

18 January 2008

Periodic Report



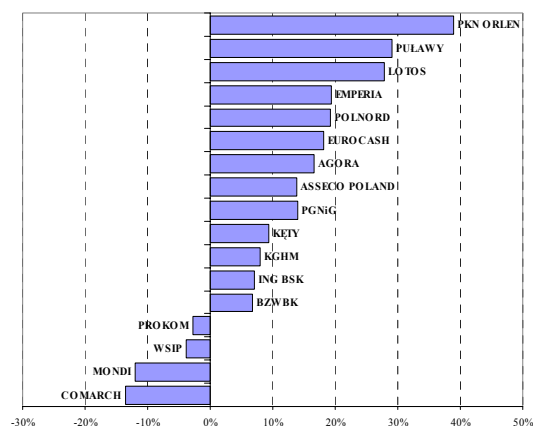
Equity Market

WIG **46 549**
Average 2007 P/E 16.4
Average 2008 P/E 13.4
Avg daily trading volume (3M) PLN 1 742m

Forecasts of Quarterly Results

Q4 2007

EPS growth for selected stocks*



* Q1'07/Q4'07, Q4'06/Q3'07

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Banks. Bearish sentiment toward financial markets, combined with increasing costs, put bank earnings under pressure in the fourth quarter. Negative factors were partly offset by a seasonal upswing in cash-loan sales. We expect that Polish banks will show considerable improvement year over year, and flat earnings quarter over quarter.

Gas & Oil. The sharp rally in oil prices observed toward the end of 2007 fully offset the negative impact of a weak dollar and narrow differentials. Thanks to one-offs and a low base, net earnings of both Lotos and PKN Orlen are likely to impress investors.

Telecommunications. Netia still deep in the red after fourth quarter, TPSA's results decent (revenues down 0.8% y/y, Net income at PLN 485m).

Media. Agora and TVN both had a good, if not spectacular, earnings season. In case of TVN, Net income was probably depressed by revaluation of options and currency derivatives.

IT. The FY2007 financial performance of the IT industry was affected by a shortage of public contracts, and continued upward salary pressure. While revenues usually have a seasonal peak in the fourth quarter, this time, investors can expect good results only from companies that do not rely on the public sector for business. The outlook for other firms is tepid.


Metals. KGHM will see a PLN 340m drop in net earnings vs. Q3 due to a decline in average copper prices and a strong zloty. Earnings growth is supported by an upward trend in silver prices, and decreasing volumes of copper hedged below current LME quotes.

Construction. Most construction companies focused on increasing revenues and getting bigger contracts last year, with an aim of reinforcing market presence. Unfortunately, such an approach kept profit margins tight. A slowdown in construction activity observed toward the end of the year had an additional negative impact on Q4'07 earnings (especially in case of building construction companies).


Property Developers. Property developers generated strong earnings in Q4'07. The sales slowdown after buyers stopped storming the housing market late last year will find its reflection in future periods, as developers complete the homes not sold in forward-sale deals. Prices of homes remain steady. We expect a slight cooling this year, leading to a sales acceleration in the second quarter.

Retail. Retailers are likely to show robust revenues thanks to a strong upward momentum in retail food sales in the last few months of 2007. Emperia might disappoint due to high costs incurred on continuing internal integration.


Financial Sector

		Banks		BZ WBK			Buy		
		Analyst: Marta Jeżewska		2007 P/E	14.0	2007 P/BV	3.1	Current price	PLN 194.9
				2008 P/E	12.9	2008 P/BV	2.8	Target price	PLN 295.4
(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Net interest income	358	282	26.8%	1281	1034	23.9%	1565	1281	22.2%
Net interest margin	3.6%	3.6%		3.5%	3.3%		3.7%	3.5%	
Rev. from bank. oper.	775	608	27.4%	2 961	2 365	25.2%	3 385	2 961	14.3%
Operating profit*	367	235	56.1%	1485	1084	37.0%	1719	1485	15.7%
Pre-tax income	339	238	42.2%	1461	1065	37.1%	1588	1461	8.7%
Net income	230	165	39.8%	1015	758	33.8%	1105	1015	8.9%


There was no trend reversal vs. Q3'07 as regards capital markets. Stock trading by the BW WBK brokerage house remained at the same level, with only a slight drop in assets under management. This will have an impact on profits improvement vs. Q3'07 (net income of approximately PLN 226m). As far as capital markets are concerned, we are expecting revenues to be stable. Interest income should be positively impacted by the growing interest rates and the seasonal spike in demand for cash loans (BZ WBK's offering in this segment is very attractive). At the same time, banks face higher expenses in the last quarter of a year, as they need to pay additional bonuses for sales results, conduct marketing campaigns and close their all-year budgets. Even though banks may be facing tougher times in 2008 than in 2007, it needs to be borne in mind that the latter was exceptionally good, and they will be most likely paying bonuses exceeding the levels that had been planned for at the start of the year. Yearly growth rates remain very high, but we do not expect a significant improvement on Q3'07. We forecast that the operating income before provisions and the net income will exceed the Q3'07 results by PLN 3m and PLN 4m, respectively.

		Banks		Handlowy			Buy		
		Analyst: Marta Jeżewska		2007 P/E	13.2	2007 P/BV	1.9	Current price	PLN 81.5
				2008 P/E	13.0	2008 P/BV	1.8	Target price	PLN 127.1
(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Net interest income	327	254	28.6%	1217	1026	18.5%	1383	1217	13.7%
Net interest margin	3.2%	2.8%		3.2%	3.0%		3.3%	3.2%	
Rev. from bank. oper.	617	577	6.8%	2 458	2 096	17.2%	2 642	2 458	7.5%
Operating profit*	234	219	6.9%	986	802	23.0%	1060	986	7.5%
Pre-tax income	234	201	16.5%	1013	832	21.7%	986	1013	-2.6%
Net income	189	168	12.9%	808	657	23.0%	799	808	-1.1%

Retail banking should bring in high Q4'07 profits. Due to the holiday season, the sales of CitiFinancial cash loans and credit cards should be very good. There should be good results in the corporate segment as well, where the demand endures for loans and financial products (factoring and leasing data indicate continuing activity on the part of clients). The bank operates an open platform of investment funds sales and owns a brokerage house, which increased its stock turnover by 15% on Q3'07. In addition, the low comparison base will have a positive impact on the Y/Y growth rates. In Q4'06 the bank adjusted its interest income and provisions. Our Q4'07 forecast assumes zero balance of provisions. Like ING BSK, Bank Handlowy still has the potential to release provisions for loan arrears. However, macroeconomic data and the bank's financial statements are not sufficient for us to assess the effectiveness of collections and restructuring activities.

		ING BSK					Buy		
		Banks							
		Analyst:		2007 P/E	11.1	2007 P/BV	1.9	Current price	PLN 580.5
		Marta Jeżewska		2008 P/E	11.9	2008 P/BV	1.8	Target price	PLN 921.5
(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Net interest income	271	245	10.5%	1051	936	12.3%	1247	1051	18.6%
Net interest margin	2.0%	2.1%		2.0%	2.1%		2.2%	2.0%	
Rev. from bank. oper.	543	454	19.6%	2 087	1 755	18.9%	2 357	2 087	13.0%
Operating profit*	172	116	48.5%	701	540	29.8%	829	701	18.4%
Pre-tax income	185	153	20.5%	848	753	12.6%	791	848	-6.8%
Net income	147	102	43.3%	680	591	15.0%	632	680	-7.0%

Just like other banks, ING BSK will be strongly affected by the situation in capital markets. The bank has a 100% share in ING Securities. Even though it holds no stake in ING IM, as one of the main distributors of its units it feels the effects of changes in its assets under management. In Q4'07 the stock turnover fell by slightly less than 5% vs. Q3, and assets under management on December 31 were 10% lower than on September 30. Interest income can be expected to improve, due to the growing assets. We are expecting a significant Q/Q increase in deposits, which will also result in an increase in total assets. We are expecting the operating profit to match the Q3'07 profit. The forecast assumes zero balance of provisions. In the recent quarters, the bank released more provisions than it created. We believe that the banks still has room to release provisions, but it is shrinking. Macroeconomic data and the bank's reports are not sufficient for us to assess the effectiveness of collections and restructuring activities. This is why despite the virtually flat operating profit before provisions that we assume we are forecasting the net income to be 26% lower than in Q3'07 (PLN 51.2m).

		Kredyt Bank					Buy		
		Banks							
		Analyst:		2007 P/E	14.4	2007 P/BV	2.2	Current price	PLN 19.5
		Marta Jeżewska		2008 P/E	14.4	2008 P/BV	2.0	Target price	PLN 27.4
(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Net interest income	246	199	23.4%	881	780	12.9%	999	881	13.4%
Net interest margin	3.5%	3.6%		3.5%	3.6%		3.2%	3.5%	
Rev. from bank. oper.	375	329	13.9%	1345	1203	11.8%	1524	1345	13.2%
Operating profit*	112	76	46.8%	426	440	-3.2%	544	426	27.8%
Pre-tax income	110	69	59.9%	472	461	2.5%	454	472	-3.7%
Net income	89	81	9.8%	369	369	0.0%	368	369	-0.1%

Q3'07 was a record quarter for the bank's subsidiary, Żagiel. It sold cash and installment loans totaling PLN 557m (PLN 1.44bn YTDQ3). If we assume the same seasonal differences as in 2006 (when sales grew by 27% Q4/Q3, from PLN 416m to PLN 527m), we can expect sales in Q4'07 to exceed PLN 700m. Moreover, the bank's exposure to capital markets is limited. It distributes the units of the funds from the KBC group. It does not, however, hold majority stakes in investment funds nor does it own a brokerage house. At the same time, we are expecting the bank to pay more in bonuses, given the good sales results during the year, and to create provisions for its growth initiatives planned for the subsequent quarters. This will lead to higher expenses. We are assuming zero balance of provisions in Q4'07. The bank has the potential to continue with collections and the restructuring of bad debt, but this potential is decreasing.


Banks

 Analyst:
Marta Jeżewska

Millennium

Accumulate

2007 P/E	15.1	2007 P/BV	2.8	Current price	PLN 8.3
2008 P/E	13.2	2008 P/BV	2.4	Target price	PLN 13.6

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Net interest income	225	165	36.3%	775	651	19.1%	995	775	28.5%
Net interest margin	3.0%	2.7%		2.8%	2.8%		2.9%	2.8%	
Rev. from bank. oper.	453	370	22.5%	1 652	1 253	31.8%	1 994	1 652	20.7%
Operating profit*	176	114	53.4%	672	409	64.2%	821	672	22.1%
Pre-tax income	155	107	44.1%	585	371	57.9%	667	585	14.0%
Net income	125	89	40.9%	465	301	54.5%	530	465	14.0%

The last quarter of the year will be tough for Bank Millennium. In the preceding quarter, sales of mortgage loans, which had been the bank's top-selling product, slowed down. What is more, most cross-selling schemes had relied on mortgage loans. The situation in capital markets will also have a negative impact on the bank. Millennium is currently enlarging its network, which translates into higher costs. It will find it ever more difficult to finance investments with its profits slowing down because of the turmoil in capital markets. In the long term, the costs of network development will pay off, making Millennium a bigger player, but currently they put a pressure on profits. We are expecting the net income to be PLN 2m lower than in Q3, at PLN 125m.


Banks

 Analyst:
Marta Jeżewska


Noble Bank

Buy

2007 P/E	15.1	2007 P/BV	3.6	Current price	PLN 9.3
2008 P/E	12.4	2008 P/BV	2.8	Target price	PLN 15.46


(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Net interest income	15	n/a	n/a	38	24	56.9%	74	38	96.4%
Net interest margin	3.0%	n/a	n/a	2.7%	4.2%	-36.2%	2.7%	2.7%	-0.6%
Rev. from bank. oper.	83	n/a	n/a	259	97	165.8%	370	259	43.0%
Operating profit*	51	n/a	n/a	157	45	246.6%	224	157	42.6%
Pre-tax income	51	n/a	n/a	166	65	156.9%	212	166	27.3%
Net income	38	n/a	n/a	129	53	144.7%	162	129	25.8%

Sales of new mortgage loans turned out slightly worse in the last quarter. However, the sales results that Open Finance has recently revealed show that our assumptions for the whole year were correct. In FY2007, Open Finance sold mortgage loans worth PLN 4.7bn (we expected PLN 4.96bn), investment products worth PLN 660m and systematic savings products worth PLN 26m (we expected PLN 676m in investment products). We adjusted our forecasts for subsequent years. This stems from changed assumptions concerning the sales of the different products in the entire banking sector.

		Pekao					Buy		
		Banks							
Analyst:		2007 P/E	13.2	2007 P/BV	3.1	Current price	PLN 195.0		
Marta Jeżewska		2008 P/E	12.7	2008 P/BV	3.1	Target price	PLN 263.5		
(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F**	2007F	change
Net interest income	665	641	3.7%	2521	2377	6.1%	n/a	2521	n/a
Net interest margin	3.5%	3.8%		3.6%	3.7%		n/a	3.6%	n/a
Rev. from bank. oper.	1319	1260	4.7%	5115	4656	9.9%	n/a	5115	n/a
Operating profit*	650	617	5.4%	2630	2335	12.6%	n/a	2630	n/a
Pre-tax income	644	582	10.6%	2606	2204	18.2%	n/a	2606	n/a
Net income	523	467	11.8%	2118	1788	18.5%	n/a	2118	n/a

**Due to the ongoing merger process, we are in the process of preparing forecasts for the enlarged Pekao.

The forecasts presented do not take into account profits achieved by the part of BPH taken over in December, as we do not have sufficient data to estimate them. We expect the net income to be lower than the Q3'07 net income (PLN 554m). This stems from Pekao's relatively high exposure to capital markets and from higher expenses. The final months of the year also brought about merger-related expenses. At the same time, we are expecting the interest income to grow Q/Q from PLN 643m to PLN 665m, as a result of the growing loan portfolio and favorable interest rates. We are expecting the bank to disclose the details of its post-merger operations when the financial results are presented.

		PKO BP					Buy		
		Banks							
Analyst:		2007 P/E	16.2	2007 P/BV	3.7	Current price	PLN 44.4		
Marta Jeżewska		2008 P/E	13.3	2008 P/BV	3.1	Target price	PLN 55.5		
(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Net interest income	1305	993	31.5%	4622	3809	21.4%	5500	4622	19.0%
Net interest margin	4.6%	4.0%		4.4%	3.9%		4.7%	4.4%	
Rev. from bank. oper.	2011	1604	25.4%	7 246	6 039	20.0%	8 439	7 246	16.5%
Operating profit*	975	694	40.5%	3645	2706	34.7%	4603	3645	26.3%
Pre-tax income	920	711	29.4%	3446	2701	27.5%	4182	3446	21.4%
Net income	720	552	30.3%	2747	2149	27.8%	3337	2747	21.5%

We think this will be a good quarter for PKO BP. Despite the worsened sentiment in capital markets, the PKO TFI investment funds managed to achieve a slight increase in assets under management (PLN 16.685bn at the end of December vs. PLN 16.341bn at the end of September). We are also expecting the growing interest rates to have a positive impact on interest income. The fourth quarter brought about a weakening of mortgage loan sales (PLN 3.4bn vs. PLN 4.7bn in Q4), as a result of the situation on the housing market, among other things. On the other hand, PKO BP's strong exposure to the retail segment, thanks to the change it made in September to its cash loan offer, means that it should be able to benefit from the seasonal spike in demand for this product in the fourth quarter. We are expecting the net income to be 3.4% lower than in Q3'07, as a consequence of higher expenses (we forecast them to be PLN 1126m vs. PLN 1000m in Q3'07) and a higher balance of provisions (-PLN 55m vs. -PLN 25m).

Oil and Gas



Oil and Gas

 Analyst:
Kamil Kliszcz

Lotos

Accumulate

 2007 P/E 5.6 2007 EV/EBITDA 3.7
 2008 P/E 9.1 2008 EV/EBITDA 4.3

Current price **PLN 39.15**
Target price **PLN 46.00**

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	3 898	3 156	23.5%	13 055	12 811	1.9%	13 190	13 055	1.0%
EBITDA	357	157	127.1%	1 145	1 096	4.5%	995	1 145	-13.1%
margin	9.2%	5.0%	-	8.8%	8.6%	-	7.5%	8.8%	-
EBIT	277	84	229.1%	837	798	4.9%	647	837	-22.7%
Pre-tax income	330	112	193.7%	1 017	916	11.0%	664	1 017	-34.7%
Net income	256	86	199.0%	788	680	16.0%	491	788	-37.7%

Expensive Crude Oil Will Impact Profits through Upstream and LIFO

There should be positive surprises in the Q4 2007 report for Lotos – the Board's target of PLN 713m in net income should be exceeded. The significant increases in crude oil prices and the processing of oil from previous quarters should have a positive impact on company profits, both via the upstream segment and the LIFO effect. We expect Lotos to earn PLN 51m in Q4 EBIT on upstream activities, and PLN 230m in the refining segment vs. PLN 41m a year earlier (LIFO effect +PLN 110m vs. -PLN 169m). High diesel crack spreads are particularly important for Lotos given its output structure. In Q4 2007 they were high and in the last two months of 2007 they were growing at close to 20% (in gold terms). The net income will also be positively impacted by the strengthening of the Polish zloty vs. the dollar, which should boost hedging gains beyond our earlier estimates (PLN 52m positive balance on financing activities).



Oil and Gas

 Analyst:
Kamil Kliszcz

PGNiG

Hold

 2007 P/E 12.8 2007 EV/EBITDA 6.3
 2008 P/E 18.3 2008 EV/EBITDA 7.9

Current price **PLN 4.75**
Target price **PLN 5.11**

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	4 687	4 239	10.6%	16 262	15 198	7.0%	17 474	16 262	7.5%
EBITDA	1 181	574	105.9%	4 017	2 761	45.5%	3 247	4 017	-19.2%
margin	25.2%	13.5%	-	24.7%	25.1%	-	18.6%	24.7%	-
EBIT	780	218	257.5%	2 538	1 465	73.3%	1 743	2 538	-31.3%
Pre-tax income	942	297	217.4%	2 764	1 567	76.4%	1 979	2 764	-28.4%
Net income	763	366	108.7%	2 183	1 323	65.0%	1 611	2 183	-26.2%

Much Better Than a Year Ago

In Q4'07 the negative spread between import price and the wholesale tariff was close to the Q1'07 level. The segments of trade and distribution (we are using the pre-Q3 segmentation, when sales and distribution were not separated) should therefore register very good profits (PLN 275m and PLN 153m, respectively, vs. PLN -169m and PLN 145m a year earlier), especially given the fact that that we are expecting the lower average temperatures to boost sales volumes (in October and November these differences were 2-4 degrees Celsius y/y, depending on the region). In addition, the increase in crude oil prices (by an average of 9% in PLN terms) will bring about higher profitability in the exploitation segment (EBIT of PLN 367m vs. PLN 245m a year ago). The recent weakening of the dollar will also have a positive impact on financing activities, although we believe that the company will recognize partial losses due to its hedging position (corridor structure). This will, however, be offset by the positive exchange rate differences on account of liabilities revaluation. Revenue from financing activities should amount to PLN +68m vs. -PLN 44m a year earlier. In addition, we can expect that the share in EuRoPolGaz profits will be recognized in Q4, which should amount to PLN 93m given balance sheet adjustments (decrease of the USD/PLN exchange rate). All in all, net income should be about PLN 763m. Our forecast is somewhat threatened by the unpredictable policies of the company as regards its inventory policies – it could have lowered the trade segment profit by leaving the "cheaper" inventories for Q1 2008, which is expected to be difficult.


Oil and Gas

PKN Orlen

Accumulate

 Analyst:
Kamil Kliszcz

 2007 P/E 7.4
2008 P/E 7.9
2007 EV/EBITDA 5.1
2008 EV/EBITDA 5.1

Current price PLN 43.61
Target price PLN 56.80

(PLN m)	Q42007F	Q42006*	change	2007F	2006	change	2008F	2007F	change
Revenue	16 310	13 113	24.4%	63 201	52 867	19.5%	65 938	63 201	24.7%
EBITDA	1 481	377	293.4%	5 787	4 685	23.5%	5 692	5 787	21.5%
margin	9.1%	2.9%	-	9.2%	8.9%	-	8.6%	9.2%	-
EBIT	845	-168	-603.2%	3 346	2 577	29.8%	2 996	3 346	16.3%
Pre-tax income	1 005	-181	-654.7%	3 271	2 729	19.8%	3 151	3 271	15.4%
Net income	874	-198	-542.0%	2 596	1 986	30.7%	2 361	2 596	18.9%

* taking into account Mazeikiu Nafta goodwill adjustment in the FY financial report

Positive and Negative One-offs

In our opinion, this time the Q4 2007 results and the Y/Y changes will not be primarily driven by macroeconomic factors (although these are important as well), but by one-off issues that did or did not arise in 2007 and 2006. For Orlen, Q4 2007 was a time of intensive renovation work at Mazeikiu Nafta and Unipetrol, with associated costs estimated at PLN 190m and PLN 202m (of which ca. PLN 82m was in the refining segment and the rest in the petrochemical segment). In the preceding year, however, there were periods of downtime as well, and Unipetrol registered a PLN 137m loss in the refining segment on this account. In addition, the previous year's EBIT was lowered by the accounting revaluation of Mazeikiu Nafta and Kauczuk assets (PLN 535m total, recognized in other operating expenses). Taking this into account, Orlen's consolidated net operating profit in Q4'07 should be approximately PLN 280m higher. In addition, we believe that the LIFO effect will boost profits (y/y) by approximately PLN 510m vs. -PLN 483 a year earlier. On the other hand, operating profit will suffer from the weaker dollar (-PLN 160m), differential (-PLN 60m) and petrochemical margins (-PLN 100m). These effects should be partially offset by the higher refining margins (+PLN 130m). All in all, the group's EBIT should be PLN 1bn higher y/y. We forecast operating profits for the individual segments as follows: refining PLN 707m, chemical and petrochemical PLN 160m and retail PLN 130m. Financing activities will strengthen these results, due to positive exchange rate differences on debt and liabilities revaluation, as well as to the lack of last year's expense in the form hedging settlements related to the Mazeikiu Nafta purchase (-PLN 160m). Net income will be very high in nominal terms, amounting to PLN 874m, which may provide a positive surprise to the market.


Chemicals

ZA Puławy

Buy

 Analyst:
Kamil Kliszcz

 2007 P/E 11.8
2008 P/E 12.7
2007 EV/EBITDA 4.8
2008 EV/EBITDA 4.5

Current price PLN 88.05
Target price PLN 139.2

(PLN m)	Q2'07/08F	Q2'06/07	change	2007F	2006	change	2008F	2007F	change
Revenue	624.2	538.3	16.0%	1 112.3	998.6	11.4%	2 258.6	2 205.3	2.4%
EBITDA	94.1	52.8	78.3%	149.7	94.5	58.4%	279.1	252.3	10.6%
margin	15.1%	9.8%	-	13.5%	9.5%	-	12.4%	11.4%	-
EBIT	72.1	27.8	158.9%	110.5	44.4	148.8%	175.0	151.4	15.5%
Pre-tax income	82.1	26.0	215.8%	130.8	44.7	192.6%	176.0	158.5	11.1%
Net income	66.5	21.9	203.9%	105.2	36.9	185.0%	142.6	130.0	9.7%

Fertilizing Eldorado

The fourth quarter of the calendar year (and the second quarter of ZAP's financial year) is the period when distributors are preparing for the spring fertilizing season. As a result, fertilizer sales volumes should be significantly higher than in the weakest period between July and September. The key issue affecting ZAP's profits in Q4 2007 (Q2 2007/2008) are fertilizer prices. These have skyrocketed to record-high levels due to the demand boom in the market and the rapid increase of the farmers' purchasing power, which makes them highly elastic as regards prices (the prices of farming products are at record high levels as well, e.g. the price of wheat exceeds PLN 860 per ton). Thus the price per ton of urea grew by over 12% q/q (in PLN terms), while the price of UAN and ammonium nitrate increased by 10%. Yearly growth rates were therefore several dozen percent. Given the constant unit margins in the chemicals sector (melamine, caprolactam) and the relatively small increases in energy and coal prices (ca. 9% y/y), ZAP's operating profits should be a very positive surprise. We also think that profits will be enhanced by a high positive balance on financing activities, due to currency hedges. A net income of PLN 66.5m will significantly exceed both our forecasts and the Board's target. Still, the magnitude of the potential adjustment hinges on the energy regulator's decision as regards gas tariffs for Q2 2008.

Telecommunications

		Netia					Hold							
		2007 P/E		Neg.	2007 EV/EBITDA		2008 P/E		Neg.	2008 EV/EBITDA		Current price	PLN 3.83	
		2008 P/E		Neg.	2008 EV/EBITDA		2008 P/E		Neg.	2008 EV/EBITDA		Target price	PLN 3.80	
		Analyst:												
		Michał Marczak												
(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change					
Revenue	215.7	209.7	2.8%	831.2	862.1	-3.6%	1 008.0	831.2	21.3%					
EBITDA	31.7	-280.8	-111.3%	184.7	-68.9	-367.9%	255.0	184.7	38.1%					
margin	14.7%	-133.9%	-111.0%	22.2%	-8.0%	-377.9%	25.3%	22.2%	13.9%					
EBIT	-35.4	-351.2	-89.9%	-94.3	-341.4	-72.4%	-25.0	-94.3	-73.5%					
Pre-tax income	-83.0	-367.6	-77.4%	-251.0	-371.1	-32.4%	-86.1	-251.0	-65.7%					
Net income	-81.6	-372.8	-78.1%	-251.0	-378.9	-33.8%	-87.0	-251.0	-65.3%					

Losses Continue

Q4 will be the first period when broadband customer acquisition that is currently underway will enhance revenues, but we are still expecting EBITDA to be weak due to the high acquisition costs. It should be pointed out that EBIT for the first three quarters was exceptionally high due to the one-off settlement with TP (+PLN 24m). On the other hand, the high EBIT loss the year before is related to a PLN 354m asset write-off coinciding with a reversal of revaluation and waiver of license payments (PLN 64m). In accordance with reports submitted to the press, at the end of 2007 Netia had 216,000 broadband subscribers, of which 99,000 were based in the TP infrastructure (BSA). We are still expecting revenues from traditional voice services to go down (-4% y/y), although the negative growth rates should be decreasing as the interconnect revenues comparison base is decreasing. We estimate Netia's share in Play's losses at PLN 41m.

		TP SA					Hold							
		2007 P/E		13.4	2007 EV/EBITDA		2008 P/E		13.3	2008 EV/EBITDA		Current price	PLN 20.6	
		2008 P/E		13.3	2008 EV/EBITDA		2008 P/E		13.3	2008 EV/EBITDA		Target price	PLN 20.2	
		Analyst:												
		Michał Marczak												
(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change					
Revenue	4 650.0	4 686.0	-0.8%	18 244.0	18 625.0	-2.0%	17 892.6	18 244.0	-1.9%					
EBITDA	1 869.3	1 739.0	7.5%	7 642.3	7 856.0	-2.7%	7 353.4	7 642.3	-3.8%					
margin	40.2%	37.1%	8.3%	41.9%	42.2%	-0.7%	41.1%	41.9%	-1.9%					
EBIT	749.3	684.0	9.5%	3 183.3	3 367.0	-5.5%	3 176.0	3 183.3	-0.2%					
Pre-tax income	619.3	516.0	20.0%	2 692.3	2 881.0	-6.5%	2 686.2	2 692.3	-0.2%					
Net income	489.2	381.0	28.4%	2 146.2	2 096.0	2.4%	2 175.8	2 146.2	1.4%					

No Surprises

We are expecting TP to have good fourth quarter results. Consolidated Y/Y revenues will fall by 0.8%. Centertel should grow faster than in Q3 (+11.5%) as its Q4 comparison base is lowered by the decrease in interconnect fees. Our forecast assumes that at the end of 2007 Centertel had 13.94m subscribers, i.e. 450k more than on September 30, with ARPU at PLN 50, i.e. 3% lower than last year. We are expecting revenues from traditional fixed voice services to go down by 13%, primarily as a result of clients migrating to mobile or VOIP and giving up TP services. The number of broadband clients will grow to 2.18m (+480k y/y), but given the falling ARPU, revenue growth will be slower (only +3% y/y). The Q4 2006 result is weighted down by one-off transactions, in particular PLN 262m in restructuring costs.

Media



Media

Analyst:
Michał Marczak

Agora

Accumulate

2007 P/E 24.0 2007 EV/EBITDA 11.3 **Current price** PLN 45.0
2008 P/E 21.1 2008 EV/EBITDA 10.9 **Target price** PLN 53.0

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	352.2	299.4	17.6%	1 272.1	1 133.7	12.2%	1 344.4	1 272.1	5.7%
EBITDA	44.2	40.7	8.6%	192.0	116.5	64.8%	212.7	192.0	10.8%
margin	12.6%	13.6%	-7.7%	15.1%	10.3%	46.8%	15.8%	15.1%	4.8%
EBIT	28.7	20.7	38.3%	118.3	39.6	198.7%	140.5	118.3	18.8%
Pre-tax income	30.9	22.1	39.5%	127.3	46.3	175.0%	152.1	127.3	19.4%
Net income	29.1	15.3	90.6%	102.9	32.0	221.7%	122.9	102.9	19.4%

Another Good Quarter

We are expecting another good quarter for the company. We are reiterating our financial year net income forecast of PLN 103m, which implies PLN 29m in Q4. The fast revenue growth is an effect of the low comparison base for dailies before the introduction of the double-pricing policy, the rapid growth of revenues from the internet and the *Metro* daily (+50% y/y) and the growth of AMS revenues at over 10%. We are assuming a 5% growth in advertising revenues for *Gazeta Wyborcza*. The fact that EBITDA will be lower than in the preceding year stems from the higher labor costs (increased employment in the internet segment, growing wages). In contrast to Q3, when the company had PLN 26m in net income, the negative impact of the employee incentive scheme on profits will increase (PLN 10m).



Media

Analyst:
Piotr Grzybowski

TVN

Hold

2007 P/E 34.8 2007 EV/EBITDA 15.9 **Current price** PLN 23.0
2008 P/E 21.1 2008 EV/EBITDA 14.1 **Target price** PLN 20.1

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	480.9	405.1	18.7%	1514.0	1165.0	30.0%	1713.1	1514.0	13.2%
EBITDA	200.9	149.8	34.1%	541.8	399.9	35.5%	609.7	541.8	12.5%
margin	41.8%	37.0%	-	35.8%	34.3%	-	35.6%	35.8%	-
EBIT	179.2	134.9	32.8%	467.8	348.5	34.2%	534.2	467.8	14.2%
Pre-tax income	152.2	162.5	-6.3%	293.4	334.3	-12.2%	466.6	293.4	59.0%
Net income	122.2	128.1	-4.6%	229.7	258.8	-11.2%	378.0	229.7	64.5%

Options and Currency Derivatives Hurt Profits

As is the case every year, Q4 2007 will be the best quarter in terms of operating profits. We are expecting that sales will grow at 18.7% y/y. Even though some operating costs will grow fast as well, the operating margin will improve and EBIT will grow significantly (PLN 179.2m vs. PLN 134.9m in Q4'06). The decrease in net income will stem from higher financing expenses due to the valuation update of options embedded in the bonds issued and the loss incurred on foreign currency operations. This year we are expecting profits to grow slower due to the full consolidation of the Onet group in 2007 and the slightly slower growth of the advertising market. We are also expecting operating costs to keep growing, given the high growth rates of wages, content costs and marketing expenses.


Media

 Analyst:
 Michał Marczak

WSiP

Buy

 2007 P/E 12.8 2007 EV/EBITDA 7.2
 2008 P/E 11.6 2008 EV/EBITDA 6.6

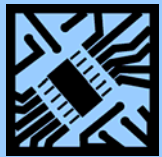
Current price **PLN 14.7**
Target price **PLN 18.1**

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	24.2	24.8	-2.1%	250.1	266.4	-6.1%	253.1	250.1	1.2%
EBITDA	-14.2	-11.6		38.8	30.7	26.4%	42.0	38.8	8.4%
margin	-58.5%	-46.7%		15.5%	11.5%	34.6%	16.6%	15.5%	7.1%
EBIT	-17.4	-12.8		31.9	23.2	37.4%	35.1	31.9	10.2%
Pre-tax income	-14.8	-10.8		36.0	28.0	28.7%	40.0	36.0	11.2%
Net income	-10.1	-8.9		29.9	20.1	49.2%	33.1	29.9	10.4%

A Quarter without Impact on Yearly Profits

Q4 is a nearly dead season for the company, as it receives only 9% of its consolidated revenues in this period. The profit is therefore shaped by fixed costs and one-off events, as was the case in Q4 2006, when the company closed a real-estate sale deal and partially released provisions, thereby boosting its pre-tax profit by PLN 3-5m. For this reason, to compare operating profits appearing in financial statements, one needs to adjust the 2006 EBIT. The operating profit we are forecasting for Q4'07 is better than a year ago, thanks to the restructuring process, among other things. Potentially, the company can release PLN 17m worth of provisions on account of a real-estate dispute in Warsaw. Our forecast does not assume that this will happen.

Information Technology


IT

 Analyst:
Piotr Janik

ABG Spin

Accumulate

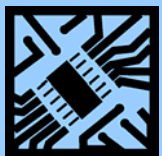
2007 P/E	18.4	2007 EV/EBITDA	12.6	Current price	PLN 6.7
2008 P/E	14.0	2008 EV/EBITDA	9.6	Target price	PLN 7.5

(PLN m)	Q42007F	Q42006	change	2007F*	2006	change	2008F	2007F*	change
Revenue	210.0	67.8	209.7%	470.3	274.9	71.1%	719.7	470.3	53.0%
EBITDA	24.0	10.1	137.6.0%	46.7	30.2	54.6%	64.8	46.7	38.8%
margin	11.4%	14.8%		9.9%	11.0%		9.0%	9.9%	
EBIT	20.0	8.5	135.3%	35.7	24.7	44.5%	54.6	35.7	52.9%
Pre-tax income	20.0	10.3	94.2%	41.3	28.1	47.0%	61.1	41.3	47.9%
Net income	16.0	8.7	83.9%	34.5	24.7	39.7%	45.3	34.5	31.3%

* FY2007 figures excl. SPIN's H1 2007 results

Another Good Quarter

We expect good fourth-quarter results from ABG SPIN, with Net income at PLN 210m, and robust revenue boosted by big orders from the Ministry of Education (for an estimated total PLN 45m). Q4 orders were mostly for hardware, which affected the gross profit margin (we project 24.0% versus 31.9% in Q3 2007 and 29.1% in Q4 2006). With EBITDA margin at an estimated 11.4%, and a Net income of PLN 16.0m, the implied Q4 net margin is 7.6%.


IT

 Analyst:
Piotr Janik

Asseco Poland

Buy

2007 P/E	20.9	2007 EV/EBITDA	13.7	Current price	PLN 61.5
2008 P/E	19.8	2008 EV/EBITDA	13.0	Target price	PLN 85.45

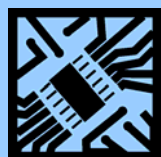
(PLN m)	Q42007F*	Q42006	change	2007F*	2006	change	2008F**	2007F*	change
Revenue	359.7	139.9	157.1%	1177.0	496.1	137.3%	1604.9	1177.0	36.4%
EBITDA	86.2	19.5	341.8%	253.3	61.3	313.4%	267.0	253.3	5.4%
margin	24.0%	13.9%		21.5%	12.3%		16.6%	21.0%	
EBIT	75.5	16.2	367.5%	218.5	47.8	356.6%	242.5	218.5	11.0%
Pre-tax income	69.9	34.0	105.3%	216.8	76.3	184.2%	249.7	216.8	15.2%
Net income	48.1	29.8	61.1%	150.2	75.7	98.5%	158.4	150.2	5.5%

* Q4 2007 profit estimate excluding revaluation of Asseco Business Solutions

** FY2008 forecasts excluding acquisitions completed prior to September 2007, and the impact of the merger with Prokom Software expected in 2008

A Strong Finish

We expect a strong Q4 showing from Asseco Poland, with consolidated revenues at PLN 359.7m, 14% more than in Q3'07. Integration of new acquisitions, and completion of a high-margin contract for PKO BP, contributed to an estimated EBIT of PLN 75.5m, implying a 21.0% operating margin (vs. 20.7% in Q3'07). Net earnings adjusted for one-time gains from revaluation of Asseco Business Solutions are projected at PLN 48.1m, adding to a full-year bottom line of PLN 150.2m. Unadjusted consolidated profit for the fourth quarter could reach PLN 58-60m, with the full-year bottom line reaching PLN 160-162m.


IT

 Analyst:
Piotr Janik

Comarch

Hold

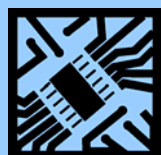
2007 P/E	22.1	2007 EV/EBITDA	15.0	Current price	PLN 114.6
2008 P/E	14.6	2008 EV/EBITDA	10.9	Target price	PLN 178.7

(PLN m)	Q42007F*	Q42006	change	2007F*	2006	change	2008F	2007F*	change
Revenue	199.9	182.8	9.4%	610.7	491.6	24.2%	777.8	610.7	27.4%
EBITDA	23.2	21.4	8.4%	64.6	58.2	11.0%	88.9	64.6	37.6%
margin	11.6%	11.7%		10.6%	10.7%		11.4%	10.6%	
EBIT	17.7	18.0	-1.7%	46.5	45.6	2.2%	70.3	46.5	50.9%
Pre-tax income	17.2	18.2	-5.5%	44.8	54.6	-17.9%	67.7	44.8	51.1%
Net income	16.6	23.1	-28.1%	41.3	52.8	-21.7%	62.6	41.3	51.5%

* Q4 2007 and FY2007 results net of gains from Interia.pl divestment

Mixed Results

We expect to see 9.3% year-on-year increase in Comarch's Q4'07 revenue, and a 24.2% upswing in full-year sales. We maintain that, due to upward salary pressure, the FY2007 EBIT margin will come in below 8%. Q4'07 operating profit is estimated at PLN 17.7m, i.e. 79.5% more than in Q3'07, but 1.6% less than in Q4'06. Net income for the quarter will approximate PLN 16.6m, making for a full-year bottom line of PLN 41.3m.


IT

 Analyst:
Piotr Janik

Macrologic

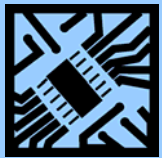
Buy

2007 P/E	13.1	2007 EV/EBITDA	7.3	Current price	PLN 47.0
2008 P/E	13.0	2008 EV/EBITDA	7.1	Target price	PLN 58.43

(PLN m)	Q42007F	Q42006	change	2007F*	2006	change	2008F	2007F*	change
Revenue	15.3	12.2	25.2%	45.0	38.4	17.1%	50.9	45.0	13.1%
EBITDA	3.9	3.2	23.5%	12.0	8.7	38.6%	12.3	12.0	2.5%
margin	25.7%	26.1%		26.7%	22.7%		24.2%	22.7%	
EBIT	2.5	2.4	3.5%	8.3	5.7	44.4%	8.8	8.3	6.0%
Pre-tax income	2.7	2.4	11.2%	8.6	5.7	52.3%	8.6	8.6	1.1%
Net income	2.2	1.9	13.4%	6.8	4.4	55.3%	6.8	6.8	1.0%

Strong Q4 Performance

We expect to see an over-25% year-on-year increase in Macrologic's revenues in Q4'07. The quarter's EBITDA margin will be an estimated 25.7%, compared to 22.5% in Q3'07 and 26.1% in Q4 2006. We expect the full-year bottom-line profit to reach PLN 6.8m after surging 55.3% from FY2006.


IT

 Analyst:
Piotr Janik

Prokom Software

Buy

 2007 P/E 18.0 2007 EV/EBITDA 7.9
 2008 P/E ** 2008 EV/EBITDA **

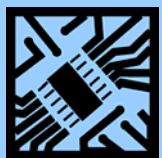
Current price **PLN 110.1**
Target price **PLN 155.5**

(PLN m)	Q42007F	Q42006	change	2007F*	2006	change	2008F**
Revenue	325.0	521.4	-37.7%	1904.6	1689.3	12.7%	
EBITDA	42.4	64.5	-34.3%	283.2	213.5	32.6%	
margin	13.0%	12.4%		15.0%	22.7%		
EBIT	31.0	49.0	-36.7%	213.2	151.9	40.4%	
Pre-tax income	47.3	74.4	-36.4%	462.0	186.5	147.7%	
Net income	29.1	31.5	-7.62%	307.8	88.0	249.8%	

* FY 2007 results include PLN 222.6m one-time gain on dilution of investments in subsidiaries and associates recognized in Q2
 ** we assume that Prokom Software will be taken over by Asseco Poland in 2008

Revaluations Depressed Q4 Earnings

Prokom Software's fourth-quarter results will be distorted by numerous revaluations made as the company prepares to merge with Asseco Poland. Income received a boost from sale of Comp and Asseco Poland investments, but these gains were canceled out by a downward revaluation of ABG SPIN. And Prokom's Q4 balance sheet is sure to show even more merger-related charges. Following exclusion of Asseco Poland from full consolidation, Q4'07 revenue and operating profit will probably show a deterioration compared to preceding quarters. We expect consolidated revenue to approximate PLN 325m, with operating profit at PLN 31.0m. Prokom's equity in earnings of Asseco Poland (adjusted for revaluation of Asseco Business Solutions) will have boosted Q4 Net income to PLN 29.1m, or PLN 31.5m unadjusted.


IT

 Analyst:
Piotr Janik

Sygnity

Buy

 2007 P/E - 2007 EV/EBITDA -
 2008 P/E 9.3 2008 EV/EBITDA 4.1

Current price **PLN 33.0**
Target price **PLN 64.8**


(PLN m)	Q42007F	Q42006	change	2007F*	2006	change	2008F	2007F*	change
Revenue	428.0	420.1	1.9%	1305.4	927.1	40.8%	1328.7	1305.4	1.8%
EBITDA	48.9	39.0	25.4%	-41.1	55.2	-		-41.1	-
margin	11.4%	9.3%		-	6.0%		7.9%	-	
EBIT	33.0	32.7	1.0%	-94.0	-13.3	-	58.3	-94.0	-
Pre-tax income	28.9	31.6	-8.5%	-106.7	-20.7	-	48.6	-106.7	-
Net income	33.0	18.0	83.3%	-90.7	-27.5	-	42.3	-90.7	-

* Q4 2007 and FY2007 results net of gains from a business line sale to ABG SPIN

Litmus Test of Restructuring Efforts


We predict that Sygnity will post Q4'07 results in line with expectations, with revenue at PLN 428.0m, 1.9% more than in Q4'06. Given that a major portion of the restructuring costs were recognized in preceding quarters, and thanks to the company's turnaround efforts, operating profit should be in the vicinity of PLN 32.9m. Year-to-30. Sep. consolidated net loss was reduced by PLN 12.0m (PLN 7.4m in Q4) thanks tax effects, which we expect to continue into the fourth quarter, with full-year 2007 concessions amounting to PLN 16.0m. All told, Sygnity will have ended the fourth quarter with a bottom-line profit of PLN 32.9m.

Metals

		Kęty					Buy		
		Metals							
Analyst: Michał Marczak		2007 P/E	11.2	2007 EV/EBITDA	7.4	Current price	PLN 120.0		
		2008 P/E	9.4	2008 EV/EBITDA	6.3	Target price	PLN 187.5		
(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	307.3	295.3	4.1%	1 256.0	1 045.5	20.1%	1 477.6	1 256.0	17.6%
EBITDA	48.7	33.9	43.6%	184.0	155.7	18.2%	209.6	184.0	13.9%
margin	15.8%	11.5%	38.0%	14.7%	14.9%	-1.6%	14.2%	14.7%	-3.2%
EBIT	33.5	22.7	47.6%	130.5	111.3	17.3%	155.1	130.5	18.8%
Pre-tax income	30.1	20.1	49.5%	119.2	101.2	17.8%	137.5	119.2	15.4%
Net income	27.4	19.0	44.1%	98.2	87.7	12.0%	118.1	98.2	20.2%

In Line With Guidance

Our Q4 forecasts are in line with KGHM's official earnings guidance, which, we expect, will prove right on target. As for full-year forecasts, PLN 5m-worth of provision reversals will have got the actual results off the mark.

		KGHM					Accumulate		
		Metals							
Analyst: Michał Marczak		2007 P/E	4.9	2007 EV/EBITDA	3.4	Current price	PLN 94.5		
		2008 P/E	6.8	2008 EV/EBITDA	4.4	Target price	PLN 118.0		
(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	3 087.4	2 767.7	11.6%	12 358.2	11 669.7	5.9%	10 612.0	12 358.2	-14.1%
EBITDA	1 189.7	898.1	32.5%	5 148.7	4 545.5	13.3%	3 827.7	5 148.7	-25.7%
margin	38.5%	32.4%	18.8%	41.7%	39.0%	7.0%	36.1%	41.7%	-13.4%
EBIT	1 073.1	810.1	32.5%	4 768.4	4 201.2	13.5%	3 392.4	4 768.4	-28.9%
Pre-tax income	1 079.3	683.2	58.0%	4 754.6	4 074.6	16.7%	3 408.7	4 754.6	-28.3%
Net income	844.0	565.2	49.3%	3 851.2	3 395.1	13.4%	2 761.1	3 851.2	-28.3%

Weaker Macro

Macroeconomic settings were not kind to KGHM in Q42007. The average price of copper slipped 6.7% from Q3, or as much as 14.4% in zloty terms, due to the Polish currency's appreciation against the dollar (8%). These negative trends were partly offset by a close-to 15% increase in the average price of silver, resulting in lower unit costs of production, which was seasonally high in Q4'07 (PLN 12,200/t). When comparing year-on-year earnings performance, it is important to consider hedged copper sales. We estimate that, in Q4'07, hedged volumes stood at 18,000 tons vs. 53,000 a year earlier, while the effective hedge price was 80% higher than in Q4'06 (\$2,800/t). KGHM participates of materials exchanges trends in a much more active way than a year ago. Estimated fourth-quarter sales volumes are 133,000 tons for copper, and 281 tons for silver.


Metals

 Analyst:
Kamil Kliszcz

Koelner

Accumulate

2007 P/E	24.8	2007 EV/EBITDA	12.7	Current price	PLN 30.0
2008 P/E	13.9	2008 EV/EBITDA	8.7	Target price	PLN 38.7

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	147.8	120.9	22.2%	554.8	426.9	30.0%	798.9	554.8	44.0%
EBITDA	21.3	16.4	30.0%	81.3	66.0	23.2%	118.3	81.3	45.5%
margin	14.4%	13.6%	-	14.6%	15.5%	-	14.8%	14.6%	-
EBIT	15.6	12.2	27.5%	62.9	50.6	24.4%	92.1	62.9	46.3%
Pre-tax income	13.7	10.7	27.7%	53.1	48.8	8.9%	79.3	53.1	49.4%
Net income	10.8	8.5	26.8%	39.4	39.8	-1.1%	70.5	39.4	78.9%

Forecast Still Too High After November Slash

As predicted (see our Nov. Research Update), Koelner might not achieve its earnings target, even after it was revised downward in November. In our view, the bottom line will be closer to PLN 39.8m than the management's PLN 42m estimate. Much will depend on whether Koelner handled the logistics problems signaled in Q3, when delays in production and IT investments caused bottlenecks in order processing during peak construction season (most of the inventory was stuck in a new high-storage warehouse and foreign subsidiary storages). Together with Śrubex's sales of approximately PLN 33m, Koelner's Q4 revenue is expected to near PLN 150m, with profitability improved from a weak Q3. Forecasted fourth-quarter EBIT is PLN 15.6m (incl. PLN 1.5m generated by Śrubex), with bottom-line profit at PLN 10.8m. Koelner will post a PLN 1.9m finance loss in Q4, stemming from borrowing interest charges and a foreign-currency loan extended to a subsidiary.

Construction



Construction

Analyst:
Samer Masri

Budimex

Buy

2007 P/E 598.8 2007 EV/EBITDA 53.2 **Current price** PLN 74.5
2008 P/E 35.4 2008 EV/EBITDA 15.4 **Target price** PLN 98.4

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	1126	910.7	23.6%	3448.4	3043.2	13.3%	4058.5	3448.4	17.7%
EBITDA	13.9	4.47	210.4%	30.4	31.1	-2.3%	104.7	30.4	244.4%
margin	1.2%	0.5%	151.0%	0.9%	1.0%	-13.7%	2.6%	0.9%	192.6%
EBIT	8.4	-1.2	-	20.1	9.9	103.3%	75.6	20.1	275.7%
Pre-tax income	7.1	4.0	78.5%	12.4	12.2	1.8%	64.4	12.4	418.4%
Net income	6.0	0.9	566.7%	3.2	3.9	-17.9%	54.2	3.2	1593.8%

Not A Bad Finish

Budimex's property development business is doing well (revenue from homes sold in 2006-2007 recognized in accordance with IAS), and the profitability of construction contracts is improving, all of which should contribute to a ca. PLN 3.2m bottom-line showing in Q4 accounts. It looks like the company will not recognize any more provisions related to the terminated contract for a passenger terminal at Warsaw's Okęcie airport (the airport operator PPL not only retained a \$21.9m performance bond, but also failed to make the last, \$20m payment owing to the Budimex-Ferrovial consortium, of which ca. \$8m is due to Budimex). As it turns out, these outstanding amounts will be paid after PPL finishes a stocktaking exercise and approves the consortium's work.

Another of Budimex's major business lines is road development. The fourth quarter witnessed a standstill in new road contracts from GDDKiA. The biggest contract, awarded to a consortium of Budimex, Strabag, Warbud, and Mostostal Warszawa, was annulled on 22 October 2007, to be reopened on 18 December, with the award going to the same consortium (the contract's total value is PLN 2 149.2m).



Construction

Analyst:
Samer Masri

Elektrobudowa Buy

2007 P/E 19.7 2007 EV/EBITDA 16.4 **Current price** PLN 165.0
2008 P/E 12.2 2008 EV/EBITDA 14.5 **Target price** PLN 221.5

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	259.9	186.7	39.2%	695.9	473.9	46.8%	842.0	695.9	21.0%
EBITDA	13.5	9.3	44.6%	50.3	29.0	73.5%	59.8	50.3	18.8%
margin	5.2%	5.0%	3.8%	7.2%	6.1%	18.1%	7.1%	7.2%	-1.8%
EBIT	12.0	8.1	-	45.0	24.3	85.0%	53.4	45.0	18.8%
Pre-tax income	12.0	7.8	54.6%	44.9	24.3	84.9%	56.1	44.9	24.8%
Net income	9.2	5.3	72.3%	34.2	16.5	107.3%	42.7	34.2	24.8%

New Goals For 2008

On 10 December, Elektrobudowa announced a new earnings guidance for FY2007, with consolidated net income estimated at PLN 34.2m on PLN 695.9m revenue. The upward revisions were made possible by strong gross profit margins (10%) and an expanding share of power distribution in the group's sales (30%). After a successful "D" stock offering (527 512 shares allocated on 15 January 2008, gains near PLN 90m), the company plans to spend PLN 45m on two acquisitions: "Energoeffekt" of Ruda Śląska and "Energotest - Energopomiar" of Gliwice. Other plans include a new busbar bridge factory and upgrades at the Konin factory (PLN 20m), and purchases of computer hardware and software. Furthermore, Elektrobudowa wants to expand in Russia by building a mobile-power-station factory in Izhevsk, and establish a presence in Ukraine. Most of these objectives will be pursued throughout 2008, which suggests a good growth outlook for the next three years.


Construction

Erbud

Buy

 Analyst:
Samer Masri

 2007 P/E 29.8
2008 P/E 17.5

 2007 EV/EBITDA 26.6
2008 EV/EBITDA 15.9

Current price PLN 71.0
Target price PLN 95.0

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	204.7	115.5	77.2%	690.0	426.2	61.9%	932.5	690.0	35.1%
EBITDA	9.2	8.60	7.0%	41.4	26.6	55.6%	69.9	41.4	68.8%
margin	4.5%	7.4%	-39.6%	6.0%	6.2%	-3.9%	7.5%	6.0%	24.9%
EBIT	8.8	8.3	-39.6%	39.8	25.4	56.7%	66.2	39.8	66.3%
Pre-tax income	8.4	8.6	-2.3%	39.8	25.3	57.3%	70.3	39.8	76.6%
Net income	4.5	6.0	-25.0%	30.3	20.2	50.0%	51.6	30.3	70.3%

Tighter Margins for General Contracting

Following an acquisition of a 75% stake in property developer "Budlex," Erbud raised FY2007 net income forecast from PLN 24.2m to PLN 31.3m (+29%) in October. In November, Erbud signed a preliminary agreement to acquire 75% of an engineering company called "Rembet Plus" for PLN 6m. Both acquisitions will be incorporated in the company's FY2007 financial statements. In terms of earnings performance, however, Q4'07 was not very successful for Erbud due to a deterioration in profit margins generated on its core business of general contracting, which is expected to generate a mere PLN 1.4m for the quarter. We predict an improvement in 2008, with core-business gross profit margins reaching 4% in H2.


Construction

Polimex Mostostal Hold

 Analyst:
Samer Masri

 2007 P/E 31.3
2008 P/E 21.3

 2007 EV/EBITDA 20.9
2008 EV/EBITDA 12.8

Current price PLN 6.4
Target price PLN 9.1

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	1036.8	866.5	19.7%	3485.0	2483.4	40.3%	4131.4	3485.0	18.5%
EBITDA	44.1	24.79	77.8%	188.0	129.7	44.9%	307.1	188.0	63.4%
margin	4.2%	2.9%	48.6%	5.4%	5.2%	3.3%	7.4%	5.4%	37.8%
EBIT	36.5	16.3	123.9%	147.0	98.5	49.2%	205.3	147.0	39.7%
Pre-tax income	29.6	15.2	94.2%	135.4	91.5	48.0%	191.3	135.4	41.3%
Net income	23.8	7.7	209.1%	99.0	62.6	58.1%	139.2	99	40.6%

Profitability Problems

Polimex's Q4'07 results could fall short of forecasts. Given PLN 75.2m net earnings generated for the year to 30 Sep. '07, to meet our full-year bottom-line estimate of PLN 101.9m, the company would have to net PLN 26.7m for the fourth quarter. In our view, however, PLN 23.8m is a more realistic estimate, due to a deterioration in profit margins earned on chemicals and petrochemicals, and low profitability of a production upgrade contract from Koksownia Przyjaźń, further aggravated by a continued increase in labor- and subcontractor costs. In addition, the zloty's appreciation against the euro affects the profitability of steel component exports. If that were not enough, Energomontaż Północ will show weak FY2007 results due to low profits generated on Mazeikiu Nafta contracts.


Construction

Ulma Construccion

Accumulate

 Analyst:
Samer Masri

 2007 P/E 24.0
2008 P/E 19.0

 2007 EV/EBITDA 15.6
2008 EV/EBITDA 12.2

Current price **PLN 236.5**
Target price **PLN 322.9**

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	63.8	50.7	25.9%	224.6	154.3	45.6%	269.8	224.6	20.1%
EBITDA	31.3	23.4	100.2%	112.3	74.7	50.3%	145.2	112.3	29.3%
margin	49.0%	30.8%	59.1%	50.0%	48.4%	3.3%	53.8%	50.0%	7.6%
EBIT	17.4	15.6	11.6%	68.9	45.6	51.1%	88.6	68.9	28.6%
Pre-tax income	15.4	14	11.2%	63.5	41.1	54.5%	80.3	63.5	26.5%
Net income	12.4	11	11.2%	51.5	32.9	56.5%	65.0	51.5	26.2%

Expanding At Home and Abroad

We think that Ulma will meet our FY2007 earnings expectations despite a slowdown in construction (especially housing), as demand for rental formwork continues to grow, enabling the company to gradually raise rental prices and generate better profit margins. To keep revenues growing, Ulma also plans to expand abroad. The company has already set up operations in Romania, where it will open a formwork rental center in Q1 2008. To reinforce its presence at home, Ulma is going to build three new logistics centers, one of which will be built by Poznań for PLN 19.0m (completion deadline is seven months).

Real Estate Development



Developers

 Analyst:
Kacper Żak

Dom Development Buy

2007 P/E	9.2	2007 EV/EBITDA	7.7	Current price	PLN 79.0
2008 P/E	9.3	2008 EV/EBITDA	7.7	Target price	PLN 136.5

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	286.7	207.5	38.2%	961.3	729.8	31.7%	1231.0	961.3	28.1%
EBITDA	66.5	51.9	28.1%	256.7	166.6	54.1%	255.7	256.7	-0.4%
margin	23.2%	25.0%		26.7%	22.8%		20.8%	26.7%	
EBIT	65.7	51.5	27.6%	254.3	165.0	54.1%	252.7	254.3	-0.6%
Pre-tax income	68.0	54.7	24.3%	264.0	167.8	57.3%	256.7	264.0	-2.8%
Net income	55.0	43.8	25.6%	212.5	135.2	57.2%	207.9	212.5	-2.2%

FY2007 Net income Tops PLN 200m

Dom Development completed three developments with over 900 apartments in Q4'07 (they were "Olimpia 2," "Derby 8," and "Derby 10"). Most of these apartments had been sold a few months ago, adding to the revenue for Q4, which was weaker in terms of sales. All in all, the company sold 1.8 thousand homes in 2007, short of the 2250 forecasted a year ago. In our forecasts for 2008, we predict that DD will sell 3080 units. Sales will accelerate in Q2 after a slow Q1 which will see a y/y decline. At the end of December 2007, DD announced that it expected to sell 3000 apartments in 2008, which we consider an ambitious goal. Success will depend on sales performance in H2.



Developers

 Analyst:
Kacper Żak

J.W. Contruction Buy

2007 P/E	13.8	2007 EV/EBITDA	9.5	Current price	PLN 35.8
2008 P/E	10.0	2008 EV/EBITDA	7.4	Target price	PLN 51.4

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	458.8	230.9	98.7%	816.4	726.3	12.4%	1110.4	816.4	36.0%
EBITDA	125.1	83.0	50.7%	200.3	190.8	5.0%	256.8	200.3	28.2%
margin	27.3%	35.9%		24.5%	26.3%		23.1%	24.5%	
EBIT	123.3	81.0	52.2%	190.1	180.1	5.6%	246.6	190.1	29.7%
Pre-tax income	119.5	76.7	55.8%	175.1	167.2	4.7%	234.5	175.1	33.9%
Net income	98.5	60.0	64.2%	141.8	132.0	7.4%	194.3	141.8	37.0%

FY2007 Forecasts Met Thanks to Q4 Sales

The fourth quarter was the best earnings season for JWC, and, with over 360 apartments sold (incl. an 88-unit package deal by an individual investor), the company set a new sales record in December. JWC sold ca. 2.8 thousand units in 2007, falling slightly short of its 3 thousand target, which should be considered a success given the weak momentum observed in Q2 and Q3'07. Fourth-quarter bottom line target was achieved thanks to revenue from the "Górczewska Park" development, which the company was able to recognize by finishing the required two-thirds of construction by the end of the year.


Developers

 Analyst:
Kacper Żak

Polnord

Buy

2007 P/E	21.2	2007 EV/EBITDA	36.3	Current price	PLN 116.0
2008 P/E	13.5	2008 EV/EBITDA	8.8	Target price	PLN 202.3

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	98.0	93.4	4.9%	162.1	285.5	-43.2%	723.8	162.1	346.5%
EBITDA	16.9	-23.4	n/a	52.0	-51.4	n/a	215.1	52.0	313.7%
margin	17.2%	-25.1%		27.2%	-18.0%		29.7%	32.1%	
EBIT	15.9	-23.8	n/a	49.5	-52.5	n/a	209.0	49.5	322.2%
Pre-tax income	7.7	-33.1	n/a	36.6	-65.9	n/a	187.5	36.6	412.3%
Net income	2.4	-27.0	n/a	96.6	-55.1	n/a	151.9	96.6	57.2%

Stock Option Costs Weigh Down 4th-Quarter Results

Polnord completed the first stage of a development called "Ostoja" in Warsaw's Wilanów district, which it is building together with Fadesa, in the fourth quarter of 2007. During the time, the company had over 3 thousand dwelling units in different stages of completion, and started work on two new projects (9,000 sqm of floor space in Warsaw, and 29,000 sqm in Łódź). We estimate Polnord's Q4'07 revenue at PLN 98m, and operating profit at PLN 15.9m. If it had not been for high costs of the company's stock option plan, operating profit would exceed PLN 25m, and the bottom line for the year would come in at PLN 103m. At current market prices, the options (which the management can buy for PLN 120 a piece) are worth some PLN 10m. If we deduct this amount from the stock value, this figures to under PLN 0.5 per share, i.e. the impact is minor.

Retail

		Retail		Emperia Holding Hold					
		Analyst: Kamil Kliszczyk		2007 P/E	22.6	2007 EV/EBITDA	11.5	Current price	PLN 128.5
				2008 P/E	18.6	2008 EV/EBITDA	10.4	Target price	PLN 134.2
(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	1 298.4	387.5	235.1%	4 687.1	4 064.2	15.3%	5 153.3	4 687.1	9.9%
EBITDA	40.6	12.2	232.5%	164.1	110.5	48.5%	182.1	164.1	10.9%
margin	3.1%	3.2%	-	3.5%	3.9%	-	3.5%	3.5%	-
EBIT	29.5	7.5	290.7%	123.4	79.0	56.1%	135.3	107.2	26.3%
Pre-tax income	23.5	6.7	251.6%	104.2	70.5	47.8%	126.1	96.8	30.3%
Net income	19.0	5.2	268.3%	83.9	57.1	46.9%	102.2	83.9	21.8%

No Unpleasant Surprises This Time

We expect Emperia to show continued q/q increase in revenues, driven by the expanding "Stokrotka" convenience-store chain (100 stores at 30 Sept.), and several acquisitions completed in late September. As far as profitability is concerned, however, organic growth and acquisitions will cause a q/q deterioration in EBITDA margin. Expenses incurred on operational and systems integration within the Emperia group will also have an effect on Q4 earnings. Furthermore, the company posted the rest of the losses incurred on failed currency hedging contracts entered into by subsidiary Arsenal, estimated at PLN 4.4m. Q4 bottom-line profit will approximate PLN 19m

		Retail		Eurocash			Accumulate		
		Analyst: Kamil Kliszczyk		2007 P/E	21.6	2007 EV/EBITDA	11.5	Current price	PLN 10.15
				2008 P/E	16.0	2008 EV/EBITDA	10.4	Target price	PLN 11.50
(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	1 297.1	1 032.9	26%	4 749.9	3 237.0	47%	6 719.6	4 749.9	41%
EBITDA	36.7	29.3	25%	117.9	87.3	35%	156.6	117.9	33%
margin	2.83%	2.84%	-	2.48%	2.70%	-	2.33%	2.48%	-
EBIT	27.3	21.1	25%	81.9	55.2	48%	108.5	81.9	32%
Pre-tax income	25.8	20.3	24%	74.9	54.1	38%	99.8	74.9	33%
Net income	21.4	15.4	35%	60.7	41.6	46%	81.8	60.7	35%

Discounts Boost Q4 Profits

Q4 revenue continued to expand at the same y/y rate as in Q3, both in "traditional" wholesale sales (ca. +30%), and in KDWT's active distribution to points of sale (ca. +23%). Eurocash can show a sustained sales momentum in spite of the fact that Q3'06/Q3'07 figures were not fully comparable ("Delikatesy Centrum" was incorporated into consolidated financial statements in mid-August 2006). Our estimates are backed by retail food sales and inflation statistics published by the GUS. Strong revenue and seasonally high profitability (manufacturer bonuses) drove Q4 net income to an estimated PLN 21.4m.

Others



Paper Manufacturers

Mondi

Buy

 Analyst:
 Michał Marczak

 2007 P/E 10.4 2007 EV/EBITDA 6.4
 2008 P/E 13.0 2008 EV/EBITDA 7.5

Current price **PLN 54.9**
Target price **PLN 76.4**

(PLN m)	Q42007F	Q42006	change	2007F	2006	change	2008F	2007F	change
Revenue	403.7	387.9	4.1%	1 540.7	1 443.9	6.7%	1 522.2	1 540.7	-1.2%
EBITDA	108.7	137.0	-20.7%	432.4	434.9	-0.6%	368.4	432.4	-14.8%
margin	26.9%	35.3%	-23.8%	28.1%	30.1%	-6.8%	24.2%	28.1%	-13.8%
EBIT	78.2	110.5	-29.3%	322.3	326.4	-1.3%	258.3	322.3	-19.9%
Pre-tax income	73.7	121.5	-39.3%	321.4	333.2	-3.6%	256.9	321.4	-20.1%
Net income	62.8	99.2	-36.7%	263.6	270.0	-2.4%	210.7	263.6	-20.1%

The average price of kraftliner paper was EUR 523/t in Q4, down 0.9% from Q3. Other Mondi papers performed better: testliner moved 3.5% up on average, and fluting appreciated 4.2%. Revenues were positively impacted by an increase in sales volumes (+5%) after summer downtime, but negatively affected by the zloty's appreciation against the euro (+3.4%). Also working to Mondi's disadvantage are rising prices of wood (+15%) and scrap paper (+45%).

FY2007 Earnings Reporting Schedule

Company	Q4 2007 standalone	Q4 2007 consolidated	FY2007 consolidated
ABG SPIN			
AGORA	20.02.08	20.02.08	11.04.08
ASSECO POLAND	28.02.08	28.02.08	28.04.08
BPH			
BUDIMEX	22.02.08	22.02.08	30.06.08
BZWBK	25.02.08	25.02.08	25.02.08
COMARCH			
DOM DEVELOPMENT	27.02.08	27.02.08	17.03.08
ELEKTROBUDOWA			
EMPERIA HOLDING			
ERBUD	28.02.08	28.02.08	12.06.08
EUROCASH			
FARMACOL			
HANDLOWY	07.02.08	07..02.08	31.03.08
ING BSK	13.02.08	13.02.08	31.03.08
J.W. CONSTRUCTION			
KĘTY	07.02.08	07.02.08	10.04.08
KGHM	14.02.08	29.02.08	04.04.08
KOELNER	29.02.08	29.02.08	30.06.08
KOGENERACJA	28.02.08	28.02.08	29.05.08
KREDYT BANK	14.02.08	14.02.08	
LOTOS			
MACROLOGIC			
MILLENNIUM	21.01.08	21.01.08	
MONDI	01.02.08	01.02.08	22.02.08
NETIA	28.02.08	28.02.08	28.02.08
NOBLE BANK			
PEKAO	21.02.08	21.02.08	14.03.08
PGF			
PGNiG			
PKN ORLEN	28.02.08	28.02.08	23.04.08
PKO BP			
POLIMEX MOSTOSTAL			
POLNORD			
PROKOM SOFTWARE			
PROSPER			
RAFAKO			
SYGNITY			
TELEKOMUNIKACJA POLSKA	30.01.08		
TORFARM			
TVN			
ULMA CONSTRUCCION POLSKA	29.02.08	29.02.08	30.08.08
WSiP			
ZA PUŁAWY			

Source: Parkiet

Current Ratings by BRE Bank Securities

Stock	Rating	Target Price	Issued
ABG SPIN	Accumulate	7.50	2007-12-04
AGORA	Accumulate	53.00	2008-01-17
ASSECO POLAND	Buy	85.45	2008-01-17
BPH	Buy	117.00	2008-01-17
BUDIMEX	Buy	98.40	2007-10-30
BZWBK	Buy	295.40	2007-12-04
COMARCH	Hold	178.70	2007-12-11
DOM DEVELOPMENT	Buy	136.50	2007-12-11
ELEKTROBUDOWA	Buy	221.50	2007-12-04
EMPERIA HOLDING	Hold	134.17	2008-01-17
ERBUD	Buy	95.00	2008-01-17
EUROCASH	Accumulate	11.50	2008-01-17
FARMACOL	Suspended		2007-10-16
HANDLOWY	Buy	127.10	2007-12-04
ING BSK	Buy	921.50	2008-01-17
J.W. CONSTRUCTION	Buy	51.40	2007-12-11
KĘTY	Buy	187.50	2008-01-17
KGHM	Accumulate	118.00	2008-01-17
KOELNER	Accumulate	38.70	2007-11-26
KOGENERACJA	under revision		2007-06-06
KREDYT BANK	Buy	27.40	2007-12-04
LOTOS	Accumulate	46.00	2008-01-14
MACROLOGIC	Buy	58.43	2007-12-04
MILLENNIUM	Accumulate	13.60	2008-01-17
MONDI	Buy	76.40	2007-12-04
NETIA	Hold	3.80	2008-01-17
NOBLE BANK	Buy	15.46	2007-12-04
PEKAO	Buy	263.50	2008-01-17
PGF	Suspended		2007-10-16
PGNiG	Hold	5.11	2008-01-15
PKN ORLEN	Accumulate	56.80	2007-12-04
PKO BP	Buy	55.50	2008-01-17
POLIMEX MOSTOSTAL	Hold	9.10	2007-12-04
POLNORD	Buy	202.30	2007-12-11
PROKOM SOFTWARE	Buy	155.50	2008-01-17
PROSPER	Suspended		2007-10-16
RAFAKO	Suspended		2008-01-17
SYGNITY	Buy	64.80	2007-12-14
TELEKOMUNIKACJA POLSKA	Hold	20.20	2008-01-17
TORFARM	Suspended		2007-10-16
TVN	Hold	20.10	2008-01-17
ULMA CONSTRUCCION POLSKA	Accumulate	322.90	2007-11-07
WSiP	Buy	18.10	2007-07-13
ZA PUŁAWY	Buy	139.20	2007-12-04



Recommendations Issued This Month

Stock	Rating	Target Price	Issued
AGORA	Accumulate	53.00	2008-01-17
ASSECO POLAND	Buy	85.45	2008-01-17
BPH	Buy	117.00	2008-01-17
EMPERIA HOLDING	Hold	134.17	2008-01-17
ERBUD	Buy	95.00	2008-01-17
EUROCASH	Accumulate	11.50	2008-01-17
ING BSK	Buy	921.50	2008-01-17
KĘTY	Buy	187.50	2008-01-17
KGHM	Accumulate	118.00	2008-01-17
LOTOS	Accumulate	46.00	2008-01-14
MILLENNIUM	Accumulate	13.60	2008-01-17
NETIA	Hold	3.80	2008-01-17
PEKAO	Buy	263.50	2008-01-17
PGNiG	Hold	5.11	2008-01-15
PKO BP	Buy	55.50	2008-01-17
PROKOM SOFTWARE	Buy	155.50	2008-01-17
TELEKOMUNIKACJA POLSKA	Hold	20.20	2008-01-17
TVN	Hold	20.10	2008-01-17

Recommendation Statistics

Statistics	All					Issuers who are clients of BRE Bank Securities				
	Sell	Reduce	Hold	Accumulate	Buy	Sell	Reduce	Hold	Accumulate	Buy
count	0	0	8	10	20	0	0	2	4	7
% of total	0.0%	0.0%	21.1%	26.3%	52.6%	0.0%	0.0%	15.4%	30.8%	53.8%



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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 income per share

ROE – (Return on Equity) – annual Net income 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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A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:

BUY – we expect that the rate of return from an investment will be at least 15%

ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%

HOLD – we expect that the rate of return from an investment will range from -5% to +5%

REDUCE – we expect that the rate of return from an investment will range from -5% to -15%

SELL – we expect that an investment will bear a loss greater than 15%

Recommendations are updated at least once every nine months.

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