17 July 2007

Periodic Report

BRE Bank Securities

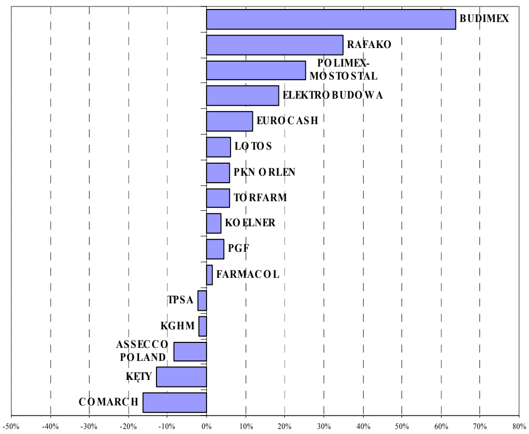
Forecasts of Quarterly Results

2Q 2007

Equity Market

WIG	65 079
Average 2007 P/E	20.3
Average 2008 P/E	17.1
Avg dialy trading volume (3M)	PLN 1 996m

EPS growth for selected companies*



**calculated for: 3Q'06-2Q'07 / 2Q'06-1Q'07*

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Banks. The second-quarter earnings of banks will be driven by increasing household borrowing, as reflected in fast-paced lending portfolios (up 38% y/y at the end of May). The portfolio of corporate loans has also accelerated to reach a 18% y/y growth rate at the end of May. Earnings are also supported by booming equity markets propelling the income generated by investment funds and brokerage houses.

Gas & Oil. We expect strong second-quarter showings from both Lotos and PKN Orlen, generated on record-high refinery margins and soaring crude prices. On a year--over-year basis, however, profit growth will be only in the mid-teens due to the zloty's appreciation against the dollar.

Telecommunications. Telecom operators are not likely to repeat last year's EBITDA figures due to increasing competition in broadband, falling profit margins, and upward pressure on promotional expenditure. We expect to be disappointed.

Media. The current GDP growth rate would suggest stronger advertising revenues. In our view, Agora will not raise its FY2007 ad spend forecast of a meager 3%.

Metals Commodity stocks thrive in a favorable market environment. KGHM's profits are under pressure from hedges entered into back in 2005, but FQ2'07 will be the last quarter of such big losses incurred on those transactions.

Construction. We estimate that construction output in the second quarter increased by some 23% y/y. We expect strong showings from builders, especially Polimex and Elektrobudowa.

Pharmaceuticals. Although falling sales of reimbursable medications were offset by an upswing in OTC sales, we do not expect pharmaceutical wholesalers to wow us with their second-quarter results. We expect the strongest profit growth from Torfarm and PGF.

Retail. The second-quarter results of Eurocash and Emperia will show the impact of the continued integration of their latest acquisitions. After a buoyant first quarter, we have higher expectations for the "Stokrotka" chain owner.

Financial Sector

BPH

Banks — **Accumulate**

Analyst: Marta Jeżewska

P/E 2007	17.9	P/BV 2007	3.7	**Current price**	**PLN 930.5**
P/E 2008	17.9	P/BV 2008	3.5	**Target price**	**PLN 1079**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Net interest income	559	547	2.1%	1112	1067	4.2%	2 239	2 175	2.9%
Net interest margin	3.6%	3.4%		3.4%	3.5%		3.5%	3.5%	
Rev. from bank. oper.	910	875	3.9%	1790	1722	4.0%	3 646	3 534	3.2%
Operating profit*	509	471	8.1%	1172	904	29.5%	2 171	1 854	17.1%
Gross profit	441	404	9.2%	1032	767	34.6%	1 895	1 634	16.0%
Net profit	346	324	6.9%	810	609	33.0%	1 494	1 268	17.8%

On the eve of merger

We estimate that BPH's net income for the second quarter will come in at PLN 347m, marking a 7% increase on a year earlier and a 25% decline on FQ1'07 when the bank recognized one-time income from the sale of its shareholdings in CU PTE (PLN 179m credited to pre-tax income, PLN 145m to net income). Adjusted for this one-off, the q/q net income growth rate rises to 9%, which is a very good pace given that the bank is about to be merged with Pekao.

The main drivers behind BPH's business growth include a general upswing in the corporate banking market, and the bank's sustained strong positioning among retail clients. So far, the changes connected with the merger have not scared clients away. The increase in BPH TFI's assets under management (19% q/q) will also contribute to the good FQ2 showing.

As for costs, we predict that they will not change much relative to FQ1. With the merger just around the corner, all new projects were put off, and their fate will be decided by the new owner of the Mini-BPH. And UniCredi wants to focus on finalizing the deal rather than undertaking new initiatives. Our cost estimate for FQ2 is PLN 408m in total (flat on FQ1'07).

BZ WBK

Banks — **Hold**

Analyst: Marta Jeżewska

P/E 2007	18.4	P/BV 2007	4.3	**Current price**	**PLN 272.5**
P/E 2008	16.1	P/BV 2008	3.8	**Target price**	**PLN 284.0**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Net interest income	302	252	20.0%	592	493	20.1%	1 229	1 034	18.8%
Net interest margin	3.5%	3.3%		3.5%	3.3%		3.4%	3.3%	
Rev. from bank. oper.	767	651	17.9%	1445	1193	21.2%	2 922	2 365	23.5%
Operating profit*	410	337	21.9%	756	587	28.9%	1 534	1 084	41.5%
Gross profit	404	332	21.5%	770	571	34.8%	1 515	1 065	42.2%
Net profit	294	248	18.4%	555	424	30.9%	1 081	758	42.5%

According to plan

We expect BZ WBK to show a net income of PLN 294m for the second quarter of 2007, 18.4% more than a year earlier, and 13% than in the preceding quarter. Loan volumes will display strong growth, propelled mainly by corporate lending and cash loans extended to retail borrowers. As a result, all income components will increase, most notably interest income which is expected to gain 20% y/y and 4% q/q. Fee income is mostly determined by the momentum in equity markets (we project PLN 335m).

BZ WBK's annual salary raises (April) will lead to a q/q increase in costs. Expenditure in the second quarter was further driven by new projects (including branch expansion), and intense promotional campaigns for the bank's personal accounts and investment funds. We expect total expenses to reach PLN 356m (16% more than a year earlier).

Like every year, BZ WBK received dividends from CU in the second quarter, amounting to PLN 60m compared to PLN 56m a year ago. Adjusted for these inflows, the FQ2 operating income before provisions would figure to PLN 344m - a level similar to last quarter's (PLN 346m). All in all, we expect BZ WBK to show an over-4% q/q growth in income (excl. dividends), paired with an 8% q/q increase in total costs.

Handlowy

Banks

Reduce

Analyst: Marta Jeżewska	P/E 2007	21.5	P/BV 2007	2.6	**Current price** **PLN 109.0**
	P/E 2008	17.5	P/BV 2008	2.5	**Target price** **PLN 109.5**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Net interest income	304	262	16.0%	594	507	17.0%	1 173	1 026	14.3%
Net interest margin	3.1%	3.1%		3.1%	3.0%		3.1%	3.0%	
Rev. from bank. oper.	563	489	15.1%	1 153	1 024	12.7%	2 298	2 096	9.6%
Operating profit*	196	136	44.0%	425	432	-1.4%	858	802	7.0%
Gross profit	184	141	30.4%	433	444	-2.4%	820	832	-1.4%
Net profit	149	107	38.5%	346	343	0.9%	664	657	1.1%

Upgrading the Retail Banking line

First-quarter earnings provided a solid outlook for the rest of the year. We expect the FQ1 trends in Retail and the Corporate segment to continue throughout the year, with the FQ2 recurring net income before provisions chalking up a 44% increase on a lower base a year earlier (compared to a 27% increase recorded in FQ1). Bank Handlowy finances the expanding client outreach with old cost savings. We anticipate that its FQ2 costs will amount to PLN 380m (vs. PLN 375m in FQ1'07 and PLN 376m in FQ2'06).

One threat to the FQ2 earnings performance is the increase in bond yields which occurred in the quarter, and which probably impacted the bank's trading income, bringing it below the staggering PLN 122m result recorded in FQ1'07. On the upside, pre-tax income can be boosted by provisions, with expected charge-offs against operating income at PLN 13m (0.45% of average net loans). Cost of risk in the preceding quarters was insignificant, but this was due to weak lending performance. A stronger lending business might bring about higher charge-offs.

ING BSK

Banks

Reduce

Analyst: Marta Jeżewska	P/E 2007	21.0	P/BV 2007	3.2	**Current price** **PLN 999.0**
	P/E 2008	18.3	P/BV 2008	2.9	**Target price** **PLN 953.5**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Net interest income	280	229	22.6%	541	448	20.9%	1 082	936	15.5%
Net interest margin	2.0%	2.1%		2.1%	2.1%		2.1%	2.1%	
Rev. from bank. oper.	535	431	24.3%	1 047	860	21.7%	2 080	1 755	18.5%
Operating profit*	196	146	34.5%	386	293	31.8%	742	540	37.4%
Gross profit	201	205	-1.9%	410	404	1.6%	774	753	2.8%
Net profit	161	170	-5.2%	328	332	-1.1%	619	591	4.7%

Strong momentum in corporate banking and securities trading

The second quarter witnessed buoyant growth in the banking sector's overall corporate loan portfolio, estimated to have increased by 20% y/y. This is a good sign for ING BSK, with its strong positioning in the corporate finance sector. The bank's FQ2 earnings will also be driven by ING's robust securities trading business: its brokerage house generated high trading volumes for another consecutive quarter, and the ING investment funds (distributed mainly via the bank's channels) gained 16% q/q and a whopping 115% y/y compared to the market's averages of 19% q/q and 80% y/y. We see these two business lines as the main drivers behind ING BSK's growth. Incurred on continued efforts to improve service (including customer service support platforms), and salary raises, we expect ING BSK's FQ2 costs to reach PLN 346m (vs. PLN 335m in FQ1'07 and PLN 300m in FQ2'06).

Because of the small share of loans in ING BSK's interest-bearing assets, the bank invests in the interbank market and in debt securities, and these investments might affect second-quarter income after a recent increase in bond yields. FQ2 net income might exceed our expectations thanks to provisions, which we estimate at PLN 8m (20bps of the average net loan portfolio), but which might turn out lower after another quarter of intense debt recovery and restructuring efforts.

Banks

Kredyt Bank

Hold

Analyst:
Marta Jeżewska

P/E 2007	18.5	P/BV 2007	2.9	**Current price**	**PLN 24.70**
P/E 2008	16.7	P/BV 2008	2.6	**Target price**	**PLN 26.76**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Net interest income	207	186	11.3%	405	393	3.1%	874	780	12.1%
Net interest margin	3.7%	3.6%		3.6%	3.9%		3.7%	3.6%	
Rev. from bank. oper.	321	284	12.9%	622	581	7.2%	1 355	1 203	12.7%
Operating profit*	109	212	-48.5%	212	297	-28.8%	467	440	6.1%
Gross profit	102	208	-50.9%	205	289	-29.0%	447	461	-3.0%
Net profit	83	208	-60.3%	164	296	-44.6%	362	468	-22.7%

Strong mortgage loan sales

We project that Kredyt Bank will show PLN 83m in FQ2 net income on an operating income before provisions of PLN 109m. If we exclude the impact of NPL sales on FQ2 earnings (PLN 145.4m credited to pre-tax income, PLN 131m added to net income), then, if our forecasts prove accurate, the bank's net income will have improved by 7%, and operating income before provisions will have soared by close to 64%. Kredyt Bank pays taxes at the regular statutory rate this year, with significant implications for net income growth. We expect a 13% y/y increase in recurring banking income, and a 1.4% rise in costs, producing a considerable improvement in operating income.

Mortgage loan sales will reach an impressive PLN 1.2bn in the second quarter, marking a staggering 126% increase q/q. This bodes well for the overall earnings performance. We do not know the sales figures generated by Kredyt Bank's Consumer Finance business (i.e. mainly Żagiel), but we expect that the third largest financial intermediary in terms of sales volumes is able to sustain the growth rates recorded in the first quarter. A strong momentum in cash loans will provide additional support to this business. Kredyt Bank's FQ2 sales performance will drive income in the following quarters as the bank continues to build its loan portfolio.

Banks

Millennium

Sell

Analyst:
Marta Jeżewska

P/E 2007	27.8	P/BV 2007	4.3	**Current price**	**PLN 12.55**
P/E 2008	20.6	P/BV 2008	3.8	**Target price**	**PLN 10.54**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Net interest income	178	160	11.7%	347	319	8.9%	762	651	17.2%
Net interest margin	2.7%	2.8%		2.7%	2.8%		2.8%	2.8%	
Rev. from bank. oper.	372	287	29.6%	736	572	28.5%	1 535	1 253	22.5%
Operating profit*	137	98	40.6%	277	191	45.0%	565	409	38.1%
Gross profit	118	86	38.0%	224	173	29.7%	473	371	27.6%
Net profit	96	70	36.9%	180	140	28.7%	383	301	27.4%

Conquering Retail

We anticipate a strong showing from Millennium, with income boosted by the strengthening Retail Banking business. The Corporate business is also improving, especially in the segment of small and medium-sized businesses. Lease financing and factoring are also expected to post strong results. We anticipate buoyant growth in fee income (an estimated PLN 132m, up 15.5% q/q and 52% y/y), driven by robust AUM of Millennium's investment funds which increased volumes by 44% q/q and 175% y/y. By growing faster than the market, Millennium upped its market share from 3.7% in FQ1'07 to 4.4% in FQ2 .

As the branch network expands, an increasing staff headcount, network maintenance costs, and amortization charges are on the rise, squeezing income. We estimate Millennium's FQ2 costs at PLN 241m (up 4.6% on FQ1 and close to 20% on FQ2'06). Investors were surprised by the high cost of risk reported by the bank in the first quarter. We predict a reduction in provision charge-offs in the second quarter as the bank works to achieve its target of 40-50bps of net loans. We estimate that FQ2 charge-offs will amount to PLN 19m (46bps of net loans).

Banks	Pekao			Hold	
Analyst: Marta Jeżewska	P/E 2007 20.2	P/BV 2007	4.4	**Current price**	**PLN 252**
	P/E 2008 17.4	P/BV 2008	4.2	**Target price**	**PLN 269**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Net interest income	624	573	8.9%	1217	1144	6.4%	2552	2377	7.4%
Net interest margin	3.4%	3.5%		3.4%	3.6%		3.6%	3.7%	
Rev. from bank. oper.	1248	1159	7.7%	2454	2277	7.7%	5048	4656	8.4%
Operating profit*	656	595	10.3%	1284	1147	11.9%	2657	2335	13.8%
Gross profit	647	559	15.7%	1264	1073	17.8%	2573	2204	16.7%
Net profit	523	446	17.2%	1025	865	18.5%	2082	1788	16.5%

Merger will not affect earnings performance

We predict that Pekao will show a net income of PLN 523m for the second quarter, marking a 17% y/y increase driven by a 7.7% growth in banking income. Costs will likely slow down (the estimated PLN 606m figure will be 2% higher than in FQ1 and 3.8% higher than in FQ2'06). Income growth is propelled by growing retail volumes and assets managed by Pekao's investment funds.

FQ2 pre-tax income will show stronger growth (15.7% y/y) than operating income before provisions (10% y/y) thanks to lower costs of risk which we project at PLN 47m (0.54% of the average net loan portfolio) versus 0.69% in FQ2'06 and PLN 44m in FQ1'07 (0.52% of average net loans).

Overall, Pekao had a good second quarter. Investor attention is currently focused on merger delays, but we do not expect any new developments in the immediate future (except maybe for schedule adjustments). Until UniCredit obtains official clearance to conduct the BPH spin-off, and Pekao has its prospectus approved, the merger is on hold, probably beyond the FQ2 earnings release slated for August 3rd.

Banks	PKO BP			Hold	
Analyst: Marta Jeżewska	P/E 2007 21.8	P/BV 2007	4.9	**Current price**	**PLN 56.95**
	P/E 2008 18.7	P/BV 2008	4.3	**Target price**	**PLN 54.44**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Net interest income	1083	924	17.3%	2112	1828	15.5%	4445	3809	16.7%
Net interest margin	4.2%	3.8%		4.1%	3.9%		4.2%	3.9%	
Rev. from bank. oper.	1716	1445	18.8%	3357	2896	15.9%	7016	6039	16.2%
Operating profit*	931	622	49.7%	1801	1269	42.0%	3571	2706	32.0%
Gross profit	850	615	38.2%	1723	1227	40.4%	3316	2701	22.8%
Net profit	666	471	41.6%	1339	953	40.5%	2610	2149	21.5%

Retail growth

We expect good FQ2 earnings figures from PKO BP, with growth on the same level as in FQ1. Net income will reach an estimated PLN 666m (41.6% more than a year earlier). Owing to broad exposure to retail clients, we anticipate record sales numbers in mortgage loans and a considerable improvement in cash loans. Other key growth drivers include the PKO TFI investment fund company which strengthens its market position by actively seeking new assets. In the Corporate segment, financing services for small and medium-sized business will generate the strongest growth. PKO BP is still working on a more competitive offering targeted to corporate clients. Second-quarter income will be impacted debt revaluations. Compared to the implications of the significant hike in bond yields which took place in FQ2'06, the one witnessed in FQ2'07 will not have a much smaller impact.

Costs are expected to come in at PLN 979m after increasing 5% q/q and 1.1% y/y - growth rates that re unsustainable over a longer term in our opinion due among others to salary increases. The also warned bank analysts that its costs would accelerate going forward.

Oil and Gas

Lotos

Oil and Gas — **Hold**

Analyst: Kamil Kliszcz

P/E 2007	13.3	EV/EBITDA 2007	6.2	**Current price**	**PLN 57.5**
P/E 2008	20.1	EV/EBITDA 2008	6.5	**Target price**	**PLN 45.8**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	3 399	3 265	4.1%	5 947	5 955	-0.1%	11 933	12 811	-6.9%
EBITDA	448	409	9.4%	575	614	-6.2%	1 027	1 096	-6.2%
margin	13.2%	12.5%	-	9.7%	10.3%	-	8.6%	9.7%	-
EBIT	373	333	11.9%	425	466	-8.6%	651	798	-18.5%
gross profit	400	363	10.4%	481	515	-6.5%	673	916	-26.5%
net profit	314	276	13.9%	370	414	-10.6%	492	680	-27.7%

Record margins supported by LIFO effect

The refining margin on Lotos's product slate increased a whopping 33% in FQ1'07 relative to FQ1'06, while the differential narrowed by ca. 23%. In the end, roughly, the PLN spread that Lotos earns on its refining business (refining margin + differential) only ticked up slightly due to a stronger zloty. An important determinant of FQ2 profit growth will be inventory revaluations which we expect to be PLN 30m higher than a year ago at ca. PLN 110m. Our EBIT prediction is PLN 330m for Refinery and PLN 48m for Upstream. The bottom line should hover around PLN 314m, 13.9% more than a year earlier.

Lotos will have delivered 75% of its full-year profit target after two quarters, owing mainly to delays in the PKRT upgrade projects which we expected to generate large D&A charges (as reflected in EBITDA, where guidance fulfillment after the first half of the year will be close to 56%).

PKN Orlen

Oil and Gas — **Accumulate**

Analyst: Kamil Kliszcz

P/E 2007	12.3	EV/EBITDA 2007	6.0	**Current price**	**PLN 60.0**
P/E 2008	10.4	EV/EBITDA 2008	5.4	**Target price**	**PLN 61.0**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	16 279	13 545	20.2%	29 687	24 875	19.3%	60 600	52 867	14.6%
EBITDA	1 973	1 644	20.0%	2 967	2 627	12.9%	6 049	4 685	29.1%
margin	12.1%	12.1%	-	10.0%	10.6%	-	10.0%	10.0%	-
EBIT	1 353	1 200	12.7%	1 728	1 651	4.7%	3 014	2 577	17.0%
gross profit	1 322	1 172	12.7%	1 537	1 648	-6.8%	2 838	2 729	4.0%
net profit	1 005	881	14.0%	1 054	1 246	-15.4%	2 079	1 986	4.7%

Finally a strong quarter despite Mazeikiu Nafta's losses

Adjusted for USD/PLN exchange rate fluctuations, the average refining margin on PKN Orlen's product slate surged almost 54% in FQ2 relative to FQ1, while the Urals/Brent differential remained flat on the previous quarter's level. On a year-over-year basis, much of the refinery margin's growth was "eaten" by a stronger zloty, paired with a significant tightening of the differential from $4.9/Bbl on average in FQ2'06 to $3.7/Bbl in FQ2'07. As a result, PKN Orlen will not show very impressive y/y dynamics, but its second-quarter performance was definitely much better than in the catastrophic first quarter. The EBIT result will be mostly impacted by Refinery, expected to generate PLN 980m, including PLN 400m from inventory revaluations and a PLN 108m loss on Mazeikiu Nafta (whose EBITDA should be in the positive territory). Refinery would have generated an even higher profit (~PLN 70m) if it had not been for the downtime on its Hydrocracking plant. Retail's contribution to the consolidated EBIT will be an estimated PLN 180m, and Chemicals and Petchem will add PLN 325m. Finance losses in the second quarter should not be as deep as a quarter earlier thanks to a stronger zloty, expected to improve the result of debt revaluation. Our growth prediction for PKN Orlen's FQ2 bottom line is 14%.

The beginning of the third quarter was marked by refinery margin tightening on the back of soaring crude oil prices (spurred by geopolitical factors, IEA's report on the growing global demand) which have outpaced fuel prices. In the near term, we expect margins to return to their second-quarter levels on the back of strong demand for fuel from the USA, offering a rosy outlook for the third-quarter earnings.

Chemicals

ZA Puławy

Hold

Analyst:
Kamil Kliszcz

P/E 2007	14.9	EV/EBITDA 2007	6.5	**Current price**	**PLN 106.00**
P/E 2008	13.9	EV/EBITDA 2008	5.6	**Target price**	**PLN 127.98**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	595.2	540.0	10%	2196.2	2030.4	8%	2266.4	2196.2	3%
EBITDA	57.5	42.0	37%	256.9	274.4	-6%	270.3	256.9	5%
margin	9.7%	7.8%	-	11.7%	13.5%	-	11.9%	11.7%	-
EBIT	32.8	13.6	141%	157.5	157.0	0%	162.6	157.5	3%
gross profit	34.8	14.0	149%	164.1	162.1	1%	170.2	164.1	4%
net profit	28.2	13.1	116%	133.7	126.2	6%	137.8	133.7	3%

Seasonal decline in fertilizer prices, strong zloty

The prices of dry nitrogen fertilizers backed off their Q2 high in the second quarter. The PLN price of ammonium nitrate declined by 6%, and urea shed 4%. In contrast to this trend, the prices of UAN continued on their upward curve, and added 8% to the 30% hike recorded in the first quarter as demand from the US remained strong and distributors rebuilt their stockpiles. Even with such strong growth, wider UAN profit margins generated on seasonally higher volumes will not be enough to offset the tighter margins on ammonium nitrate, urea, and caprolactam (benzene zloty prices rose 7%). We anticipate that ZAP's FQ2 earnings will be in line with its revised guidance released on June 26th, when the management were fully aware of the size of the quarter's sales. Our revised FQ2'07 earnings estimates led to small changes in the full-year 2006/07 forecast (0.7% in EBITDA and 6.6% in net profit), and had no impact on our predictions beyond that period.

For the 2007/08 business season started in July, we forecast that earnings will be stronger than in the business season just ended, driven mainly by the uptrend in fertilizer prices started in January which will more than compensate for the upcoming hikes in gas prices.

Telecommunications

Netia

Sell

Telco

Analyst:
Michał Marczak

P/E 2007	-	EV/EBITDA 2007	6.4	**Current price**	**PLN 4.2**
P/E 2008	-	EV/EBITDA 2008	6.0	**Target price**	**PLN 3.8**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	217.6	201.0	8.3%	420.2	417.1	-0.4%	971.7	862.1	12.7%
EBITDA	50.9	58.4	-12.9%	105.5	117.2	-13.3%	262.0	-68.9	-480.2%
margin	23.4%	29.1%	-19.5%	23.4%	26.9%	-13.0%	27.0%	-8.0%	-437.3%
EBIT	-21.6	-9.5	127.5%	-36.5	-15.3	269.6%	16.8	-341.4	-104.9%
gross profit	-59.6	-13.7	336.5%	-98.3	-21.2	688.7%	-47.8	-371.1	-87.1%
net profit	-59.6	-12.7	370.6%	-97.4	-23.3	452.8%	-53.1	-378.9	-86.0%

Losses getting deeper

Netia's revenues will show a 2.8% y/y growth, owing mainly to the consolidation of Pro Futuro and an increase in the number of broadband users (+40,000). Wholesale data transmissions should also generate higher revenues. As for POTS, we expect an 8% decrease in sales on falling prices. Overall revenue growth looks weak due to a high FQ2'06 comparable base for interconnection sales which have declined since.

In the cost department, we expect to see larger expenses incurred on advertising and Internet user acquisitions. Netia's aggressive Retail strategy is a costly undertaking. We maintain that the profit margins on the new services will stay low going forward due to fierce competition. The FQ2 EBITDA margin is expected to fall to 24.6% from 29.1% a year earlier. Net profit will be depressed by the losses generated by Play. We estimate Netia's share in those losses at PLN 40m. FQ2 was the first full quarter when Play was fighting for subscribers.

TP SA

Reduce

Telco

Analyst:
Michał Marczak

P/E 2007	16.9	EV/EBITDA 2007	5.3	**Current price**	**PLN 23.0**
P/E 2008	14.9	EV/EBITDA 2008	5.1	**Target price**	**PLN 20.2**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	4 474	4 642	-3.6%	8 914	9 205	-2.7%	17871.2	18625.0	-4.0%
EBITDA	1 874	1 984	-5.6%	3 756	3 976	-4.0%	7 289.2	7 856.0	-7.2%
margin	41.9%	42.7%	-2.0%	42.1%	43.2%	-1.4%	40.8%	42.2%	-3.3%
EBIT	767	792	-3.2%	1 551	1 669	1.7%	2 986.3	3 367.0	-11.3%
gross profit	662	711	-7.0%	1 306	1 247	35.6%	2321.1	2881.0	-19.4%
net profit	525	571	-8.0%	1 043	1 021	32.5%	1908.6	2096.0	-8.9%

Revenue erosion

TPSA's CEO promised a considerable improvement in the second-quarter earnings relative to the first quarter. In our view, the earnings figures will be only slightly better than in FQ1'07, and worse than in FQ2'06, with consolidated revenues down 3.6% y/y due to a deterioration in fixed-line sales (-11%), paired with a slowdown in the sales generated by Centertel (-4.5%). In Data Transmissions, the increase in the number of broadband users was offset by falling prices and erosion in access revenues, making for a mere 2% growth in the segment's sales. Data Transmissions is where competition is currently most fierce. While its impact is not likely to be too painful yet in FQ2, this will change in the third quarter as Netia and Tele2 push forward with their offers.

With revenues on a downtrend, TPSA's EBITDA margin will tighten to an estimated 41.9% versus 42.7% a year ago. On the upside, TPSA's second-quarter earnings will be boosted by lower finance costs incurred on reduced debt. As for the operator's new "breakthrough" strategy, we do not expect to it to be revealed during the second-quarter earning announcement. Winter is a more likely guess in our opinion.

Media

Media

Agora

Accumulate

Analyst:	P/E 2007	33.7	EV/EBITDA 2007	14.2	**Current price** **PLN 42.0**
Michał Marczak	P/E 2008	25.8	EV/EBITDA 2008	12.1	**Target price** **PLN 47.6**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	314.5	294.0	7.0%	617.2	589.1	4.8%	1147.7	1133.7	1.2%
EBITDA	49.2	28.9	70.5%	87.0	51.2	69.8%	152.4	116.5	30.8%
margin	15.7%	9.8%	59.3%	14.1%	8.7%	62.0%	13.3%	10.3%	29.2%
EBIT	30.5	9.8	210.6%	49.3	13.1	276.4%	78.7	39.6	98.8%
gross profit	33.0	10.6	212.8%	53.9	15.2	255.0%	84.7	46.3	82.9%
net profit	23.8	8.8	170.1%	38.0	9.6	294.8%	68.6	32.0	114.4%

Weak market offset by higher per-copy price of GW

Our forecasts assume that the advertising revenues generated by Agora's print media segment will increase 3% on FQ2'06, with 1.5% of this growth contributed by *Gazeta Wyborcza* (GW). Other drivers will include the robust revenues of the non-paid daily *Metro*, and online advertisements. As for newspaper sales, we anticipate improvement after introduction of two price options on GW's Friday edition: one including a paid "bonus" (DVD or book), and one for the "naked" paper, which we expect to add PLN 2m to revenues compared to a year earlier. Investors might be pleasantly surprised by the Book Publishing business after Agora released four book series and a number of one-off publications in the second quarter. On the downside, AMS might disappoint: outdoor campaigns are tied with TV campaigns, and these are not likely to show much growth (5%). Our revenue growth projections for the other segments of Agora's operations fall in the range of 5%-8%. We expect a steep increase in EBITDA on rising revenues and a tight spending policy.

Information Technology

Asseco Poland

IT — **Under review**

Analyst: Piotr Janik

P/E 2007	34.9	EV/EBITDA 2007	22.8	**Current price**	**PLN 86.1**
P/E 2008	31.3	EV/EBITDA 2008	20.4	**Target price**	**-**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	245.4	113.9	115.5%	455.2	216.8	109.9%	1 227.6	469.1	161.7%
EBITDA	45.5	21.1	116.1%	127.7	21.7	487.4%	190.0	61.3	210.0%
margin	18.5%	18.5%	-	28.1%	10.0%	-	15.5%	13.1%	-
EBIT	38.0	17.7	114.5%	74.7	15.0	399.5%	156.9	47.8	228.2%
Gross profit	38.0	9.9	283.5%	73.0	17.6	314.4%	141.4	74.8	89.1%
Net profit	30.8	7.7	101.9%	55.2	15.4	257.8%	114.6	75.7	51.4%

We expect Asseco Poland to show a 17% q/q increase in sales revenues and a decline in the EBIT margin (17.5% vs. 15.5%) resulting from consolidation of new subsidiaries by Asseco Slovakia, and an overall growth in sales generated by Asseco Poland's subsidiaries. The resulting net profit margin will reach an estimated 12.5%.

Comarch

IT — **Reduce**

Analyst: Piotr Janik

P/E 2007	23.9	EV/EBITDA 2007	18.3	**Current price**	**PLN 210.0**
P/E 2008	19.1	EV/EBITDA 2008	14.3	**Target price**	**PLN 185.8**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	101.0	91.0	11.0%	199.3	186.8	6.7%	579.0	491.7	17.7%
EBITDA	14.0	12.8	9.6%	37.0	25.4	45.5%	76.5	58.8	30.1%
margin	13.9%	14.1%	-	18.5%	13.6%	-	13.2%	12.0%	-
EBIT	10.1	9.7	4.5%	19.0	19.2	-1.2%	63.7	46.0	38.3%
Gross profit	8.7	10.2	-14.4%	18.9	27.1	-30.3%	65.0	54.6	19.1%
Net profit	8.5	7.7	10.2%	18.5	23.1	-19.9%	63.3	53.0	19.5%

Comarch's second-quarter sales will display an estimated 11% increase on a year earlier - an unimpressive result generated on a high base. The EBIT margin will stay flat on a year-over-year basis, producing a net profit margin of approximately 8.5%.

IT

Macrologic

Buy

Analyst:	P/E 2007	17.9	EV/EBITDA 2007	8.9	**Current price**	**PLN 53.50**
Piotr Janik	P/E 2008	14.8	EV/EBITDA 2008	7.6	**Target price**	**PLN 58.43**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	10.3	8.1	26.9%	19.0	17.6	8.0%	44.3	38.4	15.4%
EBITDA	3.5	1.0	249.1%	8.4	3.6	133.9%	10.7	8.9	20.2%
margin	33.9%	12.3%	-	44.1%	20.4%	-	24.2%	23.2%	-
EBIT	2.8	0.3	872.0%	4.2	2.2	92.7%	7.3	5.9	23.7%
Gross profit	2.7	0.3	909.0%	4.1	2.1	92.3%	7.1	5.5	28.3%
Net profit	2.1	0.2	775.3%	3.1	1.5	108.6%	5.6	4.5	24.4%

We expect a strong FQ2 showing from Macrologic, with noticeable revenue and cost synergies achieved on internal integration. As employers are forced to update their ERP systems to comply with the recent regulatory changes in annuity premiums for employees, Macrologic is poised to increase revenues and the EBIT margin. Our projections for the second quarter assume a 27% y/y growth in revenues, and an increase in EBIT to PLN 2.8m from PLN 0.3m a year earlier). Net profit will come in at an estimated PLN 2.1m.

IT

Prokom

Hold

Analyst:	P/E 2007	19.9	EV/EBITDA 2007	11.3	**Current price**	**PLN 159.0**
Piotr Janik	P/E 2008	16.6	EV/EBITDA 2008	9.1	**Target price**	**PLN 150.3**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	564.9	452.2	24.9%	992.8	794.7	24.9%	2401.0	1689.4	42.1%
EBITDA	68.3	50.6	34.9%	178.2	90.7	96.3%	366.1	213.4	71.5%
margin	12.1%	11.2%	-	17.9%	11.4%	-	15.2%	12.6%	-
EBIT	49.8	34.9	42.6%	91.8	62.8	46.3%	274.2	151.9	80.6%
Gross profit	31.5	27.5	14.5%	71.7	52.0	38.0%	272.1	183.3	48.5%
Net profit	12.9	12.5	2.6%	23.5	26.2	-10.3%	111.2	159.2	-30.2%

We do not expect to be impressed by Prokom Software's second-quarter results. Although sales revenues will grow an estimated 25% y/y, a deterioration will be evident in the EBIT margin and the bottom line. As contracts from ZUS and PZU near completion, the EBIT margin suffers: we anticipate that it will tighten to 8.8% in FQ2 from 9.8% in FQ1. This, paired with the increasing share of subsidiaries in the bottom line, will produce a net profit margin of 2.3%.

IT

Techmex

Under review

Analyst:
Piotr Janik

P/E 2007	27.4	EV/EBITDA 2007	10.2	**Current price**	**PLN 39.3**
P/E 2008	25.1	EV/EBITDA 2008	9.2	**Target price**	**-**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	99.8	83.4	19.6%	182.8	173.8	5.2%	393.6	374.2	5.2%
EBITDA	9.3	6.5	42.0%	18.5	13.2	39.3%	40.9	31.8	28.6%
margin	9.3%	7.8%	-	10.1%	7.6%	-	10.4%	8.5%	-
EBIT	4.8	2.1	128.5%	4.8	4.7	3.0%	22.0	15.0	46.8%
Gross profit	2.7	0.4	627.5%	0.9	0.3	244.6%	14.8	7.6	93.7%
Net profit	2.2	0.2	916.5%	0.9	0.4	99.6%	12.0	6.1	97.3%

We expect Techmex to show improvement in its second-quarter earnings figures, with sales boosted by a contract from the Agency for Agricultural Restructuring and Modernization (ARiMR) signed in March, and orders from international customers (incl. the Norwegian army). We predict that revenues will show a 20% y/y growth, with the EBIT margin at 4.8%. Profit will be affected by interest costs (ca. PLN 8m in annual charges). All in all, the FQ2 net profit will be an estimated PLN 2.2m.

Metals

Kęty

Metals — **Reduce**

Analyst: Michał Marczak

P/E 2007	16.5	EV/EBITDA 2007	11.1	**Current price**	**PLN 215.1**
P/E 2008	13.8	EV/EBITDA 2008	9.5	**Target price**	**PLN 180.5**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	318.0	255.0	24.7%	648.7	479.1	35.4%	1046.7	1045.5	0.1%
EBITDA	42.3	52.5	-19.4%	81.4	74.8	8.8%	199.0	155.7	27.8%
margin	13.3%	20.6%	-35.3%	12.6%	15.6%	-19.6%	19.0%	14.9%	27.7%
EBIT	30.2	41.8	-27.6%	81.4	74.8	8.8%	152.8	111.3	37.3%
gross profit	26.5	40.1	-34.0%	54.6	50.3	8.6%	142.0	101.2	40.3%
net profit	21.7	34.5	-37.1%	43.3	43.7	-0.8%	120.1	87.7	37.0%

In line with guidance

Kęty will show over PLN 315m in FQ2 sales, marking a 24% increase on a year earlier. The Flexible Packaging Segment (FPS) is expected to generate revenues 25% higher than in FQ2 2006, the Extruded Product Segment (EPS) will show a16% improvement, and the Aluminum Systems Segment will show sales 18% better than a year earlier. The consolidated operating profit is pegged at PLN 29-31m, and net profit will fall within the range of PLN 20-22m. Last year's second-quarter EBIT was boosted by a PLN 19.7m (PLN 16m to net profit) compensation for fire damages. Kęty's revenues are propelled by higher aluminum prices, but this growth is not reflected in profits which remain slow despite a strong construction momentum because the company earns profit margins based on volumes, and its capacity is limited. First-half net profit is expected to reach PLN 43m, and EBIT will stand at PLN 57m.

KGHM

Metals — **Accumulate**

Analyst: Michał Marczak

P/E 2007	6.4	EV/EBITDA 2007	5.0	**Current price**	**PLN 126.7**
P/E 2008	6.1	EV/EBITDA 2008	4.2	**Target price**	**PLN 119.0**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	2 849.4	3 141.9	-9.3%	5 492.9	5 602.1	-1.9%	11 645.1	11 669.7	-0.2%
EBITDA	1 153.2	1 291.4	-10.7%	2 340.4	2 325.5	0.6%	4 768.0	4 545.5	4.9%
margin	40.5%	41.1%	-1.5%	42.6%	41.5%	2.6%	40.9%	39.0%	5.1%
EBIT	1 153.2	1 206.2	-4.4%	2 254.1	2 155.4	4.6%	4 387.7	4 201.2	4.4%
gross profit	1 153.2	1 215.5	-5.1%	2 248.1	2 216.0	1.4%	4 559.0	4 074.6	11.9%
net profit	1 005.9	1 124.3	-10.5%	1 920.1	1 996.2	-3.8%	3 970.9	3 395.1	17.0%

Hedges will depress profits

The average price of copper on the LME in the period from April to June was $7,635/t, i.e. 28.5% more than in Q1 and 5.3% more than in Q2 2006. Exchange-rate adjusted zloty prices were 22% higher than in Q1 and 7% lower than in Q2 2006. We predict that KGHM will generate higher sales volumes (140,000) in FQ2 than in FQ1 (129,000 tons) thanks to changes in contract deadlines. But sales and EBITDA will be affected by hedge positions which we expect to be closed out in Q2, with the effective copper sales price below $3,000/t. According to our estimates, starting in Q3'07, the effective selling price of hedged copper will be $1000/t higher than in preceding quarters. Growth in LME prices drives the unit cost of production for KGHM (an estimated total of PLN 10 350/t) as scrap-copper feedstock becomes more expensive.

Metals

Koelner

Sell

Analyst:
Kamil Kliszcz

P/E 2007	29.6	EV/EBITDA 2007	18.0	**Current price**	**PLN 60.30**
P/E 2008	24.5	EV/EBITDA 2008	15.1	**Target price**	**PLN 53.72**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	151.0	107.7	40%	266.5	190.0	40%	590.9	426.9	38%
EBITDA	24.4	17.7	38%	43.7	30.4	44%	107.4	66.0	63%
margin	16.2%	16.5%	-	16.4%	16.0%	-	18.2%	16.4%	-
EBIT	19.7	13.8	43%	34.5	22.5	53%	78.3	50.6	55%
gross profit	17.5	13.7	28%	30.1	21.9	38%	72.1	48.8	48%
net profit	13.4	11.8	14%	23.9	17.9	34%	61.9	39.8	55%

Revenues in line, profit growth slightly weaker

We expect Koelner's revenues to show a 40% increase driven by the ongoing building boom and sales expansion. On the cost front, however, we expect to see additional expenses incurred on the new distribution centers and the project underway at the company's HQ in Wrocław (where it hired its own building crew). The special economic zone which was supposed to take off on Koelner's land in the second quarter is still work in progress, meaning that Koelner is not entitled to tax credits which would have driven its FQ2 results higher.

We anticipate a buoyant second half of the year for Koelner, as it achieves full sales capacity through the new regional distribution centers and foreign offices in Dubai and Scandinavia, increases production capacity in Russia, and finally establishes the SEZ in Wrocław.

Construction

Budimex

Hold

Construction

Analyst: Krzysztof Radojewski

P/E 2007	67.9	EV/EBITDA 2007	34.6	**Current price**	**PLN 125.9**
P/E 2008	37.2	EV/EBITDA 2008	20.8	**Target price**	**PLN 121.7**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	920.1	766.7	20.0%	1574.5	1248.7	26.1%	3843.8	3043.2	26.3%
EBITDA	10.4	9.9	4.7%	15.9	18.3	-13.1%	84.6	31.1	172.0%
margin	1.1%	1.3%	-	1.0%	1.5%	-	2.2%	1.0%	-
EBIT	5.0	4.9	1.3%	5.2	8.1	-36.4%	63.1	9.9	535.1%
gross profit	3.6	5.0	-29.4%	5.0	6.9	-27.1%	57.3	12.2	370.7%
net profit	2.9	1.8	65.7%	1.7	2.7	-35.5%	47.3	3.9	1116.0%

No improvement in sight

While the media is buzzing about Poland’s big “EURO 2012” break, builders report no improvement in the decision-making efficiency of the General Directorate for National Roads and Motorways (GDDKiA), and it seems that the eagerly awaited bout of infrastructure contracts is on hold for the foreseeable future. Budimex’s second-quarter results will be hurt by old unprofitable road contracts and losses generated on the plane terminal project for the Okęcie airport. We expect to see larger allowances against those losses which, on the upside, will be partly offset by profits generated from new contracts and the real-estate business. All in all, however, we expect to be disappointed by Budimex’s FQ2 performance.

Elektrobudowa

Hold

Construction

Analyst: Krzysztof Radojewski

P/E 2007	42.4	EV/EBITDA 2007	25.4	**Current price**	**PLN 233.0**
P/E 2008	30.9	EV/EBITDA 2008	19.6	**Target price**	**PLN 221.5**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	150.0	89.5	67.6%	283.0	158.6	78.4%	552.4	473.9	16.6%
EBITDA	10.5	2.9	259.3%	20.1	8.4	139.1%	39.4	29.0	36.1%
margin	7.0%	3.3%	-	7.1%	5.3%	-	7.1%	6.1%	-
EBIT	9.0	1.8	391.3%	17.3	6.2	181.4%	33.3	24.3	37.0%
gross profit	9.0	1.8	403.9%	17.2	6.1	180.7%	33.4	24.3	37.7%
net profit	6.3	2.6	139.6%	12.1	3.9	207.7%	23.2	16.5	40.5%

Another good quarter

The building boom is driving Elektrobudowa’s earnings. By working on short deadlines, the company enjoys margin growth of an estimated 0.1-0.2% a month according to the CEO. Elektrobudowa is perfectly positioned to benefit from the increasing importance of quality and punctuality observed in the building industry. We anticipate that the company will show improvement in its second-quarter earnings figures both on a year-over-year, and a quarter-on-quarter basis, and look forward to being positively surprised.

Construction

Erbud

Accumulate

Analyst:	P/E 2007	41.5	EV/EBITDA 2007	31.2	**Current price**	**PLN 92.4**
Krzysztof Radojewski	P/E 2008	34.8	EV/EBITDA 2008	26.5	**Target price**	**PLN 100**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	170.0	102.7	65.5%	309.8	176.4	75.6%	690.0	394.7	74.8%
EBITDA	15.3	9.3	65.1%	22.2	15.4	44.1%	36.4	28.2	28.8%
margin	9.0%	9.0%	-	7.2%	8.7%	-	5.3%	7.2%	-
EBIT	15.0	8.6	75.1%	21.7	14.6	49.0%	35.2	27.2	29.3%
gross profit	15.3	8.7	75.2%	22.0	14.5	51.7%	36.2	26.2	38.0%
net profit	11.8	8.3	42.3%	16.3	12.1	35.4%	28.0	21.3	31.4%

In line with expectations

We expect Erbud to show better earnings results for the second quarter than reported a year earlier and in the preceding quarter. The company has not managed to finalize the acquisition promised at the time of its market debut yet, but expects to do so in the near future. We predict that the FQ2 financials will be in line with our forecasts.

Construction

Hydrobudowa Śląsk

Hold

Analyst:	P/E 2007	36.1	EV/EBITDA 2007	53.9	**Current price**	**PLN 207**
Krzysztof Radojewski	P/E 2008	40.8	EV/EBITDA 2008	22.3	**Target price**	**PLN 209**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	35.0	33.7	3.8%	54.0	51.1	5.6%	205.0	129.4	58.4%
EBITDA	5.4	4.9	10.2%	-3.3	3.4	-	13.3	10.6	25.0%
margin	15.5%	14.6%	-	-6.2%	6.6%		6.5%	8.2%	-
EBIT	5.0	4.5	12.3%	-4.3	2.4	-	11.5	8.4	36.4%
gross profit	7.2	4.8	51.0%	10.1	2.8	256.8%	19.3	8.6	123.6%
net profit	7.2	4.6	56.9%	10.3	2.4	325.4%	19.3	7.2	169.3%

Hydrobudowa to be delisted before the FQ2 earnings announcement

We do not expect much improvement in Hydrobudowa Śląsk's second-quarter performance due to old unprofitable contracts still sitting in its pipeline. Net profit will receive an estimated one-time boost of PLN 2.2m generated on the sale of Mostostal Zabrze shares. In a few weeks, Hydrobudowa Śląsk as we know it will disappear from the stock exchange as it prepares to merge with Hydrobudowa Włocławek. Its shares will be traded for the last time on August 2nd. Hydrobudowa Polska's shares are slated to debut on August 21st.

Construction

Polimex Mostostal

Accumulate

Analyst: Krzysztof Radojewski

P/E 2007	44.3	EV/EBITDA 2007	25.1	**Current price**	**PLN 271.5**
P/E 2008	29.9	EV/EBITDA 2008	18.4	**Target price**	**PLN 297.7**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	804.4	517.3	55.5%	1470.1	938.3	56.7%	3528.9	2466.1	43.1%
EBITDA	64.3	31.9	101.9%	118.5	71.4	66.0%	212.1	129.3	64.1%
margin	8.0%	6.2%	-	8.1%	7.6%	-	6.0%	5.2%	-
EBIT	54.2	31.9	70.1%	98.7	57.7	71.0%	171.6	99.6	72.3%
gross profit	50.3	29.6	69.7%	93.3	51.8	80.1%	156.0	92.6	68.6%
net profit	37.2	18.8	97.5%	65.1	34.3	90.0%	115.3	60.1	91.9%

Record profits

Polimex Mostostal will report record profits from its Steel Components line driven by current industry momentum and a Q2 decline in steel prices. Soaring demand for building services enables contractors to transfer costs to project owners and generate higher margins. Earnings might be depressed somewhat by contracts signed early last year, but the impact of those contracts will decrease from quarter to quarter. We expect record earnings figures from Polimex Mostostal.

Construction

Rafako

Reduce

Analyst: Krzysztof Radojewski

P/E 2007	53.4	EV/EBITDA 2007	25.6	**Current price**	**PLN 15.34**
P/E 2008	29.2	EV/EBITDA 2008	17.2	**Target price**	**PLN 11.40**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	250.0	173.0	44.5%	428.8	293.3	46.2%	1254.5	777.2	61.4%
EBITDA	15.6	6.0	161.6%	23.3	8.6	171.2%	43.4	32.0	35.6%
margin	4.0%	3.4%	-	5.4%	2.9%	-	3.5%	4.1%	-
EBIT	12.1	3.3	272.2%	17.1	3.3	411.2%	29.5	20.9	40.7%
gross profit	11.1	4.7	138.9%	15.6	5.4	187.8%	25.6	17.2	49.0%
net profit	8.7	3.2	169.9%	12.0	3.7	227.3%	19.9	12.8	55.8%

FQ2 earnings less than stellar

Even though we expect Rafako to show stronger sales than in FQ2 2006 thanks to a larger number of FGD plant orders, the overall earnings performance will be less than stellar.

Construction

Ulma Construccion Hold

Analyst:	P/E 2007	40.4	EV/EBITDA 2007	18.2	**Current price**	**PLN 360.0**
Krzysztof Radojewski	P/E 2008	33.1	EV/EBITDA 2008	14.3	**Target price**	**PLN 306.6**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	48.9	36.7	33.1%	98.0	61.4	59.7%	204.4	154.3	32.5%
EBITDA	26.4	16.7	58.2%	51.3	28.3	81.6%	106.6	74.7	42.8%
margin	54.0%	45.4%	-	52.4%	46.0%	-	52.2%	48.4%	-
EBIT	15.5	9.6	61.7%	31.5	15.2	107.1%	63.2	45.6	38.6%
gross profit	14.2	8.5	66.4%	28.6	13.4	112.5%	57.8	41.1	40.7%
net profit	11.5	6.8	67.5%	23.0	10.6	116.8%	46.8	32.9	42.1%

A good quarter

High demand for building services probably spurred an increase in formwork rental prices, potentially driving Ulma's revenues from this line of business beyond our expectations. We expect to be surprised on the upside based on rising rental rate reports from the industry.

Pharmaceutical manufacturers and distributors

Farmacol

Pharmaceuticals | **Accumulate**

Analyst:	P/E 2007	17.9	EV/EBITDA 2007	13.6	**Current price** **PLN 54.0**
Krzysztof Radojewski	P/E 2008	14.5	EV/EBITDA 2008	11.9	**Target price** **PLN 62.9**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	882.4	817.0	8.0%	1850.1	1704.3	8.6%	3631.2	3372.1	7.7%
EBITDA	18.5	17.2	7.8%	37.0	33.4	10.6%	95.9	84.5	13.4%
margin	2.1%	2.1%	-	2.0%	2.0%	-	2.6%	2.5%	-
EBIT	15.5	15.1	2.5%	30.6	29.1	5.2%	83.7	72.2	15.9%
gross profit	17.6	16.2	8.1%	34.3	31.0	10.5%	92.0	80.9	13.8%
net profit	13.5	12.6	7.5%	26.2	24.3	7.5%	70.7	64.2	10.2%

FQ2 will show no impact of real estate business

Farmacol is poised to benefit from land ownership and generate additional profit margins on future housing projects located in Warsaw and other cities in Poland. But the real-estate development business will not start to show in earnings until FY2008. As for Farmacol's core business, we expect to see revenue growth above the market average, in line with the management's forecasts, and an EBITDA margin similar to a year earlier.

PGF

Pharmaceuticals | **Reduce**

Analyst:	P/E 2007	20.4	EV/EBITDA 2007	14.2	**Current price** **PLN 114.0**
Krzysztof Radojewski	P/E 2008	17.9	EV/EBITDA 2008	13.0	**Target price** **PLN 98.4**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	1024.6	975.8	5.0%	2145.1	2009.7	6.7%	4204.7	4006.0	5.0%
EBITDA	22.5	21.4	5.2%	52.4	50.9	2.9%	104.4	108.1	-3.4%
margin	2.2%	2.2%	-	2.4%	2.5%	-	2.5%	2.7%	-
EBIT	17.5	15.3	14.6%	42.7	40.1	6.5%	84.3	87.0	-3.1%
gross profit	18.6	14.7	26.1%	43.0	36.1	19.1%	88.6	81.3	9.0%
net profit	14.8	11.9	23.9%	33.9	28.0	21.1%	70.3	62.5	12.5%

Retail growth drives profitability

PGF is committed to its profitability growth strategy, which is founded on acquisitions and expansion of the "Dbam o Zdrowie" loyalty scheme for pharmacies. The long-term effects of this strategy will definitely be good. For the second quarter, we predict that PGF will show revenue growth similar to the market average (ca. 5%), and a wider EBITDA margin relative to a year earlier, owing to new acquisitions. However, adjusted for the effects of a warehouse sale which boosted operating costs, the EBITDA margin figure will be similar to last year's.

Pharmaceuticals

Prosper

Hold

Analyst: Krzysztof Radojewski

P/E 2007	13.5	EV/EBITDA 2007	9.4	**Current price**	**PLN 27.2**
P/E 2008	12.6	EV/EBITDA 2008	9.1	**Target price**	**PLN 27.0**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	457.7	435.9	5.0%	976.5	924.3	5.6%	1944.4	1817.2	7.0%
EBITDA	5.0	3.9	29.0%	12.7	11.1	14.3%	26.2	23.2	12.9%
margin	1.1%	0.9%	-	1.3%	1.2%	-	1.3%	1.3%	-
EBIT	3.6	2.4	50.7%	10.0	8.6	15.8%	20.4	17.7	15.1%
gross profit	2.8	1.9	47.2%	8.5	7.3	16.9%	17.1	16.0	6.8%
net profit	2.2	1.9	15.4%	6.5	5.8	12.4%	13.8	11.9	15.8%

A good quarter

Now that Torfarm took over Optima Radix, Prosper remains as the smallest of the pharmaceutical wholesalers listed on the Warsaw Stock Exchange. We expect that the company will focus on streamlining its operations in the quarters ahead, possibly leading to a slight increase in margins. Prosper's second-quarter revenues will show similar growth as recorded by the overall market, generated from above-market-average sales to pharmacies and a slowdown in pre-wholesale which accounts for 25% of the company's total sales.

Pharmaceuticals

Torfarm

Hold

Analyst: Krzysztof Radojewski

P/E 2007	23.2	EV/EBITDA 2007	10.9	**Current price**	**PLN 98.0**
P/E 2008	14.1	EV/EBITDA 2008	8.1	**Target price**	**PLN 95.3**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenue	612.4	382.6	60.1%	1489.2	788.9	88.8%	2720.9	1700.9	60.0%
EBITDA	6.1	2.9	112.4%	15.3	7.5	102.9%	33.8	18.4	83.5%
margin	1.0%	0.8%	-	1.0%	1.0%	-	1.2%	1.1%	-
EBIT	3.9	1.7	129.5%	10.9	5.4	101.5%	25.1	13.7	83.1%
gross profit	2.5	1.7	53.3%	9.1	5.7	60.7%	19.5	13.2	47.6%
net profit	2.1	1.2	75.4%	7.1	4.4	60.9%	15.8	11.3	40.3%

Strong topline growth

Torfarm will continue to show buoyant revenue growth in the quarters ahead, stemming from the consolidation of Galenica-Silfarm and Optima Radix. Its priorities for the coming months include consolidation of the storage space taken over, streamlining of the distribution system, and negotiations of better sales terms with suppliers. As for the bottom line impact, the benefits of the two acquisitions will not become fully visible until after several quarters.

Retail

Emperia Holding — Reduce

Retail

Analyst:	P/E 2007	24.1	EV/EBITDA 2007	14.5	**Current price**	**PLN 142.40**
Kamil Kliszcz	P/E 2008	18.5	EV/EBITDA 2008	11.6	**Target price**	**PLN 134.17**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenues	1 193.4	346.7	244%	2 261.3	666.3	239%	4 590.2	1 406.7	226%
EBITDA	51.6	11.0	369%	82.6	28.2	193%	145.5	51.2	184%
margin	4.32%	3.17%	-	3.65%	4.23%	-	3.17%	3.65%	-
EBIT	42.6	6.5	558%	64.8	19.3	235%	107.2	33.0	225%
gross profit	41.1	5.8	613%	61.8	17.8	247%	96.8	29.8	224%
net profit	33.3	4.5	640%	50.0	14.0	258%	78.4	23.4	236%

Improvement thanks to better contract terms and real-estate sale

We expect that Emperia's profit margins continued their upward movement shown in the strong first-quarter report. The second quarter no doubt witnessed a further increase in purchasing power (as the company continues to renegotiate its contracts with suppliers), driving the gross profit margin. On the downside, this increase will be partly offset by costs incurred on intense integration of the operations of the two merged groups (BOS's wholesale stores are adopting Eldorado's systems, plus, internal reorganization efforts are underway), as well as expenditure necessitated by the ongoing organic growth. All in all, however, Emperia is likely to show a very strong EBIT on its core business (we estimate PLN 29.6m), additionally boosted by a sale of property by Stokrotka estimated at PLN 13m (Stokrotka leased back a large space in the building, so, the sale is neutral from a valuation standpoint).

If Emperia is to meet our second-quarter forecasts, its consolidated net profit (adjusted for the property sale) will come close to PLN 39.5m, representing 50% of our full-year forecast. With the second-quarter earnings in line, we are not inclined to make upward revisions to our FY2007 earnings projections.

Eurocash — Sell

Retail

Analyst:	P/E 2007	24.7	EV/EBITDA 2007	13.2	**Current price**	**PLN 10.94**
Kamil Kliszcz	P/E 2008	21.5	EV/EBITDA 2008	12.4	**Target price**	**PLN 7.38**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenues	1 209.3	863.0	40%	2 251.7	1 259.0	79%	4 011.4	3 237.0	24%
EBITDA	31.4	25.8	22%	46.8	31.1	51%	108.4	93.4	16%
margin	2.60%	2.99%	-	2.08%	2.47%	-	2.70%	2.08%	-
EBIT	22.9	18.3	25%	30.3	16.9	80%	76.8	55.2	39%
gross profit	21.9	17.6	25%	26.4	16.4	61%	69.8	54.1	29%
net profit	17.8	14.6	22%	21.1	12.7	66%	56.6	41.6	36%

Y/Y growth expected, but without surprises

Eurocash's second-quarter performance is bound to be much better this year thanks to the incorporation of the sales figures of "Delikatesy Centrum" (full consolidation started in August 2006), as well as organic growth achieved by Eurocash and KDWT. The expected 40% increase in revenues will be counterbalanced by a decline in profitability resulting from a large-scale customer loyalty scheme (whose effect on profit margins should be considered temporary). We estimate that FQ2 consolidated net profit will amount to PLN 17.8m, 22% over last year's result.

On a full-year basis, we remain confident that Eurocash will achieve, but not exceed, our PLN 56.5.m net profit target thanks to continued strength in FMCG sales (new wholesale outlets, expansion of the "Delikatesy Centrum" chain to 3000 stores, cross-sales between Eurocash and KDWT), and phasing out of promotional prices in the coming months.

Others

Energy

Analyst: Krzysztof Radojewski

Kogeneracja

Under review

P/E 2007 16.1
P/E 2008 13.9
EV/EBITDA 2007 7.3
EV/EBITDA 2008 7.1

Current price **PLN 57.95**
Target price **-**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenues	184.6	178.6	3.3%	433.2	478.2	-9.4%	812.5	851.2	-4.5%
EBITDA	24.8	24.4	1.6%	118.0	119.3	-1.0%	178.8	180.4	-0.9%
margin	13.5%	13.7%	-	27.2%	24.9%	-	22.0%	21.2%	-
EBIT	2.1	0.5	305.5%	70.9	71.5	-0.8%	88.0	86.2	2.0%
gross profit	-3.3	-6.4	-	60.2	58.7	2.6%	66.3	63.2	5.0%
net profit	-6.3	-9.9	-	52.9	45.7	15.8%	53.7	50.8	5.7%

PPO Siechnice might surprise on the upside

Our expectations for Kogeneracja's core business include a moderate improvement in operating effectiveness, and lower finance costs generated by the Zielona Góra CHP. We predict that Kogeneracja and the Zielona Góra CHP will generate a combined PLN 3.1m operating loss. On the upside, we anticipate a positive surprise from PPO Siechnice. Last year, this subsidiary generated a PLN 6.8m net profit in the second quarter (the share attributable to Kogeneracja is 51%). This year, the bottom line might be even better thanks to an enlargement of the cropland area (by an estimated 30%). We assumed a flat net profit in our financial projections for Kogeneracja.

Paper

Analyst: Michał Marczak

Mondi

Reduce

P/E 2007 16.3
P/E 2008 15.8
EV/EBITDA 2007 10.6
EV/EBITDA 2008 10.3

Current price **PLN 99.0**
Target price **PLN 80.0**

(PLN m)	2Q2007F	2Q2006	change	1H2007F	1H2006	change	2007F	2006	change
Revenues	384.2	363.7	5.6%	771.0	691.9	11.4%	1603.4	1443.9	11.0%
EBITDA	115.8	111.7	3.7%	235.8	188.4	25.1%	466.5	434.9	7.3%
margin	30.1%	30.7%	-1.8%	30.6%	27.2%	12.3%	29.1%	30.1%	-3.4%
EBIT	89.3	84.9	5.1%	182.8	135.0	35.4%	368.9	326.4	13.0%
gross profit	88.1	81.2	8.5%	186.3	130.7	42.5%	367.4	333.2	10.3%
net profit	71.8	66.5	7.9%	151.9	105.7	43.6%	303.3	270.0	12.3%

Hand in hand with paper prices

The average price of kraftliner in the second quarter amounted to EUR 526/t, i.e. 1% more than in the first quarter. Adjusted for the stronger zloty, the q/q difference was a 1.2% decline. The average PLN price achievable on the company's CCM product mix increased by 0.3% relative to FQ1, mainly on the back of the rising prices of testliner and fluting. We predict that Mondi will keep its y/y sales volume growth of 2% for the second quarter even despite maintenance downtime on a part of its machine fleet in that period. We also predict that the company will liquidate a part of its inventory. As for costs, we anticipate a 10% y/y increase in the unit cost of production due to growing prices of wood (+15% y/y) and recycled paper.

2007 earnings release dates

Company	FQ2 2007 standalone	FQ2 2007 consolidated	H1 2007 consolidated
ABG SPIN	08.08.07	08.08.07	24.09.07
AGORA	09.08.07	09.08.07	28.09.07
ASSECO POLAND	08.08.07	08.08.07	14.09.07
BPH	03.08.07	03.08.07	18.09.07
BUDIMEX	14.08.07	14.08.07	28.09.07
BZWBK	01.08.07	01.08.07	01.08.07
COMARCH	14.08.07	14.08.07	28.09.07
ELEKTROBUDOWA	-	14.08.07	-
EMPERIA HOLDING	14.08.07	14.08.07	28.09.07
EUROCASH	14.08.07	14.08.07	31.10.07
ERBUD	14.08.07	14.08.07	30.10.07
FARMACOL	10.08.07	10.08.07	30.10.07
HANDLOWY	09.08.07	09.08.07	27.09.07
HYDROBUDOWA ŚLĄSK	27.07.07	-	07.09.07
ING BSK	08.08.07	08.08.07	30.09.07
KĘTY	26.07.07	26.07.07	12.09.07
KGHM	06.08.07	14.08.07	31.10.07
KOELNER	14.08.07	14.08.07	28.09.07
KOGENERACJA	14.08.07	14.08.07	28.09.07
KREDYT BANK	10.08.07	10.08.07	23.08.07
LOTOS	13.08.07	13.08.07	20.09.07
MACROLOGIC	30.07.07	-	28.09.07
MILLENNIUM	23.07.07	23.07.07	28.09.07
MONDI	27.07.07	27.07.07	31.08.07
NETIA	13.08.07	13.08.07	13.08.07
PEKAO	03.08.07	03.08.07	18.09.07
PGF	14.08.07	14.08.07	28.09.07
PGNiG	14.08.07	14.08.07	27.09.07
PKN ORLEN	13.08.07	13.08.07	27.09.07
PKO BP	08.08.07	08.08.07	01.10.07
POLIMEX MOSTOSTAL	10.08.07	10.08.07	28.09.07
PROKOM SOFTWARE	09.08.07	09.08.07	27.09.07
PROSPER	14.08.07	14.08.07	31.10.07
PROVIMI-ROLIMPEX	10.08.07	10.08.07	01.10.07
RAFAKO	06.08.07	06.08.07	17.09.07
SYGNITY	09.08.07	09.08.07	28.09.07
TECHMEX	14.08.07	14.08.07	28.09.07
TELEKOMUNIKACJA POLSKA	14.08.07	14.08.07	31.08.07
TORFARM	14.08.07	14.08.07	31.10.07
ULMA	10.08.07	10.08.07	28.09.07
ZA PUŁAWY	-	-	-

Source: Parkiet

Current ratings by BRE Bank Securities S.A.

Security	Rating	Target Price	Date
ABG SPIN	Hold	7.87	2007-01-08
AGORA	Accumulate	47.60	2007-07-05
ASSECO POLAND	under revision		2007-05-11
BPH	Accumulate	1079.00	2007-05-31
BUDIMEX	Hold	121.70	2007-05-29
BZWBK	Hold	284.10	2007-07-05
COMARCH	Reduce	185.80	2007-02-05
ELEKTROBUDOWA	Hold	221.50	2007-05-29
EMPERIA HOLDING	Reduce	134.17	2007-05-21
ERBUD	Accumulate	100.00	2007-07-05
EUROCASH	Sell	7.38	2007-02-05
FARMACOL	Accumulate	62.90	2007-06-25
HANDLOWY	Reduce	109.00	2007-07-05
HYDROBUDOWA ŚLĄSK	Hold	209.00	2007-05-29
ING BSK	Reduce	953.50	2007-06-06
KĘTY	Reduce	180.50	2007-06-06
KGHM	Accumulate	119.00	2007-07-03
KOELNER	Sell	53.72	2007-05-09
KOGENERACJA	under revision		2007-06-06
KREDYT BANK	Hold	26.76	2007-07-11
LOTOS	Hold	45.80	2007-05-09
MACROLOGIC	Buy	58.43	2007-02-13
MILLENNIUM	Sell	10.54	2007-06-06
MONDI	Reduce	80.00	2006-12-05
NETIA	Sell	3.80	2006-09-06
PEKAO	Hold	269.00	2007-06-06
PGF	Reduce	98.40	2007-06-25
PGNiG	Suspended		2007-02-05
PKN ORLEN	Accumulate	61.00	2007-07-02
PKO BP	Hold	54.44	2007-05-31
POLIMEX MOSTOSTAL	Accumulate	297.70	2007-05-29
PROKOM SOFTWARE	Hold	150.30	2007-02-05
PROSPER	Hold	27.00	2007-06-25
PROVIMI-ROLIMPEX	Suspended		2007-07-05
RAFAKO	Reduce	11.40	2007-05-29
SYGNITY	under revision		2007-06-06
TECHMEX	under revision		2007-03-07
TELEKOMUNIKACJA POLSKA	Reduce	20.20	2007-07-05
TORFARM	Hold	95.3	2007-06-25
ULMA CONSTRUCCION POLSKA	Hold	306.6	2007-05-29
WSiP	Buy	18.1	2007-07-13
ZA PUŁAWY	Hold	127.98	2007-07-05

Ratings issued in the past month

Security	Rating	Target Price	Date
AGORA	Accumulate	47.60	2007-07-05
BZWBK	Hold	284.10	2007-07-05
ERBUD	Accumulate	100.00	2007-07-05
FARMACOL	Accumulate	62.90	2007-06-25
HANDLOWY	Reduce	109.00	2007-07-05
KGHM	Accumulate	119.00	2007-07-03
KREDYT BANK	Hold	26.76	2007-07-11
PGF	Reduce	98.40	2007-06-25
PKN ORLEN	Accumulate	61.00	2007-07-02
PROSPER	Hold	27.00	2007-06-25
PROVIMI-ROLIMPEX	Suspended		2007-07-05
TELEKOMUNIKACJA POLSKA	Reduce	20.20	2007-07-05
TORFARM	Hold	95.30	2007-06-25
WSiP	Buy	18.10	2007-07-13
ZA PUŁAWY	Hold	127.98	2007-07-05

Rating Statistics

	All					Issuers who are clients of BRE Bank Securities				
Statistica	Sell	Reduce	Hold	Accumulate	Buy	Sell	Reduce	Hold	Accumulate	Buy
count	4	9	14	6	2	1	2	5	2	0
% of total	11.4%	25.7%	40.0%	17.1%	5.7%	10.0%	20.0%	50.0%	20.0%	0.0%

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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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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%
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