	32.5%	141.2	100.1	41.1%

The best quarter

We predict that the third quarter will be the most successful in terms of revenues. Gross margin on production will approximate 19%, to shrink to 15.7% in Q408. In chemical-plant engineering, the gross margin will be lower than in H1 (21.4%) at 15% because the company performed more contracts as general contractor rather than as subcontractor. In power-plant engineering, the gross margin will be low again (4.25%) for reasons related to 2005 contracts with Koksownia Przyjaźń (expected to be completed in early Q42008). Road and railroad contracts will generate a gross margin of an estimated 4%.

Construction

Ulma Construccion Hold

Analyst: Maciej Stokłosa	FY08E P/E 19.5	FY08E EV/EBITDA 7.8	**Current price**	**PLN 95.0**
	FY09E P/E 20.4	FY09E EV/EBITDA 7.4	**Target price**	**PLN 100.2**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenue	59.4	56.3	5.3%	185.4	160.8	15.3%	248.3	222.6	11.6%
EBITDA	16.7	29.6	-43.5%	72.4	81.3	-10.9%	92.0	108.4	-15.2%
margin	28.2%	52.5%		39.1%	50.6%		37.0%	48.7%	
EBIT	6.6	18.8	-65.1%	33.0	51.8	-36.3%	42.3	66.6	-36.5%
Pre-tax profit	3.7	17.8	-79.2%	25.9	48.1	-46.3%	33.0	62.1	-46.9%
Net profit	3.0	14.7	-79.6%	21.1	39.1	-45.9%	27.0	50.9	-46.9%

Weakest quarter

The third quarter saw the concurrence of reduced formwork-rental prices, lower formwork usage ratio, and no sales of depreciated assets. Lower usage stemmed from tough competition early this year, and a price war aimed at attracting customers. We expect an improvement in Q408, when Ulma may post a net income of PLN 5.1m thanks to new rental agreements. Another factor fueling future earnings will be a weaker zloty (competition quote their prices in euros) which could enable the company to raise rental prices.

Retail

Retail

Emperia Holding Buy

Analyst: Kamil Kliszcz

FY08E P/E	7.1	FY08E EV/EBITDA	4.9	**Current price**	**PLN 55.2**
FY09E P/E	5.5	FY09E EV/EBITDA	3.8	**Target price**	**PLN 166.1**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenues	1 447.8	1 206.7	20.0%	4 074.3	3 388.6	20.2%	5 936.2	4 596.5	29.1%
EBITDA	37.8	38.8	-2.6%	116.8	123.5	-3.1%	210.8	173.4	21.5%
margin	2.6%	3.2%		2.9%	3.6%		3.6%	3.8%	
EBIT	24.8	27.6	-10.4%	79.0	93.9	-15.9%	153.1	134.3	13.9%
Pre-tax profit	22.2	19.3	15.3%	70.8	80.7	-12.3%	143.5	111.2	29.0%
Net profit	17.5	15.5	12.7%	53.1	64.9	-18.2%	116.2	89.7	29.5%

Low base

We expect Emperia to record weaker earnings in Q308 than in Q208 (costs of integration, new distribution center), but a big improvement in net income relative to Q307, albeit achieved against a low base rather than an actual increase in profitability and revenues. Last year, the company posted an operating loss of PLN 3m (incurred on property transactions), and unexpectedly high finance charges resulting from hedge contracts entered into by subsidiary Arsenal (PLN 6.3m). This year, we expect no major operating losses and a finance charge of just PLN 2.5m.

Retail

Eurocash Buy

Analyst: Kamil Kliszcz

FY08E P/E	14.6	FY08E EV/EBITDA	4.9	**Current price**	**PLN 9.9**
FY09E P/E	11.1	FY09E EV/EBITDA	7.8	**Target price**	**PLN 14.0**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenues	1 798.7	1 293.6	39%	4 594.5	3 452.8	33%	6 779.2	4 729.9	43%
EBITDA	36.6	33.1	11%	100.5	81.2	24%	158.0	122.5	29%
margin	2.0%	2.6%		2.2%	2.4%		2.3%	2.2%	
EBIT	26.4	23.9	10%	70.7	54.6	29%	109.9	86.8	27%
Pre-tax profit	24.5	22.5	9%	65.7	49.1	34%	106.7	75.0	42%
net profit	19.8	18.1	10%	52.1	39.3	33%	87.4	58.9	48%

McLane weighed down profits

Eurocash will show sustained year-on-year sales growth fueled by the organic expansion of Delikatesy Centrum, steady like-for-like growth in the cash&carry business, and consolidation of McLane which contributed PLN 177m to Q208 revenues (consolidation since May). However, the consolidated EBITDA margin may suffer due to a change in the sales structure (McLane's sales are less profitable), and increased salary expenses in the "old" Eurocash. As a result, net income and EBIT growth will be much smaller than revenue growth at ca. 10% (vs. last year's high base created by fast LFL pace accompanied by slower expenses).

Others

Paper

Mondi

Buy

Analyst: Michał Marczak	FY08E P/E 11.8	FY08E EV/EBITDA 7.6	**Current price**	**PLN 37.17**
	FY09E P/E 14.2	FY09E EV/EBITDA 8.7	**Target price**	**PLN 54.20**

(PLN m)	3Q2008F	3Q2007	change	1-3Q2008F	1-3Q2007	change	2008F	2007	change
Revenues	352.2	398.7	-11.7%	1 047.0	1 137.0	-7.9%	1 410.8	1 610.4	-12.4%
EBITDA	75.1	104.3	-28.0%	220.2	320.6	-31.3%	287.0	400.0	-28.2%
margin	21.3%	26.2%		21.0%	28.2%		20.3%	24.8%	
EBIT	47.5	77.6	-38.8%	137.6	244.1	-43.6%	186.1	295.7	-37.0%
Pre-tax profit	44.3	77.2	-42.6%	147.0	247.6	-40.7%	192.8	303.8	-36.5%
Net profit	35.9	62.4	-42.6%	118.8	200.8	-40.8%	156.3	246.2	-36.5%

Decrease in paper prices and PLN strengthening will have a negative impact on Świecie's Q3'08 earnings. Upside will come from higher sales volumes and the lower unit cost of production. We estimate that the average per-ton zloty price of paper has decreased by 8% q/q and by 20% y/y. Our forecast assumes a 15% q/q increase in sales volumes, which will be due both to the launch of additional capacity (in Q2'08, a paper machine upgrade was concluded) and the fact that Q2 volumes were depressed by maintenance downtime (-10% of quarterly output). The Company's interest expenses, due to its EUR 300m investment in a new paper machine, will continue increasing.

Earnings Publication Dates

Company	Q308 Standalone Earnings	Consolidated Q308 Earnings	Consolidated Q408 Earnings
AB	14.11.2008	14.11.2008	16.02.2009
ACTION	15.12.2008	15.12.2008	
AGORA	13.11.2008	13.11.2008	
ASBIS	06.11.2008	06.11.2008	
BUDIMEX	14.11.2008	14.11.2008	27.02.2009
BZWBK	06.11.2008	06.11.2008	24.02.2009
CIECH	12.11.2008	12.11.2008	
CYFROWY POLSAT	13.11.2008	13.11.2008	26.02.2009
ELEKTROBUDOWA	14.11.2008	14.11.2008	
EMPERIA HOLDING	13.11.2008	13.11.2008	
ERBUD	12.11.2008	12.11.2008	
EUROCASH	14.11.2008	14.11.2008	
HANDLOWY	06.11.2008	06.11.2008	12.02.2009
ING BSK	12.11.2008	12.11.2008	18.02.2009
KĘTY	30.10.2008	30.10.2008	
KGHM	14.11.2008	14.11.2008	
KOMPUTRONIK	14.11.2008	14.11.2008	
KREDYT BANK	06.11.2008	06.11.2008	12.02.2009
LOTOS	13.11.2008	13.11.2008	
MILLENNIUM	20.10.2008	20.10.2008	22.01.2009
MONDI	24.10.2008	24.10.2008	13.02.2009
MOSTOSTAL WARSZAWA	04.11.2008	14.11.2008	27.02.2009
NETIA	13.11.2008	13.11.2008	02.03.2009
NOBLE BANK	16.10.2008	16.10.2008	
PBG	13.11.2008	13.11.2008	
PEKAO	12.11.2008	12.11.2008	20.02.2009
PGNiG	13.11.2008	13.11.2008	
PKN ORLEN	13.11.2008	13.11.2008	
PKO BP	07.11.2008	07.11.2008	
POLICE	14.11.2008	14.11.2008	
POLIMEX MOSTOSTAL	07.11.2008	07.11.2008	
TELEKOMUNIKACJA POLSKA	29.10.2008	29.10.2008	27.02.2009
TVN	07.11.2008	07.11.2008	
ULMA CONSTRUCCION POLSKA	14.11.2008	14.11.2008	
WSiP	07.11.2008	07.11.2008	
ZA PUŁAWY	30.10.2008	30.10.2008	

Source: Parkiet

Current ratings by BRE Bank Securities S.A.

Company	Rating	Target Price	Date
AB	Hold	12.80	2008-08-18
ACTION	Accumulate	24.00	2008-08-18
AGORA	Buy	43.40	2008-09-22
ASBIS	Buy	9.50	2008-08-18
BUDIMEX	Buy	96.30	2008-08-14
BZWBK	Accumulate	155.80	2008-10-07
CIECH	Buy	77.50	2008-08-13
CYFROWY POLSAT	Buy	16.70	2008-09-12
ELEKTROBUDOWA	Buy	246.20	2008-09-05
EMPERIA HOLDING	Buy	166.10	2008-06-03
ERBUD	Buy	80.20	2008-08-18
EUROCASH	Buy	14.00	2008-08-06
HANDLOWY	Buy	78.20	2008-10-07
ING BSK	Buy	647.00	2008-10-07
KĘTY	Buy	109.40	2008-08-04
KGHM	Accumulate	108.00	2008-05-12
KOELNER	Suspended		2008-10-13
KOMPUTRONIK	Buy	33.90	2008-08-18
KREDYT BANK	Hold	12.20	2008-10-07
LOTOS	Buy	39.60	2008-08-13
MILLENNIUM	Hold	5.49	2008-10-07
MONDI	Buy	54.20	2008-08-06
MOSTOSTAL WARSZAWA	Buy	68.90	2008-08-22
NETIA	Buy	4.00	2008-07-01
NOBLE BANK	Accumulate	7.59	2008-10-07
PBG	Hold	245.10	2008-09-12
PEKAO	Hold	154.50	2008-10-07
PGNiG	Accumulate	4.07	2008-08-14
PKN ORLEN	Buy	45.50	2008-09-17
PKO BP	Hold	42.60	2008-10-07
POLICE	Sell	12.90	2008-10-02
POLIMEX MOSTOSTAL	Buy	7.30	2008-08-05
TELEKOMUNIKACJA POLSKA	Hold	22.60	2008-09-30
TVN	Accumulate	21.00	2008-08-13
ULMA CONSTRUCCION POLSKA	Hold	100.20	2008-09-05
WSiP	Buy	18.40	2008-08-22
ZA PUŁAWY	Reduce	73.00	2008-10-02

Ratings issued in the past month

Company	Rating	Target price	Date issued
AGORA	Buy	43.40	2008-09-22
BZWBK	Accumulate	155.80	2008-10-07
HANDLOWY	Buy	78.20	2008-10-07
ING BSK	Buy	647.00	2008-10-07
KOELNER	Suspended		2008-10-13
KREDYT BANK	Hold	12.20	2008-10-07
MILLENNIUM	Hold	5.49	2008-10-07
NOBLE BANK	Accumulate	7.59	2008-10-07
PEKAO	Hold	154.50	2008-10-07
PKN ORLEN	Buy	45.50	2008-09-17
PKO BP	Hold	42.60	2008-10-07
POLICE	Sell	12.90	2008-10-02
TELEKOMUNIKACJA POLSKA	Hold	22.60	2008-09-30
ZA PUŁAWY	Reduce	73.00	2008-10-02

Recommendation Statistics

	All					Issuers who are customers of BRE Bank Securities				
Statistics	**Sell**	**Reduce**	**Hold**	**Accumulate**	**Buy**	**Sell**	**Reduce**	**Hold**	**Accumulate**	**Buy**
count	1	1	8	6	20	0	0	0	1	7
pct of total	2.8%	2.8%	22.2%	16.7%	55.6%	0.0%	0.0%	0.0%	12.5%	87.5%

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

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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%
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