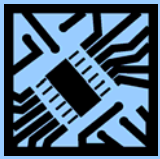


18 May 2006

Update


IT
Poland

Current price	PLN 135.5
Target price	PLN 150.0
Market cap	PLN 1882m
Free float	PLN 1478m
Avg daily trading volume (3M)	PLN 6.0m

Shareholder Structure

Ryszard Krauze	11.26%
Prokom Investments	10.23%
Others	78.51%

Sector Description

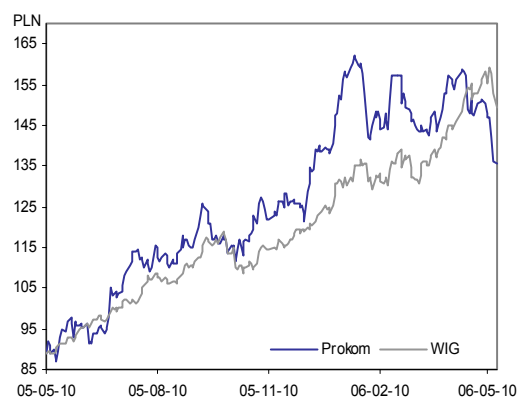
According to IDC, Poland is one of the three countries in the region (next to Russia and Turkey) where IT spending will increase at the fastest rate over the next few years. The Polish economy is less saturated with IT solutions than other EU countries. The Polish market is characterized by a large number of domestic companies and a relatively weak position of foreign players (other than in Western Europe).

Company Profile

Prokom Software is Poland's largest IT company. In 2004, it was second only to HP's Polish operations in terms of revenues. Prokom's key accounts include ZUS, PZU and the Polish Post Office. Together with its subsidiaries, Prokom has exposure to such sectors as banking, insurance, public administration, telecommunications, healthcare, and utilities.

Important Dates

10.08.2006 - Q2 2006 report
28.09.2006 - H2 2006 report

Prokom Software vs. WIG

Andrzej Lis

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Prokom Software Accumulate

PKMD.WA; PKM PW

(Maintained)

Spring is here

The year-over-year upswing in Prokom Software's first-quarter performance was in line with our expectations. We look forward to being pleasantly surprised by an IT spending revival in the public sector in the second half of the year. As the political situation in Poland stabilises, public administration is showing the first signs of a life, which should translate into actual contracts in the second half of the year. Based on the first-quarter results, we revised our projections for Prokom Software, resulting in a downward revision of the target price of its stock from PLN 157 to PLN 150 per share. This means a 11% upside from the current price. At the moment, we see no threats to Prokom Software's stock performance, and stand by our ACCUMULATE rating despite the lower price target.

Q1'06 results

The numbers posted by the Prokom Software group (revenues at PLN 340.6 million, EBIT at PLN 26 million, net profit at PLN 12 million), did not surprise the market. The group recorded a notable improvement in its year-over-year revenues (up 22%), EBIT (+41%) and bottom line (+194%). The upturn was a result of consolidation of ABG Ster-Projekt, and the strong earnings posted by the parent and Softbank. The first quarter was not as successful for Spin (posting a net loss of PLN 2 million) and Comp (with a mere PLN 0.2 million in net profit).

Public sector picks up

The situation in the public sector is starting to clear up. The Interior Ministry announced that it would hold the first tenders for State Data Computerisation systems in July, the Finance Ministry chose (PWPW) to carry out a trial run of the "e-deklaracje" electronic tax return system, and the National Bank of Poland reported plans to build a new computer centre. The revival is further backed by a calmer political scene. All those developments promise a better second half of the year for the whole IT market, and especially for the Prokom group, with its extensive experience in dealing with the public administration. IT spending in other market sectors already started to pick up in the beginning of the year: in Q1'06, Prokom Software signed over 40 new contracts.

2006 outlook

The first quarter offers an interesting outlook for the rest of the year. Prokom Software will show the full effects of its restructuring efforts in the coming quarters, which, combined with the strong performance of its subsidiaries, is bound to boost the group's results compared to last year. The Management has reiterated its financial targets for this year (PLN 2 billion in revenues, PLN 100 million in net profit), and confirmed dividend payout (30% of last year's profit), and purchase of another round of debt instruments from Prokom Investments (PLN 100 million).

(PLN m)	2004	2005	2006F	2007F	2008F
Revenues	1573.0	1854.8	2002.0	2131.1	2239.5
EBITDA	169.8	226.2	298.2	319.3	346.8
EBITDA margin	10.8%	12.2%	14.9%	15.0%	15.5%
EBIT	72.6	151.1	220.9	239.7	264.8
Net profit	41.6	80.3	116.6	133.6	151.7
P/E	45.2	23.4	16.1	14.1	12.4
P/CE	13.6	12.1	9.7	8.8	8.1
P/BV	2.1	1.7	1.5	1.3	1.2
EV/EBITDA	12.4	12.6	8.4	7.2	6.1
DYield	0.0%	0.2%	1.3%	2.5%	2.8%

1Q'06 results

Improvement from last year...

The Prokom Software group's first-quarter results were much better than posted after the first quarter of last year. Consolidated revenues increased from PLN 279m in Q1'05 to PLN 340m in Q1'06, EBIT rose from PLN 18.4m to PLN 26m, and net profit surged from PLN 4.1m to PLN 12.1m. On a standalone basis, the parent's results also improved from last year. Revenues increased from PLN 111.9m to PLN 130.5m, EBIT rose from PLN 9.4m to PLN 15.9m, and net profit climbed from PLN 1.9m to PLN 9.4m. We would like to point out the growing profitability of Prokom Software's operations. Gross profit margin increased from 33.6% in Q1'05 to 34.4% in Q1'06, and a year-over-year improvement was also recorded for the EBIT margin (7.6% vs. 6.6% in Q1'05) and net margin (3.6% vs. 1.5% in Q1'05).

Prokom Software's consolidated figures

(PLN m)	Q12006	Q12005	change	2006F	2005	change	2007F	2006F	change
Revenue	340.6	279.3	22%	2002.0	1854.8	8%	2131.1	2002.0	6%
EBITDA	40.1	35.6	13%	288.7	226.2	28%	304.7	288.7	6%
margin (%)	14.1%	12.7%		14.4%	12.2%		14.3%	14.4%	
EBIT	26.0	18.4	41%	211.4	151.1	40%	225.1	211.4	6%
Gross profit	23.4	11.8	98%	212.2	157.7	35%	232.5	212.2	10%
Net profit	12.1	4.1	194%	110.1	80.3	37%	120.7	110.1	10%

Source: Prokom Software, F – forecast by BRE Bank Securities

...in line with our expectations

The results posted by the Prokom Software group were in line with our expectations. Revenues and EBIT were only 1% ahead of our estimates, while net profit was 10% lower than projected. The largest contributors to the consolidated figures were the parent Prokom Software, and the subsidiaries Softbank and ABG Ster-Projekt. Spin's and Comp's Q1 performance was not as impressive.

Actuals vs. our forecast

(PLN m)	Q12006	Q12006F	differ.
Revenue	340.6	337.6	1%
EBITDA	40.1	45.8	-12%
margin (%)	14.1%	13.6%	
EBIT	26.0	25.8	1%
Gross profit	23.4	23.5	0%
Net profit	12.1	13.5	-10%

Source: Prokom Software, F – forecast by BRE Bank Securities

The parent gets stronger

Despite a visible slump on the IT market, Prokom Software succeeded in improving both its revenues and profits against last year's levels. Sales were boosted by continued work for the key accounts: ZUS, PZU and the Polish Post Office, as well as implementations carried out for KGHM, KE Energa, and Grupa Lotos to name a few. From a profitability standpoint, higher sales affected the gross profit margin (which fell from 52.6% in Q1'05 to 44.6% in Q1'06), but internal restructuring measures resulted in enhanced operating performance, where profitability rose from 8.4% in Q1'05 to 12.2% in Q1'06.

Prokom Software's standalone figures

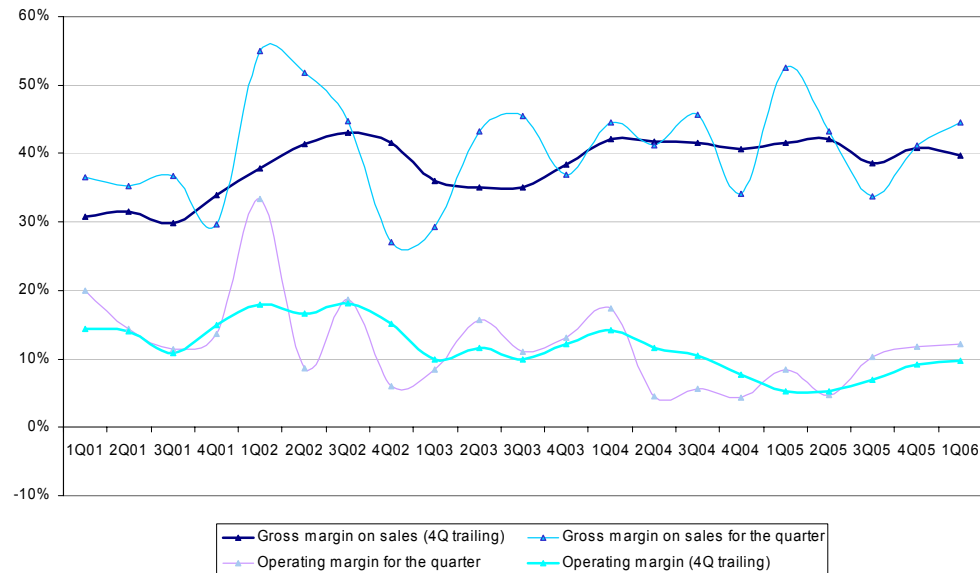
(PLN m)	Q12006	Q12005	change
Revenue	130.5	111.9	17%
EBITDA	22.5	19.4	16%
margin (%)	17.3%	17.3%	
EBIT	15.9	9.4	70%
Net profit	9.4	1.9	400%

Source: Prokom Software, F – forecast by BRE Bank Securities

EBIT on the rise

The internal restructuring initiative carried out at the parent company had a positive impact on the Q1 results. While the gross profit margin is basically steady (around 40% on a four-quarter trailing basis), EBIT margin has been on the rise since Q2'05. The effects of the restructuring will be even stronger in the second quarter of this year (in Q1'06, the company charged severance pays against its income statement, not to be repeated in Q2'06).

Gross profit margin and operating margin (trailing and per-quarter basis)



Source: Prokom Software, BRE Bank Securities

Capital investments

Prokom Software increased its holdings in subsidiaries in the first quarter: interests in ABG Ster-Projekt were raised from 34.2% to 38.22%, holdings in Softbank were upped from 33.01% to 34.26%, and the parent's share of Safe Computing's equity moved from 51% to 90%. Prokom Software's total investments in its subsidiaries approximated PLN 50 million (ca. PLN 26m paid for the extra shares of ABG Ster-Projekt and PLN 12m-12.5m for the Softbank and Safe Computing stakes). For the second quarter, we expect a decision on whether to increase holdings in Comp (currently at 20.11%). Prokom holds an option to purchase a 20% stake from Comp's CEO, but if its is exercised, Prokom Software's interest will exceed the 33% holding threshold which necessitates another tender offer, driving Prokom's expenses to ca. PLN 100 million. An alternative to a tender offer would be to make a non-cash contribution to Comp (e.g. of Safe Computing shares) in exchange for new shares. As Prokom has recently increased its holdings in Safe Computing, we are guessing that it chose the latter option. We are expecting a final decision in that matter by the end of May.

Moreover, in February, Prokom acquired 800,000 shares making up a 2.3% stake in Amiga Inc (USA) for US \$2.5 per share (total payment amounted to PLN 6m). Amiga Inc's solutions include a universal operating system platform which supports software and applications on all mobile devices regardless of the type or producer. Prokom Software wants to strike an alliance with Amiga to distribute its systems in Poland.

2006 outlook

Steady revenues of the parent

As Prokom Software's Q1 results met our expectations, we see no threats to our full-year earnings projections for the company. The business of the parent Prokom Software will be mainly shaped by long-term contracts with its key accounts (PZU, ZUS, Polish Post Office), as well as other, less lucrative deals with such customers as KGHM, Polpharma, or Karpacka Spółka Gazownicza. The company is also carrying out implementations at PGNiG, KE Energa and Grupa Lotos, among others. Prokom Software signed 40 new deals in Q1'06. It expects to win a contract for computerisation of universities (a consortium of Prokom Software, Siemens and SAP made a quotation of PLN 66m).

**Consolidation of ABG drives group performance**

We expect the Prokom Software group's consolidated sales to increase by 10% against last year, fuelled mainly by consolidation of ABG Ster-Projekt and year-over-year improvement recorded by other subsidiaries (Softbank, Spin and PVT). The Management reiterated its 2006 full-year targets: PLN 2 billion in revenues and PLN 100 million in net profit.

A revival in H2

We anticipate a revival of the public sector in the second half of the year, with Prokom Software as its main beneficiary. Major tenders which will most likely be held in the second part of the year will include integration of National Data Registers (the "PESEL II" project), with the first awards tentatively scheduled at July. Timelines for the other awaited large tenders (incl. the "e-deklaracje" e-tax system and Schengen-related projects) have not been determined yet. We did not take those tenders into account in our projections, but any awards to Prokom Software will undoubtedly have a positive impact on its performance.

Forecast update

We revised our earnings projections for Prokom Software to account for the Q1 2006 financial results. We expect an improvement in the performance of both the parent, and the subsidiaries. We think that Prokom Software is well-positioned to benefit from the rally expected to take place in the market of IT solutions, with majority of the business coming from the public sector which is expected to launch several large-scale projects in the second half of the year.

Consolidated sales forecast for the Prokom Software group

(PLN m)	2005	2006F	2007F	2008F
Prokom Software	773	804	842	882
Manufacturing sector	65	67	70	74
Financial sector	219	226	240	254
Service sector	222	222	226	230
Public sector	262	289	306	324
Softbank	539	617	696	726
Other subsidiaries (including eliminations)	542	581	593	623
Total for Prokom Software Group	1 855	2 002	2 131	2 231
Old sales forecast		2 034	2 141	2 217
<i>change (new vs. old forecast)</i>		-2%	0%	1%

Source: 2005: Prokom Software, 2006-2008: BRE Bank Securities



Valuation

Based on the Q1 2006 results, we introduced some adjustments in the valuation model we used for the purposes of our March 2006 report. First, we updated our estimates of the group's future profit figures. Second, we raised the risk-free rate from 4.69% to 5.294%, reflecting the interest rate on 10-year bonds. Third, we updated the value of Prokom Software's holdings in subsidiaries. We also moved our valuation forward in time in order to obtain a 9-month target price.

We used two methods to value the Prokom Software SA group: the sum-of-the-parts (SOTP) approach and comparative valuation. SOTP calculations are based on such measures as:

1. the business of the parent, measured using the DCF model,
2. holdings in listed subsidiaries (Spin, Comp) valued based on the market prices prevailing on May 17th, 2006,
3. the holdings in Softbank and ABG Ster-Projekt, valued based on our current fair value estimates for those companies,
4. value of the holdings in PVT, Combidata, Postdata and Safe Computing, measured as the product of P/E 10 and the 2005 net profit.

We also compared the Prokom Software group with its Polish and international IT peers. The resulting price is the mean of the values obtained with those two approaches.

Valuation Summary

Valuation method	Weight	Price (PLN m)	Price Per Share (PLN)	9-Month Target (PLN)
SOTP Valuation	50%	1 900	136.5	
Comparative Valuation	50%	1 984	142.8	
Valuation Average		1 934	139.2	150

Source: BRE Bank Securities

Based on our valuations, we estimated the current fair value of one Prokom Software share at PLN 139.2, which implies a target price in nine months' time of PLN 150. Set against today's stock price of PLN 135.5, we see an 11% upside for the company's stock. Based on those assumptions, we recommend to ACCUMULATE Prokom Software.

SOTP valuation

Valuation of Prokom's subsidiaries traded on the WSE

	Shares held by Prokom Software (millions)	Market price of stock (PLN)	Stake value (PLN m)
Softbank*	8.6	35.2	303.5
ABG Ster-Projekt*	24.8	8.3	205.5
Spin	2.8	37.0	102.3
Comp	0.6	82.5	45.8
Total			657.1

*current fair value based on estimates by BRE Bank Securities

Source: BRE Bank Securities

Valuation of other subsidiaries

	Prokom Software's stake (%)	Valuation method	Stake value (PLN m)
PVT	100.0%	10* 2005 P/E	19.5
Postdata	49.0%	10* 2005 P/E	75.7
Combidata	83.8%	10* 2005 P/E	8.6
Safe Computing	90.0%	10* 2005 P/E	21.2
Total			124.9

Source: BRE Bank Securities



DCF Valuation

DCF Valuation of Prokom Software's Stock

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	>2015
Sales	804	842	882	924	969	1 016	1 058	1 103	1 136	1 170	
<i>change</i>	3.9%	4.8%	4.8%	4.8%	4.8%	4.8%	4.2%	4.2%	3.0%	3.0%	
EBITDA	154.3	163.4	167.5	173.8	180.5	187.5	194.0	200.7	205.7	210.8	
<i>EBITDA margin</i>	19.2%	19.4%	19.0%	18.8%	18.6%	18.5%	18.3%	18.2%	18.1%	18.0%	
Amortisation and depreciation	40.6	40.8	41.1	41.4	41.7	42.0	42.3	42.6	42.9	43.1	
EBIT	113.7	122.6	126.4	132.4	138.8	145.5	151.6	158.1	162.8	167.7	
<i>EBIT margin</i>	14.1%	14.6%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	
EBIT tax	21.6	23.3	24.0	25.2	26.4	27.6	28.8	30.0	30.9	31.9	
NOPLAT	92.1	99.3	102.4	107.3	112.4	117.9	122.8	128.0	131.9	135.8	
CAPEX	-42.2	-42.8	-43.1	-43.4	-43.7	-44.1	-44.1	-44.4	-44.2	-43.1	
Working capital	-3.8	-5.1	-5.3	-5.6	-5.9	-6.3	-5.7	-6.0	-4.4	-4.6	
FCF	86.8	92.2	95.1	99.6	104.5	109.6	115.3	120.2	126.2	131.3	136.5
WACC	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	11.0%
<i>discount factor</i>	1.06	1.17	1.30	1.44	1.59	1.76	1.95	2.16	2.39	2.64	2.93
PV FCF	81.8	78.6	73.1	69.3	65.6	62.2	59.1	55.7	52.8	49.7	
WACC	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	11.0%
Cost of debt	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.6%
Risk-free rate	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.6%
Risk premium	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Net debt / EV	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Cost of equity	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.6%
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
FCF growth after the forecast horizon	4.0%										
Terminal value	1 957.4										
Discounted terminal value (PV TV)	667.3										
Discounted FCF in the forecast horizon	647.9										
Enterprise value (EV)	1 315.3										
Net debt (end-of-year 2005)*	380.8										
Other non-operating assets	183.9										
Equity value	1 118.3										
Number of shares (millions)	13.9										
Price per share (PLN)	80.5										
Cost of equity (9M)	7.9%										
Target Price	86.9										

Source: BRE Bank Securities * - adjusted for the acquisition holdings in ABG Ster-Projekt, Softbank, and Safe Computing



SOTP valuation summary

	Value (PLN m)	Value per share (PLN)
Prokom Software	1 118.3	80.5
Subsidiaries listed on the WSE	657.1	47.3
Other subsidiaries	124.9	8.7
Total	1 900	136.5

Source: BRE Bank Securities

Comparative Valuation

We compared the Prokom Software group with its international and Polish peers, based on their EV/EBITDA and P/E multiples for the years 2005, 2006 and 2007. We applied weights to the multiples, with the highest applied to the 2006 and 2007 financial figures.

Note that we compared Prokom Software's EV/EBITDA multiple with that of ComputerLand (not the median for Polish IT companies), which, historically, has been valued at similar multiples. We took into account all covered IT companies when measuring the P/E multiple.

Our multiples valuation produced the per-share price of Prokom Software's stock of PLN 157.7 measured against Polish listed companies, and PLN 120.5 against foreign players, with the average being PLN 142.8 per share.

Polish IT companies used in the comparison

	EV/EBITDA			P/E		
	2005	2006	2007	2005	2006	2007
ComArch**	26.0	21,1	15,8	50,9	33,8	25,4
Computerland	12.4	9,1	8,7	69,3	18,8	17,4
ABG Ster-Projekt***	22.7	15,1	9,9	23,6	21,2	16,0
Softbank*	19.9	13,1	11,1	32,6	19,3	15,9
median	21.3	14,1	10,5	41,7	20,3	16,7
PROKOM SOFTWARE Value (PLN m)	1 798	1 890	1 932	3 351	2 335	2 220
Weight	20%	40%	40%	20%	40%	40%
Price of one Prokom Software share (PLN)	157.7					

Source: BRE Bank Securities S.A., -* Softbank's 2005 figures are adjusted for PLN 11.4m in tax refund, and 2006 figures are adjusted for gains from divestment of the subsidiary Mediabank **- ComArch's figures are adjusted for a deferred tax asset, gains from sale of Interia shares, and profits of subsidiaries accounted for by the equity method (Interia, Net-Brokers), *** ABG Ster-Projekt's 2005 figures are adjusted for reversal of revaluation charges on receivables converted to holdings in KKI-BCI (PLN 3.1m), and 2006 figures are adjusted for gains from a property sale (PLN 6m)

European IT Companies Used In the Comparison

	EV/EBITDA			P/E		
	2005	2006	2007	2005	2006	2007
LogicaCMG	13.8	8.6	7.5	0.3	18.0	14.1
Cap Gemini	13.2	8.9	7.4	54.6	25.4	17.0
Tieto Enator	8.6	8.9	7.9	15.0	15.9	13.3
IDS Scheer	13.2	11.2	9.4	26.4	22.4	18.3
Atos Origin	8.0	7.1	6.6	15.0	13.8	5.8
Getronics	7.4	6.3	5.7	19.1	13.8	11.0
EDB	7.1	6.1	5.6	21.7	14.6	12.1
median	8.6	8.6	7.4	19.1	15.9	13.3
PROKOM SOFTWARE Value (PLN m)	1 203	1 776	1 632	1 530	1 829	1 767
Weight	20%	40%	40%	20%	40%	40%
Price of one Prokom Software share (PLN)	120.5					

Source: BRE Bank Securities, Bloomberg/IBES

Comparative Valuation Summary

Valuation method	Weight	Price (PLN m)	Price Per Share (PLN)
Valuation by comparison to Polish companies	60%	2191	157.7
Valuation by comparison to foreign companies	40%	1674	120.5
Valuation average		1984	142.8

Source: BRE Bank Securities



Financial Statements (IFRS)

Consolidated Income Statement

(PLN m)	2004	2005	2006F	2007F	2008F
Sales	1 573.0	1 854.8	2 002.0	2 131.1	2 239.5
<i>change</i>		17.9%	7.9%	6.5%	5.1%
Cost of sales	-1 068.4	-1 280.2	-1 316.1	-1 396.5	-1 454.5
Gross profit	504.6	574.6	685.9	734.6	785.0
<i>gross profit margin</i>	32.1%	31.0%	34.3%	34.5%	35.1%
Selling costs	107.3	121.2	130.8	139.3	146.3
SGA	308.5	296.6	320.1	340.8	358.1
Profit on sales	88.9	156.8	234.9	254.6	280.5
Other net operating profit	-16.3	-5.6	-14.0	-14.9	-15.7
EBIT	72.6	151.1	220.9	239.7	264.8
<i>change</i>		108.3%	46.2%	8.5%	10.5%
<i>EBIT margin</i>	4.6%	8.1%	11.0%	11.2%	11.8%
Profit on financing activity	-36.9	4.4	-4.4	5.8	13.2
Gross profit	61.4	157.7	218.5	247.6	280.5
Tax	14.3	33.3	41.5	47.0	53.3
Minority interests	5.5	44.1	61.7	67.6	76.1
Net profit	41.6	80.3	115.3	132.9	151.1
<i>change</i>		92.9%	43.5%	15.3%	13.6%
<i>margin</i>	2.6%	4.3%	5.8%	6.2%	6.7%
Amortisation and depreciation	97.2	75.0	77.3	79.6	82.0
EBITDA	169.8	226.2	298.2	319.3	346.8
<i>change</i>		33.2%	31.8%	7.1%	8.6%
<i>EBITDA margin</i>	10.8%	12.2%	14.9%	15.0%	15.5%
Shares at year-end (millions)	13.9	13.9	13.9	13.9	13.9
EPS	3.0	5.8	8.3	9.6	10.9
CEPS	10.0	11.2	13.9	15.3	16.8
ROAE		8.0%	9.6%	9.8%	9.9%
ROAA		3.7%	5.1%	5.7%	6.1%

Source: 2004-2005: Softbank, 2006-2008: BRE Bank Securities' estimates

**Consolidated Cash Flow Statement**

(PLN m)	2004	2005	2006F	2007F	2008F
Cash flows from operating activities	9.0	225.2	240.0	267.2	298.5
Net profit	41.6	80.3	116.6	133.6	151.7
Amortisation and depreciation	97.2	75.0	77.3	79.6	82.0
working capital	-74.7	54.7	-15.6	-13.6	-11.4
Other	-55.2	15.2	61.7	67.6	76.1
Cash flows from investing activities	-104.1	20.6	35.6	2.3	-84.1
CAPEX	-128.0	-43.7	-79.2	-81.6	-84.1
Capital investments	0.0	-48.2	0.0	0.0	0.0
Other	23.9	112.5	114.8	83.9	0.0
Cash flows from financing activities	139.3	-215.1	-129.0	-151.5	-58.4
Share issue	0.0	0.0	0.0	0.0	0.0
debt	147.7	-233.2	-104.9	-104.9	-4.9
Dividend (buy-back)	0.0	-3.5	-24.1	-46.6	-53.4
Other	-8.5	21.6	0.0	0.0	0.0
Change in cash	44.2	30.8	146.6	117.9	156.1
Cash at the end of period	113.4	144.1	290.7	408.6	564.6
DPS (PLN)	0.0	0.3	1.7	3.4	3.8
FCF	16.5	158.5	86.8	92.2	95.1
(CAPEX / Sales)	8.1%	2.4%	4.0%	3.8%	3.8%

Source: 2004-2005: Softbank, 2006-2008: BRE Bank Securities' estimates

**Consolidated Balance Sheet**

(PLN m)	2004	2005	2006F	2007F	2008F
ASSETS	2 138.8	2 242.9	2 316.3	2 387.2	2 574.4
Fixed assets	1 124.7	1 116.6	1 034.6	1 036.6	1 038.7
PP&E, intangible assets	360.2	388.6	390.6	392.6	394.6
Long-term prepayments	12.8	16.8	16.8	16.8	16.8
Goodwill of subsidiaries	175.1	306.5	306.5	306.5	306.5
long-term receivables	143.1	97.7	97.7	97.7	97.7
Long-term investments	364.7	256.5	172.6	172.6	172.6
Non-current deferred tax assets	68.8	50.5	50.5	50.5	50.5
Current assets	1 014.0	1 111.5	1 281.7	1 350.5	1 535.7
Inventories	30.4	45.5	47.3	48.8	50.0
Short-term receivables	657.4	716.6	754.6	787.9	815.8
Short-term investments	174.2	161.7	145.6	61.7	61.7
Short-term prepayments	38.7	43.5	43.5	43.5	43.5
Cash	113.4	144.1	290.7	408.6	564.6
(PLN m)	2004	2005	2006F	2007F	2008F
LIABILITIES AND SHAREHOLDERS' EQUITY	2 138.8	2 242.9	2 316.3	2 387.2	2 574.4
Equity	885.1	1 126.7	1 280.9	1 435.5	1 609.9
Equity attributable to equity holders of the parent	730.1	813.5	906.0	992.9	1 091.2
Minority interests	155.0	313.2	375.0	442.6	518.7
Long-term liabilities	563.8	414.1	309.2	304.3	299.4
Loans	304.7	108.1	8.1	8.1	8.1
Reserves	85.2	71.3	71.3	71.3	71.3
Other	173.8	234.7	229.8	224.9	220.0
Short-term liabilities	689.9	702.0	726.1	647.3	665.1
Loans	220.5	182.6	182.6	82.6	82.6
Accruals	45.3	60.8	60.8	60.8	60.8
Trade creditors	261.4	304.2	328.3	349.5	367.3
Other	162.7	154.4	154.4	154.4	154.4
Debt	525.2	290.7	190.7	90.7	90.7
Net debt	237.6	-15.1	-245.5	-379.6	-535.6
(Net debt / equity)	26.8%	-1.3%	-19.2%	-26.4%	-33.3%
(Net debt / EBITDA)	0.2%	0.0%	-0.1%	-0.1%	-0.1%
BVPS	63.7	81.1	92.2	103.3	115.9

Source: 2004-2005: Softbank, 2006-2008: BRE Bank Securities' estimates

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**List of abbreviations and ratios contained in the report:**

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

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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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recommendation	Buy	Accumulate
date issued	2005-10-25	2006-03-08
price on day of recommendation	116.50	149.50
WIG on day of recommendation	31870.61	39645.52