

CEE Equity Monthly

Where are we headed?



- Sub-prime crisis expected to impact markets for another 6-12 months
- Emerging markets - important carrier of global growth
- Industrial production growth slowing - healthy break in CEE
- Defensive sectors started to perform better in our universe

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Share prices are as of November 2, 2007.

Price data are from Reuters. Source for all other charts and tables is Erste Bank, Bloomberg, Reuters. Consensus data are taken from JCF Quant.

In the sector insights the companies' relative valuation multiples are comparisons to those for their CEE sectors.

Performances for market indices are calculated in EUR terms, while for individual stocks we use local currencies. Price performance data for sectors and the Erste universe (relative comparisons) are in EUR terms and are based on changes in market capitalization.

Aggregated P/E, P/BV and dividend yields for relative measures include banks. All other valuation multiples are based on industrial companies only. All aggregate measures are calculated as a median. Negative valuation multiples have been excluded from aggregate measures.

Still suffering from the US sub-prime crisis, we see the Sword of Damocles cutting frequently into stock market performance. While the recent rate cut should have supported stock prices, the negative news on Citigroup vaporized the positive impact and markets tumbled once again. What is more, any positive news on the US economy, such as the recent labor market data, along with warning voices about inflation risks in the US, dampen the expectations of further rate cuts there.

In the latest issue of the ZEW/Erste Bank sentiment indicator survey, participants revealed their expectations regarding how long the sub-prime crisis will continue to have an impact. The overwhelming majority expects this situation to last for another 6-12 months and sees mortgage and investment banks as most affected. Overall, the economic expectations for the CEE region hold, as some 70% of participants do not expect a change in the environment. This would confirm the view that emerging markets should contribute nicely to keeping global growth at acceptable levels, with CEE markets among the contributors.

CEE markets will remain affected sentiment-wise. Fundamentally, however, we see little indication that anything like a credit crunch/liquidity squeeze could seriously impact the region. Real exposure to the crisis is virtually non-existent, asset quality is untouched and FDI has gone mostly into productive investments.

In our latest asset allocation, we propose an overweight on Austria, Poland and Hungary (albeit more carefully on the latter). We remain neutral on Slovenia, the Czech Republic and Southeastern Europe. Valuations in these young markets have become somewhat challenging and growth expectations need to be realized. The previous underweight on Russia and Turkey was softened somewhat in our model.

Overall economic development indicates some deceleration of growth, which seems to be quite healthy after the recent strong development. Markets continue to operate at high levels, also kept solid by domestic demand. We expect the next rate hike by the Czech central bank in January 2008 and by the Polish central bank in November. The Hungarian central bank is faced with a bit of a dilemma. Economic growth is slow and inflation is falling, but mainly due to base effects, while core inflation is sticky. So, while the future path of Hungarian interest rates seems quite clear, the timing of future cuts is an open issue. We expect the next cut in November.

Even though we keep some industrial/cyclical titles on our top pick list, the global growth development might put a brake on these stocks. One-month performance indicates that more defensive plays such as utilities, telecoms and pharmaceuticals offered themselves as safer choices. We remain positive on Krka and would also expect to see signs in 3Q that the worst is over for Richter and Egis, given the reviving Russian market. Zentiva, however, disappointed and will be kept busy with integration efforts.

Among banks, we continue to favor OTP and Raiffeisen. While the tensions between MOL and OMV do not seem over yet, we might see some profit taking in our Buy recommendation Unipetrol, after the stock performed nicely.

The Polish food and retail sectors should remain appealing, given the strong domestic demand. Partially weaker results are still stemming from quick expansion strategies, which have to be digested. For the time being, we stick with Artman, Duda and Graal. We also initiated coverage on Pamapol (food) and Empik (retail), both with Accumulate recommendations. We still see upside potential in Prokom, even after its nice gains. The 3Q earnings season should not bring any major surprises for the IT sector.

Top picks

	Current price (LC)	Price target (LC)	Recommendation	Upside
Artman	68.5	108.9	Buy	59.1%
voestalpine	59.3	88.0	Buy	48.5%
Duda	9.3	13.5	Buy	45.0%
ComArch	169.8	241.1	Buy	42.0%
Winterthur Technologie A	42.2	58.7	Buy	39.1%
Graal	29.0	40.0	Buy	37.9%
Prokom	144.0	191.6	Buy	33.0%
Intercell	28.0	35.6	Buy	27.2%
Pankl Racing Systems	35.8	45.0	Buy	25.7%
Richter Gedeon	37,610.0	46,000.0	Buy	22.3%
Raiffeisen International	112.2	133.0	Buy	18.6%
EVN	91.9	108.0	Buy	17.5%
OTP Bank	9,370.0	11,000.0	Buy	17.4%
A-Tec	166.9	190.0	Buy	13.8%
Unipetrol	343.3	367.0	Buy	6.9%

Forecast and recommendation change

Changes in forecasts	Last month				Current month			
	EPS (local currency)				EPS (local currency)			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e
A&D Pharma	0.5	0.5	0.7	1.0	0.5	0.5	0.7	0.9
Ambra	0.8	0.7	1.0	1.0	0.8	0.7	0.9	0.7
Böhler Uddeholm	4.4	4.8	4.4	4.2	4.4	4.8	6.0	6.6
CAToil	0.6	0.5	0.7	1.3	0.6	0.5	0.7	1.3
CWT	0.2	0.2	0.3	0.5	0.2	0.2	0.3	0.5
Dw ory	1.6	5.1	4.3	3.9	1.6	5.1	10.1	14.3
EVN	3.5	5.4	5.6	6.7	3.5	5.4	5.3	5.8
Gorenje	1.7	1.8	1.9	2.3	1.7	1.8	1.8	2.1
Lotos Group	8.0	5.9	4.6	4.4	8.0	5.9	5.0	5.0
Palfinger	5.5	1.6	2.1	2.5	5.5	1.6	2.1	2.6
Pankl Racing Systems	1.1	0.0	2.1	2.9	1.1	0.0	1.9	2.9
Podravka	11.6	11.1	13.8	16.7	11.6	11.1	9.5	12.4
Polski Koncern Naftow y	10.8	5.4	-9.0	5.2	10.8	5.4	5.8	5.1
Rafako	0.3	0.7	0.6	0.7	0.3	0.7	0.2	0.3
Raiffeisen International	2.8	8.3	5.5	6.9	2.8	8.3	5.4	6.3
Telefonica O2 CR	19.4	24.9	28.5	32.0	19.4	24.9	29.4	33.9
Telekom Austria	0.8	1.2	1.1	1.2	0.8	1.2	1.1	1.2
TP SA	1.7	1.5	1.5	1.7	1.7	1.5	1.6	1.6
Unipetrol	18.9	8.9	23.7	26.5	18.9	8.9	27.3	36.9
Verbund	1.2	1.6	2.0	2.3	1.2	1.6	1.9	2.4
Winterthur Technologie	2.2	2.3	2.9	3.9	2.2	2.3	2.8	3.4

Changes in recommendation	Last month	Current month	Reason
Böhler Uddeholm	Accumulate	Hold	Limited upside due to tender offer price
CAToil	Reduce	Hold	Enhanced product offer
Dw ory	under review	Accumulate	Kaucuk, restructuring
Empik	-	Accumulate	Initial coverage
Gorenje	Accumulate	Hold	Approaching target price
MOL	Accumulate	under review	Uncertainties within take over
Pamapol	-	Accumulate	Initial coverage
Raiffeisen International	Accumulate	Buy	Successful cap.increase, expansion
Telefonica O2 CR	Hold	Accumulate	Improving outlook and valuation
Toora	Reduce	under review	Ever worsening fundamentals
Verbund	Buy	Accumulate	Approaching target price
Vistula & Wolczanka	-	Accumulate	Initial coverage
Zentiva	Buy	under review	Profit warning

Source: Erste Bank

One month performance (in EUR terms)

Outperformer		Underperformer	
Palfinger	23.3%	Toora	-26.7%
CME	21.3%	Zentiva	-12.0%
Rafako	19.5%	Ericsson Nikola Tesla	-10.1%
A-Tec	19.2%	Sanochemia	-9.6%
CEZ	14.8%	ComArch	-8.5%
Schöller Bleckmann Oi	14.3%	Pannonplast	-8.0%
TP SA	13.3%	Wienerberger	-7.5%
Empik	12.6%	Duda	-7.4%
Pamapol	12.6%	A&D Pharma	-7.0%
Prokom	12.0%	PBG	-6.9%

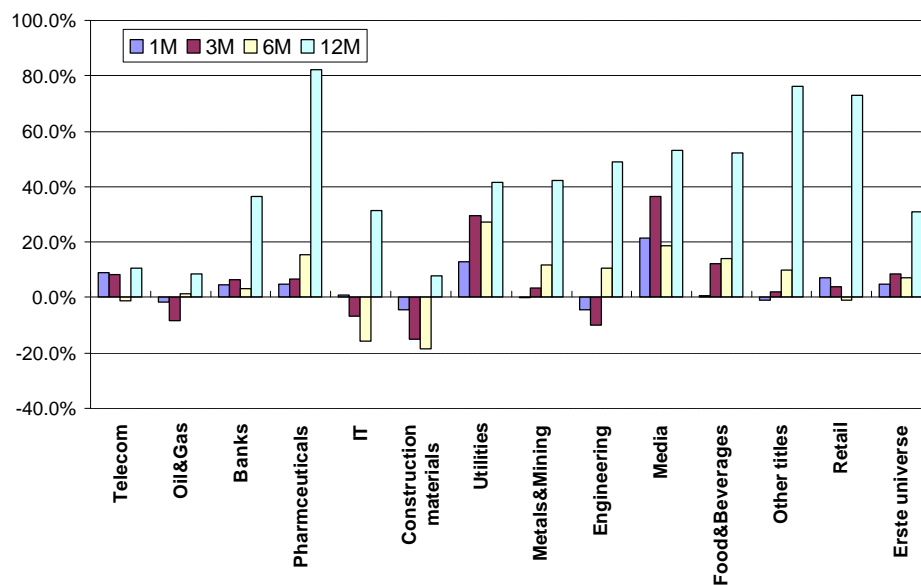
Source: Reuters

Stock market performances – CEE in comparison

(EUR terms)	1M	3M	6M	12M
New Europe Blue Chip Index	2.9%	6.5%	6.3%	23.4%
ATX (Austria)	1.6%	4.6%	0.8%	16.3%
BELEX 15 (Serbia)	-10.1%	-11.1%	-20.7%	75.9%
BET (Romania)	-0.6%	-6.1%	9.2%	27.0%
BUX (Hungary)	-2.6%	-2.6%	3.2%	23.3%
CROBEX (Croatia)	-1.8%	2.3%	9.5%	60.6%
PX-50 (Czech Republic)	6.4%	13.4%	9.5%	27.8%
SBI (Slovenia)	-2.4%	-0.2%	33.4%	99.9%
WIG (Poland)	5.5%	6.2%	3.7%	31.7%
WIG 20 (Poland)	5.0%	10.9%	8.1%	21.9%
Athens General (Greece)	5.3%	14.2%	17.6%	41.9%
IRTS (Russia)	3.5%	9.1%	8.3%	17.3%
ISE National 100 (Turkey)	2.1%	7.4%	18.4%	24.8%
SOFIX (Bulgaria)	-0.7%	18.6%	51.9%	74.4%
MSCI World Index	-1.9%	3.6%	0.1%	5.3%
MSCI Pan Euro	-3.5%	-1.3%	-8.1%	-6.7%
S&P 500	-5.2%	-2.4%	-5.8%	-3.6%
MSCI Emerging World	-2.1%	3.5%	0.2%	4.2%
MSCI Emerging Europe	4.5%	10.3%	14.9%	21.0%
MSCI Emerging Asia	4.0%	19.7%	35.7%	48.6%
MSCI Emerging Latin America	2.4%	16.9%	24.0%	45.4%
MSCI Emerging Far East	3.0%	18.6%	35.6%	48.3%
Dow Jones Euro Stoxx Banks	-4.9%	-4.4%	-14.4%	-6.1%
Dow Jones Euro Stoxx Energy	-0.5%	3.2%	1.1%	4.6%
Dow Jones Euro Stoxx Healthcare	0.4%	1.2%	-6.9%	-3.6%
Dow Jones Euro Stoxx Technology	-1.8%	7.9%	12.0%	21.4%
Dow Jones Euro Stoxx Telecom	10.0%	21.8%	16.6%	21.0%
Dow Jones Euro Stoxx Utilities	6.6%	15.0%	12.3%	27.5%
Dow Jones Euro Stoxx Construction & Materials	-0.1%	2.6%	-4.8%	28.9%
Dow Jones Euro Stoxx Industrial goods & Services	-0.2%	3.3%	0.6%	21.0%
Dow Jones Euro Stoxx Basic Resources	-6.0%	5.7%	6.9%	28.5%
Dow Jones Euro Stoxx Food & Beverages	5.8%	8.2%	2.2%	14.5%
Dow Jones Euro Stoxx Media	1.0%	0.0%	-6.2%	-1.0%
	1M	3M	6M	12M
Currencies				
CZK	2.3%	4.1%	4.6%	3.8%
HRK	-0.4%	-0.6%	0.0%	-0.1%
HUF	-0.2%	-0.3%	-2.4%	3.1%
PLN	3.3%	3.7%	2.7%	4.7%
RON	0.7%	-5.2%	-1.0%	4.8%
RSD	1.1%	3.3%	4.3%	3.4%

Sources: Reuters, MSCI

Change in market capitalization, Erste sectors (EUR terms)



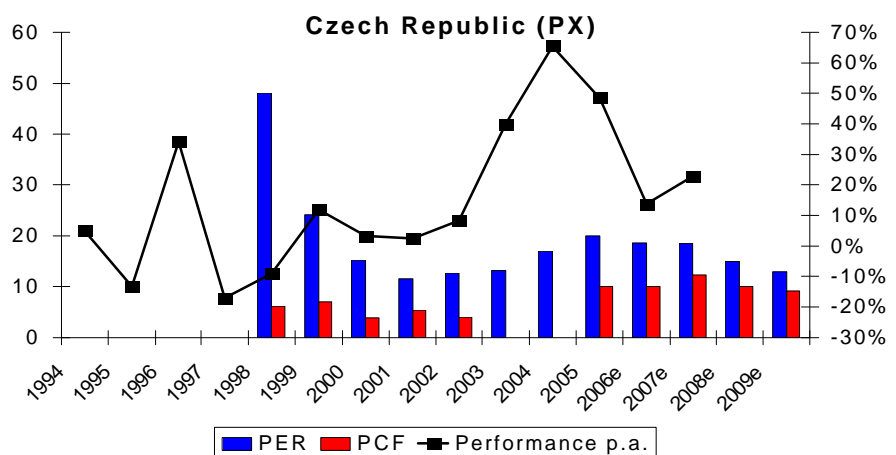
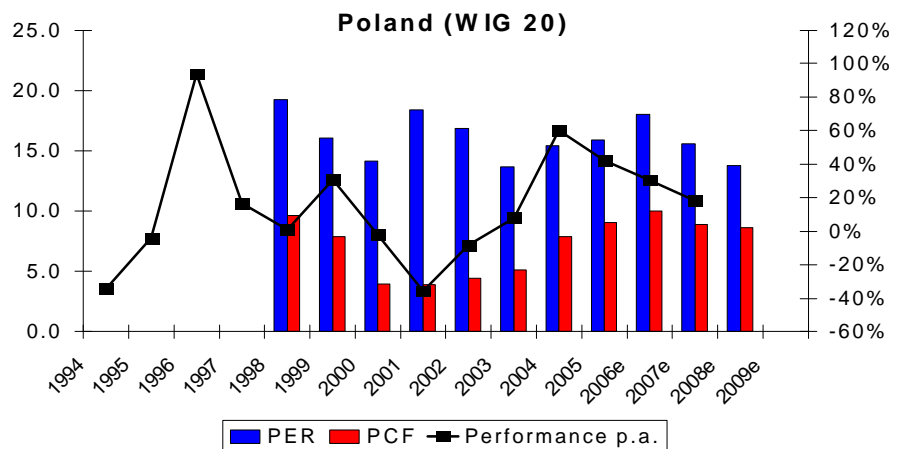
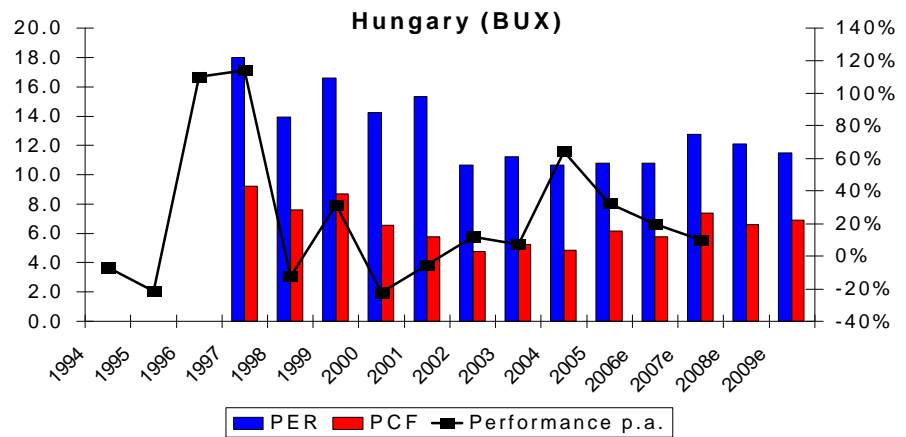
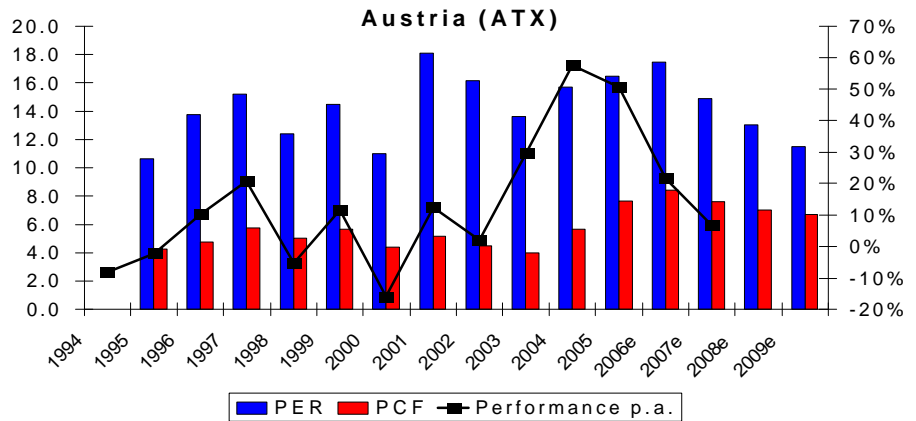
Source: Erste Bank

Ranked by dividend yield*

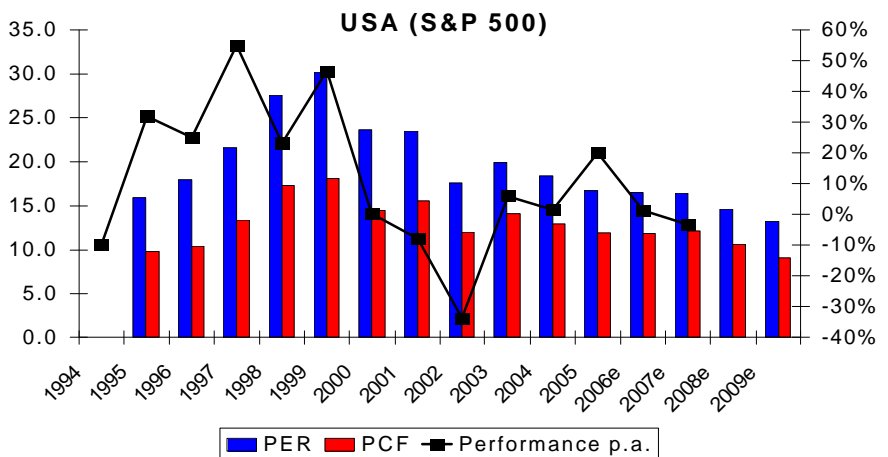
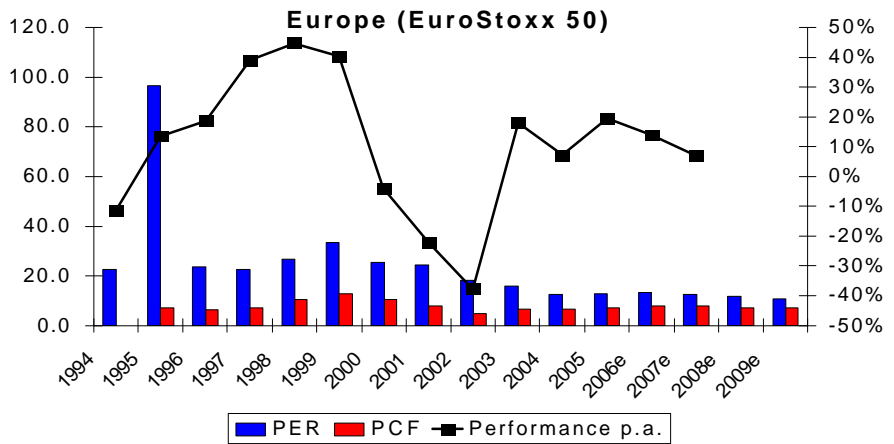
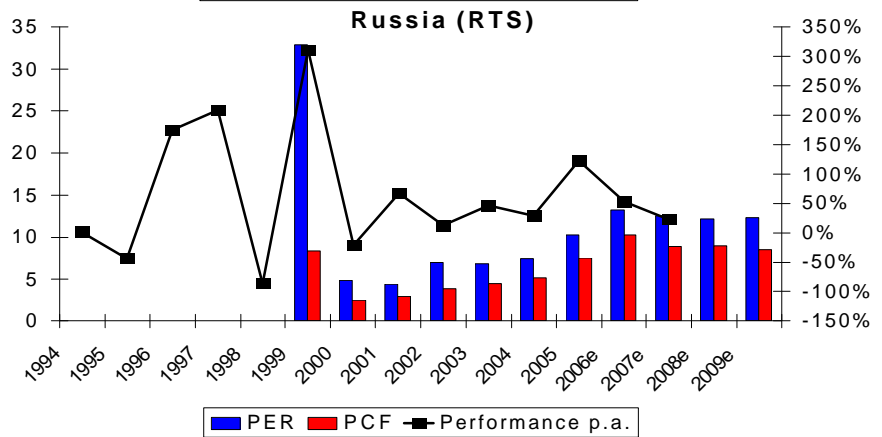
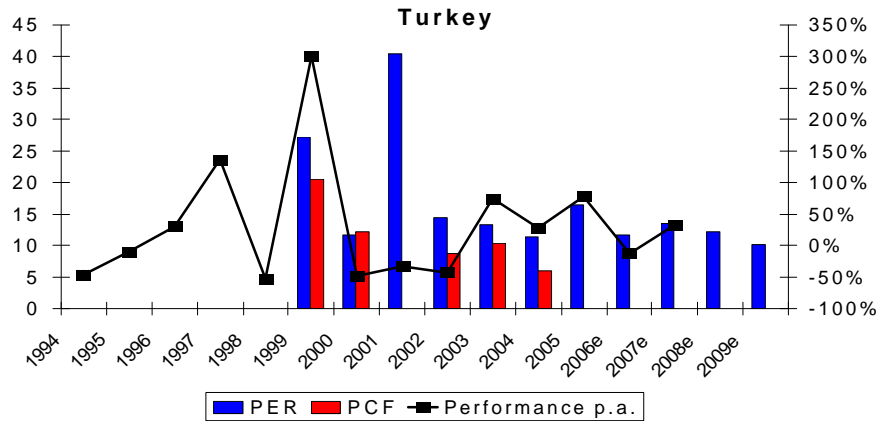
	2006e	2007e	2008e
Magyar Telekom	15.3%	7.7%	7.9%
Telefonica O2 CR	8.5%	7.1%	7.1%
TP SA	8.0%	6.8%	7.2%
Apator	3.2%	5.3%	5.8%
Bank BPH	3.7%	4.7%	5.0%
Praterm	0.0%	4.1%	7.8%
Bank Pekao	3.4%	4.0%	4.6%
Komercni banka	3.5%	4.0%	4.4%
Wienerberger	3.2%	3.9%	4.2%
voestalpine	2.4%	3.7%	3.9%
Telekom Austria	3.7%	3.5%	3.9%
Böhler Uddeholm	2.8%	3.4%	3.8%
SNP Petrom	2.5%	3.3%	3.6%
OMV	2.1%	3.1%	3.1%
MOL	2.2%	3.0%	3.0%
BZ WBK	2.2%	2.9%	3.7%
Danubius Hotels	0.0%	2.8%	5.0%
Pegas Nonwovens	0.0%	2.7%	3.0%
Zumtobel	1.7%	2.6%	3.1%
RHI	0.0%	2.6%	2.7%

*Ranked by 2007 data; Source: Erste Bank

Historical Valuations



Historical Valuations



Consensus data; Source: JCF Quant

Macroeconomy

Real Economy

GDP growth (%)	2006	2007e	2008f	2009f	Ind. production growth	2006	2007e	2008f	2009f
Hungary	3.9	2.2	3.0	3.9	Hungary	10.1	8.5	6.5	7.5
Poland	6.2	6.5	5.5	6.0	Poland	11.3	10.5	11.0	10.8
Czech Republic	6.4	5.4	4.1	4.8	Czech Republic	10.0	10.6	7.8	6.6
Croatia	4.8	5.9	4.7	4.9	Croatia	4.5	5.7	5.5	5.5
C/A (% of GDP)	2006	2007e	2008f	2009f	CPI (%)	2006	2007e	2008f	2009f
Hungary	-6.5	-5.0	-4.4	-3.9	Hungary	6.5	6.2	3.6	2.3
Poland	-3.2	-4.1	-4.5	-4.9	Poland	1.4	2.7	2.9	2.7
Czech Republic	-3.0	-3.5	-3.7	-2.8	Czech Republic	2.5	3.9	4.9	3.2
Croatia	-7.8	-8.1	-8.0	-8.3	Croatia	2.0	4.0	3.0	3.0

Industrial output	Period	Date of release	Our expectation	Last available
Hungary	Sep	8-Nov	9.2%	12.2%
Poland	Oct	20-Nov	9.1	5.2%
Czech Republic	Sep	8-Nov	7.0%	5.5%
Croatia	Oct	21-Nov	1.5%	2.1%

Source: Bloomberg, Erste Bank

As the business cycle matures, growth of industrial production is decelerating in most countries. The most recent data was also negatively affected by the day count. The environment for industrial production remains favorable, with domestic demand still strong and the Euroland economy so far hardly affected by the turbulence in the US. So, after posting double-digit growth for some time, the recent deceleration is healthy.

Retail sales	Period	Date of release	Our expectation	Last available
Hungary	Sep	23-Nov	-2.5	-3.6%
Poland*	Oct	21.-26 Nov	17.2	14.2%
Czech Republic	Sep	14-Nov	6.8%	7.3%
Croatia	Sep	6-Nov	9.8%	10.7%

* nominal Source: Bloomberg, Erste Bank

The maturing business cycle can also be seen in the retail sales figures. Here, growth rates have stabilized at a high level, at least for Poland and the Czech Republic. In Croatia, on the other hand, the growth rate has only recently reached a multi-year high, and the upcoming elections might give a further boost to retail sales in the short term. But the basis for the strongly growing consumer demand in all countries is of course the labor market, where employment and earnings are developing favorably. In Hungary, the economic picture is different, with last year's austerity package weighing heavily on the economy. The good news is that retail sales have not decelerated further recently.

Trade Balance	Period	Date of release	Our expectation	Last available
Hungary	Sep	9-Nov	EUR -80mn	EUR -199.4mn
Poland	Sep	12.-15. Nov	EUR-421mn	EUR -289mn
Czech Republic	Oct	5-Dec	CZK 14.4bn	CZK 14.4bn
Croatia	Oct	30-Nov	EUR-825mn	EUR-754mn

Source: Bloomberg, Erste Bank

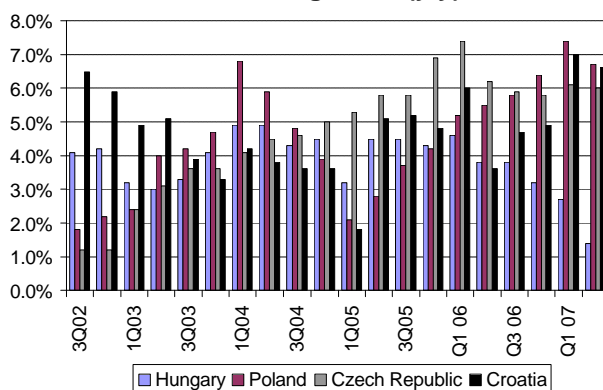
The two most noteworthy foreign trade developments recently were in Poland and Croatia. The trade balance of the former showed a surprising improvement, after a series of negative data. While strong domestic demand will likely lead to further continuous widening of the trade gap, recent data has calmed the worst fears about the pace. Croatia's trade balance deficit has peaked for this year and has started its seasonal recovery. For the full year, Croatia will definitely post a higher deficit than in 2006.

Unemployment	Period	Date of release	Our expectation	Last available
Hungary	Oct	28-Nov	7.3%	7.2%
Poland	Oct	21.-26. Nov	11.4%	11.6%
Czech Republic	Oct	8-Nov	5.9%	6.2%
Croatia	Oct	21-Nov	14.5%	14.1%

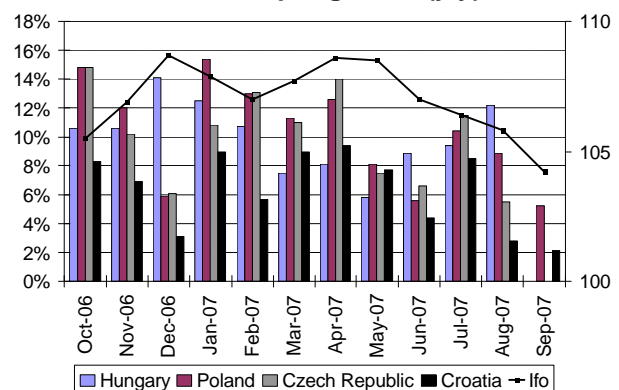
Source: Bloomberg, Erste Bank

Labor markets are performing strongly throughout the region. The strongest dynamic can still be seen in Poland, where the unemployment rate continued to drop in September. In Croatia and the Czech Republic, the unemployment rate has stayed unchanged for several months, considerably below last year's levels in both countries. The seasonal effects during the coming months will be stronger for Croatia. Finally, we turn to Hungary, where the official unemployment rate has been more or less stable for several years now.

Real GDP growth (y/y)



Production output growth (y/y)



Sources: Central statistical offices. Ifo's business sentiment index (right scale).

Inflation

CPI	Period	Date of release	Our expectation	Last available
Hungary	Oct	13-Nov	6.5%	6.4%
Poland	Oct	14-Nov	2.7%	2.3%
Czech Republic	Oct	8-Nov	3.8%	2.8%
Croatia	Oct	14-Nov	4.3%	3.9%

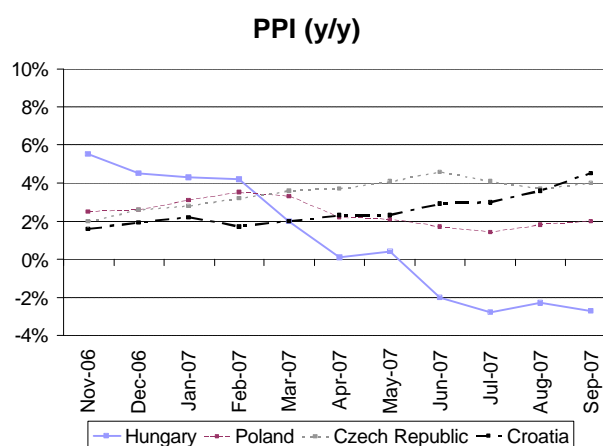
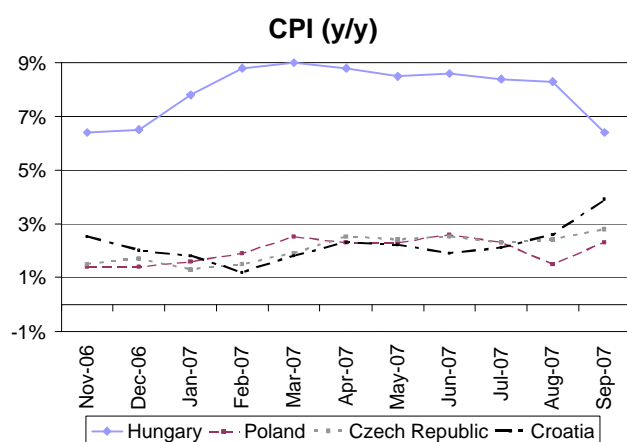
Source: Bloomberg, Erste Bank

PPI	Period	Date of release	Our expectation	Last available
Hungary	Oct	30-Nov	-1.4%	-2.7%
Poland	Oct	20-Nov	2.4%	2.0%
Czech Republic	Oct	14-Nov	4.3%	4.0%
Croatia	Oct	7-Nov	4.9%	4.5%

Source: Bloomberg, Erste Bank

Hungary was the exception to the regional trend of increasing inflation rates. The reason was that last year's VAT hike dropped out of the calculation. At the same time, though, m/m inflation accelerated, due to food prices; the overall level of inflation is definitely not where the central bank wants it to be. In the Czech Republic, inflation continued to rise. This stemmed mostly from food, energy and (deregulated) rents. Inflation due to domestic factors remained subdued. Year-on-year inflation should increase further in the coming months, due to the factors already mentioned. After surprising on the downside last month, Poland's inflation rate recently surprised on the upside (food prices were again the main driver). Inflation should rise slightly further, as demand pressures will also increase. Inflation in Croatia rose strongly. One of the main drivers was - you already guessed it - food prices. Clothing prices also contributed. Year-on-year inflation should remain at these elevated levels until the year-end.

Macroeconomy



Sources: Central statistical offices

Interest Rates & Currencies

Currency/EUR (avg.)	2006	2007e	2008f	2009f	Currency/USD (avg.)	2006	2007e	2008f	2009f
Hungary (HUF)	264	251	256	255	Hungary (HUF)	211	184	191	208
Poland (PLN)	3.90	3.78	3.60	3.51	Poland (PLN)	3.10	2.78	2.69	2.88
Czech Republic (CZK)	28.4	28.0	27.0	26.1	Czech Republic (CZK)	22.6	20.5	20.1	21.3
Croatia (HRK)	7.32	7.36	7.30	7.28	Croatia (HRK)	5.84	5.37	5.43	5.94

3M interest rate (%)	2006	2007e	2008f	2009f	10Y interest rate (%)	2006	2007e	2008f	2009f
Hungary (HUF)	7.0	7.7	6.6	5.9	Hungary (HUF)	7.1	6.7	6.1	5.4
Poland (PLN)	4.2	4.7	5.4	5.3	Poland (PLN)	5.2	5.4	5.4	5.2
Czech Republic (CZK)	2.3	3.0	3.7	4.3	Czech Republic (CZK)	3.8	4.3	4.8	4.7
Croatia (HRK)	4.5	5.5	5.5	5.0	Croatia (HRK)	4.4	5.2	5.2	5.0

3M interbank (offer)	Last	m/m bp	Expected range
Hungary	7.39%	-1	7.15-7.45%
Poland	5.21%	12	5.10-5.25%
Czech Republic	3.50%	8	3.45-3.55%
Croatia	6.58%	8	5.5-7.5%

10Y bond (offer)	Last	m/m bp	Expected range
Hungary	6.56%	-15	6.4-6.8%
Poland	5.53%	-20	5.35-5.65%
Czech Republic	4.52%	-5	4.5-4.6%
Croatia	5.17%	-12	5.0-5.4%

Source: Bloomberg, Erste Bank

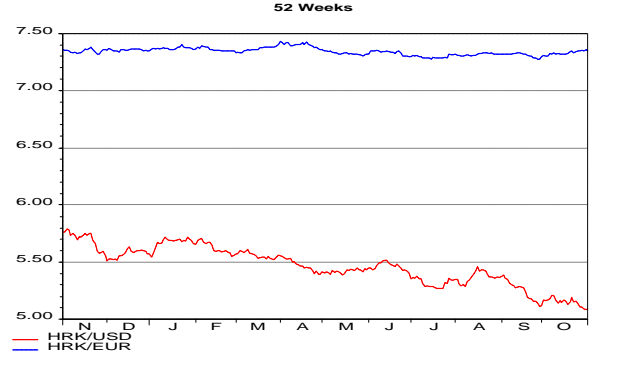
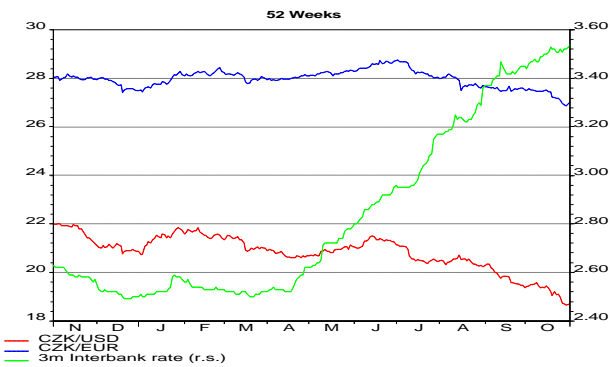
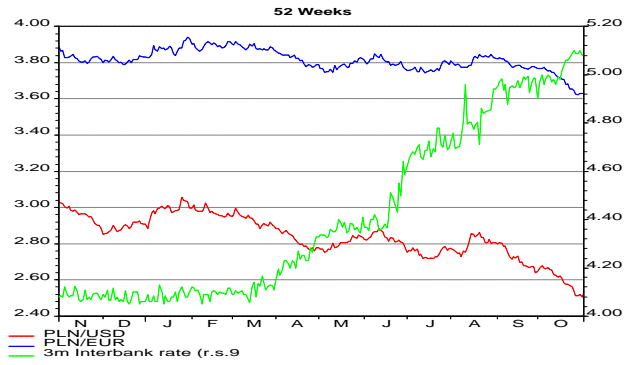
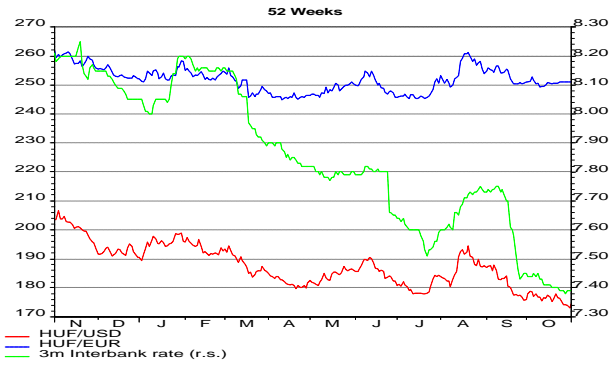
Challenges for monetary policy differ throughout our covered countries. In Poland and the Czech Republic, the respective councils are faced with booming economies and ever-tightening labor markets. At the same time, inflation is rising, but mostly due to supply effects (food, energy). So, in both cases, the central bankers are faced with inflationary risks, but at the same time productivity gains and stronger currencies give them some latitude. We expect the next hike by the Czech central bank in January 2008 and by the Polish central bank in November. The Hungarian central bank is faced with the opposite dilemma. Economic growth is slow with inflation is falling, but mainly due to base effects, while core inflation is sticky. So, while the future path of Hungarian interest rates seems quite clear, the timing of future cuts is an open issue. We expect the next cut in November. In Croatia, the main issue for the central bank remains managing the exchange rate and keeping credit growth under control. The former required some (successful) interventions to counter appreciation pressures caused by the T-HT IPO in October.

Macroeconomy

Local curr./EUR	Last	m/m %	Expected range
Hungary (HUF)	252.5	-0.14%	248-255
Poland (PLN)	3.650	3.23%	3.60-3.70
Czech Rep. (CZK)	26.92	2.38%	27.0-27.2
Croatia (HRK)	7.343	-0.55%	7.31-7.38

Source: Bloomberg, Erste Bank

Exchange rates and interest rates



Source: Datastream

Banks

- **3Q reporting season pretty promising so far**
- **PKO BP expects 3Q to be at least as good as 2Q 2007 - treasury might reduce stake to below 50%**
- **Raiffeisen International well funded for further expansion**

We are right in the middle of the reporting season and what we have seen so far from CEE banks reporting 3Q07 results is quite promising compared to Western European players, some of which have been heavily hit by the US sub-prime crisis. This does not seem to be the case with CEE banks. **BRE Bank** and **Millennium** reported bottom line growth rates above 30% in 3Q07, driven by the ongoing strong double-digit growth of sustainable income sources. However, in some cases, the growth dynamics are diminishing compared to 2Q07. In Poland, for instance, BRE Bank and **PKO BP** foresee decreasing mortgage sales for 2H07, mainly due to high housing price levels and worsening price expectations. The recent reports and management statements indicating a decreasing product pipeline confirm our assumptions of slowing business dynamics, albeit still with double-digit growth levels. On the other hand, the rate hikes during 3Q07 in Poland (+50bp to 4.75%) and the Czech Republic (+50bp to 3.25%) should help deposit margins and therefore stabilize or even improve net interest margins. In Slovakia, the key 2W repo rate was kept on hold at 4.25% during 3Q07 and in Hungary the base rate was lowered by 25bp to 7.5%.

Bank BPH decreased number of partner retail outlets by one third

The division of **BPH** is causing problems with its franchise partners. BPH's franchise retail chain (accounting for 5-15% of sales) has already shrunk by one third. According to an agreement, all of the franchises are to be merged with **Pekao**. The management of the two banks seems to disagree on the solution, as managers of certain retail units do not want to be directly responsible to Pekao, but prefer to stay with BPH-200. Additionally, the range of services offered by the outlets may be decreased, which means that cash services, which so far have represented the biggest share in revenues, may not be offered any longer.

Watchdog approves merger share issue

The Commission for Financial Supervision approved **Pekao's** share issue of 95mn shares (i.e. 3.3 Pekao shares for 1 BPH share) to complete the bank's merger with **BPH-285**. The court should examine the merger until November 5 and within two weeks Pekao can apply for the merger's legal approval. Consequently, the new Pekao shares should be listed until the end of November, right after the Polish watchdog sets the reference day for the swap of BPH shares for Pekao shares. Additionally, **GE Money** got approval from the European Commission to buy 66% in **BPH-200** and 49.9% in **BPH Investment Fund** for a total of EUR 625.5mn.

3Q07 financials basically in line, business dynamics slowing down

BRE in 3Q07 reported net profit of PLN 164mn (+31% y/y, -9% q/q), in line with the consensus estimate (PLN 161mn). The sustainable income sources were still the main profit growth drivers, albeit at a slowing pace. Net interest income was up 38% y/y, compared to 50% annual growth in 2Q07, and net fee & commission income grew 33% y/y (+55% y/y in 2Q07) to PLN 139mn, which is a 5% decrease vs. 2Q07. While the first was based on the 38% bigger loan portfolio, as well as 28% y/y higher deposits, the latter was also affected by decreasing brokerage fees (-27% q/q, +64% y/y) and some restatement issues concerning mortgage loan insurance (credit related fees: -24% q/q). Operating costs were under control (-8.8% q/q, +15% y/y), despite the ongoing business expansion, bonus provisions and branch network expansion. However, net provisions jumped to PLN -35mn, due to irregular loans not being repaid on a scale noted in previous quarters and despite further improving loan quality (NPLs down to 4.6%, from 5.5% as of year-end 2006). The main business drivers showed slightly slowing dynamics, with gross loans up 38% y/y (+8.7% q/q), driven by corporate loans (+29% y/y, +7.8% q/q) and retail loans (+65% y/y, +11.5% q/q). In contrast, mortgage loans

picked up again in 3Q07, growing at 14% q/q (vs. +10% q/q in 2Q07), and mortgage sales again accelerated to +8.9% q/q (vs. +1.8% q/q in 2Q07). On the funding side, customer deposit growth slowed to +28% y/y (vs. +35% y/y in 2Q07), of which corporate deposit dynamics lost the most pace (+27.5% y/y in 3Q07, vs. +41% y/y in 2Q07). In the conference call, management reiterated that BRE Bank is not exposed to the US sub-prime crisis. On the funding side, however, higher costs are expected in the range of +10bp to +20bp, affecting P&L by PLN -6mn to PLN -12mn p.a. if costs cannot be shifted to customers (which is not expected). Moreover, in the coming quarters, the cost of risk might stay in the PLN 30mn+ region, due to loan volume growth and the unsustainable repayment of former bad loans. Concerning costs, management expects increasing cost levels, due to the ongoing network expansion and extra marketing costs for **mBank's** expansion in the Czech Republic and Slovakia starting in November. For 2008, the CEO expects double-digit growth in revenues and net profit based on the fast expansion of the retail business.

FHB boosts capital at property arm

To strengthen the equity base, **FHB** Mortgage Bank and FHB Services transferred around HUF 50mn to FHB Real Estate. According to Daniel Gyuris (CEO of FHB Mortgage Bank), this step is in line with the capital hike laid out in FHB's annual business plan and became necessary, as the former pure inter-group service provider FHB Real Estate now also offers its services to outside clients.

KB: S&P rating agency raised ratings of two Czech banks

S&P raised its LT counterparty credit rating on **Komerční banka** from 'A' to 'A+' and confirmed its ST rating at 'A-1'; the outlook remains stable. S&P also raised its LT and ST counterparty credit ratings on **Ceska sporitelna** to 'A' and 'A-1', from 'A-' and 'A-2' respectively, while the outlook remains stable.

OTP looking at Slovak BAWAG affiliate

According to a Hungarian newspaper, a spokesman of **OTP** Slovensko, the Slovak subsidiary of OTP group, signaled interest in the Slovak affiliate of Austria's **BAWAG**, which announced its intention to sell their banking assets in CEE in the near future. Currently, there is no further information available on this possible deal. OTP also announced that it plans to establish a new subsidiary in Cyprus called OTP Financing Cyprus to save costs in connection with financing transactions within the OTP group. There was further positive news flow for the Hungarian banking sector, not only for OTP. At the meeting of the economic committee of the Hungarian Parliament, the government representatives and representatives of the coalition rejected the proposal to cancel the deductibility of loan loss provisions from the taxable result. This makes it more likely that the current rules will not be changed by Parliamentary vote.

CEO expects 3Q07 results no worse than in 2Q07

In a press interview, the CEO of **PKO BP** said that (1) the 3Q07 figures will be at least as good as in 2Q07 (PLN 611mn), but below 1Q07 (PLN 673mn), thanks to sustained strong double-digit growth; (2) the company sold in 3Q mortgages for PLN 3.8bn, which means a 14% q/q drop vs. 2Q07, due to the very weak September; (3) he intends to convince the government to lower the dividend payout to significantly below 50% (48% in 2006), in light of the swift development and quick expansion; (4) he plans to list some subsidiaries from the group in 2008. The 3Q07 earnings preview means in the best case only 9.5% y/y bottom line growth and, on the lower end of the range, flat annual development. In 2Q07, net profit grew 30% y/y, despite corporate loan impairment write-offs. Together with decreasing mortgage sales of 14% q/q in 3Q07, this is rather disappointing. On the other hand, after the elections in Poland, a Civic Platform representative (who might become Treasury minister) said in the press that he is considering decreasing the Treasury's stake in PKO BP to below 50% (currently 51.5%). Losing the Treasury's grip on the largest state-controlled bank would be very positive news for PKO. Moreover, in the last days of its rule, the Polish government decided to cancel the privatization deal of PZU (a dominant Polish insurer) in the long-lasting battle between the Treasury and Dutch-based Eureko. If Eureko were to succeed in the dispute with the Treasury, the merger of PZU and PKO BP would be very unlikely. Additionally, Civic Platform also announced that it is against the merger of PZU and PKO

BP. All of this makes the merger of the two financial giants highly improbable. Moreover, PKO BP issued PLN 1.6bn worth of 10-year bonds to finance its loan granting strategy. The bonds were offered to institutional investors such as pension and mutual funds. The original issue amount was planned at PLN 1.2bn. PKO BP said previously that the size of its planned Eurobond issue early next year would depend on the success of this year's issue directed at Polish investors.

Well funded for further expansion

The very successful capital increase provided EUR 1.2bn in funds for **Raiffeisen International's** further expansion. After the transaction, the main shareholder, Raiffeisen Zentralbank Österreich AG (RZB), will hold 68.5% (previously 70%) of RI. As a result, RI's free float will increase to approx. 31.5% (from 30%). In the current market situation, we regard funding quality, which is supported by the successful capital increase and majority owner RZB, as key. Moreover, RI management confirmed the mid-term targets, as well as the focus on the retail and mid-market segments. We appreciate RI's stronger focus on net fee & commission income growth, which in the previous quarters was lagging behind net interest income dynamics. The catalyst should be the mutual fund and insurance business. RI already holds a strong market share in the mutual fund industry in some markets (e.g. 27% in Slovakia and Croatia, 10% in Bulgaria). In addition, we think that RI's asset quality is relatively good (e.g. no sub-prime instruments exposure) and there is little negative surprise potential in the coming quarters.

Privatization of remaining state-owned banks hampered by their poor performance

Although the state wants to get out of the banking sector as soon as possible, the privatization of state owned **Credy Banka**, **Privredna Banka Pancevo**, **Banka Postanska Stedionica** and **Srpska Banka** is hindered by their poor performance, according to Finance Minister Mirko Cvetkovic. At the same time, the sale of the state's 20% stakes in **Agrobanka**, **Privredna Banka**, **Jubmes Banka** and **Cacanska Banka** will depend on budget needs. Currently, the state coffers are full, with about EUR 1bn left from last year's sale of mobile operator Mobi 63 to Norway's Telenor. On the other hand, the state has no plans to dispose of its 40% holding in **Komercijalna Banka** in the next two to three years.

Company	Curr.	Mcap (EURmn)	ROE				ROA				Performance (EUR terms)			
			2005	2006	2007e	2008e	2005	2006	2007e	2008e	1M	3M	6M	12M
OTP Bank	HUF	10,388	32.3%	28.1%	23.3%	22.2%	3.4%	3.0%	2.6%	2.6%	-1.6%	-5.9%	-7.6%	36.5%
FHB	HUF	538	41.1%	29.0%	20.7%	20.3%	1.9%	1.5%	1.1%	1.2%	-3.2%	-5.2%	-10.9%	34.8%
Bank BPH	PLN	7,612	16.8%	19.0%	22.3%	22.2%	1.9%	2.1%	2.4%	2.3%	9.0%	7.4%	0.3%	16.0%
BRE	PLN	4,392	11.4%	12.7%	-	-	0.8%	0.9%	-	-	8.2%	15.9%	10.4%	104.1%
Bank Pekao	PLN	12,117	18.9%	20.6%	23.6%	25.4%	2.5%	2.8%	3.1%	3.3%	9.4%	11.8%	0.8%	35.1%
BZ WBK	PLN	5,372	15.9%	20.2%	21.8%	22.6%	1.8%	2.4%	2.7%	2.8%	4.9%	10.9%	-12.5%	39.0%
Komerční banka	CZK	5,968	18.5%	17.8%	18.9%	19.3%	1.8%	1.6%	1.6%	1.6%	0.2%	12.9%	15.9%	29.3%
Raiffeisen International	EUR	17,318	16.5%	34.8%	15.7%	15.3%	1.1%	2.4%	1.3%	1.4%	6.6%	4.3%	10.0%	27.1%
PKO BP	PLN	14,939	19.7%	22.7%	22.9%	22.4%	2.0%	2.2%	2.3%	2.4%	1.0%	8.0%	7.7%	51.3%
Median	-	-	17.7%	20.4%	21.8%	22.2%	1.8%	2.1%	2.3%	2.3%	-	-	-	-
UniCredito Italiano SpA	EUR	75,302	9.6%	13.4%	14.6%	15.3%	0.6%	-	-	-	-10.3%	-9.9%	-25.9%	-13.2%
KBC Groupe SA	EUR	33,073	14.5%	14.9%	17.0%	16.9%	0.8%	-	-	-	-5.8%	-1.8%	-7.1%	9.5%
Svenska Handelsbanken	SEK	13,850	17.0%	18.8%	16.5%	15.7%	0.8%	-	-	-	-0.2%	4.3%	-3.0%	8.6%
Erste Bank	EUR	17,018	17.4%	12.3%	13.4%	14.3%	0.5%	-	-	-	-3.9%	-2.3%	-7.0%	2.6%
Societe Generale	EUR	50,660	20.6%	19.9%	17.9%	17.0%	0.6%	-	-	-	-12.4%	-16.4%	-30.0%	-15.3%
Median	-	-	17.0%	14.9%	16.5%	15.7%	0.6%	-	-	-	-	-	-	-
Euro Stoxx Banks		891,547	14.5%	14.9%	15.3%	15.5%	0.9%	-	-	-	3.0%	18.6%	35.6%	48.3%
CEE to Peer, Prem/Disc	-	-	4%	37%	32%	41%	187%	-	-	-	-	-	-	-

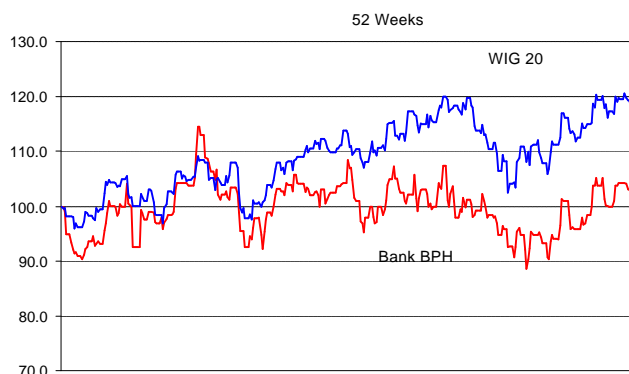
	P/E				Div yield				P/BV			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
OTP Bank	16.6	14.0	13.0	11.5	2.2%	1.5%	2.3%	2.6%	4.8	3.3	2.8	2.4
FHB	16.1	17.8	21.2	18.7	1.4%	1.6%	1.6%	1.6%	5.7	4.7	4.1	3.5
Bank BPH	27.0	21.9	17.2	16.1	3.1%	3.7%	4.7%	5.0%	4.3	4.0	3.7	3.5
BRE	55.7	45.7	-	-	0.6%	0.7%	-	-	6.1	5.5	-	-
Bank Pekao	28.7	24.7	20.3	17.5	2.8%	3.4%	4.0%	4.6%	5.2	5.0	4.6	4.3
BZ WBK	38.0	25.8	20.5	17.3	2.2%	2.2%	2.9%	3.7%	5.7	4.8	4.2	3.7
Komerční banka	18.0	17.6	16.1	14.5	5.9%	3.5%	4.0%	4.4%	3.1	3.2	2.9	2.7
Raiffeisen International	41.9	13.5	22.2	17.7	0.4%	0.6%	0.8%	1.0%	5.7	2.9	4.0	2.9
PKO BP	31.4	25.4	21.8	19.4	1.5%	1.8%	2.1%	2.3%	6.2	5.4	4.7	4.1
Median CEE	27.9	19.9	20.3	17.3	1.9%	1.7%	2.3%	2.6%	5.5	4.3	4.0	3.5
UniCredito Italiano SpA	17.3	11.4	9.8	8.5	3.9%	4.3%	4.8%	5.3%	1.7	1.5	1.4	1.3
KBC Groupe SA	14.7	12.8	10.9	10.1	2.7%	3.6%	3.9%	4.4%	2.1	1.9	1.9	1.7
Svenska Handelsbanken AE	12.2	10.1	10.8	10.3	3.4%	4.0%	4.2%	4.2%	2.1	1.9	1.8	1.6
Erste Bank	18.2	17.4	14.3	11.9	1.0%	1.2%	1.5%	1.8%	3.2	2.1	1.9	1.7
Societe Generale	10.2	8.9	8.9	8.6	4.1%	4.8%	5.0%	5.1%	2.1	1.8	1.6	1.5
Median	14.7	11.4	10.8	10.1	3.4%	4.0%	4.2%	4.4%	2.1	1.9	1.8	1.6
Euro Stoxx Banks	16.0	14.2	12.4	10.9	2.8%	3.5%	4.1%	4.7%	2.1	1.8	1.7	1.7
CEE to Peer, Prem/Disc	89%	74%	88%	72%	-45%	-58%	-45%	-41%	161%	129%	124%	115%

	Mcap/loans				Mcap/deposits				Mcap/assets			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
OTP Bank	0.82	0.59	0.48	0.40	0.77	0.62	0.56	0.49	0.50	0.37	0.32	0.27
FHB	0.32	0.28	0.26	0.24	n.m.	n.m.	n.m.	n.m.	0.28	0.25	0.23	0.21
Bank BPH	0.87	0.78	0.69	0.61	0.74	0.67	0.60	0.55	0.48	0.43	0.40	0.36
BRE	0.86	0.78	-	-	1.08	0.98	-	-	0.45	0.42	-	-
Bank Pekao	1.57	1.39	1.20	1.04	0.94	0.85	0.78	0.71	0.71	0.65	0.60	0.55
BZ WBK	1.38	1.11	0.91	0.72	0.94	0.81	0.70	0.62	0.67	0.59	0.52	0.46
Komerční banka	0.85	0.64	0.53	0.44	0.41	0.33	0.31	0.28	0.31	0.27	0.25	0.23
Raiffeisen International	0.70	0.49	0.40	0.31	0.70	0.52	0.42	0.33	0.43	0.31	0.27	0.22
PKO BP	1.16	0.93	0.75	0.63	0.71	0.66	0.61	0.57	0.59	0.54	0.48	0.43
Median CEE	0.86	0.71	0.53	0.44	0.74	0.66	0.58	0.52	0.46	0.39	0.32	0.27
UniCredito Italiano SpA	0.15	0.00	-	-	0.18	0.00	-	-	0.10	0.09	-	-
KBC Groupe SA	0.21	0.20	-	-	0.14	0.14	-	-	0.10	0.10	-	-
Svenska Handelsbanken AE	-	-	-	-	-	-	-	-	-	-	-	-
Erste Bank	0.18	0.15	-	-	0.16	0.13	-	-	0.11	0.09	-	-
Societe Generale	0.19	-	-	-	0.16	-	-	-	0.06	0.05	-	-
Median	0.19	0.15	-	-	0.16	0.13	-	-	0.10	0.09	-	-
Euro Stoxx Banks	0.20	0.17	-	-	0.26	0.24	-	-	0.13	0.13	-	-
CEE to Peer, Prem/Disc	359%	359%	-	-	361%	397%	-	-	371%	325%	-	-

Source: JCF Quant, Erste Bank

Bank BPH Hold

Price (PLN)	967.0	ROA 2006	2.1%
Mcap (PLN mn)	27,769	ROE 2006	19.0%
Mcap (EUR mn)	7,612	Cust. loans/Depo. (06)	0.86
Free float (%)	25.3%	Cust. loans/tot. asset (06)	0.55
Free float (EUR mn)	1,925	BVPS CAGR 00-08e	7.3%
Shares outst. (mn)	28.7	EPS CAGR 00-08e	20.1%

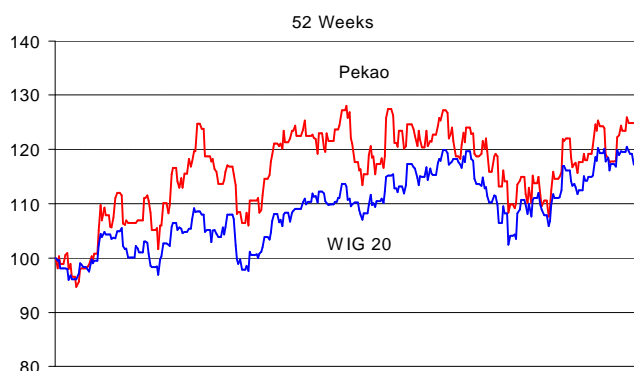


	05	06	07e	08e
Tot. income (PLNmn)	3,100	3,534	4,184	4,485
ROE	16.8%	19.0%	22.3%	22.2%
ROA	1.9%	2.1%	2.4%	2.3%
EPS (PLN)	35.8	44.1	56.3	60.1
NIM (av. tot. assets)	3.6%	3.5%	3.5%	3.5%
Cost/income ratio	50.0	47.5	43.2	43.3
Cost/assets ratio	2.7	2.7	2.7	2.6
P/BV	4.3	4.0	3.7	3.5
P/E	27.0	21.9	17.2	16.1
Dividend yield	3.1%	3.7%	4.7%	5.0%
P/BV rel.	0.82	0.92	0.99	1.00
P/E rel.	0.97	1.10	0.84	0.93

Performance	12M	6M	3M	1M
Absolute (PLN terms)	1.8%	-2.3%	3.4%	5.3%
Rel. to sector (EUR, ppt)	-29.6	-2.7	1.0	4.6
Rel. to universe (EUR, ppt)	-24.2	-6.6	-1.1	4.3

Bank Pekao Accumulate

Price (PLN)	265.0	ROA 2006	2.8%
Mcap (PLN mn)	44,204	ROE 2006	20.6%
Mcap (EURmn)	12,117	Cust. loans/Depo. (06)	0.61
Free float (%)	47.1%	Cust. loans/tot. asset (06)	0.47
Free float (EUR mn)	5,711	BVPS CAGR 00-08e	9.9%
Shares outst. (mn)	166.8	EPS CAGR 00-08e	32.8%

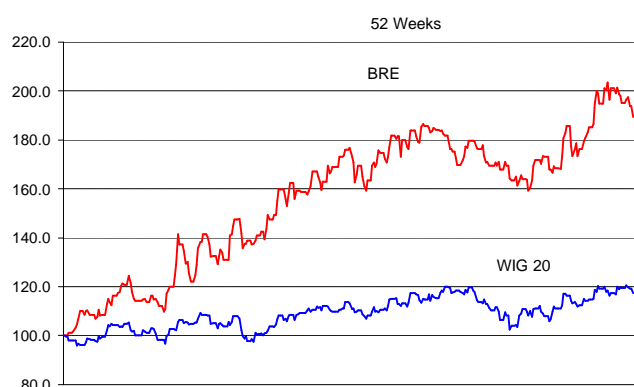


	05	06	07e	08e
Tot. income (PLNmn)	4,627	4,826	5,379	5,928
ROE	18.9%	20.6%	23.6%	25.4%
ROA	2.5%	2.8%	3.1%	3.3%
EPS (PLN)	9.2	10.7	13.0	15.2
NIM (av. tot. assets)	3.9%	3.7%	3.6%	3.4%
Cost/income ratio	54.4	49.7	45.7	43.0
Cost/assets ratio	4.2	3.7	3.4	3.3
P/BV	5.2	5.0	4.6	4.3
P/E	28.7	24.7	20.3	17.5
Dividend yield	2.8%	3.4%	4.0%	4.6%
P/BV rel.	1.00	1.14	1.25	1.23
P/E rel.	1.03	1.25	1.00	1.01

Performance	12M	6M	3M	1M
Absolute (PLN terms)	24.8%	-1.9%	7.6%	5.7%
Rel. to sector (EUR, ppt)	-5.4	-2.2	5.3	5.0
Rel. to universe (EUR, ppt)	-0.1	-6.1	3.3	4.7

BRE under review

Price (PLN)	558.0	ROA 2005	0.8%
Mcap (PLN mn)	16,022	ROE 2005	11.4%
Mcap (EURmn)	4,392	Cust. loans/Depo. (05)	1.24
Free float (%)	27.5%	Cust. loans/tot. asset (05)	0.52
Free float (EUR mn)	1,208	BVPS CAGR 00-07e	-
Shares outst. (mn)	28.7	EPS CAGR 00-07e	-



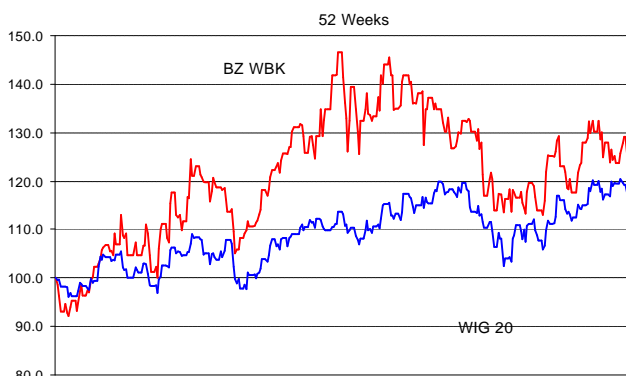
	04	05	06e	07e
Tot. income (PLNmn)	1,187	1,389	-	-
ROE	8.4%	11.4%	-	-
ROA	0.5%	0.8%	-	-
EPS (PLN)	29.2	10.0	-	-
NIM (av. tot. assets)	1.2%	1.6%	-	-
Cost/income ratio	72.4	64.9	-	-
Cost/assets ratio	2.6	2.6	-	-
P/BV	6.7	6.1	-	-
P/E	19.1	55.7	-	-
Dividend yield	0.3%	0.6%	-	-
P/BV rel.	1.27	1.40	-	-
P/E rel.	0.69	2.81	-	-

Performance	12M	6M	3M	1M
Absolute (PLN terms)	89.2%	7.5%	11.6%	4.6%
Rel. to sector (EUR, ppt)	62.1	7.4	9.5	3.8
Rel. to universe (EUR, ppt)	67.4	3.5	7.4	3.5

BZ WBK

Accumulate

Price (PLN)	268.6	ROA 2006	2.4%
Mcap (PLN mn)	19,597	ROE 2006	20.2%
Mcap (EURmn)	5,372	Cust. loans/Depo. (06)	0.73
Free float (%)	29.5%	Cust. loans/tot. asset (06)	0.53
Free float (EUR mn)	1,585	BVPS CAGR 00-07e	-
Shares outst. (mn)	73.0	EPS CAGR 00-07e	-



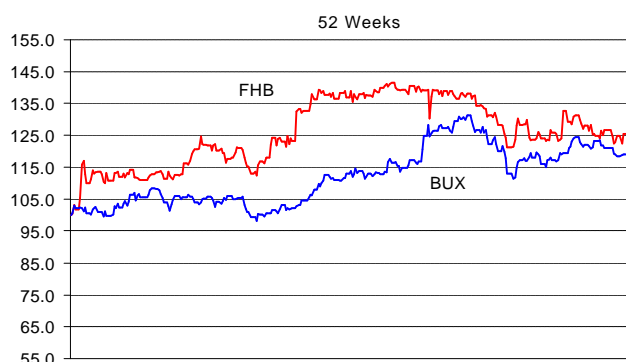
	05	06	07e	08e
Tot. income (PLNm)	1,943	2,406	2,917	3,376
ROE	15.9%	20.2%	21.8%	22.6%
ROA	1.8%	2.4%	2.7%	2.8%
EPS (PLN)	7.1	10.4	13.1	15.5
NIM (av. tot. assets)	3.2%	3.3%	3.3%	3.3%
Cost/income ratio	61.3	54.5	51.4	50.2
Cost/assets ratio	4.2	4.1	4.2	4.2
P/BV	5.7	4.8	4.2	3.7
P/E	38.0	25.8	20.5	17.3
Dividend yield	2.2%	2.2%	2.9%	3.7%
P/BV rel.	1.09	1.11	1.21	1.06
P/E rel.	1.36	1.30	1.01	1.00

Performance	12M	6M	3M	1M
Absolute (PLN terms)	24.9%	-14.8%	6.8%	1.4%
Rel. to sector (EUR, ppt)	-5.3	-15.5	4.5	0.5
Rel. to universe (EUR, ppt)	0.1	-19.4	2.4	0.1

FHB

Hold

Price (HUF)	2,060.0	ROA 2006	1.5%
Mcap (HUF mn)	135,960	ROE 2006	29.0%
Mcap (EURmn)	538	Cust. loans/Depo. (06)	-
Free float (%)	38.0%	Cust. loans/tot. asset (06)	0.90
Free float (EUR mn)	204.6	BVPS CAGR 01-08e	25.1%
Shares outst. (mn)	66.0	EPS CAGR 01-08e	-



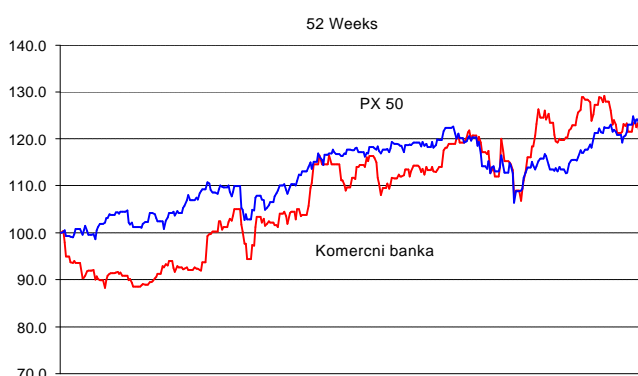
	05	06	07e	08e
Tot. income (HUFmn)	18,473	18,830	18,308	19,983
ROE	41.1%	29.0%	20.7%	20.3%
ROA	1.9%	1.5%	1.1%	1.2%
EPS (HUF)	128.3	115.7	97.2	110.1
NIM (av. tot. assets)	3.7%	3.4%	3.0%	2.8%
Cost/income ratio	40.8	45.1	52.6	52.7
Cost/assets ratio	1.6	1.6	1.7	1.7
P/BV	5.7	4.7	4.1	3.5
P/E	16.1	17.8	21.2	18.7
Dividend yield	1.4%	1.6%	1.6%	1.6%
P/BV rel.	1.09	1.08	1.11	1.02
P/E rel.	0.58	0.90	1.04	1.08

Performance	12M	6M	3M	1M
Absolute (HUF terms)	24.8%	-8.8%	-4.9%	-3.0%
Rel. to sector (EUR, ppt)	-7.5	-13.9	-11.7	-7.6
Rel. to universe (EUR, ppt)	-2.2	-17.8	-13.7	-8.0

Komerční banka

Accumulate

Price (CZK)	4,228	ROA 2006	1.6%
Mcap (CZK bn)	160.7	ROE 2006	17.8%
Mcap (EURmn)	5,968	Cust. loans/Depo. (06)	0.53
Free float (%)	39.7%	Cust. loans/tot. asset (06)	0.42
Free float (EUR mn)	2,366	BVPS CAGR 00-08e	5.2%
Shares outst. (mn)	38.0	EPS CAGR 00-08e	-

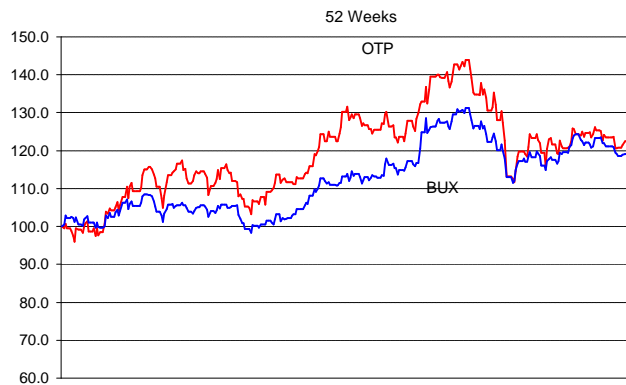


	05	06	07e	08e
Tot. income (CZKmn)	24,502	26,302	28,396	30,663
ROE	18.5%	17.8%	18.9%	19.3%
ROA	1.8%	1.6%	1.6%	1.6%
EPS (CZK)	234.4	239.9	263.4	292.4
NIM (av. tot. assets)	3.0%	2.9%	2.9%	2.9%
Cost/income ratio	50.7	48.3	46.5	44.9
Cost/assets ratio	2.5	2.2	2.1	2.0
P/BV	3.1	3.2	2.9	2.7
P/E	18.0	17.6	16.1	14.5
Dividend yield	5.9%	3.5%	4.0%	4.4%
P/BV rel.	0.60	0.73	0.79	0.77
P/E rel.	0.65	0.89	0.79	0.83

Performance	12M	6M	3M	1M
Absolute (CZK terms)	21.2%	10.5%	8.2%	-2.1%
Rel. to sector (EUR, ppt)	-10.4	12.9	6.4	-4.2
Rel. to universe (EUR, ppt)	-5.0	8.9	4.4	-4.6

OTP Bank Buy

Price (HUF)	9,370.0	ROA 2006	3.0%
Mcap (HUF bn)	2,624	ROE 2006	28.1%
Mcap (EURmn)	10,388	Cust. loans/Depo. (06)	1.03
Free float (%)	93.0%	Cust. loans/tot. asset (06)	0.61
Free float (EUR mn)	9,661.2	BVPS CAGR 00-08e	-
Shares outst. (mn)	280.0	EPS CAGR 00-08e	18.7%

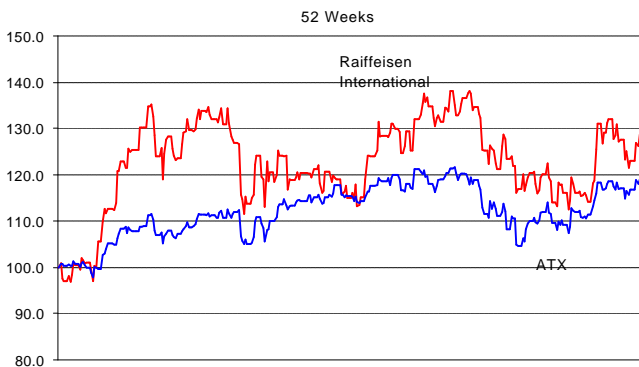


	05	06	07e	08e
Tot. income (HUFmn)	493,792	506,697	679,333	782,557
ROE	32.3%	28.1%	23.3%	22.2%
ROA	3.4%	3.0%	2.6%	2.6%
EPS (HUF)	565.1	669.3	720.4	815.3
NIM (av. tot. assets)	6.3%	5.8%	5.4%	5.5%
Cost/income ratio	55.4	50.7	52.4	52.5
Cost/assets ratio	5.5	3.8	4.5	4.4
P/BV	4.8	3.3	2.8	2.4
P/E	16.6	14.0	13.0	11.5
Dividend yield	2.2%	1.5%	2.3%	2.6%
P/BV rel.	0.91	0.77	0.75	0.68
P/E rel.	0.60	0.71	0.64	0.66

Performance	12M	6M	3M	1M
Absolute (HUF terms)	23.3%	-5.4%	-5.6%	-1.4%
Rel. to sector (EUR, ppt)	-9.2	-10.6	-12.4	-6.0
Rel. to universe (EUR, ppt)	-3.8	-14.6	-14.4	-6.3

Raiffeisen Int. Buy

Price (EUR)	112.2	ROA 2006	2.4%
Mcap (EUR mn)	17,318	ROE 2006	34.8%
		Cust. loans/Depo. (06)	1.03
Free float (%)	30.0%	Cust. loans/tot. asset (06)	0.61
Free float (EUR mn)	5,195	BVPS CAGR 03-08e	27.9%
Shares outst. (mn)	154.4	EPS CAGR 03-08e	35.3%

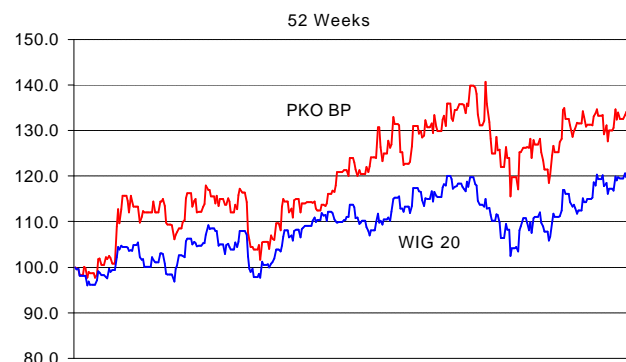


	05	06	07e	08e
Tot. income (PLNmn)	1,910	2,872	3,808	4,793
ROE	16.5%	34.8%	15.7%	15.3%
ROA	1.1%	2.4%	1.3%	1.4%
EPS (EUR)	2.8	8.3	5.4	6.3
NIM (av. tot. assets)	3.5%	3.7%	4.1%	4.3%
Cost/income ratio	62.0	59.0	57.4	56.9
Cost/assets ratio	3.0	3.1	3.5	3.6
P/BV	5.7	4.0	2.9	2.5
P/E	40.1	13.5	20.9	17.7
Dividend yield	0.4%	0.6%	0.8%	1.0%
P/BV rel.	1.09	0.92	0.73	0.73
P/E rel.	1.44	0.68	1.03	1.02

Performance	12M	6M	3M	1M
Absolute (EUR terms)	26.5%	10.0%	4.3%	6.6%
Rel. to sector (EUR, ppt)	0.7	16.1	6.6	2.2
Rel. to universe (EUR, ppt)	6.0	12.2	4.6	1.8

PKO BP Hold

Price (PLN)	54.5	ROA 2006	2.2%
Mcap (PLN mn)	54,500	ROE 2006	22.7%
Mcap (EURmn)	14,939	Cust. loans/Depo. (06)	0.71
Free float (%)	48.4%	Cust. loans/tot. asset (06)	0.58
Free float (EUR mn)	7,232	BVPS CAGR 02-08e	16.0%
Shares outst. (mn)	1,000	EPS CAGR 02-08e	17.8%



	05	06	07e	08e
Tot. income (PLNmn)	6,575	7,061	7,828	8,531
ROE	19.7%	22.7%	22.9%	22.4%
ROA	2.0%	2.2%	2.3%	2.4%
EPS (PLN)	1.7	2.1	2.5	2.8
NIM (av. tot. assets)	4.0%	3.9%	3.8%	3.7%
Cost/income ratio	64.6	61.7	58.3	56.3
Cost/assets ratio	4.9	4.5	4.2	4.0
P/BV	6.2	5.4	4.7	4.1
P/E	31.4	25.4	21.8	19.4
Dividend yield	1.5%	1.8%	2.1%	2.3%
P/BV rel.	1.18	1.23	1.26	1.18
P/E rel.	1.13	1.28	1.07	1.12

Performance	12M	6M	3M	1M
Absolute (PLN terms)	29.9%	4.8%	4.0%	-2.3%
Rel. to sector (EUR, ppt)	0.0	4.6	1.6	-3.3
Rel. to universe (EUR, ppt)	5.3	0.7	-0.5	-3.7

Construction materials

- Polish construction materials should have sold well in 3Q 2007
- Koelner likely to cut guidance on higher integration costs
- Opoczno going ahead with selling production assets and long-term agreements with Cersanit
- CEE construction market to continue to do better than western markets

Sector Insight Construction materials

The outlook for the European construction industry overall is still positive. Solid growth of about 2.7% (CAGR) on average until 2009 is expected in Western Europe. The CEE region is expected to continue growing faster at 7.9% (CAGR) until 2009, due to above-average GDP growth rates, coupled with strong catch-up potential in the region. However, the sub-sectors non-residential construction and civil engineering are expected to outgrow the housing market because of the stimulating effects of further economic growth and the expansion of the trans-European networks. This year, new residential construction in the German market has still suffered from the effects of a VAT increase and elimination of a federal subsidy at the start of 2007. In 2008 and 2009, Euroconstruct forecasts this segment to grow again at a healthy rate of 2%. On the negative side, the US residential construction market is still weak. Average prices for existing home sales declined more than expected (by 3.2%) in September and the number of existing homes sold declined to an annualized 5.04mn.

Wienerberger capital increase fully placed at EUR 45 per share

Wienerberger successfully completed its capital increase, placing a total volume of 9.78mn new shares (about 13.2% of existing shares). The final offer price was set at EUR 45 per new share. Wienerberger generated gross proceeds of EUR 440mn or net proceeds after costs and taxes of roughly EUR 424mn, which it intends to use to finance its organic growth projects, as well as selected strategic acquisitions. In CEE, the company expects to build about 25 new plants (Wienerberger currently has 253 plants in total) over the next five years. About seven new plants are planned in Russia, with the balance in Poland, Romania, Bulgaria, Ukraine, the Baltic States and Southeastern Europe. The company expects to invest about EUR 300mn p.a. (previously EUR 250mn p.a.) in bolt-on projects. CEO Reithofer said that further mid-size acquisitions (EUR 100-300mn purchase price) should be expected over the next few months, but that the company is also considering larger acquisitions.

Capital increase dilutes earnings

The new **Wienerberger** shares have a full dividend entitlement for 2007 and the capital increase is certainly earnings-dilutive in the short run. In the long run, the net effect will depend on the timing and terms of the investments. We expect the CEE region to continue to offer solid growth opportunities. Nevertheless, since the company did not present a specific takeover target for the proceeds of the capital increase, we will have to lower our EPS estimates at the next occasion, due to the dilutive effect.

In the seasonally strongest quarter, the sales dynamic of construction materials producers should not disappoint. The tile market maintained double-digit growth, which contributed to the sound performance of **Opoczno** and **Ceramika Nowa Gala**. The first improved utilization and distribution under the new owner, while the latter benefited from a better product mix and a recent acquisition. **Koelner**, despite massive demand, is still suffering from untamed costs, and the 3Q net profit guidance is out of the company's reach.

Koelner announced offer for remaining Srubex shares

Koelner announced a public tender for all remaining shares of **Srubex** (it currently holds 34.3%) at PLN 50.0 per share. In total, Koelner will spend PLN 59mn for a 65.7% stake in Srubex, as a result of a compromise with minority shareholders (earlier, Koelner stated that it would not pay much above PLN 35 per share). Koelner does not rule out leaving Srubex listed if some shareholders do not answer the bid. The company said that, with its 3Q figures (November 14), it will change its guidance to include the Srubex

consolidation and no decision on the tax-free zone for its investments. In our opinion, net profit will be cut in light of climbing costs of production and SG&A. The challenging acquisition of Srubex and the subsequent restructuring will not swiftly and easily transfer into value added for Koelner. Hence, the short-term prospects show that the road to expansion is bumpier than ever.

Opoczno to get PLN 290mn for production assets

Last month, **Opoczno** disclosed details concerning the planned disposal of all of its production assets and the subsequent long-term trade agreement with **Cersanit** (parent company). Accordingly, Opoczno will receive PLN 290mn in cash (plus still uncertain cash for its Lithuanian plant), which will most likely be spent on a buyback. Cersanit will also take over PLN 100mn of the company's debt. Cersanit will grant Opoczno deliveries from its plants of from 27mn m² to 40mn m² of tile and up to 2mn pieces of ceramic sanitary. All products will be sold under the Opoczno brand, as the company will only focus on brand management and marketing. The margin was set in the agreement at 19-23%. The CEO of Opoczno expects to reach PLN 1bn in sales and a net margin of 5-6% within the next 3-4 years. The volumes of tile and sanitary ceramic disclosed by management translate into sales in the range of PLN 0.6bn to PLN 1bn. Hence, we believe that the target top line is within the company's reach. The question mark is still the marketing costs, which will be necessary to expand sales under the Opoczno brand from the current PLN 0.53bn. The uncertainty about the future terms of trade with Cersanit and the final net margin is in our opinion the biggest risk. However, if Opoczno reports a 5% net margin (i.e. PLN 50mn net profit) and buys back shares for cash from its asset sale, the P/E for 2010 would be 7.7. The positive scenario (in line with management's announcements) would be very good news for Opoczno, although the high risk has to be emphasized and taken into account. Shareholders have not yet voted on transferring all Opoczno production assets to Cersanit. The motion on the asset transfer was withdrawn by the MB, due to the protest by Opoczno's financial shareholders, who demanded a valuation of Opoczno assets by an independent auditor. The EGM on November 15 will decide on the choice of independent auditor. All actions that lower the uncertainty are positive for the company. However, the final structure of the transaction and the price of the assets are still undecided.

Company	Curr.	Mcap (EURmn)	ROE				EBITDA margin				Performance (EUR terms)			
			2005	2006	2007e	2008e	2005	2006	2007e	2008e	1M	3M	6M	12M
Ceramika Now a Gala	PLN	97	4.6%	8.5%	10.1%	13.1%	21.5%	25.1%	23.7%	23.8%	-1.3%	-10.6%	-18.1%	12.8%
Koelner	PLN	444	16.4%	20.6%	20.7%	19.5%	19.0%	15.5%	15.8%	15.2%	7.8%	-12.0%	-29.2%	-11.3%
Opoczno	PLN	189	8.5%	-1.2%	13.7%	18.1%	22.2%	12.6%	19.6%	21.4%	11.4%	-11.0%	-23.0%	-0.3%
Wienerberger	EUR	2,999	13.8%	14.2%	17.6%	17.7%	21.9%	21.3%	21.6%	22.1%	-10.7%	-22.5%	-23.9%	0.3%
Zumtobel	EUR	1,297	27.4%	32.9%	23.5%	19.4%	10.3%	12.7%	13.4%	13.9%	4.8%	5.5%	4.4%	44.8%
Median	-	-	14%	14%	18%	18%	22%	16%	20%	21%	-	-	-	-
Baticim (Bati Anadolu	TRY	417	13.3%	23.6%	24.8%		21.7%	31.3%	32.7%	0.0%	0.2%	2.4%	-0.2%	45.1%
Bossard	CHF	182	12.0%	7.2%	13.8%	14.9%	8.4%	6.5%	8.7%	9.5%	1.7%	-2.4%	11.7%	19.7%
Crh	EUR	13,797	16.1%	17.0%	17.4%	16.6%	13.5%	13.1%	13.3%	13.7%	-13.4%	-23.8%	-24.0%	-8.0%
Granitifiandre SpA	EUR	356	4.0%	0.7%	9.6%	11.9%	14.3%	13.8%	19.3%	21.5%	-0.8%	-2.0%	13.2%	30.9%
Hanson	GBP		14.5%	14.6%	12.9%	13.4%	18.3%	18.1%	18.3%	18.8%				
Holcim Ltd.	CHF	20,050	13.4%	14.1%	13.5%	13.2%	25.1%	25.4%	26.0%	26.4%	-3.9%	-0.4%	-3.9%	14.9%
Lafarge SA	EUR	18,862	11.3%	13.2%	14.6%	14.9%	20.9%	21.9%	23.2%	24.0%	-3.2%	-13.1%	-10.4%	5.5%
Mardin Cimento Sana	TRY	303	39.0%	43.5%	61.4%	56.2%	50.9%	52.9%	24.4%		-4.5%	-8.0%	12.8%	1.3%
Panariagroup Industri	EUR	272	12.7%	11.9%	12.3%	13.8%	16.7%	13.8%	14.4%	15.6%	1.4%	-15.3%	-11.8%	-7.4%
Saint Gobain	EUR	27,078	10.6%	11.9%	13.6%	13.6%	12.1%	12.7%	13.2%	13.4%	-5.6%	-11.9%	-8.4%	27.1%
Svedbergs i Dalstorp	SEK	124	26.3%	29.4%	26.6%	29.8%	25.3%	26.2%	24.4%	25.0%	-17.1%	-21.6%	-26.7%	-17.9%
Median	-	-	13%	14%	14%	14%	18%	16%	19%	16%	-	-	-	-
EuroStoxx Const. Mat.		215,670	17.5%	18.5%	16.0%	16.6%	14%	15%	16%	16%	10.0%	21.8%	16.6%	21.0%
CEE to Peer, Prem/Disc		-	6%	4%	28%	31%	23%	-3%	4%	37%	-	-	-	-

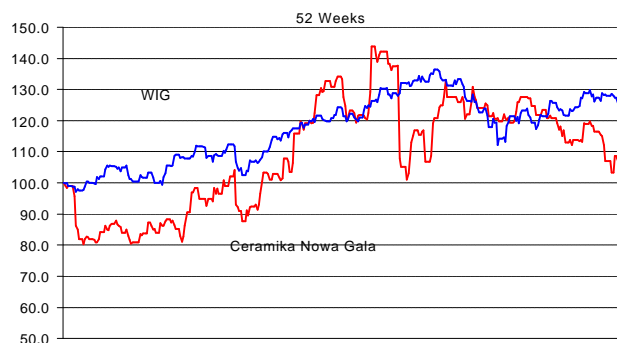
	P/E				P/CE				P/BV			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Ceramika Now a Gala	48.1	24.3	16.8	13.5	15.1	11.0	9.3	8.2	2.1	2.0	1.8	1.7
Koelner	55.0	38.1	26.9	20.7	38.7	27.0	21.2	16.9	8.4	6.8	4.4	3.6
Opoczno	23.3	neg.	17.2	11.9	9.4	15.9	6.4	6.7	2.5	2.5	2.2	2.1
Wienerberger	15.4	13.9	11.4	10.3	8.5	7.6	6.5	5.9	2.0	1.9	1.7	1.5
Zumtobel	21.7	12.4	11.3	11.7	8.7	11.9	7.8	7.8	5.7	2.9	2.4	2.1
Median CEE	23.3	19.1	16.8	11.9	9.4	11.9	7.8	7.8	2.5	2.5	2.2	2.1
Baticim (Bati Anadolu Cimen	16.3	9.2	8.8						2.2	2.2	2.2	
Bossard	13.4	22.5	10.9	9.0	8.8	9.3	7.1	6.3	1.6	1.6	1.5	1.3
Crh	13.5	11.4	9.7	9.0	8.8	7.4	6.5	6.3	2.2	1.9	1.7	1.5
Granitifiandre SpA	56.9	346.5	22.3	16.3	46.0	27.6	11.2	9.0	2.3	2.3	2.1	1.9
Hanson												
Holcim Ltd.	17.9	14.5	13.3	12.5	8.2	6.7	6.5	6.3	2.4	2.0	1.8	1.6
Lafarge SA	17.0	13.8	11.6	10.3	8.8	7.6	7.0	6.5	1.9	1.8	1.7	1.5
Mardin Cimento Sanayii	6.4	6.5	6.5	7.1					2.5	2.8	4.0	4.0
Panariagroup Industrie Cerar	15.0	14.9	13.6	11.1	8.4	7.6			1.9	1.8	1.7	1.5
Saint Gobain	19.3	15.7	13.0	11.9	9.1	8.0	7.2	6.6	2.0	1.9	1.8	1.6
Svedbergs i Dalstorp AB	18.2	14.5	16.9	13.2	20.4	15.9	23.0	11.3				
Median	16.7	14.5	12.3	11.1	8.8	7.8	7.1	6.5	2.2	1.9	1.8	1.6
EuroStoxx Const. Mat.	21.0	14.9	13.0	11.9	10.2	8.3	7.7	7.3	3.4	2.6	2.3	2.1
CEE to Peer, Prem/Disc	40%	32%	36%	7%	6%	53%	10%	20%	16%	32%	25%	32%

	EV/Sales				EV/EBITDA			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Ceramika Now a Gala	2.8	2.6	2.8	1.8	13.1	10.4	11.7	7.6
Koelner	6.6	3.8	2.9	2.3	34.5	24.2	18.0	15.2
Opoczno	2.2	2.0	1.5	1.4	9.8	15.9	7.7	6.7
Wienerberger	2.0	1.9	1.7	1.6	9.2	8.8	8.0	7.2
Zumtobel	1.2	1.2	1.0	1.0	11.8	9.3	7.8	6.9
Median CEE	2.2	2.0	1.7	1.6	11.8	10.4	8.0	7.2
Baticim (Bati Anadolu Cimen	1.4				6.6			
Bossard	0.8	0.7	0.7	0.6	9.1	10.8	8.2	6.8
Crh	1.2	1.1	0.9	0.8	8.5	8.8	6.5	5.9
Granitifiandre SpA	1.8	1.7	1.7	1.5	12.3	12.3	8.8	7.1
Hanson								
Holcim Ltd.	1.8	1.7	1.7	1.6	7.2	6.8	6.6	6.0
Lafarge SA	1.3	1.8	1.5	1.4	6.1	8.0	6.5	5.9
Mardin Cimento Sanayii	3.2	3.3	2.7	2.4	6.2	6.2	5.5	5.6
Panariagroup Industrie Cerar	1.1	1.0	0.9	0.8	6.7	7.0	6.1	5.2
Saint Gobain	0.9	0.8	0.9	0.9	7.1	6.4	6.9	6.4
Svedbergs i Dalstorp AB	2.6	3.0	2.1	1.8	10.1	11.4	8.5	7.4
Median	1.4	1.7	1.5	1.4	7.1	8.0	6.6	6.0
EuroStoxx Const. Mat.	1.2	1.6	1.5	1.3	8.1	9.1	8.1	7.5
CEE to Peer, Prem/Disc	60%	17%	15%	12%	65%	29%	22%	19%

Source: JCF Quant, Erste Bank

Ceramika Nowa Gala Accumulate

Price (PLN)	6	ROA 2006	5.5%
Mcap (PLN mn)	354	ROE 2006	8.5%
Mcap (EURmn)	97	Asset turn (2006)	0.59
Free float (%)	82.0%	SPS CAGR 04-08e	7.0%
Free float (EUR mn)	79	EPS CAGR 04-08e	29.4%
Shares outst. (mn)	57.0	Debt/equity (2006)	0.51

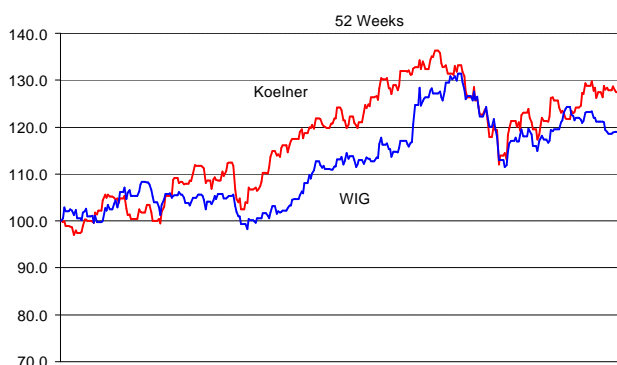


	05	06	07e	08e
Sales (PLN mn)	95	103	146	215
EBITDA margin	21.5%	25.1%	23.7%	23.8%
EBIT margin	10.0%	14.6%	14.9%	15.9%
Net profit margin	5.0%	9.4%	10.8%	12.2%
EPS (PLN)	0.1	0.3	0.4	0.5
Dividend (PLN)	0.0	0.0	0.0	0.3
EV/sales	2.8	2.6	2.8	1.8
EV/EBITDA	13.1	10.4	11.7	7.6
P/E	48.1	24.3	16.8	13.5
P/CE	15.1	11.0	9.3	8.2
EV/EBITDA rel.	1.1	1.0	1.5	1.1
P/E rel.	2.1	1.4	1.8	1.7

Performance	12M	6M	3M	1M
Absolute (PLN terms)	6.9%	-20.3%	-13.9%	-4.6%
Rel. to sector (EUR, ppt)	60.3	41.3	49.2	52.6
Rel. to universe (EUR, ppt)	37.1	15.8	25.5	43.2

Koelner Hold

Price (PLN)	50	ROA 2006	10.0%
Mcap (PLN mn)	1,619	ROE 2006	20.4%
Mcap (EURmn)	444	Asset turn (2006)	1.07
Free float (%)	32.4%	SPS CAGR 04-08e	34.7%
Free float (EUR mn)	144	EPS CAGR 04-08e	37.9%
Shares outst. (mn)	32.4	Debt/equity (2006)	1.02

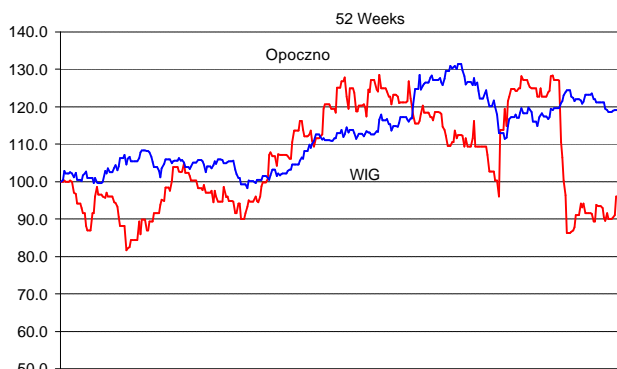


	05	06	07e	08e
Sales (PLN mn)	241	428	592	735
EBITDA margin	19.0%	15.5%	15.8%	15.2%
EBIT margin	14.2%	12.0%	13.2%	12.7%
Net profit margin	11.6%	9.7%	10.4%	10.9%
EPS (PLN)	0.9	1.3	1.9	2.4
Dividend (PLN)	0.0	0.0	0.0	0.0
EV/sales	6.6	3.8	2.9	2.3
EV/EBITDA	34.5	24.2	18.0	15.2
P/E	55.0	38.1	26.9	20.7
P/CE	38.7	27.0	21.2	16.9
EV/EBITDA rel.	2.9	2.3	2.2	2.1
P/E rel.	2.4	2.0	1.6	1.7

Performance	12M	6M	3M	1M
Absolute (PLN terms)	-16.4%	-31.0%	-15.3%	4.2%
Rel. to sector (EUR, ppt)	-14.8	-6.3	8.5	19.0
Rel. to universe (EUR, ppt)	-38.0	-31.8	-15.1	9.6

Opczno Hold

Price (PLN)	42	ROA 2006	-0.6%
Mcap (PLN mn)	691	ROE 2006	-1.2%
Mcap (EURmn)	189	Asset turn (2006)	0.80
Free float (%)	51.6%	SPS CAGR 04-08e	9.5%
Free float (EUR mn)	98	EPS CAGR 04-08e	4.8%
Shares outst. (mn)	16.5	Debt/equity (2006)	0.94



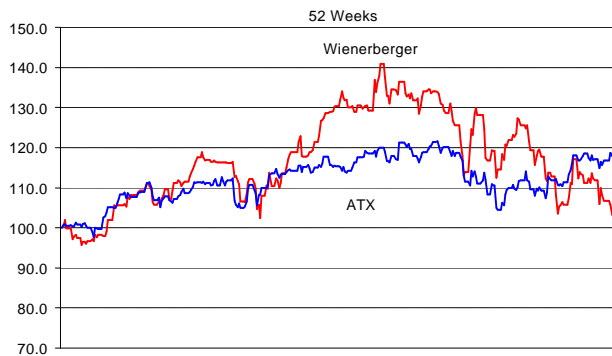
	05	06	07e	08e
Sales (PLN mn)	403	428	534	577
EBITDA margin	22.2%	12.6%	19.6%	21.4%
EBIT margin	11.2%	1.9%	11.3%	13.6%
Net profit margin	7.3%	-0.8%	7.5%	10.1%
EPS (PLN)	1.8	-0.2	2.4	3.5
Dividend (PLN)	10.5	0.0	0.0	2.4
EV/sales	2.2	2.0	1.5	1.4
EV/EBITDA	9.8	15.9	7.7	6.7
P/E	23.3	n.m.	17.2	11.9
P/CE	9.4	15.9	6.4	6.7
EV/EBITDA rel.	0.8	1.5	1.0	0.9
P/E rel.	1.0	n.m.	1.0	1.0

Performance	12M	6M	3M	1M
Absolute (PLN terms)	-6.3%	-25.1%	-14.3%	7.7%
Rel. to sector (EUR, ppt)	-9.5	-4.4	4.2	16.1
Rel. to universe (EUR, ppt)	-32.7	-30.0	-19.5	6.7

Wienerberger

Accumulate

Price (EUR)	40.9	ROA 2006	6.2%
Mcap (EUR mn)	2,999	ROE 2006	14.3%
		Asset turn (2006)	0.64
Free float (%)	100.0%	SPS CAGR 04-08e	6.8%
Free float (EUR mn)	0	EPS CAGR 04-08e	18.3%
Shares outst. (mn)	73.3	Debt/equity (2006)	1.31



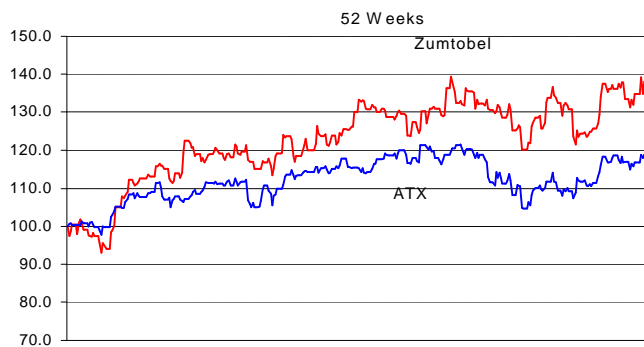
	05	06	07e	08e
Sales (EUR mn)	1,955	2,225	2,575	2,874
EBITDA margin	21.9%	21.3%	21.6%	22.1%
EBIT margin	13.8%	13.4%	14.2%	14.6%
Net profit margin	10.0%	9.8%	11.5%	11.4%
EPS (EUR)	2.64	2.95	3.58	3.96
Dividend (EUR)	1.2	1.3	1.6	1.7
EV/sales	2.0	1.9	1.7	1.6
EV/EBITDA	9.2	8.8	8.0	7.2
P/E	15.5	13.9	11.4	10.3
P/CE	8.5	7.6	6.5	5.9
EV/EBITDA rel.	0.8	0.9	1.0	1.0
P/E rel.	0.7	0.7	0.7	0.9

Performance	12M	6M	3M	1M
Absolute (EUR terms)	-0.7%	-23.9%	-22.5%	-10.7%
Rel. to sector (EUR, ppt)	-8.5	-5.3	-7.3	-6.0
Rel. to universe (EUR, ppt)	-31.8	-30.8	-31.0	-15.4

Zumtobel

Accumulate

Price (EUR)	29.0	ROA 2006	9.3%
Mcap (EUR mn)	1,297	ROE 2006	33.1%
		Asset turn (2006)	1.11
Free float (%)	66.0%	SPS CAGR 05-08e	0.1%
Free float (EUR mn)	0	EPS CAGR 05-08e	33.9%
Shares outst. (mn)	44.7	Debt/equity (2006)	1.59



	05	06	07e	08e
Sales (EUR mn)	1,168	1,234	1,309	1,378
EBITDA margin	10.3%	12.7%	13.4%	13.9%
EBIT margin	7.3%	9.3%	9.9%	10.3%
Net profit margin	4.2%	8.4%	8.7%	8.0%
EPS (EUR)	1.33	2.31	2.56	2.48
Dividend (EUR)	0.0	0.5	0.8	0.9
EV/sales	1.2	1.2	1.0	1.0
EV/EBITDA	11.8	9.3	7.8	6.9
P/E	21.7	12.6	11.3	11.7
P/CE	8.7	12.1	7.8	7.8
EV/EBITDA rel.	1.0	0.9	1.0	1.0
P/E rel.	0.9	0.7	0.7	1.0

Performance	12M	6M	3M	1M
Absolute (EUR terms)	35.7%	4.4%	5.5%	4.8%
Rel. to sector (EUR, ppt)	27.9	22.9	20.7	9.6
Rel. to universe (EUR, ppt)	4.6	-2.6	-3.0	0.1

Engineering

- **Ifo Business Climate Index weakened slightly in October**
- **CAToil upgrade from Reduce to Hold**
- **Winterthur still appealing after capital increase**
- **PBG raised guidance for FY 2007**

Ifo Index weakened slightly in October

The Ifo Business Climate for industry and trade in Germany has weakened slightly in October. The companies have assessed their current situation somewhat less positively than in September, but the value is still far above the long-term average. There was almost no change in the cautious assessments of the six-month business outlook. The results indicate that the upswing will continue but at a slower pace. In manufacturing, the business climate remains largely stable. Although the current situation has again been assessed somewhat less positively, in the business expectations, slightly increased confidence is evident. However, regarding future exporting business, optimism has weakened marginally. Personnel plans point to a slightly weakened hiring propensity. The business climate in the construction industry remains largely unchanged. The firms have expressed a similar dissatisfaction with their current business situation as in September, and their skepticism with regard to their future business remains (source: Cesifo-Group).

Market entry into seismic services drives CAToil

In July 2007, **CAToil** entered the market of seismic services. This was a smart move, for the following reasons: (1) This is a high-margin service that requires low CAPEX (= high ROCE potential). (2) Geotechnical services allow CAToil to get access to clients at a very early stage of a well's life cycle, such as during exploration, appraisal and development planning. This will allow CAToil to further leverage its existing services.

Target price increase and upgrade from Reduce to Hold

With the entry into further high-margin services (seismic, inclined drilling), as well as new promising geographic areas like eastern Siberia, CAToil's management team has proven its ability to skillfully develop the firm from a western-Siberian pressure pumping specialist into a regionally diversified oil and gas field services company. In light of CAToil's recent market entry into seismic services (which should further improve its group margin level and accelerate top line growth), we have raised our long-term expectations. We have consequently increased our 12-month target price somewhat to EUR 22 (previously EUR 19.5) and upgraded our recommendation from Reduce to Hold.

Winterthur story still appealing after successful placement of capital increase

On September 26, 2007, **Winterthur** successfully finalized its capital increase. Winterthur issued 1.96mn new shares in total, raising about CHF 100mn (EUR 60mn). This takes the total number of issued shares from 3.91mn to 5.87mn. The net proceeds of the capital increase will be put towards the re-financing of the recent acquisition of Germany's Wendt Group.

Buy recommendation confirmed

Overall, we consider Winterthur an appealing investment story because of the following: (1) Strong ROCE on tangible assets (19-20%), with further improvement potential; (2) Due to Winterthur's competitive positioning and industry dynamics, we consider this ROCE to be sustainable for the long term; (3) Sound organic growth (6-7% top line growth expected) and re-investment opportunities; (4) A strong, reliable management team. Based on a higher than expected volume of new shares, we cut our target price to CHF 96.3 (EUR 58.7), after CHF 110.2 (EUR 67.0). Driven by discounts of 11-22% vs. our peer group, we confirm our Buy recommendation.

Pankl remains interesting niche story

Pankl's sales rose by 18.4% in 3Q, with the Aerospace and Racing/High Performance divisions posting 77.6% and 9.0% sales increases, respectively. EBIT remains at an excellent level, up 78.7% y/y to EUR 2.7mn (after EUR 1.5mn last year), resulting in a healthy operating margin of 10%. The clear focus of Pankl on its core business has started to pay off in FY06/07. However, we believe that this is only the starting point for more

successful years ahead. In our view, driven by an improved operating margin level (due to an improved product mix, higher capacity utilization and further production experience in the Aerospace Division), Pankl will report substantial EPS growth in FY07/08 (56% y/y).

Buy recommendation confirmed

Pankl is a very interesting story, with shareholders benefiting from (1) the long-term growth prospects for an attractive niche market and (2) the performance uplift potential. As reflected in the FY06/07 9M figures, the current management team has the willingness and ability to boost the company's potential. Based on Pankl's strong 3Q06/07 results (especially the positive operating cash flow development) and the recent smart acquisition of **Weypin**, we raise our target price to EUR 45 (previously EUR 44) and confirm our Buy recommendation.

PBG increased net profit guidance for 2007

PBG subsidiary **Hydrobudowa Wloclawek** signed a huge deal for the construction of a sanitary system in Zabrze (worth EUR 33.2mn). Hydrobudowa Wloclawek (which will soon change its name to Hydrobudowa Polska) is also planning a huge new issue of shares aimed mainly at the acquisition of Hydrobudowa 9 (69% owned by PBG) and an increase of working capital. The new issue of shares will be decided on in November. The issue could amount to PLN 0.5-0.8bn. Separately, PBG has increased its net profit guidance for 2007 to PLN 91.1mn (up from the earlier PLN 82.3mn). The revision was expected by the market.

Company	Curr	Mcap (EURmn)	ROE				EBITDA margin				Performance (EUR terms)			
			2005	2006	2007e	2008e	2005	2006	2007e	2008e	1M	3M	6M	12M
Andritz	EUR	2,503	26.5%	32.7%	30.8%	30.8%	7.5%	7.2%	7.2%	7.7%	1.6%	-2.8%	5.0%	39.5%
A-Tec	EUR	1,102	30.0%	34.0%	20.3%	25.3%	7.3%	7.9%	6.9%	7.4%	20.1%	9.1%	-0.7%	70.3%
Apator	PLN	199	40.6%	28.3%	26.7%	28.2%	18.2%	19.2%	19.1%	18.6%	7.3%	25.1%	6.4%	5.2%
BWT	EUR	854	16.5%	21.9%	21.4%	21.2%	7.9%	11.3%	11.5%	11.9%	11.4%	8.2%	15.4%	52.8%
CAToil	EUR	911	28.9%	16.1%	14.8%	23.3%	23.2%	23.6%	27.5%	33.5%	0.9%	-7.9%	-16%	8.9%
Christ Water Technok	EUR	250	7.0%	8.0%	13.0%	16.8%	3.6%	4.5%	4.9%	6.0%	-1.8%	-2.0%	3%	6.1%
Frauenthal	EUR	196	38.9%	24.5%	20.6%	17.7%	12.4%	6.9%	7.0%	7.1%	-4.3%	-10.3%	-7%	-8.9%
Palfinger	EUR	1,310	28.0%	27.1%	29.2%	28.4%	14.9%	15.7%	18.5%	19.9%	24.5%	0.0%	9.0%	73.0%
Pankl Racing Systems	EUR	136	7.3%	0.3%	11.7%	15.9%	17.9%	8.3%	17.4%	19.4%	-4.5%	-10.0%	10.6%	49.2%
PBG	PLN	1,234	26.7%	20.2%	19.7%	19.9%	12.4%	13.4%	11.3%	13.5%	-5.5%	-6.6%	-19.6%	49.4%
Rafako	PLN	273	2.6%	5.8%	4.8%	6.2%	4.9%	4.0%	2.7%	4.2%	16.0%	1.4%	-8.5%	22.5%
Schöller Bleckmann C	EUR	1,152	14.9%	21.2%	27.5%	27.3%	21.2%	26.1%	29.0%	31.0%	15.2%	26.9%	56.0%	129.5%
Winterthur Technolog	EUR	248	23.5%	18.2%	14.1%	15.7%	18.3%	18.6%	18.7%	18.4%	-0.8%	-20.3%	11.0%	61.8%
Median	-	-	26%	21%	20%	21%	12%	11%	12%	13%	-	-	-	-
EuroSt.Ind.Goods&Service	377,245	14.2%	16.8%	16.2%	16.5%	11%	11%	11%	13%	6.6%	15.0%	12.3%	27.5%	
CEE to Peer, Prem/Disc	-	87%	26%	25%	29%	16%	6%	1%	7%	-	-	-	-	

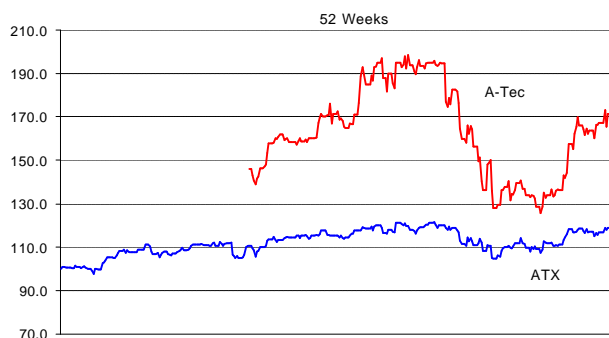
	P/E				P/CE				P/BV			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Andritz	7.9	21.1	17.8	14.4	5.3	11.7	13.6	11.4	1.9	6.0	4.9	3.9
A-Tec	25.0	11.1	14.5	8.8	13.0	6.8	7.3	5.5	5.4	3.5	2.5	2.0
Apator	21.1	24.4	21.3	17.2	15.9	18.0	15.6	12.9	7.5	6.4	4.9	4.7
BWT	45.0	38.5	33.8	29.3	23.3	28.2	25.2	22.3	9.2	7.8	6.7	5.7
CAToil	30.6	34.2	26.4	14.3	19.8	26.0	18.1	10.2	9.2	4.2	3.6	2.9
Christ Water Technology	86.0	75.7	42.6	28.3	79.8	35.7	22.9	18.6	6.1	5.8	5.1	4.3
Frauenthal	9.5	10.1	9.6	9.4	8.6	7.7	6.5	6.1	2.4	2.0	1.7	1.4
Palfinger	6.8	23.2	17.3	14.3	5.2	18.1	12.4	10.8	1.7	5.4	4.3	3.5
Pankl Racing Systems	33.8	n.m.	19.2	12.3	10.3	22.0	8.9	7.1	2.4	2.3	2.1	1.8
PBG	82.4	73.6	43.7	27.4	65.1	43.1	22.1	30.3	19.1	10.6	5.4	4.5
Rafako	47.8	19.5	60.0	46.0	16.5	10.9	32.7	29.2	1.1	1.1	2.8	2.6
Schöller Bleckmann Oilfield	66.6	33.3	21.9	18.0	41.1	22.8	16.4	13.3	7.4	6.7	5.4	4.5
Winterthur Technologie AC	19.1	18.5	15.3	12.3	13.5	13.0	3.2	8.2	3.7	3.1	2.1	1.8
Median CEE	30.6	24.4	21.3	14.4	15.9	18.1	15.6	11.4	5.4	5.4	4.3	3.5
EuroSt.Ind.Goods&Service	22.2	20.1	16.5	13.9	14.7	12.1	10.3	9.3	3.4	3.2	2.8	2.5
CEE to Peer, Prem/Disc	38%	22%	29%	3%	8%	50%	51%	22%	60%	71%	53%	41%

	EV/Sales				EV/EBITDA			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Andritz	0.1	0.8	0.6	0.5	1.7	10.8	8.9	7.1
A-Tec	0.9	0.7	0.7	0.5	12.4	9.1	10.2	6.8
Apator	3.2	3.1	2.2	2.0	17.7	16.1	11.7	10.8
BWT	1.9	2.4	2.2	2.0	24.1	21.5	19.4	16.7
CAToil	4.7	4.4	3.8	2.5	20.3	18.5	13.7	7.6
Christ Water Technology	1.5	1.4	1.1	0.9	40.8	30.6	22.0	15.2
Frauenthal	0.9	0.5	0.5	0.4	7.2	7.2	6.6	5.7
Palfinger	0.7	2.3	2.0	1.7	4.7	14.3	10.6	8.4
Pankl Racing Systems	1.8	1.6	1.5	1.2	10.1	19.2	8.5	6.4
PBG	9.0	6.4	3.3	2.4	72.2	48.1	29.1	17.7
Rafako	0.5	0.2	0.9	0.9	9.3	4.9	31.5	20.4
Schöller Bleckmann Oilfield	6.7	4.9	3.8	3.3	31.7	18.6	13.3	10.5
Winterthur Technologie AC	2.3	2.0	2.2	1.3	12.6	10.8	11.6	7.2
Median CEE	1.8	2.0	2.0	1.3	12.6	16.1	11.7	8.4
EuroSt.Ind.Goods&Service	0.9	1.0	1.1	1.0	9.4	10.6	9.2	7.9
CEE to Peer, Prem/Disc	109%	93%	84%	35%	35%	52%	28%	6%

Source: JCF Quant, Erste Bank

A-Tec**Buy**

Price (EUR)	167	ROA 2006	6.0%
Mcap (EUR mn)	1,102	ROE 2006	37.6%
		Asset turn (2006)	1.24
Free float (%)	32.2%	SPS CAGR 03-08e	20.5%
Free float (EUR mn)	355	EPS CAGR 03-08e	33.1%
Shares outst. (mn)	6.6	Debt/equity (2006)	3.98

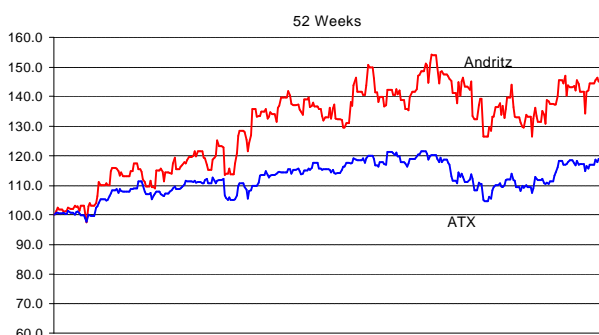


	05	06	07e	08e
Sales (EURmn)	1,110.4	1,626.9	2,240.3	2,850.4
EBITDA margin	7.3%	7.9%	6.9%	7.4%
EBIT margin	5.1%	5.8%	5.2%	5.9%
Net profit margin	3.4%	5.0%	3.6%	4.6%
EPS (EUR)	6.7	15.0	11.5	19.1
Dividend (EUR)	0.0	3.0	2.3	3.8
EV/sales	0.9	0.7	0.7	0.5
EV/EBITDA	12.4	9.1	10.2	6.8
P/E	25.0	11.1	14.5	8.8
P/CE	13.0	6.8	7.3	5.5
EV/EBITDA rel.	1.0	0.6	0.9	0.8
P/E rel.	0.8	0.5	0.7	0.6

Performance	12M	6M	3M	1M
Absolute (EUR terms)	-	-0.7%	9.1%	20.1%
Rel. to sector (EUR, ppt)	-	-3.5	8.1	13.0
Rel. to universe (EUR, ppt)	-	-7.6	0.6	15.4

Andritz**Accumulate**

Price (EUR)	49	ROA 2006	6.3%
Mcap (EUR mn)	2,503	ROE 2006	32.8%
		Asset turn (2006)	1.44
Free float (%)	72.0%	SPS CAGR 00-08e	0.8%
Free float (EUR mn)	1,802	EPS CAGR 00-08e	6.6%
Shares outst. (mn)	51.3	Debt/equity (2006)	4.72

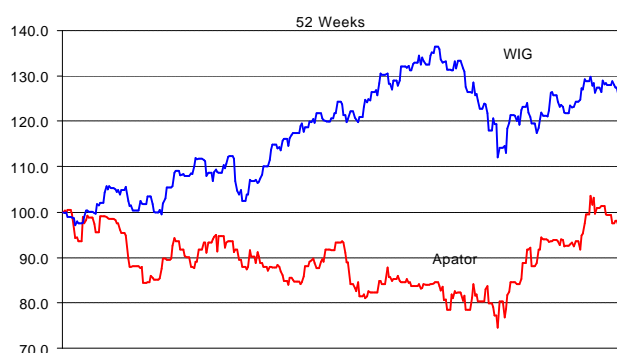


	05	06	07e	08e
Sales (EURmn)	1,790	2,665	3,205	3,573
EBITDA margin	7.5%	7.2%	7.2%	7.7%
EBIT margin	6.1%	5.9%	5.9%	6.5%
Net profit margin	4.6%	4.5%	4.5%	5.0%
EPS (EUR)	6.1	2.3	2.7	3.4
Dividend (EUR)	2.0	0.8	1.1	1.4
EV/sales	0.1	0.8	0.6	0.5
EV/EBITDA	1.7	10.8	8.9	7.1
P/E	7.9	21.1	17.8	14.4
P/CE	5.3	11.7	13.6	11.4
EV/EBITDA rel.	0.1	0.7	0.8	0.8
P/E rel.	0.3	0.9	0.8	1.0

Performance	12M	6M	3M	1M
Absolute (EUR terms)	39.5%	5.0%	-2.8%	1.6%
Rel. to sector (EUR, ppt)	-8.0	2.1	-3.8	-5.5
Rel. to universe (EUR, ppt)	8.4	-2.0	-11.3	-3.1

Apator**Hold**

Price (PLN)	25	ROA 2006	19.7%
Mcap (PLN mn)	726	ROE 2006	29.3%
Mcap (EUR mn)	199	Asset turn (2006)	1.52
Free float (%)	81.3%	SPS CAGR 04-08e	34.2%
Free float (EUR mn)	162	EPS CAGR 04-08e	27.8%
Shares outst. (mn)	28.7	Debt/equity (2006)	0.39



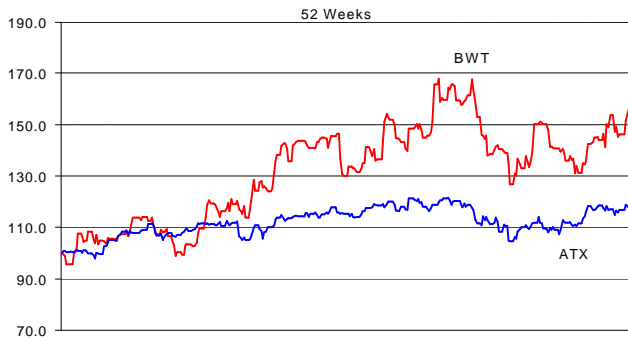
	05	06	07e	08e
Sales (PLNmn)	277.2	288.9	321.1	357.1
EBITDA margin	18.2%	19.2%	19.1%	18.6%
EBIT margin	13.3%	14.8%	14.8%	14.7%
Net profit margin	15.4%	12.7%	12.0%	12.0%
EPS (PLN)	1.2	1.0	1.2	1.5
Dividend (PLN)	0.6	0.8	1.3	1.5
EV/sales	3.2	3.1	2.2	2.0
EV/EBITDA	17.7	16.1	11.7	10.8
P/E	21.1	24.4	21.3	17.2
P/CE	15.9	18.0	15.6	12.9
EV/EBITDA rel.	1.4	1.0	1.0	1.3
P/E rel.	0.7	1.0	1.0	1.2

Performance	12M	6M	3M	1M
Absolute (PLN terms)	-3.3%	3.6%	20.5%	3.7%
Rel. to sector (EUR, ppt)	-65.0	-16.4	0.7	-19.9
Rel. to universe (EUR, ppt)	-48.5	-20.4	-6.8	-17.5

BWT

Hold

Price (EUR)	48	ROA 2006	8.8%
Mcap (EUR mn)	854	ROE 2006	22.0%
		Asset turn (2006)	1.44
Free float (%)	49.5%	SPS CAGR 00-08e	4.6%
Free float (EUR mn)	423	EPS CAGR 00-08e	10.0%
Shares outst. (mn)	17.8	Debt/equity (2006)	1.35



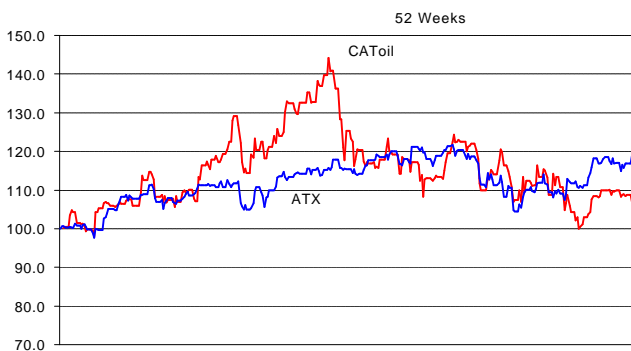
	05	06	07e	08e
Sales (EURmn)	467	365	395	434
EBITDA margin	7.9%	11.3%	11.5%	11.9%
EBIT margin	5.8%	9.0%	9.4%	9.8%
Net profit margin	4.1%	6.1%	6.4%	6.8%
EPS (EUR)	1.1	1.2	1.4	1.6
Dividend (EUR)	0.3	0.4	0.4	0.5
EV/sales	1.9	2.4	2.2	2.0
EV/EBITDA	24.1	21.5	19.4	16.7
P/E	45.0	38.5	33.8	29.3
P/CE	23.3	28.2	25.2	22.3
EV/EBITDA rel.	1.9	1.3	1.7	2.0
P/E rel.	1.5	1.6	1.6	2.0

Performance	12M	6M	3M	1M
Absolute (EUR terms)	49.9%	15.4%	8.2%	11.4%
Rel. to sector (EUR, ppt)	2.4	12.5	7.3	4.3
Rel. to universe (EUR, ppt)	18.9	8.5	-0.2	6.7

CAToil

Hold

Price (EUR)	19	ROA 2006	14.5%
Mcap (EUR mn)	911	ROE 2006	17.4%
		Asset turn (2006)	1.12
Free float (%)	40.0%	SPS CAGR 04-08e	29.9%
Free float (EUR mn)	364	EPS CAGR 04-08e	108.0%
Shares outst. (mn)	48.9	Debt/equity (2006)	0.09



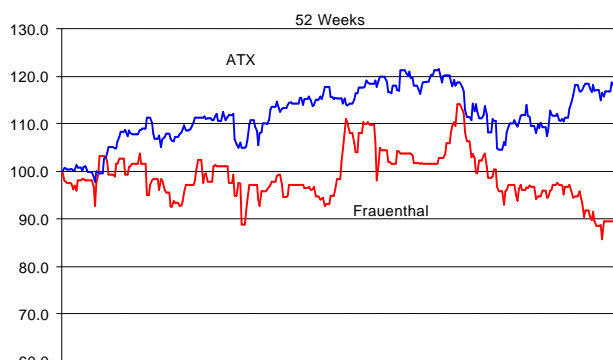
	05	06	07e	08e
Sales (EURmn)	157	194	244	363
EBITDA margin	23.2%	23.6%	27.5%	33.5%
EBIT margin	17.9%	19.1%	21.0%	26.5%
Net profit margin	12.6%	12.4%	14.2%	18.2%
EPS (EUR)	0.6	0.5	0.7	1.3
Dividend (EUR)	0.0	0.0	0.0	0.0
EV/sales	4.7	4.4	3.8	2.5
EV/EBITDA	20.3	18.5	13.7	7.6
P/E	30.6	34.2	26.4	14.3
P/CE	19.8	26.0	18.1	10.2
EV/EBITDA rel.	1.6	1.1	1.2	0.9
P/E rel.	1.0	1.4	1.2	1.0

Performance	12M	6M	3M	1M
Absolute (EUR terms)	5.1%	-16.1%	-7.9%	0.9%
Rel. to sector (EUR, ppt)	-42.4	-19.0	-8.9	-6.2
Rel. to universe (EUR, ppt)	-26.0	-23.1	-16.3	-3.9

Frauenthal

Reduce

Price (EUR)	21	ROA 2006	6.9%
Mcap (EUR mn)	196	ROE 2006	27.5%
		Asset turn (2006)	1.71
Free float (%)	24.5%	SPS CAGR 04-08e	-17.2%
Free float (EUR mn)	48	EPS CAGR 04-08e	n.a.
Shares outst. (mn)	9.4	Debt/equity (2006)	1.94



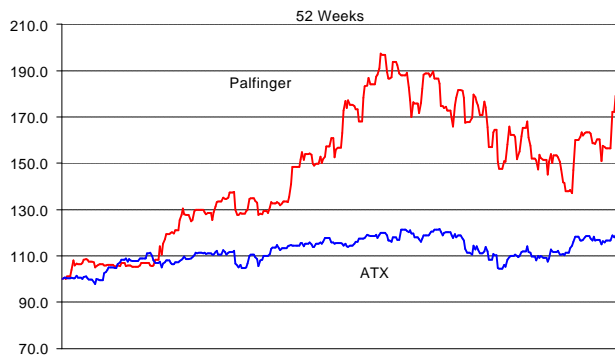
	05	06	07e	08e
Sales (EURmn)	274	482	492	514
EBITDA margin	12.4%	6.9%	7.0%	7.1%
EBIT margin	9.3%	5.1%	5.1%	5.2%
Net profit margin	8.1%	4.5%	4.6%	4.5%
EPS (EUR)	2.2	2.1	2.2	2.2
Dividend (EUR)	0.2	0.2	0.2	0.2
EV/sales	0.9	0.5	0.5	0.4
EV/EBITDA	7.2	7.2	6.6	5.7
P/E	9.5	10.1	9.6	9.4
P/CE	8.6	7.7	6.5	6.1
EV/EBITDA rel.	0.6	0.5	0.6	0.7
P/E rel.	0.3	0.4	0.5	0.7

Performance	12M	6M	3M	1M
Absolute (EUR terms)	-8.3%	-6.9%	-10.3%	-4.3%
Rel. to sector (EUR, ppt)	-55.8	-9.8	-11.3	-11.4
Rel. to universe (EUR, ppt)	-39.4	-13.9	-18.8	-9.1

Palfinger

Accumulate

Price (EUR)	37	ROA 2006	14.9%
Mcap (EUR mn)	1,310	ROE 2006	26.3%
		Asset turn (2006)	1.54
Free float (%)	36.0%	SPS CAGR 00-08e	-3.1%
Free float (EUR mn)	472	EPS CAGR 00-08e	2.9%
Shares outst. (mn)	35.3	Debt/equity (2006)	0.69

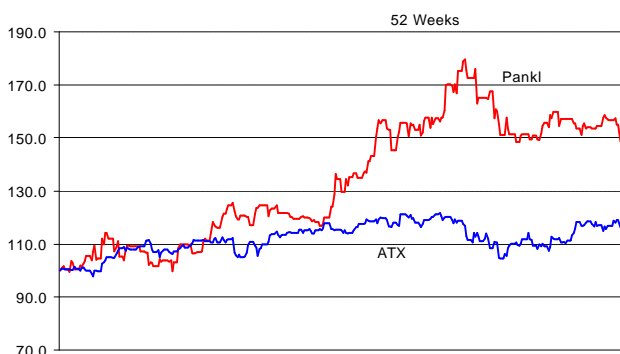


	05	06	07e	08e
Sales (EURmn)	520	585	679	776
EBITDA margin	14.9%	15.7%	18.5%	19.9%
EBIT margin	12.5%	13.2%	15.3%	16.5%
Net profit margin	9.7%	10.2%	11.7%	12.3%
EPS (EUR)	5.5	1.6	2.1	2.6
Dividend (EUR)	1.8	0.6	0.8	0.9
EV/sales	0.7	2.3	2.0	1.7
EV/EBITDA	4.7	14.3	10.6	8.4
P/E	6.8	23.2	17.3	14.3
P/CE	5.2	18.1	12.4	10.8
EV/EBITDA rel.	0.4	0.9	0.9	1.0
P/E rel.	0.2	0.9	0.8	1.0

Performance	12M	6M	3M	1M
Absolute (EUR terms)	70.8%	9.0%	0.0%	24.5%
Rel. to sector (EUR, ppt)	23.3	6.2	-1.0	17.4
Rel. to universe (EUR, ppt)	39.8	2.1	-8.5	19.8

Pankl Racing Systems Buy

Price (EUR)	36	ROA 2006	0.1%
Mcap (EUR mn)	136	ROE 2006	0.2%
		Asset turn (2006)	0.80
Free float (%)	36.0%	SPS CAGR 00-08e	19.2%
Free float (EUR mn)	49	EPS CAGR 00-08e	12.8%
Shares outst. (mn)	3.8	Debt/equity (2006)	1.05



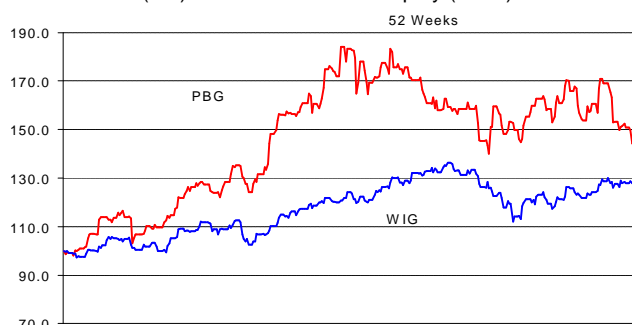
	05	06	07e	08e
Sales (EURmn)	82.4	93.4	101.2	113.9
EBITDA margin	17.9%	8.3%	17.4%	19.4%
EBIT margin	4.6%	0.5%	9.4%	12.3%
Net profit margin	4.9%	0.2%	7.1%	9.8%
EPS (EUR)	1.1	0.04	1.9	2.9
Dividend (EUR)	0.0	0.0	0.2	0.6
EV/sales	1.8	1.6	1.5	1.2
EV/EBITDA	10.1	19.2	8.5	6.4
P/E	33.8	941.7	19.2	12.3
P/CE	10.3	22.0	8.9	7.1
EV/EBITDA rel.	0.8	1.2	0.7	0.8
P/E rel.	1.1	38.6	0.9	0.9

Performance	12M	6M	3M	1M
Absolute (EUR terms)	48.5%	10.6%	-10.0%	-4.5%
Rel. to sector (EUR, ppt)	1.0	7.8	-11.0	-11.6
Rel. to universe (EUR, ppt)	17.5	3.7	-18.5	-9.3

PBG

Accumulate

Price (PLN)	335	ROA 2006	6.3%
Mcap (PLN mn)	4,500	ROE 2006	19.9%
Mcap (EUR mn)	1,234	Asset turn (2006)	0.79
Free float (%)	65.0%	SPS CAGR 04-08e	43.9%
Free float (EUR mn)	802	EPS CAGR 04-08e	-
Shares outst. (mn)	13.4	Debt/equity (2006)	1.75



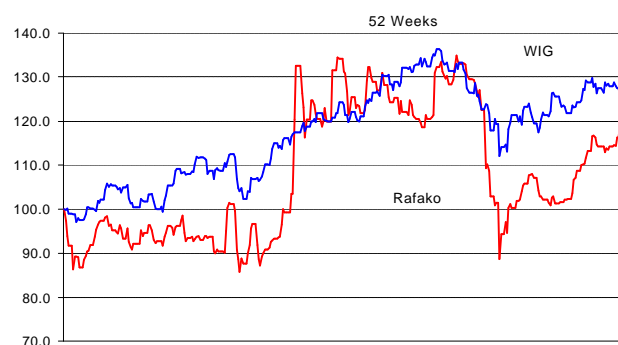
	05	06	07e	08e
Sales (PLNmn)	408.5	674.6	1,447.9	2,081.3
EBITDA margin	12.4%	13.4%	11.3%	13.5%
EBIT margin	10.1%	11.0%	9.5%	11.8%
Net profit margin	10.7%	8.4%	8.3%	8.8%
EPS (PLN)	4.1	4.6	7.7	12.2
Dividend (PLN)	0.0	0.0	0.0	0.0
EV/sales	9.0	6.4	3.3	2.4
EV/EBITDA	72.2	48.1	29.1	17.7
P/E	82.4	73.6	43.7	27.4
P/CE	65.1	43.1	22.1	30.3
EV/EBITDA rel.	5.7	3.0	2.5	2.1
P/E rel.	2.7	3.0	2.1	1.9

Performance	12M	6M	3M	1M
Absolute (PLN terms)	43.6%	-21.7%	-10.0%	-8.7%
Rel. to sector (EUR, ppt)	20.7	-13.1	3.3	-1.6
Rel. to universe (EUR, ppt)	37.1	-17.2	-4.2	0.7

Rafako

Reduce

Price (PLN)	14	ROA 2006	2.2%
Mcap (PLN mn)	995	ROE 2006	5.7%
Mcap (EUR mn)	273	Asset turn (2006)	1.35
Free float (%)	27.5%	SPS CAGR 04-08e	-10.7%
Free float (EUR mn)	75	EPS CAGR 04-08e	-0.6%
Shares outst. (mn)	69.6	Debt/equity (2006)	1.91

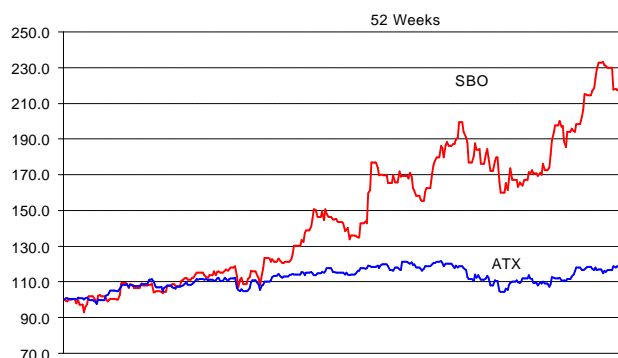


	05	06	07e	08e
Sales (PLNmnn)	500.8	777.2	1,048.7	1,041.0
EBITDA margin	4.9%	4.0%	2.7%	4.2%
EBIT margin	2.9%	2.7%	1.6%	3.1%
Net profit margin	1.1%	1.7%	1.3%	2.2%
EPS (PLN)	0.3	0.7	0.2	0.3
Dividend (PLN)	0.0	0.0	0.0	0.0
EV/sales	0.5	0.2	0.9	0.9
EV/EBITDA	9.3	4.9	31.5	20.4
P/E	47.8	19.5	60.0	46.0
P/CE	16.5	10.9	32.7	29.2
EV/EBITDA rel.	0.7	0.3	2.7	2.4
P/E rel.	1.6	0.8	2.8	3.2

Performance	12M	6M	3M	1M
Absolute (PLN terms)	19.6%	-10.9%	-2.4%	12.2%
Rel. to sector (EUR, ppt)	354.6	263.2	304.4	357.0
Rel. to universe (EUR, ppt)	371.0	259.1	296.9	359.4

Schöller Bleckmann Hold

Price (EUR)	72	ROA 2006	13.1%
Mcap (EUR mn)	1,152	ROE 2006	21.2%
		Asset turn (2006)	0.91
Free float (%)	64.0%	SPS CAGR 00-08e	15.3%
Free float (EUR mn)	737	EPS CAGR 00-08e	48.2%
Shares outst. (mn)	16.0	Debt/equity (2006)	0.66

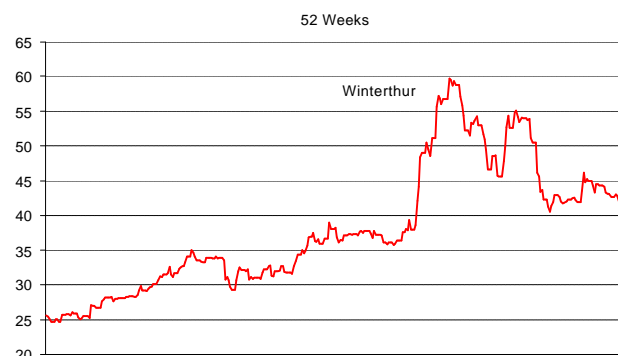


	05	06	07e	08e
Sales (EURmn)	172.7	239.5	312.5	362.6
EBITDA margin	21.2%	26.1%	29.0%	31.0%
EBIT margin	14.7%	20.8%	24.0%	25.0%
Net profit margin	10.1%	14.4%	16.8%	17.6%
EPS (EUR)	1.1	2.2	3.3	4.0
Dividend (EUR)	0.5	0.8	1.1	1.3
EV/sales	6.7	4.9	3.8	3.3
EV/EBITDA	31.7	18.6	13.3	10.5
P/E	66.6	33.3	21.9	18.0
P/CE	41.1	22.8	16.4	13.3
EV/EBITDA rel.	2.5	1.2	1.1	1.3
P/E rel.	2.2	1.4	1.0	1.3

Performance	12M	6M	3M	1M
Absolute (EUR terms)	123.6%	56.0%	26.9%	15.2%
Rel. to sector (EUR, ppt)	76.1	53.1	25.9	8.1
Rel. to universe (EUR, ppt)	92.6	49.0	18.4	10.5

Winterthur Technologie Buy

Price (EUR)	42	ROA 2006	9.8%
Mcap (EUR mn)	248	ROE 2006	18.2%
		Asset turn (2006)	0.95
Free float (%)	84.0%	SPS CAGR 04-08e	7.5%
Free float (EUR mn)	208	EPS CAGR 04-08e	42.1%
Shares outst. (mn)	5.9	Debt/equity (2006)	0.75



	05	06	07e	08e
Sales (EURmn)	78.1	86.3	146.7	226.8
EBITDA margin	18.3%	18.6%	18.7%	18.4%
EBIT margin	14.0%	14.4%	13.9%	13.9%
Net profit margin	9.0%	10.3%	8.3%	8.9%
EPS (EUR)	2.2	2.3	2.8	3.4
Dividend (EUR)	0.7	0.7	0.3	0.3
EV/sales	2.3	2.0	2.2	1.3
EV/EBITDA	12.6	10.8	11.6	7.2
P/E	19.1	18.5	15.3	12.3
P/CE	13.5	13.0	3.2	8.2
EV/EBITDA rel.	1.0	0.7	1.0	0.9
P/E rel.	0.6	0.8	0.7	0.9

Performance	12M	6M	3M	1M
Absolute (EUR terms)	65.1%	11.0%	-20.3%	-0.8%
Rel. to sector (EUR, ppt)	101.7	64.7	19.3	42.7
Rel. to universe (EUR, ppt)	118.1	60.6	11.8	45.0

Food & Beverages

- **CEDC reporting outstanding results**
- **Graal, Jutrzenka and Duda to report unsatisfying numbers for various reasons**

Food producers are expected to report a mixed bag of results: **CEDC's** sales have benefited from the appreciation of the PLN and the rising domestic demand, with a growth rate of 28%. However, **Jutrzenka** will present only flat profits, due to marketing efforts, raw material prices and the launch of soft drinks. **Graal's** figures should reveal an improvement after a painful restructuring phase, but will still not be fully satisfactory. **Duda** took a blow from tough pig market conditions. As a consequence, net profit tumbled to PLN 10.5mn.

CEDC beat our 3Q07 estimates

CEDC presented very good figures and slightly topped our 3Q07 forecasts. Moreover, as a consequence of buoyant demand in Poland, CEDC raised its top line guidance to USD 1.17-1.20bn (from USD 1.13-1.18bn) and its comparable diluted earnings per share guidance to USD 1.65-1.79 (from USD 1.57-1.73). Sales arrived at USD 299.6mn, implying 28% y/y growth (vs. expected 23%). It was boosted by the PLN appreciation against the USD, surging imports (+49% y/y), climbing volumes in Poland and an acquisition in distribution. High spirit prices were largely behind the gross margin drop to 20.6% (from 21.7% in 3Q06). Operating income arrived at USD 28.4mn, translating into 18% y/y growth (5% above our estimates). The effective tax rate came as a positive surprise (only 10.2%! vs. 19% assumed; in nominal terms, the difference amounts to USD 1.4mn) and helped net profit to jump 10% y/y to USD 17mn, beating our expectations by 19%. The excellent sales dynamics and the harvest season ahead in 4Q07 paint a bright picture for CEDC. The raised guidance (by 2.6% and 4.2% for the top and bottom lines, respectively) confirm the sound outlook. However, we maintain our stance that most of the good news from Poland is priced in. We believe that the markets are already valuing the option for development in Russia. This is a key issue - a challenge and a great opportunity. The tempo of growth on that market and the company's success in consolidation will determine the future value of CEDC.

Duda to sell non-operating properties

Duda announced a public tender to sell its non-operating properties in southern Poland. The offer price amounts to PLN 26mn (PLN 0.27 per share). The company did not reveal the book value of these properties. Consequently, the net profit is hard to assess. Nonetheless, the total book value of all non-operating assets amounted to PLN 40mn and was included in our recent valuation model.

Company	Curr.	Mcap (EURmn)	ROE				EBITDA margin				Performance (EUR terms)			
			2005	2006	2007e	2008e	2005	2006	2007e	2008e	1M	3M	6M	12M
Ambra	PLN	103	16.8%	13.6%	17.0%	10.1%	10.5%	9.8%	11.8%	8.3%	5%	15%	-17.3%	10.9%
CEDC	USD	1,502	8.8%	13.8%	10.2%	13.0%	7.5%	10.6%	10.9%	11.4%	4%	33%	48.6%	83.0%
Duda	PLN	247	13.5%	21.6%	15.8%	15.2%	6.2%	8.0%	7.3%	7.6%	-7%	-17%	-28.9%	11.1%
Graal	PLN	64	14.0%	13.2%	9.3%	8.9%	8.1%	8.6%	8.1%	8.3%	-5%	-24.5%	-36.6%	-20.1%
Jutrzenka	PLN	409	11.1%	13.0%	12.0%	19.0%	10.4%	8.8%	9.5%	15.1%	1%	12%	17.8%	120.4%
Pamapol	PLN	195	46.4%	17.3%	19.6%	14.2%	20.6%	14.7%	14.5%	13.4%	-3%	-2%	14.1%	41.0%
Podravka	HRK	378	3.3%	3.3%	2.9%	3.8%	9.0%	9.4%	9.9%	10.5%	-3.8%	-9.1%	-14.7%	4.6%
Median	-	-	14%	14%	12%	13%	9%	9%	10%	11%	-	-	-	-
Davide Campari	EUR	2,158	16.7%	14.9%	14.2%	14.1%	24.6%	22.6%	22.9%	23.7%	4.3%	-4.9%	-4.4%	3.5%
Donegal Creameries	EUR	68	3.5%	7.3%	9.0%	8.8%	6.7%	6.1%	7.3%	0.0%	2.3%	-2.8%	-5.7%	46.7%
Finsbury Food Group Plc	GBP	76	13.7%	65.3%	45.0%	39.2%	5.6%	6.7%	9.0%	-	-4.5%	-4.2%	-13.2%	9.5%
Kraft Foods	USD	62,476	9.7%	11.1%	10.6%	11.8%	17.8%	17.9%	15.8%	15.9%	-7.5%	-4.8%	-7.4%	-15.9%
Laurent Perrier SA	EUR	736	13.3%	15.0%	14.9%	14.8%	21.7%	25.7%	26.9%	28.0%	3.6%	5.7%	40.7%	81.3%
Nestle	CHF	124,628	16.3%	17.9%	19.2%	21.0%	15.9%	16.1%	16.7%	17.1%	2.1%	13.6%	8.3%	16.3%
Remy Cointreau	EUR	2,406	7.7%	11.2%	10.9%	11.2%	20.9%	21.7%	22.6%	23.3%	-0.2%	-2.1%	-2.2%	23.3%
Rieber & Son	NOK	550	14.9%	15.0%	11.2%	13.3%	11.9%	12.6%	11.1%	11.9%	-1.4%	3.8%	0.3%	9.8%
Treatt	GBP	45	12.2%	-	-	-	0.0%	0.0%	-	-	-1.1%	-8.1%	-9.1%	-13.3%
Median	-	-	13%	15%	13%	14%	15%	16%	16%	17%	-	-	-	-
EuroStoxx Food & Beverage	-	198,443	19.6%	18.6%	15.6%	15.4%	17.0%	17%	17.3%	17.6%	-0.2%	3.3%	0.6%	21.0%
CEE to Peer, Prem/Disc	-	-	2%	-9%	-6%	-5%	-40%	-41%	-39%	-38%	-	-	-	-

	P/E				P/CE				P/BV			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Ambra	18.0	20.4	16.3	21.9	9.4	11.7	10.0	11.5	1.8	1.8	1.6	1.5
CEDC	0.0	30.7	36.1	25.6	0.0	26.5	31.0	22.6	3.3	3.8	3.4	3.3
Duda	16.6	8.9	13.8	12.0	10.8	6.4	9.5	8.7	2.2	1.7	2.0	1.7
Graal	18.8	15.1	16.7	12.7	14.2	10.3	9.8	8.1	2.1	2.4	1.2	1.1
Jutrzenka	36.0	27.1	59.6	18.1	18.5	13.4	15.5	14.7	3.8	3.3	5.9	2.4
Pamapol	26.0	34.8	14.0	15.9	20.6	23.6	11.5	11.8	8.7	4.8	2.2	1.9
Podravka	44.3	46.0	53.7	41.3	9.7	10.6	11.1	10.0	1.4	1.6	1.6	1.5
Median CEE	18.8	27.1	16.7	18.1	10.8	11.7	11.1	11.5	2.2	2.4	2.0	1.7
Davide Campari	18.6	18.1	17.1	15.3	16.0	15.5	14.9	13.8	3.1	2.7	2.4	2.1
Donegal Creameries	36.3	16.7	12.6	12.0	6.9	16.5	10.1	9.4	1.3	1.2	1.1	1.1
Finsbury Food Group Plc	14.4	11.3	10.0	8.4	30.8	11.0	9.1	7.3	2.0	7.4	4.5	3.3
Kraft Foods	15.5	15.4	18.0	16.7	11.1	12.9	14.0	14.5	1.5	1.7	1.9	2.0
Laurent Perrier SA	32.6	24.4	21.8	19.5	28.1	19.6	18.7	18.0	4.3	3.7	3.2	2.9
Nestle	23.6	21.5	19.5	17.4	18.0	16.8	14.9	13.5	3.8	3.9	3.7	3.7
Remy Cointreau	33.1	24.8	23.7	22.3	25.2	21.0	20.7	19.8	2.6	2.8	2.6	2.5
Rieber & Son	22.1	19.0	23.2	17.8	12.4	9.9	10.4	9.2	3.3	2.8	2.6	2.4
Treatt	12.7	12.5	-	-	-	-	-	-	1.6	-	-	-
Median	22.1	18.1	18.8	17.1	17.0	16.0	14.4	13.7	2.6	2.8	2.6	2.4
EuroStoxx Food & Beverage	22.9	20.8	18.5	16.9	16.3	14.3	13.1	11.5	4.2	3.8	3.2	2.8
CEE to Peer, Prem/Disc	-15%	49%	-11%	6%	-37%	-27%	-23%	-16%	-15%	-14%	-24%	-31%

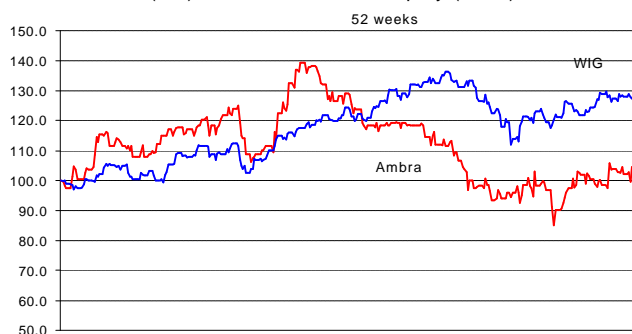
	EV/Sales				EV/EBITDA			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Ambra	1.0	1.0	0.9	0.8	9.7	9.8	7.3	9.6
CEDC	2.1	2.4	2.2	1.9	28.6	23.0	19.9	16.8
Duda	0.7	0.6	0.8	0.7	11.3	7.9	11.2	8.7
Graal	1.1	1.7	0.8	0.7	13.7	19.8	10.1	7.9
Jutrzenka	2.0	1.3	3.2	2.0	19.0	14.8	33.6	13.0
Pamapol	5.3	3.6	2.3	1.4	25.5	24.3	16.1	10.2
Podravka	1.0	1.0	1.1	1.1	11.2	11.1	11.4	10.3
Median CEE	1.1	1.3	1.1	1.1	13.7	14.8	11.4	10.2
Davide Campari	2.7	2.7	2.5	2.4	11.0	12.2	11.1	10.2
Donegal Creameries	0.5	0.5	0.6	0.6	8.0	8.4	8.8	7.4
Finsbury Food Group Plc	0.4	0.5	0.6	0.5	7.7	7.0	6.2	5.3
Kraft Foods	1.7	2.0	2.8	2.7	9.7	11.3	17.7	17.2
Laurent Perrier SA	2.6	2.8	3.8	3.6	11.7	10.9	14.3	12.7
Nestle	1.8	1.9	2.1	2.0	11.6	11.6	12.7	11.6
Remy Cointreau	3.2	3.6	3.5	3.5	15.4	16.4	15.6	14.9
Rieber & Son	1.4	1.3	1.2	1.1	11.6	10.5	10.8	9.4
Treatt	0.9	1.1	-	-	6.4	8.6	-	-
Median	1.7	1.9	2.33	2.20	11.0	10.9	11.9	10.9
EuroStoxx Food & Beverage	1.5	1.7	1.5	1.4	10.5	12.7	10.3	9.3
CEE to Peer, Prem/Disc	-36%	-30%	-52%	-51%	24%	36%	-4%	-6%

Source: JCF Quant, Erste Bank

Ambra

Hold

Price (PLN)	15	ROA 2006	4.2%
Mcap (PLN mn)	376	ROE 2006	10.5%
Mcap (EURmn)	103	Asset turn (2006)	1.15
Free float (%)	38.9%	SPS CAGR 05-08e	6.1%
Free float (EUR mn)	40	EPS CAGR 05-08e	-5.6%
Shares outst. (mn)	25.2	Debt/equity (2006)	1.20



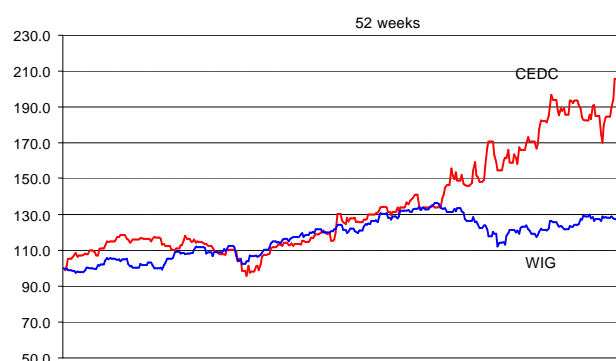
	05	06	07e	08e
Sales (PLNm)	430	505	565	613
EBITDA margin	10.5%	9.8%	11.8%	8.3%
EBIT margin	7.7%	7.3%	9.5%	5.9%
Net profit margin	6.0%	5.6%	6.8%	3.9%
EPS (PLN)	0.8	0.7	0.9	0.7
Dividend (PLN)	0.1	0.2	0.2	1.0
EV/sales	1.0	1.0	0.9	0.8
EV/EBITDA	9.7	9.8	7.3	9.6
P/E	18.0	20.4	16.3	21.9
P/CE	9.4	11.7	10.0	11.5
EV/EBITDA rel.	0.7	0.7	0.6	0.9
P/E rel.	1.0	0.8	1.0	1.2

Performance	12M	6M	3M	1M
Absolute (PLN terms)	3.8%	-19.5%	11.2%	1.4%
Rel. to sector (EUR, ppt)	-43.5	-31.2	3.3	4.4
Rel. to universe (EUR, ppt)	-22.1	-24.2	7.0	0.2

CEDC

Hold

Price (USD)	53	ROA 2006	4.6%
Mcap (USD mn)	2,177	ROE 2006	12.4%
Mcap (EURmn)	1,502	Asset turn (2006)	0.78
Free float (%)	90.9%	SPS CAGR 04-08e	-4.2%
Free float (EUR mn)	1,365	EPS CAGR 04-08e	8.4%
Shares outst. (mn)	40.9	Debt/equity (2006)	1.44



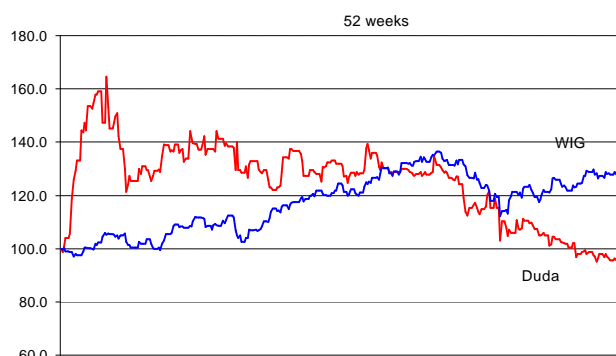
	05	06	07e	08e
Sales (USDmn)	749	944	1,158	1,302
EBITDA margin	7.5%	10.6%	10.9%	11.4%
EBIT margin	6.9%	9.7%	10.0%	10.5%
Net profit margin	3.0%	6.8%	5.2%	6.5%
EPS (USD)	0.0	1.7	1.5	2.1
Dividend (USD)	0.0	0.0	0.0	1.4
EV/sales	2.1	2.4	2.2	1.9
EV/EBITDA	28.6	23.0	19.9	16.8
P/E	0.0	30.7	36.1	25.6
P/CE	0.0	26.5	31.0	22.6
EV/EBITDA rel.	2.1	1.6	1.7	1.6
P/E rel.	0.0	1.1	2.2	1.4

Performance	12M	6M	3M	1M
Absolute (USD terms)	106.1%	58.4%	39.3%	6.5%
Rel. to sector (EUR, ppt)	40.5	43.9	28.7	9.4
Rel. to universe (EUR, ppt)	61.8	50.9	32.4	5.2

Duda

Buy

Price (PLN)	9	ROA 2006	9.5%
Mcap (PLN mn)	901	ROE 2006	21.3%
Mcap (EURmn)	247	Asset turn (2006)	1.96
Free float (%)	75.0%	SPS CAGR 04-08e	-25.4%
Free float (EUR mn)	185	EPS CAGR 04-08e	-23.5%
Shares outst. (mn)	96.8	Debt/equity (2006)	1.21



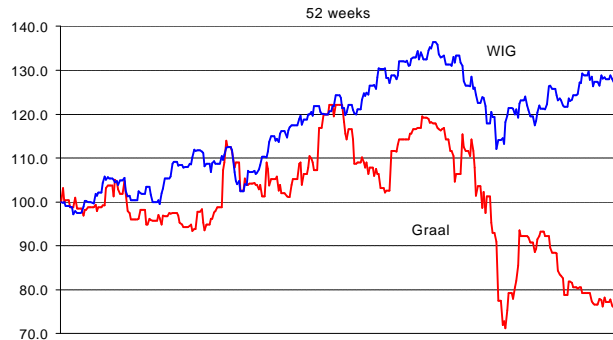
	05	06	07e	08e
Sales (PLNm)	870	1,041	1,359	1,711
EBITDA margin	6.2%	8.0%	7.3%	7.6%
EBIT margin	4.5%	6.1%	5.4%	5.9%
Net profit margin	3.0%	4.9%	4.2%	4.4%
EPS (PLN)	0.6	1.0	0.7	0.8
Dividend (PLN)	0.0	0.0	0.0	0.0
EV/sales	0.7	0.6	0.8	0.7
EV/EBITDA	11.3	7.9	11.2	8.7
P/E	16.6	8.9	13.8	12.0
P/CE	10.8	6.4	9.5	8.7
EV/EBITDA rel.	0.8	0.5	1.0	0.9
P/E rel.	0.9	0.3	0.8	0.7

Performance	12M	6M	3M	1M
Absolute (PLN terms)	-8.7%	-30.8%	-20.4%	-10.5%
Rel. to sector (EUR, ppt)	39.9	28.9	53.8	85.4
Rel. to universe (EUR, ppt)	61.3	35.8	57.5	81.3

Graal

Buy

Price (PLN)	29	ROA 2006e	5.1%
Mcap (PLN mn)	234	ROE 2006e	13.8%
Mcap (EUR mn)	64	Asset turn (2006e)	1.01
Free float (%)	59.0%	SPS CAGR 04-08e	7.9%
Free float (EUR mn)	38	EPS CAGR 04-08e	61.2%
Shares outst. (mn)	8.1	Debt/equity (2006e)	2.30



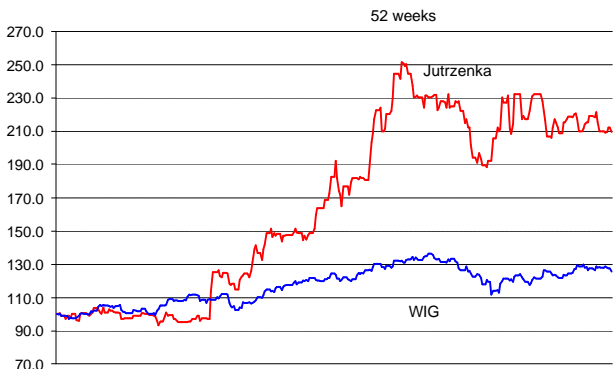
	05	06	07e	08e
Sales (PLNmn)	166	223	361	425
EBITDA margin	8.1%	8.6%	8.1%	8.3%
EBIT margin	6.7%	6.7%	5.3%	5.9%
Net profit margin	5.2%	5.1%	3.8%	4.3%
EPS (PLN)	1.5	1.9	1.7	2.3
Dividend (PLN)	0.0	0.0	0.0	0.0
EV/sales	1.1	1.7	0.8	0.7
EV/EBITDA	13.7	19.8	10.1	7.9
P/E	18.8	15.1	16.7	12.7
P/CE	14.2	10.3	9.8	8.1
EV/EBITDA rel.	1.0	1.3	0.7	0.8
P/E rel.	1.0	0.6	0.9	1.1

Performance	12M	6M	3M	1M
Absolute (PLN terms)	-24.7%	-38.3%	-27.3%	-7.9%
Rel. to sector (EUR, ppt)	-73.4	-50.5	-36.7	-5.2
Rel. to universe (EUR, ppt)	-52.0	-43.6	-33.0	-9.4

Jutrzenka

Hold

Price (PLN)	208	ROA 2006	7.3%
Mcap (PLN mn)	1,492	ROE 2006	13.0%
Mcap (EUR mn)	409	Asset turn (2006)	1.60
Free float (%)	28.0%	SPS CAGR 04-08e	14.0%
Free float (EUR mn)	114	EPS CAGR 04-08e	41.6%
Shares outst. (mn)	7.2	Debt/equity (2006)	0.75



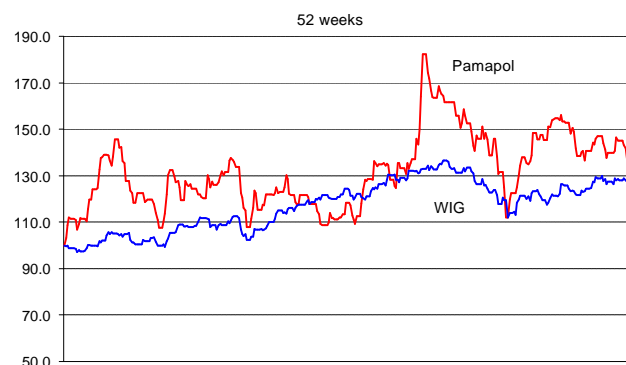
	05	06	07e	08e
Sales (PLNmn)	289	436	497	801
EBITDA margin	10.4%	8.8%	9.5%	15.1%
EBIT margin	6.6%	5.9%	6.7%	12.7%
Net profit margin	5.2%	4.6%	5.0%	10.3%
EPS (PLN)	5.8	7.7	6.7	11.4
Dividend (PLN)	0.0	0.0	0.0	0.0
EV/sales	2.0	1.3	3.2	2.0
EV/EBITDA	19.0	14.8	33.6	13.0
P/E	36.0	27.1	31.2	18.1
P/CE	18.5	13.4	15.5	14.7
EV/EBITDA rel.	1.4	1.0	2.9	1.3
P/E rel.	1.9	1.0	1.9	1.0

Performance	12M	6M	3M	1M
Absolute (PLN terms)	109.7%	14.7%	8.1%	-2.5%
Rel. to sector (EUR, ppt)	452.7	210.1	196.6	176.7
Rel. to universe (EUR, ppt)	474.1	217.1	200.3	172.6

Pamapol

Accumulate

Price (PLN)	25	ROA 2006	7.2%
Mcap (PLN mn)	711	ROE 2006	18.8%
Mcap (EUR mn)	195	Asset turn (2006)	0.90
Free float (%)	41.3%	SPS CAGR 04-08e	-11.1%
Free float (EUR mn)	81	EPS CAGR 04-08e	2.8%
Shares outst. (mn)	28.2	Debt/equity (2006)	1.11



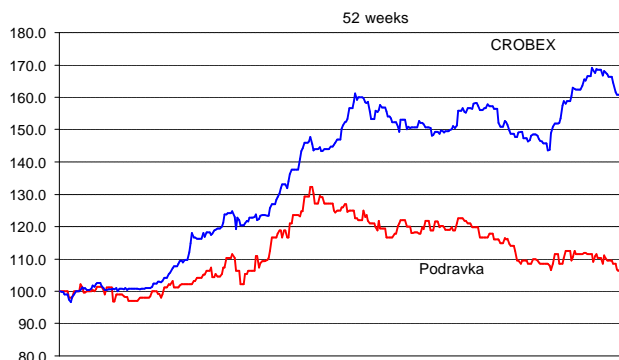
	05	06	07e	08e
Sales (PLNmn)	94	182	336	619
EBITDA margin	20.6%	14.7%	14.5%	13.4%
EBIT margin	15.9%	10.8%	11.7%	10.9%
Net profit margin	18.0%	8.2%	12.8%	7.9%
EPS (PLN)	1.0	0.7	1.8	1.6
Dividend (PLN)	0.0	0.0	0.0	0.8
EV/sales	5.3	3.6	2.3	1.4
EV/EBITDA	25.5	24.3	16.1	10.2
P/E	26.0	34.8	14.0	15.9
P/CE	20.6	23.6	11.5	11.8
EV/EBITDA rel.	1.9	1.6	1.4	1.0
P/E rel.	1.4	1.3	0.8	0.9

Performance	12M	6M	3M	1M
Absolute (PLN terms)	31.5%	11.0%	-5.1%	-6.5%
Rel. to sector (EUR, ppt)	15.4	24.8	7.6	17.1
Rel. to universe (EUR, ppt)	36.7	31.7	11.3	12.9

Podravka

Accumulate

Price (HRK)	512	ROA 2006	1.7%
Mcap (HRK mn)	2,775	ROE 2006	3.3%
Mcap (EUR mn)	378	Asset turn (2006)	0.97
Free float (%)	68.6%	SPS CAGR 04-08e	1.1%
Free float (EUR mn)	259	EPS CAGR 04-08e	46.4%
Shares outst. (mn)	5.4	Debt/equity (2006)	1.12



	05	06	07e	08e
Sales (HRKmn)	3,441	3,468	3,275	3,401
EBITDA margin	9.0%	9.4%	9.9%	10.5%
EBIT margin	2.5%	3.6%	3.8%	4.4%
Net profit margin	1.8%	1.7%	1.6%	2.0%
EPS (HRK)	11.6	11.1	9.5	12.4
Dividend (HRK)	5.0	5.0	6.0	6.0
EV/sales	1.0	1.0	1.1	1.1
EV/EBITDA	11.2	11.1	11.4	10.3
P/E	44.3	46.0	53.7	41.3
P/CE	9.7	10.6	11.1	10.0
EV/EBITDA rel.	0.8	0.7	1.0	1.0
P/E rel.	2.4	1.7	3.2	2.3

Performance	12M	6M	3M	1M
Absolute (HRK terms)	6.7%	-14.7%	-8.6%	-3.4%
Rel. to sector (EUR, ppt)	-45.8	-28.6	-21.3	-4.4
Rel. to universe (EUR, ppt)	-24.5	-21.6	-17.6	-8.6

Information Technology

- **3Q07 earnings season - no surprises expected**
- **Asseco took over Prokom and Disig**
- **ComArch CFO resigned**
- **S&T 3Q07 results appealing**

The earnings season has already started, with **S&T** delivering favorable figures once again and **Ericsson Nikola Tesla** posting more or less according to expectations. The Polish ITs are not expected to deliver major surprises on the operating level. Only **Sygnity** is hard to estimate, due to the changes announced by the new management.

Merger with Asseco distorts focus on financials

We expect the **Prokom Group** to report figures that will be driven by **Asseco's** sound performance. Prokom had a tough quarter, as the political instability in Poland led to a further delay of public tenders. Meanwhile, political pressure on Mr. Krauze forced the former CEO of Prokom to resign and sell his 23% stake in the company. As a result, Asseco announced its merger with Prokom about a year ahead of schedule. The companies have already agreed on the share exchange parity of 1 Prokom share for 1.82 shares in Asseco Poland. Hence, the operating performance of Prokom has only limited significance on its share price. The merger is planned to be accomplished in 1Q08 and will create the biggest IT group in CEE by far.

Positive financial development

Asseco Poland seems to have continued its sound operating development, backed by ongoing sales of proprietary software and services. Asseco Group acquired **MPI Slovakia** in 3Q07, but nonetheless worked on the upcoming IPOs of its subsidiaries. Due to the political turmoil connected to Prokom's (now former) CEO Krauze, Asseco was urged to take over Prokom a.s. at least one year ahead of schedule. The plan regarding the takeover of Prokom subsidiaries **ABG** and **Comp** has not been revealed yet. Overall, Asseco plans to invest about PLN 1bn for 11 acquisitions in the next six months. This was revealed after the acquisitions of controlling stakes in software companies **Anica Systems** (PL), **AP-AS** (GER) and **Sintagma** (LIT) for a total of PLN 114mn at the beginning of September this year.

Acquisition in Slovakia announced

In late October, Asseco Poland's subsidiary in Slovakia (**Asseco Slovakia**) announced another acquisition, the takeover of 51% of Slovak IT certified authorization provider **Disig**. Asseco Slovakia will pay SKK 6-9mn, which the company will finance from own funds. Disig employs 15 employees and sales for 2007 are expected at above SKK 12.5mn, implying a P/S of 0.94-1.4 for the transaction. Due to the small size of the acquired company, the transaction was not subject to the Slovak anti-monopoly office's (PMU) approval.

First reporting period under new management

Sygnity's new management has already communicated that the 3Q07 results will be burdened by restructuring charges (reserves & cash) for severance payments for the previous management and about 500 further layoffs. In addition to this PLN 16.7mn, goodwill amortization (**Emax** acquisition) will account for PLN 9.3mn, in line with the already presented amortization plan. Regarding operating performance, Sygnity has announced several large-volume contracts with both the public and industrial sectors. Still, we believe that we will have to wait at least another quarter to see the gross and EBIT margins recovering. Currently, the share price does not really incorporate a premium for the announced restructuring measures.

ComArch driving expansion, backed by stable development in Poland

ComArch announced further steps in the company's expansion strategy, setting up a subsidiary in France to serve local clients. The current three consultants will be extended to 20 by the end of next year. The staff level at the subsidiary in Germany is also planned to be extended to 120 from the current 70. Regarding the operating development in 3Q07, we expect a sound improvement y/y, based on the company's

backlog of PLN 478mn (+26%) as of the end of July. The gross and EBIT margins are expected to be depressed slightly y/y by the ongoing increase of the staff level. Regarding the bottom line, we have not incorporated any release of the company's tax asset. The lower net profit figure YTD (y/y) is caused by the sale of a 5% stake in Interia.pl for PLN 5.3mn in 1Q06.

CFO resigned

Rafal Chwast, the ComArch deputy CEO responsible for finance, resigned from his post. The reasons have not been revealed. Daily Parkiet speculates that Chwast resigned from his post after ten years due to disagreements with CEO Janusz Filipiak, who holds a majority stake in ComArch. This is the fourth person from management to resign since the beginning of 2006. The CEO stated that Chwast's resignation is not connected with the company's financial situation.

S&T preliminary 3Q07 figures appealing

S&T released figures that are slightly below our estimates on the top line, but with a better operating performance than we anticipated. After the rather weak performance in 1H07, which was due to the postponement of contracts to 2H07 and increased effort regarding the **IMG** integration, 3Q07 brought **S&T** back on the right track. The sales mix of hardware (incl. licenses) vs. services stood at 51% vs. 49% (3Q07: 63% vs. 37%), indicating a gradual improvement towards a higher share of services. Still, services sales have mainly improved following the recent acquisitions (mostly **IMG**, but also **Unitis** and **T-Systems Turkey**). Synergies should be visible in the quarters to come. Regarding the operating profitability, one has to take the integration (provisions and cash) and restructuring costs into account, which are estimated at EUR 1-1.5mn for the quarter.

Despite the appealing 3Q07 results, **S&T** had to reduce its FY guidance in terms of sales to EUR 510-520mn and in terms of EBIT to EUR 13-15mn (from EUR 530mn and EUR 16mn, respectively). The reason can be found in the higher than expected integration costs of about EUR 4mn (instead of EUR ~2mn) for FY07. Still, the new guidance implies a very strong 4Q07, in fact the strongest quarter in the company's history. There should be hardly any one-offs burdening the results. The reduced guidance (or better to say profit warning) is definitely negative, but it seems that the ongoing efforts should bring the company to a higher profitability level already in 2008. For the moment, we feel comfortable with our recommendation (Hold), but we will slightly adapt our estimates.

3Q07 results - sales up, profitability down

Ericsson Nikola Tesla announced 3Q07 results. Sales went up 2.04% y/y, while operating costs saw even higher growth of 2.87% y/y. Although the quarterly sales growth is moderate, on a cumulative level, it presents an increase of 5.06% (mostly generated in 1H07). Last year, the company had extraordinary revenues of HRK 36.6mn from an insurance payment (as compensation for fire damage). The company managed to cut material costs in 3Q07 by 5.9% y/y. However, this was offset by increased costs for personnel and higher reserves. Book orders amount to HRK 1,453mn, up 6.1% y/y. Net profit in 3Q07 (YTD) amounted to HRK 105.8mn, largely in line with expectations and the company's guidance. Still, net profit dropped by 6.6% y/y in 3Q07 (down HRK 4.7mn), presenting only 13% of the cumulative net profit drop YTD (-25% y/y). Net profit on the quarterly level was a bit improved by the net financial result, which was positive, stemming from growth in financial revenues (from HRK 8.6mn to HRK 30.5mn).

Company	Curr.	Mcap (EURmn)	ROE				EBITDA margin				Performance (EUR terms)			
			2005	2006	2007e	2008e	2005	2006	2007e	2008e	1M	3M	6M	12M
ComArch	PLN	370.5	18.5%	25.4%	20.3%	23.4%	8.6%	12.0%	12.1%	12.6%	-6.6%	-9.7%	-29.4%	-6.7%
Sygnity	PLN	146.5	5.6%	-6.3%	-11.7%	3.2%	6.5%	5.9%	0.2%	7.3%	-3.6%	-25.5%	-49.6%	-46.4%
Prokom	PLN	548.3	12.4%	13.5%	12.3%	10.3%	12.2%	12.5%	13.9%	14.0%	9%	-1.0%	-9.8%	28.1%
Asseco Poland	PLN	987.4	21%	24.3%	12.7%	9.3%	11.6%	12.3%	15.5%	16.0%	8%	-3.6%	-4.9%	101.1%
S&T	EUR	187.7	14.2%	16.1%	16.7%	17.9%	4.1%	3.9%	4.3%	4.8%	-1.7%	-7.4%	-5.9%	52.5%
Ericsson Nikola Tesla	HRK	589.0	17.0%	15.3%	15.2%	14.5%	17.8%	16.6%	17.3%	17.4%	-10.1%	-9.0%	-16.0%	33%
Median	-	-	16%	16%	14%	12%	10%	12%	13%	13%	-	-	-	-
EuroStoxx Technology		231,676	18.9%	28.7%	23.5%	25.4%	16.1%	17.5%	17.5%	19.8%	-1%	3.2%	1.1%	4.6%
IT Technolgy All Share		55,454	10.8%	10.0%	10.1%	13.5%	9.7%	9.5%	11.1%	12.4%	-	-	-	-
IT TecDax		42,380	11.6%	12.3%	11.1%	14.4%	14.0%	11.8%	14.1%	16.1%	-	-	-	-
Median	-	-	12%	12%	11%	14%	14%	12%	14%	16%	-	-	-	-
CEE to Peer, Prem/Disc	-	-	35%	28%	26%	-14%	-28%	3%	-8%	-17%	-	-	-	-

	P/E				P/CE				P/BV			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
ComArch	43.3	23.2	23.7	18.1	36.1	19.6	18.7	14.8	7.3	5.0	4.8	3.8
Sygnity	29.7	neg.	neg.	29.8	12.0	5.6	neg.	5.4	1.5	0.9	0.9	0.9
Prokom	24.9	22.7	18.7	16.0	14.6	14.2	11.7	10.9	1.8	1.6	0.9	0.8
Asseco Poland	38.9	26.0	35.3	27.6	31.6	23.4	26.8	24.1	6.9	5.7	2.4	2.2
S&T	38.2	27.7	22.1	17.2	20.6	14.7	12.2	9.7	5.0	4.0	3.4	2.8
Ericsson Nikola Tesla	18.4	18.5	17.0	15.6	14.9	14.1	13.6	12.9	2.9	2.8	2.4	2.1
Median CEE	34.0	23.2	22.1	17.7	17.8	14.4	13.6	11.9	3.9	3.4	2.4	2.2
EuroStoxx Technology	32.0	23.5	21.3	17.0	23.3	19.7	15.6	12.6	5.1	4.7	4.7	4.3
IT Technolgy All Share	26.5	23.4	21.2	15.8	16.2	17.1	14.6	12.2	3.2	2.6	2.6	2.3
IT TecDax	31.9	31.8	27.4	20.5	24.6	23.2	19.3	15.3	3.9	3.3	3.3	3.1
Median	31.9	23.5	21.3	17.0	23.3	19.7	15.6	12.6	3.9	3.3	3.3	3.1
CEE to Peer, Prem/Disc	7%	-1%	3%	4%	-24%	-27%	-13%	-5%	2%	2%	-28%	-30%

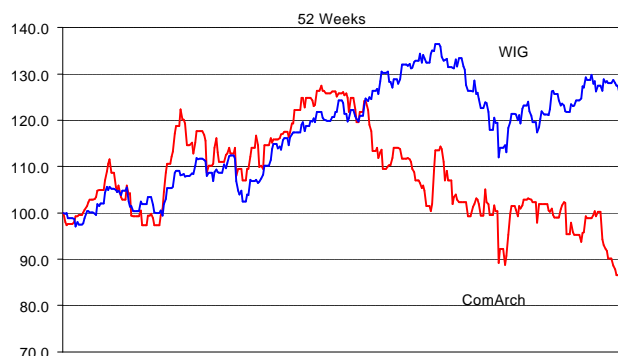
	EV/Sales				EV/EBITDA			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e
ComArch	2.7	2.6	2.1	1.7	31.4	21.6	17.5	13.6
Sygnity	0.4	0.5	0.4	0.4	5.8	9.0	216.4	5.3
Prokom	1.1	1.3	0.8	0.7	9.1	10.1	6.1	5.0
Asseco Poland	3.8	4.0	3.2	2.6	32.5	32.2	20.6	16.3
S&T	0.6	0.5	0.5	0.4	15.1	11.7	10.9	8.6
Ericsson Nikola Tesla	2.5	2.5	2.2	2.1	14.3	14.9	12.9	12.0
Median CEE	1.8	1.9	1.5	1.2	14.7	13.3	15.2	10.3
EuroStoxx Technology	1.9	2.0	2.0	1.7	11.3	10.6	11.7	9.5
IT Technolgy All Share	1.4	1.4	1.2	1.1	9.6	11.8	10.9	7.7
IT TecDax	1.9	2.0	2.2	1.8	12.9	12.5	13.3	9.8
Median	1.9	2.0	2.0	1.7	11.3	11.8	11.7	9.5
CEE to Peer, Prem/Disc	-4%	-4%	-24%	-30%	30%	13%	30%	8%

Source: JCF Quant, Erste Bank

ComArch

Buy

Price (PLN)	169.8	ROA 2006	13.1%
Mcap (PLN mn)	1,373	ROE 2006	27.2%
Mcap (EURmn)	376	Asset turn (2006)	1.22
Free float (%)	38.8%	SPS CAGR 00-08e	16.7%
Free float (EUR mn)	146.0	EPS CAGR 00-08e	16.6%
Shares outst. (mn)	8.1	Debt/equity (2006)	0.79



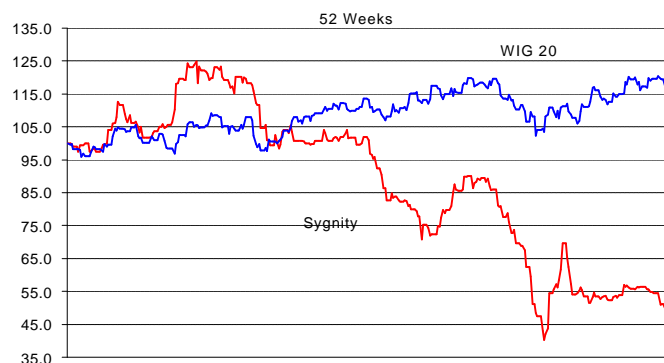
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Sales (PLN mn)	444.0	491.7	632.7	752.6
EBITDA margin	8.6%	12.0%	12.1%	12.6%
EBIT margin	6.0%	9.4%	9.8%	10.5%
Net profit margin	6.1%	10.8%	8.7%	10.0%
EPS (PLN)	3.9	7.0	6.9	9.3
Dividend (PLN)	0.0	0.0	0.0	0.0
EV/sales	2.7	2.6	2.1	1.7
EV/EBITDA	31.4	21.6	17.5	13.6
P/E	43.3	24.1	24.5	18.3
P/CE	36.1	20.4	19.3	15.0
EV/EBITDA rel.	2.14	1.62	1.15	1.32
P/E rel.	1.27	1.04	1.11	1.03

Performance	12M	6M	3M	1M
Absolute (PLN terms)	-13.5%	-31.3%	-13.1%	-9.7%
Rel. to sector (EUR, ppt)	-33.6	-8.2	3.9	-0.3
Rel. to universe (EUR, ppt)	-33.4	-31.0	-11.4	-4.2

Sygnity

Hold

Price (PLN)	49.5	ROA 2006	-3.4%
Mcap (PLN mn)	534	ROE 2006	-10.6%
Mcap (EURmn)	147	Asset turn (2006)	1.15
Free float (%)	54.3%	SPS CAGR 00-08e	7.4%
Free float (EUR mn)	79.6	EPS CAGR 00-08e	-5.0%
Shares outst. (mn)	10.8	Debt/equity (2006)	1.26

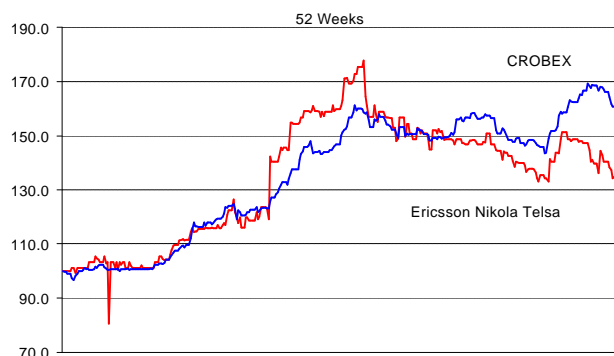


	05	06	07e	08e
Sales (PLN mn)	858.1	927.1	1,353.0	1,464.3
EBITDA margin	6.5%	6.3%	0.2%	7.3%
EBIT margin	4.0%	4.9%	-4.6%	1.8%
Net profit margin	1.3%	3.2%	-3.3%	1.2%
EPS (PLN)	1.7	-3.9	-4.6	1.7
Dividend (PLN)	1.0	1.0	1.0	1.0
EV/sales	0.4	0.5	0.4	0.4
EV/EBITDA	5.8	9.0	216.4	5.3
P/E	29.7	-12.9	n.m.	29.8
P/CE	12.0	5.6	n.m.	5.4
EV/EBITDA rel.	0.4	0.7	14.2	0.5
P/E rel.	0.9	-0.6	n.m.	1.7

Performance	12M	6M	3M	1M
Absolute (PLN terms)	-50.0%	-50.9%	-28.3%	-6.8%
Rel. to sector (EUR, ppt)	-60.2	-15.9	7.6	29.8
Rel. to universe (EUR, ppt)	-60.0	-38.7	-7.6	25.8

Ericsson Nikola Tesla under review

Price (HRK)	3,250.0	ROA 2006	12.2%
Mcap (HRK mn)	4,328	ROE 2006	15.3%
Mcap (EURmn)	589	Asset turn (2006)	0.85
Free float (%)	49.0%	SPS CAGR 00-08e	8.0%
Free float (EUR mn)	288.6	EPS CAGR 00-08e	-
Shares outst. (mn)	1.3	Debt/equity (2006)	0.24



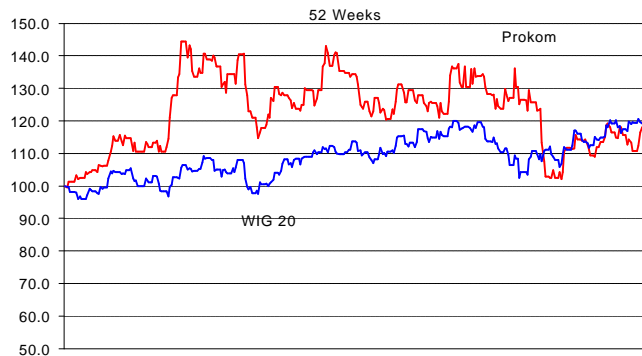
	05	06	07e	08e
Sales (HRK mn)	1,625	1,634	1,826	1,944
EBITDA margin	17.8%	16.6%	17.3%	17.4%
EBIT margin	14.5%	12.1%	14.0%	14.2%
Net profit margin	14.5%	14.3%	14.0%	14.3%
EPS (HRK)	177.0	175.5	191.4	208.5
Dividend (HRK)	19.0	19.0	20.0	20.0
EV/sales	2.5	2.5	2.2	2.1
EV/EBITDA	14.3	14.9	12.9	12.0
P/E	18.4	18.5	17.0	15.6
P/CE	14.9	14.1	13.6	12.9
EV/EBITDA rel.	1.0	1.1	0.8	1.2
P/E rel.	0.5	0.8	0.8	0.9

Performance	12M	6M	3M	1M
Absolute (HRK terms)	34.3%	-16.0%	-8.5%	-9.7%
Rel. to sector (EUR, ppt)	3.0	-0.2	-2.3	-10.9
Rel. to universe (EUR, ppt)	3.1	-23.0	-17.5	-14.8

Prokom

Buy

Price (PLN)	144.0	ROA 2006	3.9%
Mcap (PLN mn)	2,000	ROE 2006	10.4%
Mcap (EURmn)	548	Asset turn (2006)	0.74
Free float (%)	73.1%	SPS CAGR 00-08e	14.3%
Free float (EUR mn)	400.9	EPS CAGR 00-08e	2.7%
Shares outst. (mn)	13.9	Debt/equity (2006)	0.87



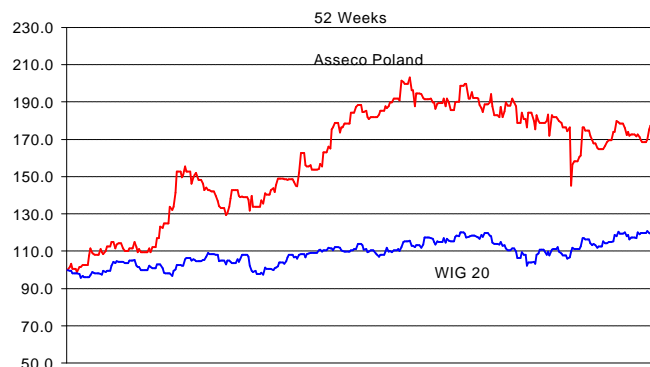
	05	06	07e	08e
Sales (PLN mn)	1,854.8	1,689.4	2,311.9	2,606.9
EBITDA margin	12.2%	9.9%	13.9%	14.0%
EBIT margin	8.1%	7.4%	11.3%	11.6%
Net profit margin	4.3%	2.1%	4.6%	4.8%
EPS (PLN)	5.8	6.3	7.7	9.0
Dividend (PLN)	1.5	1.0	1.8	2.1
EV/sales	1.1	1.3	0.8	0.7
EV/EBITDA	9.1	10.1	6.1	5.0
P/E	24.9	22.7	18.7	16.0
P/CE	14.6	14.2	11.7	10.9
EV/EBITDA rel.	0.6	0.8	0.4	0.5
P/E rel.	0.7	1.0	0.8	0.9

Performance	12M	6M	3M	1M
Absolute (PLN terms)	18.0%	-12.2%	-4.6%	5.6%
Rel. to sector (EUR, ppt)	-7.4	6.1	5.8	8.4
Rel. to universe (EUR, ppt)	-7.2	-16.8	-9.5	4.5

Asseco Poland

Accumulate

Price (PLN)	78.1	ROA 2006	11.0%
Mcap (PLN mn)	3,602	ROE 2006	24.3%
Mcap (EURmn)	987	Asset turn (2006)	0.72
Free float (%)	47.8%	SPS CAGR 00-08e	-2.0%
Free float (EUR mn)	472.0	EPS CAGR 00-08e	-5.6%
Shares outst. (mn)	46.1	Debt/equity (2006)	0.99



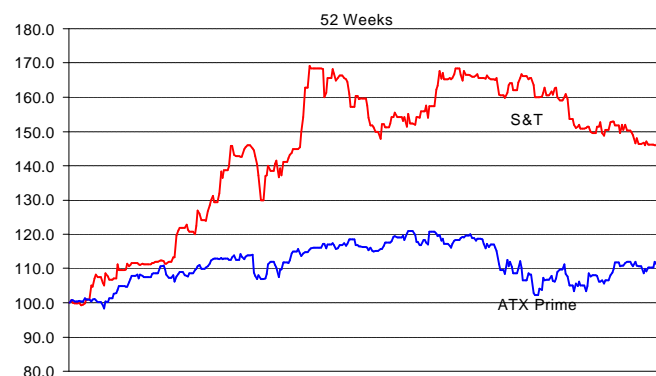
	05	06	07e	08e
Sales (PLN mn)	533.2	496.1	1,120.9	1,333.2
EBITDA margin	11.6%	12.3%	15.5%	16.0%
EBIT margin	9.7%	9.6%	13.7%	14.4%
Net profit margin	8.2%	15.3%	9.1%	9.8%
EPS (PLN)	2.0	3.0	2.2	2.8
Dividend (PLN)	0.8	0.7	0.3	0.3
EV/sales	3.8	4.0	3.2	2.6
EV/EBITDA	32.5	32.2	20.6	16.3
P/E	38.9	26.0	35.3	27.6
P/CE	31.6	23.4	26.8	24.1
EV/EBITDA rel.	2.2	2.4	1.4	1.6
P/E rel.	1.1	1.1	1.6	1.6

Performance	12M	6M	3M	1M
Absolute (PLN terms)	74.3%	-7.5%	-7.1%	4.8%
Rel. to sector (EUR, ppt)	203.9	90.0	83.4	97.8
Rel. to universe (EUR, ppt)	204.1	67.2	68.2	93.8

S&T

Hold

Price (EUR)	52.6	ROA 2006	3.1%
Mcap (EUR mn)	188	ROE 2006	16.1%
		Asset turn (2006)	2.13
Free float (%)	47.0%	SPS CAGR 02-08e	19.0%
Free float (EUR mn)	88.2	EPS CAGR 02-08e	33.8%
Shares outst. (mn)	3.6	Debt/equity (2006)	4.03



	05	06	07e	08e
Sales (EUR mn)	355.7	461.3	530.7	580.6
EBITDA margin	4.1%	3.9%	4.3%	3.9%
EBIT margin	2.4%	2.6%	3.0%	2.8%
Net profit margin	1.4%	1.5%	1.6%	1.5%
EPS (EUR)	1.4	1.9	2.4	3.1
Dividend (PLN)	0.0	0.0	0.0	0.0
EV/sales	0.6	0.5	0.5	0.4
EV/EBITDA	15.1	11.7	10.9	8.6
P/E	38.2	27.7	22.1	17.2
P/CE	20.6	14.7	12.2	9.7
EV/EBITDA rel.	1.0	0.9	0.7	0.8
P/E rel.	1.1	1.2	1.0	1.0

Performance	12M	6M	3M	1M
Absolute (EUR terms)	50.3%	-5.9%	-7.4%	-1.7%
Rel. to sector (EUR, ppt)	19.0	10.0	-0.6	-2.4
Rel. to universe (EUR, ppt)	19.2	-12.9	-15.8	-6.4

Media

- **Agora to face competitive pressure in 1H 2008 numbers from increasing competition**
- **Potential listing of public TV not an immediate threat for TVN**
- **CME's share price soared to levels which are hard to justify fundamentally**

Competition on Polish daily market heating up

Competition on Poland's nationwide daily newspaper market has increased with the entrance of a new daily, *Polska*, published by **Polskapresse**. The ambitions of *Polskapresse* are high - daily copy sales of 0.8-1mn, which would be well ahead of **Agora's** 0.45mn average copy sales. We think that any number higher than *Agora's* would be a success. *Polskapresse* plans to invest around PLN 100mn to promote its new daily (approximately 60% of *Agora's* full-year marketing budget). Nevertheless, we do not expect the new competition to be reflected in either the 3Q or FY07 results. It is more likely that the negative impact will be seen in 1H08. Therefore, we expect *Agora* to post solid results for 3Q, with revenues growing by around 10% y/y, reaching PLN 271.4mn, with net profit at PLN 21.5mn (up 187% y/y, thanks to the depressed base last year), as *Agora* posted a very good readership in 3Q. *Agora* has proven capable of fighting off new competition before, as seen with the launch of *Dziennik*. We believe that *Agora* will be able to cope with the new competition. The question is, at what cost? *Agora* will have to raise its promotional spending next year, while its newspaper ad share is likely to shrink and copy sales might fall. All of this represents a considerable threat to *Agora's* financials and profitability for 2008. We would advise investors to keep a close eye on the statistics regarding *Agora's* market share and copy sales in the months to come.

Speculation on IPO of public TV station

According to the Polish media, the new ruling party is considering listing Poland's public TV station (the leading station in the Polish market, with approximately 40%+ average daily audience share) on the WSE. This should not be a direct threat for **TVN** (no coverage, no rating). However, two issues might have a negative impact on the company's position: Investors in the media sector would get an alternative to **TVN**, and listed companies are more likely to be focused on profitability and growth (not to mention the potential privatization of Polish TV via the WSE, putting it in the hands of private investors). On the other hand, **TVN** might be able to buy a strategic share in Polish TV and benefit from synergies. Nevertheless, this launch would take some time, and one should not expect any influence on **TVN** in the short- to mid-term horizon. **TVN** is also doing well in terms of advertising revenues. In August, it posted revenues of PLN 107.1mn (audience share: 22.5%), compared to PLN 97.4mn for **Polsat** (audience share: 16.5%) and PLN 93.6mn for state-run **TVP1** (audience share: 22%). We expect **TVN** to further benefit from TV ad growth in Poland and from the relatively protected TV market, at least as long as analog broadcasting continues (digitalization will not be finished before 2010-12). The TV ad market is predicted to grow by an average of 10% this year and similar growth is predicted for 2008. Thus, the key factor for **TVN's** operations will be its audience share in this growing market.

Recent price rally soaked up most upside potential for time being

CME reached new highs of USD 120 per share at the end of October, without any major news. The most likely explanation, from our point of view, is that someone is trying to grab a stake in **CME**. There has been speculation in the Czech media that the former owner of *TV Nova*, Czech financial group **PPF**, may try to acquire **CME**. We do not think that this is logical. Why would **PPF** sell *TV Nova* and then, three years later, try to acquire the whole company for a far greater amount (indeed, at an all-time high)? Moreover, without cutting a deal with *Apax* and *Lauder*, no one can take control of **CME**. Another possible buyer is Ukrainian businessman Mr. *Kolomoisky*, who acquired approximately 3% of **CME's** common stock in August. *Kolomoisky* has had disputes with **CME** in Ukraine (with **Studio 1+1**), and he might try to gain control of a more important stake, perhaps 5% or 10%. **CME** is likely to take part in the tender for Turkish

media group **ATV-Sabah**, which the Turkish state wants to sell for a minimum of USD 1.1bn. What is known is that CME asked for documents related to this tender. However, whether CME will really take part in the tender is still unclear. Despite strong competitors in the tender, we think that CME will give it a go, as Turkey would suit its expansion strategy in CEE very well. It is hard to judge what impact this potential acquisition would have on our valuation - it will depend a lot on the price. The auction should take place on December 5. As the company is having problems in Ukraine, we believe that the current share price is above the fundamental value of CME.

Company	Curr.	Mcap (EURmn)	ROE				EBITDA margin				Performance (EUR terms)			
			2005	2006	2007e	2008e	2005	2006	2007e	2008e	1M	3M	6M	12M
Agora	PLN	857	11.2%	2.8%	8.5%	9.5%	20.2%	10.2%	15.0%	15.5%	10%	41.3%	21.2%	101.5%
CME	USD	3,372	9.5%	4.6%	18.8%	20.9%	19.5%	28.6%	37.0%	39.5%	25%	35.2%	17.9%	44.2%
Median	-	-	10%	4%	14%	15%	20%	19%	26%	27%	-	-	-	-
Bloomsbury Publishing	GBP	174	16.5%	4.1%	11.3%	6.9%	17.6%	5.6%	13.6%	11.8%	12%	3.6%	-10.5%	-50.4%
Dogan Yayin Holding	TRY	2,156	1.3%	-2.4%	12.6%	11.3%	11.6%	11.1%	11.3%	14.8%	12.0%	5.1%	20.7%	15.7%
Edipresse SA	CHF	360	12.0%	8.4%	10.1%	10.4%	9.6%	10.4%	12.7%	-	-6.4%	-4.2%	-12.6%	-10.9%
Grupo Televisa SA	MXN	8,115	21.1%	24.4%	24.9%	22.5%	40.7%	43.3%	42.2%	42.0%	-4.6%	-12.2%	-23.0%	-13.7%
Hurriyet Gazetecilik	TRY	959	14.2%	14.6%	13.7%	14.5%	25.9%	21.6%	21.8%	25.4%	2.8%	5.0%	17.6%	5.3%
Lambrakis Press SA	EUR	218	-2.1%	-7.7%			4.4%	0.0%		-14.3%	-9.3%	-14.6%	1.9%	-7.1%
ProSiebenSat.1 Media AG	EUR	4,058	18.6%	19.4%	22.2%	26.0%	21.0%	23.0%	21.4%	24.5%	-9.5%	-23.6%	-27.7%	-14.5%
Roularta	EUR	622	10.3%	10.4%	11.9%	12.9%	11.4%	11.9%	12.5%	13.6%	-2.8%	-11.7%	-15.6%	1.3%
St Ives Group	GBP	434	15.5%	9.2%	12.4%	13.6%	15.5%	13.3%	14.1%	14.3%	43%	21.9%	-11.2%	13.9%
TV Azteca	MXN	1,265	30.2%	52.3%	25.5%	25.3%	45.3%	44.2%	41.0%	0.0%	-1%	-15.2%	-7.2%	9.6%
TVN SA	PLN	2,382	50.0%	21.5%	24.1%	26.6%	34.2%	37.5%	38.5%	39.9%	15.2%	8.1%	-1.5%	17.3%
Wegener	EUR	729	7.0%	9.2%	12.5%	14.0%	10.5%	11.3%	14.0%	15.4%	-8.2%	-9.2%	-5.0%	58.5%
Median	-	-	15%	10%	13%	14%	17%	13%	14%	15%	-	-	-	-
EuroStoxx Media		123,983	18.4%	16.2%	17.8%	21.6%	21.7%	22.8%	22.7%	24.9%	-6.0%	5.7%	6.9%	28.5%
CEE to Peer, Prem/Disc			-30%	-62%	9%	9%	20%	54%	84%	86%	-	-	-	-

	P/E				P/CE				P/BV			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Agora	24.7	99.9	31.5	27.7	14.3	25.6	17.9	16.1	2.8	2.7	2.6	2.6
CME	126.3	272.6	34.8	24.8	72.6	97.2	27.8	21.1	7.1	7.1	5.4	4.5
Median CEE	75.5	186.3	33.1	26.3	43.5	61.4	22.9	18.6	5.0	4.9	4.0	3.5
Bloomsbury Publishing	8.2	32.6	10.9	17.6	4.6	high	7.9	81.6	1.3	1.3	1.2	1.2
Dogan Yayin Holding	355.1	high	20.4	23.2	33.5	6.7	17.8	11.2	4.7	4.7	2.6	2.6
Edipresse SA	15.4	19.9	15.7	13.8	11.3	8.2	8.4	8.8	1.9	1.7	1.6	1.4
Grupo Televisa SA	19.5	16.1	17.9	15.5	11.8	10.2	11.4	9.4	4.1	3.9	4.5	3.5
Hurriyet Gazetecilik	16.2	17.4	15.8	13.1	20.1	12.1	8.9	8.6	2.3	2.5	2.2	1.9
Lambrakis Press SA	high	high			25.7	high			1.4	1.8	1.8	1.8
ProSiebenSat.1 Media AG	19.4	17.8	15.7	12.0	14.6	11.4	10.7	7.6	3.6	3.5	3.5	3.1
Roularta	24.6	20.6	16.6	13.7	13.8	12.6	10.0	8.7	2.5	2.1	2.0	1.8
St Ives Group	11.6	19.6	14.7	13.1	7.8	4.9	10.2	5.9	1.8	1.8	1.8	1.8
TV Azteca	18.0	7.9	12.8	11.1	21.7	5.1	9.9	8.3	5.4	4.2	3.3	2.8
TVN SA	42.4	33.9	26.0	20.3	41.1	24.6	22.7	18.7	21.2	7.3	6.3	5.4
Wegener	41.4	30.1	18.3	14.4	14.3	14.8	14.3	9.0	2.9	2.8	2.3	2.0
Median	19.4	19.8	15.8	13.8	14.4	10.8	10.2	8.8	2.7	2.7	2.2	2.0
EuroStoxx Media	16.7	16.6	16.1	14.0	13.0	11.2	10.8	9.7	3.5	3.1	3.1	3.1
CEE to Peer, Prem/Disc	288%	843%	110%	91%	202%	467%	125%	112%	83%	85%	82%	80%

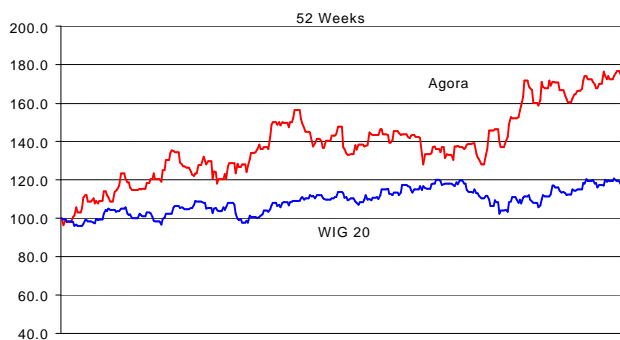
	EV/Sales				EV/EBITDA			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Agora	2.5	2.6	2.3	2.1	12.4	25.2	15.6	13.8
CME	13.0	9.1	7.0	6.1	66.7	31.7	19.0	15.4
Median CEE	7.7	5.8	4.7	4.1	39.6	28.5	17.3	14.6
Bloomsbury Publishing	1.7	2.2	0.7	1.0	9.9	39.1	5.2	8.6
Dogan Yayin Holding	2.2	1.8	1.7	1.5	19.0	15.9	14.6	10.0
Edipresse SA	0.9	1.0	0.9	0.9	9.4	9.4	7.4	7.0
Grupo Televisa SA	3.0	4.1	2.9	2.5	7.5	9.4	6.9	6.1
Hurriyet Gazetecilik	4.0	2.3	2.5	2.0	15.6	10.7	11.3	7.9
Lambrakis Press SA	1.4				30.6			
ProSiebenSat.1 Media AG	1.8	2.5	2.8	2.2	8.6	10.9	12.9	8.8
Roularta	1.1	1.5	1.1	1.0	10.0	12.2	8.6	7.2
St Ives Group	0.8	0.8	0.8	0.7	5.0	6.0	5.4	4.9
TV Azteca	3.2	3.2	2.6	2.3	7.1	7.2	6.3	5.5
TVN SA	6.5	7.5	6.3	5.2	19.1	19.9	16.3	13.0
Wegener	0.8	1.0	1.3	1.2	7.9	8.6	9.3	8.0
Median	1.8	2.2	1.7	1.5	9.6	10.7	8.6	7.9
EuroStoxx Media	2.0	2.5	2.4	2.2	9.8	11.0	9.9	9.2
CEE to Peer, Prem/Disc	337%	166%	182%	177%	311%	165%	101%	85%

Source: JCF Quant, Erste Bank

Agora

Hold

Price (PLN)	55	ROA 2006	2.1%
Mcap (PLN mn)	3,127	ROE 2006	2.7%
Mcap (EURmn)	857	Asset turn (2006)	0.75
Free float (%)	82.0%	SPS CAGR 00-08e	7.5%
Free float (EUR mn)	703	EPS CAGR 00-0e	-1.5%
Shares outst. (mn)	56.8	Debt/equity (2006)	0.32



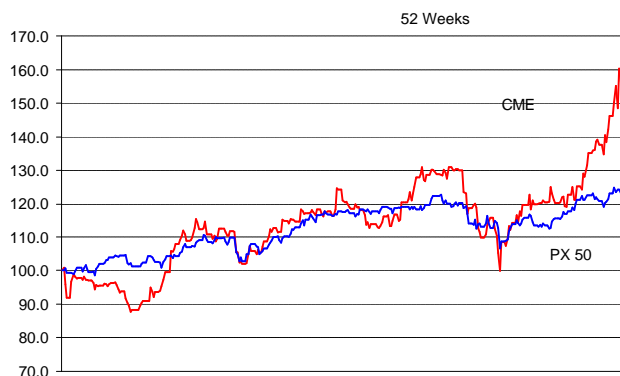
	05	06	07e	08e
Sales (EURmn)	1,202	1,134	1,228	1,324
EBITDA margin	20.2%	10.2%	15.0%	15.5%
EBIT margin	12.5%	3.5%	9.4%	9.9%
Net profit margin	10.4%	2.8%	8.1%	8.6%
EPS (PLN)	2.2	0.6	1.8	2.0
Dividend (PLN)	0.5	0.5	0.5	0.5
EV/sales	2.5	2.6	2.3	2.1
EV/EBITDA	12.4	25.2	15.6	13.8
P/E	24.7	99.9	31.5	27.7
P/CE	14.3	25.6	17.9	16.1
EV/EBITDA rel.	0.3	0.9	1.8	1.8
P/E rel.	0.3	0.5	2.0	2.0

Performance	12M	6M	3M	1M
Absolute (PLN terms)	74.4%	18.0%	36.0%	6.2%
Rel. to sector (EUR, ppt)	30.0	2.7	4.9	-11.7
Rel. to universe (EUR, ppt)	51.9	14.3	32.8	5.1

CME

Accumulate

Price (USD)	120	ROA 2006	1.5%
Mcap (USD mn)	4,887	ROE 2006	3.3%
Mcap (EUR mn)	3,372	Asset turn (2006)	0.40
Free float (%)	76.0%	SPS CAGR 04-08e	27.6%
Free float (EUR mn)	3,714	EPS CAGR 04-08e	-
Shares outst. (mn)	40.7	Debt/equity (2006)	1.26



	05	06	07e	08e
Sales (USDmn)	401.1	603.1	734.6	823.9
EBITDA margin	19.5%	28.6%	37.0%	39.5%
EBIT margin	13.1%	23.1%	32.3%	35.2%
Net profit margin	11.9%	5.3%	20.6%	25.3%
EPS (USD)	0.9	0.4	3.5	4.8
Dividend (USD)	0.0	0.0	0.0	0.0
EV/sales	13.0	9.1	7.0	6.1
EV/EBITDA	66.7	31.7	19.0	15.4
P/E	126.3	272.6	34.8	24.8
P/CE	72.6	97.2	27.8	21.1
EV/EBITDA rel.	1.7	1.1	2.2	1.9
P/E rel.	1.7	1.5	2.2	1.8

Performance	12M	6M	3M	1M
Absolute (EUR terms)	55.8%	25.6%	41.9%	28.5%
Rel. to sector (EUR, ppt)	-19.2	-3.7	-4.7	0.2
Rel. to universe (EUR, ppt)	2.8	7.9	23.2	17.0

Metals and Mining

- Higher input prices for steel production likely to be passed on to customers in 2008
- Political changes might bring major changes for KGHM in management and strategy
- Troubles for Toora continue

Global steel prices: Quite stable development in 4Q

Global steel prices rose moderately in October, mainly due to stronger prices in Asia, although prices for some flat and long products also increased in North America. The driving forces behind the higher Asian prices have been strong market fundamentals in the region and higher costs of raw materials, such as iron ore and scrap. In Europe, prices of commodity grades (in particular) have retreated, as high inventory levels and pressure from third country imports continued to impact prices. The market for steel plate was comparatively strong and some producers increased prices for the fourth quarter by EUR 20-30/t. Looking ahead, the long-term contracts for deliveries next year are scheduled to be negotiated in the coming weeks. Mills are likely to try to pass on higher prices for iron ore (expected to rise by at least 25% in 2008), scrap and energy.

voestalpine successfully launched hybrid bond

In mid-October, voestalpine put an end to the discussion on whether it would be able to place the subordinated hybrid bond to refinance the Boehler-Uddeholm takeover anytime soon, given the increased risk aversion (and, subsequently, spreads) following the US sub-prime crisis. The bookbuilding procedure was terminated early, as the order book for the EUR 1.0bn hybrid bond was three times oversubscribed and the bond successfully placed. The bond bears a coupon of 7.125% for the first seven years and 3-month-Euribor +5.05% thereafter. Overall, we believe the successful placement of the bond was good news for voestalpine, as it reduced the insecurity related to this issue, although the financing costs are moderately higher than we had expected at the beginning of July.

Strong 9M07 results from RHI

RHI's results for the first nine months of FY07 beat our forecast and consensus estimates. Demand from the company's main customer industries continued to develop healthily. Revenues were up 10.1% to EUR 1,099.1mn, EBITDA up +22.5% to EUR 159.9mn and EBIT up +25.9% to EUR 122.8mn. The growth stemmed from all three divisions, while the margin improvement was mainly caused by the segments Steel and Raw Materials. RHI successfully passed on price increases for energy and the most important raw materials (especially high-quality magnesia) more quickly than expected. The outlook for the fourth quarter and for 2008 also remains positive - despite the weak USD - due to the good level of incoming orders and the persisting good business development in the client industries. The company is very optimistic that it can again increase prices towards the turn of the year by a sizeable amount to compensate for continuously rising costs. On the other hand, the commissioning of the smelting plant in South Africa in 4Q and the raw material JV in China, which is scheduled to start production in the second half of 2008, will increase RHI's integration in raw materials. This should have positive consequences on margins going forward.

KGHM revenues boosted by high metal prices

KGHM's 3Q07 revenues were boosted by record metal prices (with the average copper price at USD/t 7,719) and, finally, no burden from hedging. On the other hand, curbed volumes and an extremely strong currency considerably hurt the top line. All in all, net profit is expected to hit PLN 1.09bn, for 32% y/y growth.

Civic Platform to reshuffle KGHM management and strategy?

According to the first interviews with representatives of election winners Civic Platform, KGHM can expect a reshuffle of management and, most likely, its strategy. Most importantly, KGHM (which intended to diversify into the energy sector) might be forced to reconsider its strategy. The company has to wait for the new government's official announcements. Secondly, politicians have suggested that, at the beginning of 2008,

the management board at KGHM might be reshuffled to clear it of political influence. Changes are probable, as the current management is perceived to be related to the outgoing Law and Justice party. The reshuffle is backed by KGHM's trade unions. There are rumors that the post of CEO could go to Arkadiusz Gieralt (related to Civic Platform, deputy CEO of a KGHM subsidiary) or Witold Bugajski (a member of the management of KGHM in 2001-03). Furthermore, A. Grad, who is a likely candidate for minister of the Treasury, adds that the future government would like to change the dividend policy and allow KGHM to keep more money within the company. Finally, Civic Platform said that they intend to list **Polkomtel** (a mobile operator; KGHM and **PKN** each have 19.6%) on the WSE. This would be in line with KGHM's strategy to increase the value and liquidity of its telecom assets. For PKN and KGHM, it would provide an option to pull out of the investment.

Diversification into energy

Although the new government may alter the company's approach regarding energy, KGHM made a small step forward in its plans. KGHM has been replaced as the front-runner for power plant **PAK** by **Enea**, and the plans to develop an own power block have been delayed, due to a dispute with **PGNiG**. The firm thus found another way to diversify into the energy business. In October, KGHM inked an agreement with **Tauron** (a large power producer and distributor in southern Poland) to build a power plant. In the first phase, the cost of the 1,000 MW block might reach PLN 5.5bn. KGHM's first task is to find a suitable location. The planned operation launch is set for 2013. The cost/capex split between the two partners and the possible advantages for KGHM from own energy supplies and diversification have not been disclosed.

May increase 2007 guidance; close to purchasing deposits in Peru and Canada

The company stated that it can once again increase its FY forecast - the current one assumes PLN 3.682bn in net profit and is based on the assumption of copper at USD 6,950 per ton (the current price is at USD 7,700; the average for 2007 is also higher and amounts to approx. USD 7,200 per ton). The new guidance should be above PLN 4bn per share. KGHM is close to purchasing copper deposits in Peru and Canada. The deposits are at least 1mn tons. All in all, KGMH plans to spend PLN 1.5bn on foreign deposits.

KGHM appealed dividend ban

In line with expectations, KGHM appealed a court ruling that halted the payout of a second dividend payout tranche (PLN 8.48 per share). However, the dividend will not be paid this year, as the court of appeals is expected to rule on this issue within two months, which translates into a payout in 2008, if at all.

Changes to supervisory board

As expected, the EGM on October 18 appointed two new members to the supervisory board, R. Nowakowski and L. Jakubow. Both represent the Treasury, while the latter has clear connections with the energy sector.

Toora battling with creditors

After the court was notified of Toora's insolvency, four of its creditors gave notice of credit payment (around PLN 120mn). The company met with its creditors to postpone debt repayment and present its overhaul plan, which assumes operational cost cutting (layoffs) and switching short-term debt to long-term. Toora tried to convince the banks that its operational activity is still profitable and that it has financial support from the customer side. After the overhaul presentation, three of the four banks agreed to the debt repayment extension. Meanwhile, Sovereign Capital announced that it is interested in Toora's financial and operational restructuring, having also applied to the court for Toora's bankruptcy. Sovereign Capital proposed to the banks that it would repay Toora's debt to the official receiver in return for the moving of production assets to a new company created by Sovereign Capital. It seems that the situation around Toora will not improve in the near future, as no strategic investor has come forward to supply the company with cash. Thus, bankruptcy is more likely each day. We expect Toora to post a 12% y/y top line drop, due to stoppages in the wheel segment. Despite the implementation of the overhaul plan in 3Q07 (employee dismissals and SG&A cost tightening), we anticipate an operating loss of PLN 1.3mn. A net loss of PLN 6.5mn should result from the over PLN 5mn in interest-bearing payments.

Company	Curr.	Mcap (EURmn)	ROE				EBITDA margin				Performance (EUR terms)			
			2005	2006	2007e	2008e	2005	2006	2007e	2008e	1M	3M	6M	12M
Böhler Uddeholm	EUR	3,728	23.1%	21.3%	23.3%	22.1%	15.5%	15.4%	15.7%	15.9%	-0.3%	-0.5%	1.5%	52.3%
KGHM	PLN	7,127	38.4%	-	-	-	35.0%	-	-	-	6%	14.6%	19.1%	32.5%
RHI	EUR	1,391	n.m.	n.m.	n.m.	n.m.	11.6%	13.4%	14.1%	14.7%	3.0%	-7.6%	-9.6%	0.8%
Toora	PLN	21	-	8.8%	-30.6%	3.7%	15.3%	14.9%	2.9%	13.9%	-21.7%	-49.2%	-86.7%	-86.9%
voestalpine	EUR	9,369	22.3%	27.9%	32.4%	26.7%	17.3%	19.4%	19.3%	18.1%	-4.5%	-0.6%	16.8%	60.1%
Median	-	-	23%	25%	23%	22%	16%	15%	15%	15%	-	-	-	-
Acerinox SA	EUR	5,060	7.9%	23.1%	20.3%	13.6%	9.8%	17.6%	13.0%	11.2%	-6.3%	2.1%	11.9%	6.4%
Arcelor (Ex Usinor)	EUR	40,792	25.4%	18.7%	17.8%	17.9%	17.3%	16.3%	19.9%	22.5%	-4.7%	6.3%	11.0%	42.5%
Rautaruukki Oyj	EUR	5,484	30.6%	22.2%	25.0%	22.7%	21.2%	18.4%	21.7%	20.6%	-8.1%	-9.8%	-4.2%	55.5%
Salzgitter AG	EUR	8,368	42.0%	20.4%	18.4%	17.1%	14.6%	23.7%	14.6%	13.7%	-5.4%	-11.7%	3.1%	58.5%
Sandvik AB	SEK	14,804	25.6%	28.6%	34.3%	31.9%	19.3%	20.8%	21.3%	22.0%	-17.9%	-16.6%	-12.8%	35.7%
Ssab Svenskt Stal	SEK	6,620	27.1%	27.7%	23.6%	22.3%	24.0%	22.2%	23.5%	25.0%	-20.8%	-21.2%	-14.2%	40.4%
ThyssenKrupp AG	EUR	22,226	13.6%	19.3%	22.0%	19.5%	9.0%	10.0%	11.1%	10.6%	-3.9%	6.5%	6.2%	47.2%
Median Sub Steel		103,354	26%	22%	22%	19%	17%	18%	20%	21%	-	-	-	-
Med. Sub Metals & Mining		353,786	19%	25%	23%	21%	23%	27%	23%	21%	-	-	-	-
Median total peer group		457,140	21%	22%	22%	19%	21%	18%	20%	21%	-	-	-	-
EuroStoxx Basic Resources		58,153	5.9%	21.5%	17.4%	13.4%	13%	17%	15%	15%	-0.1%	2.6%	-4.8%	28.9%
CEE to Peer, Prem/Disc		-	9%	11%	6%	14%	-27%	-16%	-25%	-26%	-	-	-	-

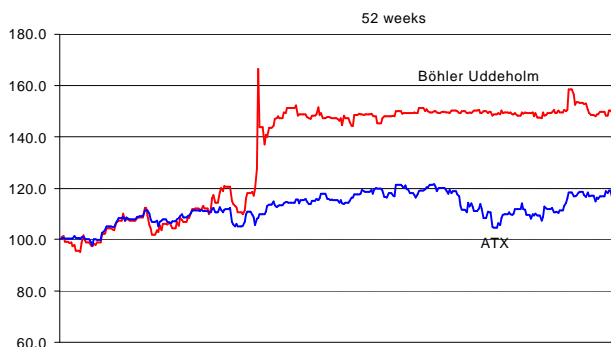
	P/E				P/CE				P/BV			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Böhler Uddeholm	16.8	15.2	12.1	11.0	9.2	11.0	8.3	7.9	3.4	3.0	2.6	2.3
KGHM	11.4	-	-	-	9.3	-	-	-	4.2	-	-	-
RHI	8.6	6.0	8.8	11.1	6.5	4.5	6.1	8.5	-4.3	-14.7	8.5	5.3
Toora	4.6	6.4	neg.	19.4	1.6	1.9	neg.	1.9	0.6	0.5	0.7	0.7
voestalpine	18.0	12.3	8.9	8.7	9.7	8.2	5.0	5.8	3.7	3.1	2.2	2.1
Median CEE	11.4	7.7	8.9	11.1	9.2	6.9	6.1	6.9	3.4	3.0	2.4	2.2
Acerinox SA	33.0	10.1	9.9	13.5	19.0	8.0	7.9	9.5	2.6	2.3	2.0	1.8
Arcelor (Ex Usinor)	10.2	13.1	11.0	9.3	8.5	9.4	7.5	6.7	2.6	2.4	2.0	1.7
Rautaruukki Oyj	11.9	13.4	10.5	10.2	8.8	10.1	8.2	8.1	3.6	3.0	2.6	2.3
Salzgitter AG	9.4	10.7	10.2	9.6	6.9	4.9	7.5	8.2	4.0	2.2	1.9	1.6
Sandvik AB	24.1	17.9	14.1	12.3	16.5	14.2	10.9	9.9	6.2	5.1	4.8	3.9
Ssab Svenskt Stal	15.3	11.9	9.2	8.2	12.7	9.9	7.8	6.3	4.1	3.3	2.2	1.8
ThyssenKrupp AG	20.9	13.3	10.0	9.6	8.3	6.5	7.5	5.5	2.9	2.6	2.2	1.9
Median Sub Steel	15.3	13.1	10.2	9.6	8.8	9.4	7.8	8.1	3.6	2.6	2.2	1.8
Med. Sub Metals & Mining	22.7	14.2	13.1	12.2	15.0	11.1	10.6	9.7	4.5	4.0	3.5	3.0
Median total peer group	22.3	13.4	12.1	12.1	14.4	9.9	8.9	9.5	4.1	3.1	2.6	2.3
EuroStoxx Basic Resources	30.5	13.5	12.6	13.3	12.0	6.9	6.1	6.3	2.4	1.9	1.6	1.5
CEE to Peer, Prem/Disc	-49%	-43%	-26%	-8%	-37%	-30%	-31%	-28%	-18%	-2%	-9%	-6%

	EV/Sales				EV/EBITDA			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Böhler Uddeholm	1.6	1.4	1.2	1.1	10.3	8.8	7.4	6.7
KGHM	3.3	-	-	-	9.5	-	-	-
RHI	1.3	1.0	1.2	1.1	11.4	7.8	8.4	7.4
Toora	0.5	0.8	1.0	0.8	3.1	5.5	32.7	5.6
voestalpine	1.6	1.4	1.1	1.1	9.1	7.1	5.9	6.0
Median CEE	1.6	1.4	1.1	1.1	9.5	7.1	7.9	6.3
Acerinox SA	0.9	1.3	0.9	0.9	9.7	7.3	6.6	7.8
Arcelor (Ex Usinor)	0.5	1.1	0.8	0.7	2.6	6.6	3.9	3.3
Rautaruukki Oyj	0.9	1.1	1.4	1.2	4.1	6.2	6.3	5.8
Salzgitter AG	0.3	0.5	0.6	0.6	2.1	2.0	4.3	4.2
Sandvik AB	1.6	1.9	1.9	1.6	8.5	8.9	8.7	7.5
Ssab Svenskt Stal	1.0	1.3	2.2	1.5	4.0	6.0	9.3	6.0
ThyssenKrupp AG	0.2	0.4	0.4	0.5	2.5	3.8	4.0	4.4
Median Sub Steel	0.9	1.1	0.9	0.9	4.0	6.2	6.3	5.8
Med. Sub Metals & Mining	1.3	1.3	1.6	1.5	8.1	6.4	7.4	7.3
Median total peer group	1.2	1.3	1.6	1.5	7.5	6.2	7.1	7.0
EuroStoxx Basic Resources	1.0	1.2	1.0	1.0	9.5	7.3	7.0	6.7
CEE to Peer, Prem/Disc	30%	9%	-29%	-27%	26%	14%	10%	-10%

Source: JCF Quant, Erste Bank

Böhler Uddeholm **Hold**

Price (EUR)	73	ROA 2006	9.0%
Mcap (EUR mn)	3,728	ROE 2006	21.2%
		Asset turn (2006)	1.13
Free float (%)	30.0%	SPS CAGR 00-08e	-4.5%
Free float (EUR mn)	1,118	EPS CAGR 00-08e	6.6%
Shares outst. (mn)	51.0	Debt/equity (2006)	1.34

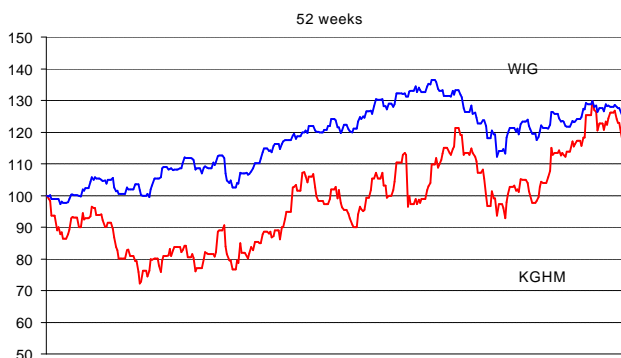


	05	06	07e	08e
Sales (EURmn)	2,607	3,090	3,681	3,955
EBITDA margin	15.5%	15.4%	15.7%	15.9%
EBIT margin	12.0%	12.2%	12.6%	12.8%
Net profit margin	8.0%	8.0%	8.4%	8.6%
EPS (EUR)	4.4	4.8	6.0	6.6
Dividend (EUR)	1.9	2.1	2.5	2.8
EV/sales	1.6	1.4	1.2	1.1
EV/EBITDA	10.3	8.8	7.4	6.7
P/E	16.8	15.2	12.1	11.0
P/CE	9.2	11.0	8.3	7.9
EV/EBITDA rel.	1.1	1.2	0.9	1.1
P/E rel.	1.5	2.0	1.4	1.0

Performance	12M	6M	3M	1M
Absolute (HUF terms)	49.5%	1.5%	-0.5%	-0.3%
Rel. to sector (EUR, ppt)	7.3	-10.2	-3.9	-0.2
Rel. to universe (EUR, ppt)	18.4	-5.4	-9.0	-5.0

KGHM **under review**

Price (EUR)	130	ROA 2005	23.0%
Mcap (EUR mn)	26,000	ROE 2005	39.6%
		Asset turn (2005)	0.80
Free float (%)	58.0%	SPS CAGR 00-07e	-
Free float (EUR mn)	15,080	EPS CAGR 00-07e	-
Shares outst. (mn)	200.0	Debt/equity (2005)	0.77

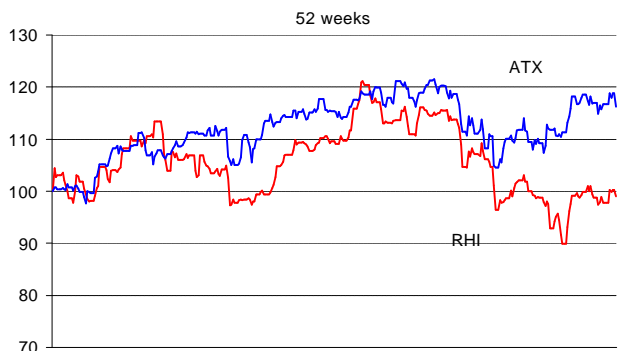


	04	05	06e	07e
Revenues (mn)	6,158.0	8,000.1	-	-
EBITDA margin	26.7%	35.0%	-	-
EBIT margin	22.2%	31.4%	-	-
Net profit margin	18.7%	27.7%	-	-
EPS (EUR)	7.0	11.4	-	-
Dividend (EUR)	0.5	2.6	-	-
EV/sales	4.3	3.3	-	-
EV/EBITDA	16.1	9.5	-	-
P/E	18.6	11.4	-	-
P/CE	14.3	9.3	-	-
EV/EBITDA rel.	1.7	1.3	-	-
P/E rel.	1.6	1.5	-	-

Performance	12M	6M	3M	1M
Absolute (EUR terms)	18.1%	16.0%	10.4%	2.3%
Rel. to sector (EUR, ppt)	-24.1	4.3	7.0	2.4
Rel. to universe (EUR, ppt)	-13.0	9.0	1.9	-2.4

RHI **Accumulate**

Price (EUR)	34.9	ROA 2006	11.5%
Mcap (EUR mn)	1,391	ROE 2006	-97.2%
		Asset turn (2006)	0.99
Free float (%)	61.0%	SPS CAGR 00-08e	-8.6%
Free float (EUR mn)	848	EPS CAGR 00-08e	-
Shares outst. (mn)	39.8	Debt/equity (2006)	-19.49

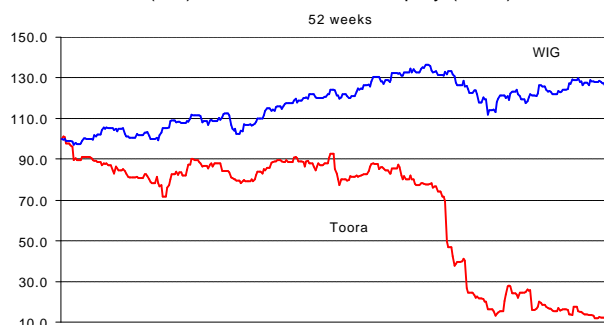


	05	06	07e	08e
Sales (EUR mn)	1,199	1,336	1,457	1,529
EBITDA margin	11.6%	13.4%	14.1%	14.7%
EBIT margin	8.2%	10.0%	10.7%	11.3%
Net profit margin	8.1%	11.8%	9.2%	8.3%
EPS (EUR)	3.69	5.72	3.33	3.14
Dividend (EUR)	0.0	0.0	0.9	0.9
EV/sales	1.3	1.0	1.2	1.1
EV/EBITDA	11.4	7.8	8.4	7.4
P/E	9.5	6.1	10.5	11.1
P/CE	7.2	4.6	7.3	8.5
EV/EBITDA rel.	1.2	1.1	1.1	1.2
P/E rel.	0.8	0.8	1.2	1.0

Performance	12M	6M	3M	1M
Absolute (EUR terms)	-0.9%	-9.6%	-7.6%	3.0%
Rel. to sector (EUR, ppt)	3.5	21.2	32.5	51.6
Rel. to universe (EUR, ppt)	14.6	25.9	27.4	46.8

Toora under review

Price (PLN)	4	ROA 2006	2.9%
Mcap (PLN mn)	77	ROE 2006	8.8%
Mcap (EURmn)	21	Asset turn (2006)	0.72
Free float (%)	48.2%	SPS CAGR 05-08e	14.3%
Free float (EUR mn)	10	EPS CAGR 05-08e	-30.9%
Shares outst. (mn)	20.9	Debt/equity (2006)	2.36

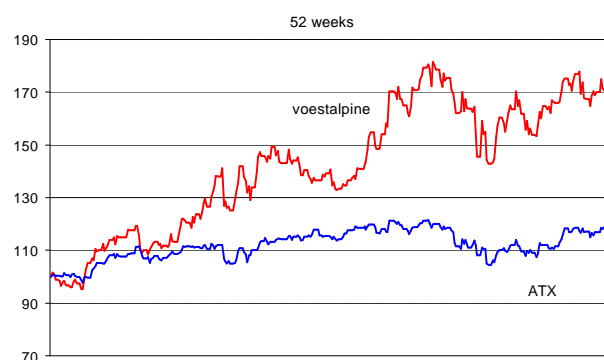


	05	06	07e	08e
Sales (PLN mn)	201.6	295.6	289.9	345.0
EBITDA margin	15.3%	14.9%	2.9%	13.9%
EBIT margin	5.0%	5.6%	-8.8%	3.1%
Net profit margin	6.0%	4.0%	-13.0%	1.1%
EPS (PLN)	0.6	0.6	-1.8	0.2
Dividend (PLN)	0.0	0.0	0.0	0.0
EV/sales	0.5	0.8	1.0	0.8
EV/EBITDA	3.1	5.5	32.7	5.6
P/E	6.3	6.4	-2.0	19.4
P/CE	2.3	1.9	-17.5	1.9
EV/EBITDA rel.	0.3	0.8	4.1	0.9
P/E rel.	0.6	0.8	-0.2	1.8

Performance	12M	6M	3M	1M
Absolute (PLN terms)	-88.0%	-87.1%	-51.1%	-24.3%
Rel. to sector (EUR, ppt)	-129.6	-98.4	-52.5	-21.6
Rel. to universe (EUR, ppt)	-118.5	-93.7	-57.7	-26.4

voestalpine Buy

Price (EUR)	59.3	ROA 2006	11.7%
Mcap (EUR mn)	9,369	ROE 2006	28.3%
		Asset turn (2006)	1.09
Free float (%)	67.0%	SPS CAGR 00-08e	15.8%
Free float (EUR mn)	6,277	EPS CAGR 00-08e	24.1%
Shares outst. (mn)	158.1	Debt/equity (2006)	1.33



	05/06	06/07	07/08e	08/09e
Sales (EUR mn)	6,231	7,050	10,926	12,300
EBITDA margin	17.3%	19.4%	19.3%	18.1%
EBIT margin	11.6%	14.4%	15.1%	13.8%
Net profit margin	8.4%	10.8%	10.6%	9.6%
EPS (EUR)	3.3	4.8	6.7	6.8
Dividend (EUR)	0.8	1.5	2.2	2.3
EV/sales	1.6	1.4	1.1	1.1
EV/EBITDA	9.1	7.1	5.9	6.0
P/E	neg.	12.3	8.9	8.7
P/CE	9.7	8.2	5.0	5.8
EV/EBITDA rel.	1.0	1.0	0.8	0.9
P/E rel.	n.m.	1.6	1.0	0.8

Performance	12M	6M	3M	1M
Absolute (EUR terms)	62.8%	16.8%	-0.6%	-4.5%
Rel. to sector (EUR, ppt)	24.9	8.2	-1.3	-1.9
Rel. to universe (EUR, ppt)	36.0	12.9	-6.5	-6.7

Gas and Oil

- **Unipetrol facing some minor delays on its refining asset**
- **Within current oil price environment Unipetrol could surprise positively on petrochemical exposure**
- **OMV continues to express interest in MOL**
- **MOL might redeem 10% of treasury shares on next shareholders meeting**
- **PKN and Lotos to remain independent after political changes**

Record-high crude prices not justified by fundamentals

Crude prices have risen substantially to new historical records (even inflation-adjusted) around USD 93/bbl. The main reason for such a development is the flow from structured debt securities to commodities, induced by market turbulence in August and September. The growth of prices has been supported by the fall of the dollar. Also, some minor threats (with Turkish-Iraqi tensions the biggest) supported the run. The present prices are hardly explainable from a fundamental point of view. The level of stockpiles is normal and there is a rough balance between demand and supply. Moreover, the likely slowdown of world economic growth should lead to slower growth of demand for oil, with the very high price of oil taming demand. Additionally, OPEC still has 2-3mn barrels per day spare capacity (according to EIA and IEA). OPEC will most likely add to its productions limit in the case of prolonged high prices (they have repeatedly stated that they consider price pressure fundamentally baseless because of the proper balance between demand and supply). High oil prices could destabilize the world economy and support the establishment of alternative energy sources. From the short-term point of view, the price of oil could rise further, due to technical momentum and buying by investment funds. However, in the mid-term horizon, the price should fall significantly, as fundamentals should prevail and OPEC is likely to add additional oil to the market.

Litvinov refinery underwent shutdown

Ceska rafinerska, the Czech refinery company co-owned by **Unipetrol**, said it will delay the restart of its 100,000 barrel-a-day Litvinov refinery because of a technical problem "by several days" from the planned deadline of Oct. 13. The delay is caused by a problem at a unit that supplies the refinery with hydrogen. The facility started a gradual shutdown on Aug. 29 for an upgrade that will boost its capacity. Any longer than originally planned shutdowns is obviously negative for profitability, but given the announcement of "only" several days' delay, we see this news as slightly negative for the company. Moreover, this event also influenced the planned start of the Steam Cracker (October 26). Production of Polyethylene and Polypropylene should be enabled with the start of this unit. When preparing the ethylene unit for operation, a serious fault was identified in a piece of complicated heat exchange apparatus (the so-called cold box). According to information from the manufacturer, the repair will take several weeks. Unipetrol RPA is preparing measures intended to make it possible to put the ethylene unit back into operation with limited hydrogen supplies from the partial oxidation unit (POX). We expect the POX unit to be operable again from November 8, 2007; the ethylene unit will be operable for production on November 6-7, 2007, with limited output (70-80% of its maximum "increased" capacity). The petrochemical segment is the driver of Unipetrol's growth, in our view. Currently, the Kralupy and Paramo refineries are running at full capacity; shutdowns have only threatened facilities in Litvinov. Unipetrol should provide more information in the coming days.

The decreasing refining margins and easing Brent-Ural differential will have negative effects on oil and gas stocks' performance, while the high oil price could partially counterbalance the weak refining segment for upstream players like **OMV** and **MOL**. Only **Unipetrol**, thanks to its great exposure to the petrochemical segment, could positively surprise, as petrochemical margins are even above our FY estimates. Concretely, in light of these external factors, we forecast CZK 1.24bn operating profit and CZK 0.83bn net earnings for Unipetrol for the quarter. The more than 7-week maintenance shutdown should altogether have had a CZK 2bn impact on EBITDA in 1H07.

OMV not giving up in merger fight

The expected synergies prompt **OMV** to persist in its efforts to merge with **MOL**, announced OMV CEO Wolfgang Ruttenstorfer at a press conference in Vienna. Despite 'lex MOL', OMV upholds its share purchase offer made earlier. Now, the decision is up to the EU and the independent shareholders, Ruttenstorfer said. OMV is to make a final offer when the 10% voting restriction is lifted and the status of the treasury shares bought up by MOL's management is cleared. The Austrian firm is ready to wait for as long as two years for the merger with MOL, said Ruttenstorfer. OMV wishes to strengthen its position in the European energy sector by increasing oil and gas exploitation, expanding processing capacities and the pump station network. The European Commission (EC) started to study the 'lex MOL'. The probability of a merger has not really changed since 'lex MOL' was passed by the Hungarian Parliament. The key points in the takeover are: (i) around 75% of MOL shareholders should vote for the merger, (ii) which means that 75% of independent shareholders would need to vote for the merger (if we do not calculate with MOL's treasury and loaned shares). We are certain that OMV will ask the shareholders to cancel the treasury shares at the AGM that must be held within half a year (until the end of April). MOL has recently taken several defensive steps against the possible takeover of the company that will prove difficult for OMV to overcome. The consolidation wave in the oil & gas sector will continue, but it could take some time. The negotiations are not over yet, and we expect OMV to think about a more aggressive approach to the acquisition in the future.

The Internal Market and Services Directorate-General of the European Commission (EC) is already examining 'lex MOL' to determine whether it is in conflict with EU directives. Charlie McCreevy, European Commissioner for the Internal Market and Services, wrote a letter to Economy Minister János Kóka in October, expressing concerns over the bill. After the law was passed, Oliver Drewes, McCreevy's spokesperson, announced that the EC has started to compare the law with EU directives.

Related to these developments, Germany did not fulfill its obligations towards the EU when it kept some points of the so-called Volkswagen-law in effect. The process was initiated by the EC because of the legal restraints imposed in relation to the privatization of shares in Volkswagen. According to the legislation, special rules apply to the shareholders of VW that differ from the general regulations of the company law. The EC added that these regulations breach the freedom of establishment and the free movement of capital. The developments in Germany may prove to be an indicator of the European Union's take on protectionist laws such as 'lex MOL'. The measure enacted to protect MOL from a hostile takeover by OMV may now likely be found to breach Community law, as the 20% voting limitation in 'lex VW' is similar to the 10% voting limitation in the case of MOL.

Goldman Sachs has joined the companies (Morgan Stanley, UBS) giving strategic advice to MOL on fending off OMV. Goldman Sachs is known to be an expert in such matters. To reiterate most of what MOL has stated: the merger would lead to a refinery sale; treasury shares can be used for acquisitions; MOL wants to cancel some treasury stock - a decision will be made in the next year; MOL believes that the EU will never approve the merger and that OMV's management plan has failed. MOL CEO Mosonyi added that there is no reason to cancel the 10% voting limitation.

OMV 3Q could bring lower profit q/q

OMV revealed its 3Q trading statements, providing a good indicator for upcoming third quarter results. In upstream business, overall group oil and gas production in 3Q07 was at 317,000 boe/d, slightly lower compared to 2Q07, but in line with our expectation of 315,000-320,000 boe/d. The major reason for the q/q decline was lower production in the UK, due to maintenance work. In Romania, production was maintained at a similar level as in 2Q07, whereas New Zealand (Pohokura) and Libya reported higher production volumes. The average crude oil price increased significantly during 3Q to 74.8 USD/bbl, up from 68.6 USD/bbl in 2Q07. The benefits of higher oil prices were in part offset by the strengthening of the RON and the weakening of the USD against the EUR. Refining

margins substantially decreased from the high 2Q level, mainly because of lower gasoline spreads. Refining sales volumes recovered and the demand for heating oil in Central Europe improved slightly. Petrochemical margins were higher than in 2Q, which should mean good results for **Borealis** (however, the figures will be negatively influenced by an 8-day capacity shutdown). The most watched variable, OMV's indicator refining margin in USD/bbl, reached 3.91 USD/bbl in 3Q, also in line with our expectation of 3.8-4.0 USD/bbl. Compared to 2Q, this means that the indicator margin for OMV decreased from 4.52 USD/bbl. Overall, it looks to us that the 3Q period could bring slightly worse profit than 3Q06, mainly on the back of a lower contribution from the refinery part, due to the decline of refinery margins (both q/q and y/y). On the other hand, the higher oil prices positively influenced OMV's upstream business and the marginal growth of production volumes could slightly compensate for the poor refining figures. The OMV group's 3Q07 results will be published on November 15.

A newspaper article reports about the Iran cooperation project that was announced in April this year. OMV was supposed to be involved in a joint development project of huge gas reserves in Iran, together with the **National Iranian Oil Company** (NIOC). The final contracts should have been finalized by September of this year. As a result of this announcement, there were significant international protests (esp. from the US) against this cooperation. The US has continued to intervene in order to stop OMV from joining this project and has even mentioned a potential ban on business with OMV. The project value was estimated at USD 22bn over the next 25 years. We believe that a failure of this project would be neutral for OMV, as some US-based investors might have sold the stock in the case of a conclusion of this deal. Business-wise, it would have made sense to diversify the gas supply regionally.

OMV raised its stake in **Petrol Ofisi**, Turkey's largest chain of service stations, to 39.6%. The company paid USD 59mn for 12.1mn shares, OMV said in a filing with the Istanbul Stock Exchange. The purchase will not give OMV any additional control over the company, the statement said.

MOL may redeem 10% of its shares

MOL may redeem a maximum 10% of its shares at next year's general meeting. According to analysts, both the share price and the company's declining reputation would benefit from this step. With the redemption, OMV's share would proportionally increase, so management cannot risk redeeming more shares. We think this would be a positive step, as it would increase the per-share ratios and the valuation of the stock. Moreover, the credibility of MOL's management would rise, as they said that they would suggest a redemption at the general meeting if they are not able to use the shares for acquisitions (as collateral).

MOL announced that it signed a EUR 2.1bn revolving multi-currency credit line with a consortium of banks. This is the biggest loan transaction in the firm's history. The credit line has a 3-year maturity and repayment should occur by the credit line's expiry. The cost of the loan starts at EURIBOR plus 27.5bps at the beginning and increases in line with the change of net debt/EBITDA. The loan can be used for general corporate purposes. The announcement is in line with market expectations. MOL is able to use this loan for acquisitions, capex and purchasing further MOL shares. However, if MOL uses this loan facility in the short run, its gearing would jump over 40%.

The Croatian competition authority approved MOL's takeover of Croatian petrol wholesale and retail distributor **Tifon**. Following months of negotiations, the acquisition will be completed by the end of October. Through the acquisition, MOL will grab a 7% share of the Croatian market. Tifon operates 36 favorably located stations, with over 4.2mn liters in annual sales. MOL also owns a 25% portfolio in leading Croatian energy firm INA.

Lotos and PKN to remain independent, according to Poland's future ruling party

Civic Platform, which won the general election in Poland, declared that, even in the case of a merger of **Lotos** and **PKN Orlen**, both companies would remain independent. The merger is aimed only at increasing national energy safety. The government would like to create a company able to fend off a hostile takeover. Civic Platform also stated that PKN should focus on getting access to own oil deposits. The current management of PKN reduced the spending on own oil deposits, in an effort at improving its financial rating. The new government will reportedly not demand a high dividend from PKN, allowing the company to invest surplus cash in new oil deposits. The Lithuanian press reported that the Mazeikiu refinery (a subsidiary of PKN) plans to invest EUR 435mn in increasing output capacity from the current 6.5mn tons to a target 11 mn tons in 2012. Part of this cash will also be spent on developing the retail network in the Baltic countries.

According to Rzeczpospolita, the daily got access to PKN's strategy. Among the potential acquisitions for PKN are Lotos, the remaining shares in **Unipetrol**, the German refineries **Schwedt** and **Leuna**, Serbia's **NIS** and the second biggest Greek refinery, **Motor Oil Hellas**. The company will also make a second approach to buy shares in Turkey's **Tupras**. The company also wants to expand in the Baltic countries and Ukraine. However, it seems that all of the former plans are uncertain now (especially the merger with Lotos), due to the change of government.

At a meeting with EU representatives, Russian officials announced that the reopening of the part of the Druzhba pipeline leading to the Mazeikiu refinery is not likely to happen. The official reason for this is the limited profitability of opening the pipeline. The supplies of oil via the pipeline were stopped at the end of July 2006, due to a breakdown. This has forced Mazeikiu to use more expensive supplies from the sea terminal. This news was broadly expected; PKN had already calculated with this outcome and revealed a new strategy for Mazeikiu in the summer, aiming for more effective crude oil processing and transporting.

Petrom hopes to reach break-even in retail business within three years

The head of **Petrom's** marketing division stated that it would be a success for the company to reach the break-even point for retail business in Romania within three years. The retail business has been negatively affected by the increase of oil prices, but Petrom believes that the economic growth of Romania creates favorable conditions for an increase of oil product prices without generating a decrease of products sold. Petrom announced that it is now operating all filling stations under the "Full Agency" concept, whereby the company retains full control over its stations, with third parties responsible for their management. By changing the system, sales per station have increased by 10%. At present, Petrom has 550 stations, after 100 stations were closed because they were located in inappropriate areas. Petrom announced that its objective is to reach a market share of 20% in Bulgaria and Serbia, where the company operates filling stations under the OMV brand taken over from the majority shareholder at the beginning of 2006. Petrom's objectives for 2010 assume an increase of average throughput per fuel station to 3mn liters per year (from the 2.4mn liters recorded in 2006) and a 35% market share in Romania.

Petrom established a new power business unit to run all future projects in the power field. This unit became operational on October 1. As part of the company's strategy regarding this division, Petrom approved in June a project regarding the building of a gas-fired power plant. The building of the gas-fired plant at Petrobrazi will help Petrom to secure the electricity supply of its main refinery.

Synthos (formerly Dwory) to enter poly-butadiene market production

Synthos signed a contract with **Michelin** for the purchase of poly-butadiene rubber (SBR) production technology, along with a trade contract amounting to EUR 200mn (PLN 750mn) over seven years. Poly-butadiene rubber is used in high-performance tire production. According to management, the production of SBR should start around 2010/11, when the company should finish construction of an SBR installation with 80kt/a capacity. In our opinion, this investment should significantly improve the firm's market share in the tire industry, which is a strategic market for the company. The EGM held on October 10 approved the split of shares (1:67) and a change of the company name to Synthos. The EGM also agreed to a move of production assets to subsidiary Projekt Echo 79. In our opinion, the acquisition of **Kaucuk** and the good market environment in 2007 should drive the company's performance. We think that Synthos should benefit from its exposure to the construction, packaging and automotive sectors. In light of the new product implementation and potential cost synergies, we see an interesting value story. The 124% top line hike is a result of the Kaucuk Kralupy acquisition. Consolidated revenues should amount to PLN 730.4mn, of which 44% should come from Synthos (flat y/y). The Kaucuk consolidation should also contribute to operating margin improvement. We expect Synthos to post PLN 88mn EBIT in 3Q07 (operating margin 12%; +3.5% y/y). We expect consolidated net profit at PLN 63.9mn (cleared of negative goodwill from the Kaucuk acquisition). In our opinion, the consolidated net profit would be even greater if the feedstock/product margin achieved on basic products did not suffer a worsening environment q/q in 3Q07.

Company	Curr.	Mcap (EURmn)	ROE				EBITDA margin				Performance (EUR terms)			
			2005	2006	2007e	2008e	2005	2006	2007e	2008e	1M	3M	6M	12M
MOL	HUF	10,478	26.7%	29.2%	16.6%	14.7%	17.4%	18.4%	16.6%	18.5%	-5%	-2.7%	16.9%	39.4%
INA	HRK	3,573	7.8%	7.2%	9.7%	10.7%	11.4%	8.3%	12.7%	15.3%	-7%	-9.4%	-20%	-
Polski Koncern Naftowy	PLN	6,636	28.4%	11.7%	11%	9.2%	7.7%	9.5%	10.7%	11.3%	5%	7.8%	27.1%	28.3%
Unipetrol	CZK	2,311	9.5%	4.3%	11.7%	14.0%	11.2%	8.0%	12.6%	16.9%	12%	25.5%	47.8%	73.0%
OMV	EUR	15,045	16.4%	16.8%	17.1%	17.8%	17.7%	15.1%	16.6%	21.4%	1%	16.1%	3.7%	16.2%
Dw ory	PLN	801	4.6%	10.5%	18.0%	18.2%	7.6%	12.7%	15.9%	15.9%	0%	-13.2%	7.1%	139.3%
Lotos Group	PLN	1,423	26.0%	13.9%	11.0%	10.1%	13.8%	8.6%	9.9%	11.2%	-2%	-8.5%	1.1%	8.6%
SNP Petrom	RON	9,058	14.1%	19.8%	16.9%	17.9%	20.7%	26.8%	26.9%	31.9%	3%	-5.0%	-3.7%	-9.2%
Median	-	-	15%	13%	14%	14%	13%	11%	14%	16%	-	-	-	-
BP	GBP	171,189	26.0%	25.8%	21.6%	22.7%	16.1%	16.0%	14.9%	16.0%	11.7%	7.7%	8.8%	2.9%
ENI SpA	GBP	98,972	25.1%	26.5%	21.4%	19.8%	30.7%	29.9%	30.1%	30.7%	-4.6%	-1.1%	-0.2%	5.6%
Espanola Petroleos	EUR	18,610	20.0%	16.8%	13.1%	12.7%	9.3%	9.3%	9.1%	8.9%	0.1%	3.4%	4.4%	12.4%
Hellenic Petroleum Sa	EUR	3,344	15.5%	11.4%	9.9%	9.8%	10.1%	6.2%	6.0%	6.4%	-2.7%	4.2%	-4.0%	6.6%
Norsk Hydro ASA	EUR	12,572	17.6%	19.6%	21.5%	16.9%	35.9%	37.0%	42.0%	35.6%	5.4%	12.0%	18.0%	68.9%
Petrol Ofisi New	NOK	1,680	9.8%	10.2%	13.5%	11.3%	4.1%	4.4%	4.8%	4.6%	-6.2%	1.5%	17.3%	54.2%
Repsol	TRL	32,988	20.6%	17.7%	15.4%	13.7%	17.9%	16.3%	15.7%	16.2%	7.8%	-2.0%	10.4%	3.2%
Royal Dutch Shell Group	EUR	186,793	23.9%	23.6%	22.0%	18.8%	16.1%	15.9%	16.1%	15.3%	3.0%	5.2%	13.5%	9.8%
Total SA	EUR	130,214	29.5%	30.9%	25.7%	22.9%	20.5%	22.4%	20.7%	21.4%	-2.2%	-2.9%	-1.1%	3.8%
Tupras	EUR	4,605	20.4%	23.4%	27.0%	24.1%	7.1%	5.1%	5.8%	6.0%	0.2%	2.4%	20.5%	43.2%
Median	-	-	20%	22%	21%	18%	16%	16%	15%	16%	-	-	-	-
EuroStoxx Energy		314,654	21.5%	21.1%	21.2%	20.2%	18%	18%	18%	19%	0%	0.0%	0.0%	0.0%
CEE to Peer, Prem/Disc			-26%	-41%	-34%	-20%	-22%	-30%	-7%	5%	-	-	-	-

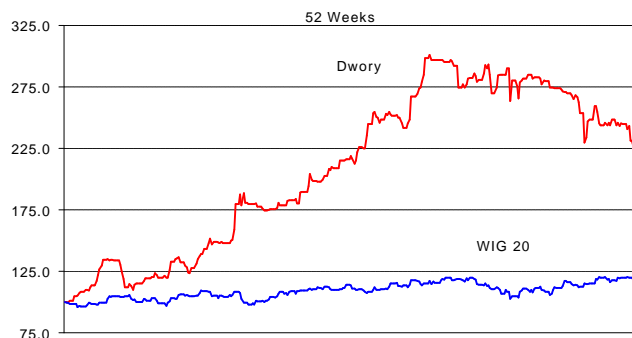
Source: JCF Quant, Erste Bank

	P/E				P/CE				P/BV			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
MOL	11.1	7.7	12.3	12.8	6.4	5.2	7.5	7.2	2.6	2.0	1.9	1.7
INA	29.7	29.7	20.3	16.6	12.0	20.6	8.7	9.5	2.2	2.1	1.9	1.7
Polski Koncern Naftowy	5.2	10.4	9.8	11.2	7.7	5.9	5.0	5.4	1.3	1.1	1.0	0.9
Unipetrol	18.2	38.4	12.6	9.3	8.5	11.5	6.7	5.6	1.6	1.5	1.4	1.2
OMV	11.9	10.8	11.2	9.4	7.5	7.1	6.8	6.2	1.4	1.6	1.5	1.3
Dwory	94.4	28.9	14.6	10.3	28.1	15.4	10.1	7.3	4.2	2.4	2.1	1.7
Lotos Group	5.7	7.8	9.1	9.1	4.5	5.5	5.3	4.8	0.9	0.9	0.9	0.8
SNP Petrom	21.2	13.2	14.0	12.1	14.1	9.7	12.5	10.4	2.8	2.5	2.3	2.1
Median CEE	15.1	12.0	12.4	10.8	8.1	8.4	7.1	6.7	1.9	1.8	1.7	1.5
BP	10.7	10.9	12.9	11.3	7.8	8.2	8.1	7.5	2.8	2.8	2.8	2.6
ENI SpA	10.0	8.8	9.8	9.6	6.2	5.7	5.6	5.6	2.5	2.3	2.1	1.9
Espanola Petroleos	21.6	23.2	26.6	25.5	13.3	15.5	16.3	15.5	4.3	3.9	3.5	3.2
Hellenic Petroleum Sa	10.0	12.8	14.1	13.5	7.0	8.2	8.6	8.8	1.6	1.5	1.4	1.3
Norsk Hydro ASA	18.5	16.6	12.8	14.0	10.0	8.1	7.3	8.5	3.3	3.2	2.7	2.4
Petrol Ofisi New	12.3	13.8	10.3	11.0	7.2	7.7	22.5	6.6	1.2	1.4	1.4	1.2
Repsol	9.9	10.7	11.0	11.2	5.4	5.3	5.3	5.3	2.0	1.9	1.7	1.5
Royal Dutch Shell Group	10.7	10.0	10.3	10.7	7.0	7.3	6.9	7.0	2.6	2.4	2.3	2.0
Total SA	10.7	10.0	10.1	10.0	7.3	7.8	6.8	6.6	3.2	3.1	2.6	2.3
Tupras	11.1	10.6	8.6	9.0	8.7	11.4	8.0	8.7	2.3	2.5	2.3	2.2
Median	10.7	10.8	10.7	11.1	7.3	8.0	7.7	7.3	2.5	2.4	2.3	2.1
EuroStoxx Energy	19.0	17.1	15.6	13.3	9.4	10.9	9.1	8.4	3.4	3.1	2.6	2.3
CEE to Peer, Prem/Disc	40%	11%	17%	-3%	11%	6%	-7%	-7%	-25%	-25%	-26%	-28%
	EV/Sales				EV/EBITDA							
	2005	2006	2007e	2008e	2005	2006	2007e	2008e				
MOL	1.2	0.8	1.0	1.1	7.1	4.4	5.8	5.7				
INA	1.3	1.3	1.3	1.4	11.6	15.1	10.3	9.0				
Polski Koncern Naftowy	0.7	0.6	0.5	0.5	8.8	6.5	4.6	4.3				
Unipetrol	0.9	0.7	0.8	0.8	8.2	8.8	6.1	4.7				
OMV	1.0	0.8	0.9	0.9	5.9	5.5	5.2	4.3				
Dwory	1.9	1.6	1.5	0.9	24.9	12.6	9.3	5.8				
Lotos Group	0.4	0.4	0.5	0.5	3.0	4.5	4.9	4.8				
SNP Petrom	2.4	2.0	2.5	2.5	11.4	7.5	9.3	7.8				
Median CEE	1.1	0.8	0.9	0.9	8.5	7.0	6.0	5.2				
BP	0.9	0.9	1.0	1.0	5.8	5.6	6.5	6.2				
ENI SpA	1.4	1.3	1.3	1.3	4.6	4.2	4.4	4.2				
Espanola Petroleos	0.6	0.9	1.2	1.1	6.5	10.0	12.7	11.9				
Hellenic Petroleum Sa	0.7	0.5	0.5	0.6	6.5	8.4	8.9	8.9				
Norsk Hydro ASA	1.1	1.2	0.8	1.0	3.1	3.4	1.9	2.7				
Petrol Ofisi New	0.3	0.2	0.3	0.3	7.0	3.7	5.5	5.6				
Repsol	0.7	0.7	0.8	0.8	4.2	4.4	4.9	4.9				
Royal Dutch Shell Group	0.7	0.7	0.8	0.8	4.2	4.6	5.0	5.5				
Total SA	1.0	1.1	1.0	1.1	4.9	4.9	5.0	4.9				
Tupras	0.4	0.3	0.4	0.4	5.3	6.3	6.8	6.2				
Median	0.7	0.8	0.8	0.9	5.1	4.8	5.3	5.5				
EuroStoxx Energy	1.2	1.2	1.2	1.2	7.4	7.6	8.1	6.9				
CEE to Peer, Prem/Disc	60%	1%	15%	2%	66%	46%	14%	-5%				

Source: JCF Quant, Erste Bank

Dwory Accumulate

Price (HUF)	148	ROA 2006	7.4%
Mcap (HUF mn)	2,923	ROE 2006	10.7%
Mcap (EURmn)	801	Asset turn (2006)	1.33
Free float (%)	48.5%	SPS CAGR 05-08e	561.9%
Free float (EUR mn)	389	EPS CAGR 05-08e	28.9%
Shares outst. (mn)	19.8	Debt/equity (2006)	0.29

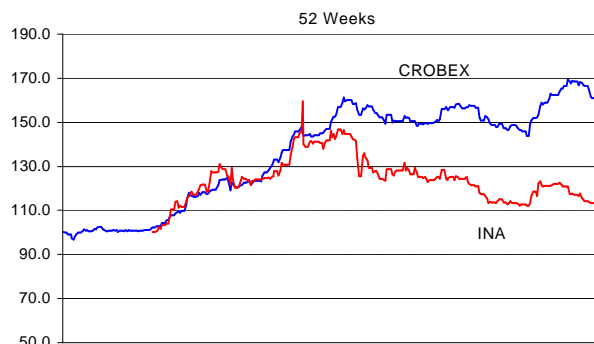


	05	06	07e	08e
Revenues (mn)	1,039	1,172	2,186	3,160
EBITDA margin	7.6%	12.7%	15.9%	15.9%
EBIT margin	3.1%	7.8%	12.5%	12.1%
Net profit margin	2.0%	5.6%	9.2%	9.0%
EPS (HUF)	1.6	5.1	10.1	14.3
Dividend (HUF)	0.0	0.0	0.0	14.3
EV/sales	1.9	1.6	1.5	0.9
EV/EBITDA	24.9	12.6	9.3	5.8
P/E	94.4	28.9	14.6	10.3
P/CE	28.1	15.4	10.1	7.3
EV/EBITDA rel.	2.9	1.8	1.5	1.1
P/E rel.	6.3	2.4	1.2	1.0

Performance	12M	6M	3M	1M
Absolute (HUF terms)	125.3%	4.2%	-16.4%	-3.6%
Rel. to sector (EUR, ppt)	238.4	59.3	31.0	54.2
Rel. to universe (EUR, ppt)	235.1	58.9	26.0	49.8

INA Hold

Price (CZK)	2,625.0	ROA 2006	4.2%
Mcap (CZK mn)	26,250	ROE 2006	7.2%
Mcap (EURmn)	3,573	Asset turn (2006)	1.10
Free float (%)	24.0%	SPS CAGR 04-08e	3.8%
Free float (EUR mn)	857	EPS CAGR 04-08e	11.5%
Shares outst. (mn)	10.0	Debt/equity (2006)	0.74

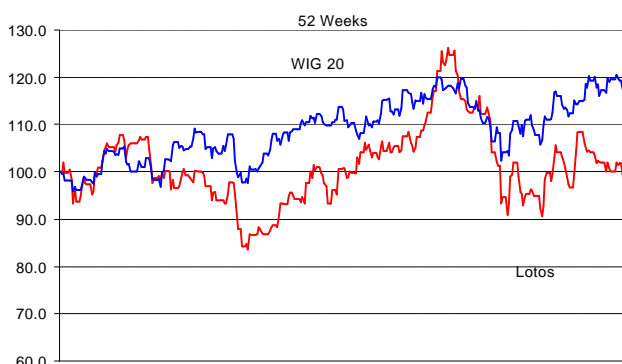


	05	06	07e	08e
Sales (CZK mn)	22,260	24,807	24,001	23,000
EBITDA margin	11.4%	8.3%	12.7%	15.3%
EBIT margin	6.7%	4.2%	7.9%	10.0%
Net profit margin	4.2%	3.8%	5.7%	7.3%
EPS (CZK)	88.5	88.4	129.4	158.0
Dividend (CZK)	0.0	0.0	0.0	0.0
EV/sales	1.3	1.3	1.3	1.4
EV/EBITDA	11.6	15.1	10.3	9.0
P/E	29.7	29.7	20.3	16.6
P/CE	12.0	20.6	8.7	9.5
EV/EBITDA rel.	1.4	2.2	1.7	1.7
P/E rel.	2.0	2.5	1.6	1.5

Performance	12M	6M	3M	1M
Absolute (CZK terms)	55.3%	-20.2%	-8.9%	-6.5%
Rel. to sector (EUR, ppt)	-	-26.8	-12.8	-7.2
Rel. to universe (EUR, ppt)	-	-27.2	-17.8	-11.6

Lotos Group Accumulate

Price (PLN)	45.7	ROA 2006	9.0%
Mcap (PLN mn)	5,190	ROE 2006	13.6%
Mcap (EURmn)	1,423	Asset turn (2006)	1.72
Free float (%)	41.2%	SPS CAGR 03-08e	3.8%
Free float (EUR mn)	586	EPS CAGR 03-08e	26.9%
Shares outst. (mn)	113.7	Debt/equity (2006)	0.43

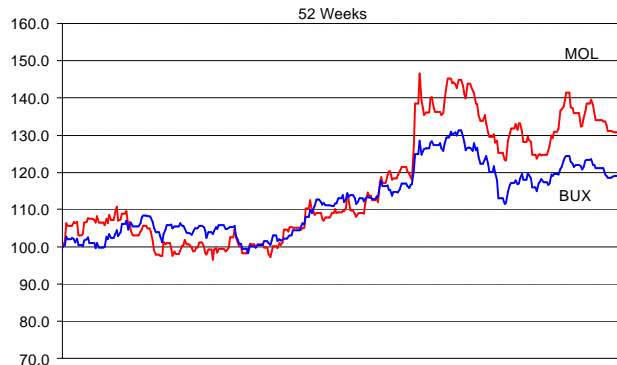


	05	06	07e	08e
Sales (PLN mn)	9,646	12,813	11,592	11,614
EBITDA margin	13.8%	8.6%	9.9%	11.2%
EBIT margin	11.1%	6.3%	6.4%	6.9%
Net profit margin	10.0%	5.6%	5.5%	5.4%
EPS (PLN)	9.47	5.86	5.02	5.00
Dividend (PLN)	0.0	1.5	1.5	1.5
EV/sales	0.4	0.4	0.5	0.5
EV/EBITDA	3.0	4.5	4.9	4.8
P/E	4.8	7.8	9.1	9.1
P/CE	3.8	5.5	5.3	4.8
EV/EBITDA rel.	0.4	0.6	0.8	0.9
P/E rel.	0.3	0.6	0.7	0.8

Performance	12M	6M	3M	1M
Absolute (PLN terms)	-1.0%	-1.6%	-11.9%	-5.1%
Rel. to sector (EUR, ppt)	-23.9	-5.5	-11.9	-2.1
Rel. to universe (EUR, ppt)	-27.1	-5.9	-17.0	-6.5

MOL under review

Price (HUF)	26,725	ROA 2006	15.8%
Mcap (HUF mn)	2,646,288	ROE 2006	32.1%
Mcap (EURmn)	10,478	Asset turn (2006)	1.38
Free float (%)	64.5%	SPS CAGR 00-08e	13.3%
Free float (EUR mn)	6,758	EPS CAGR 00-08e	21.5%
Shares outst. (mn)	99.0	Debt/equity (2006)	0.71

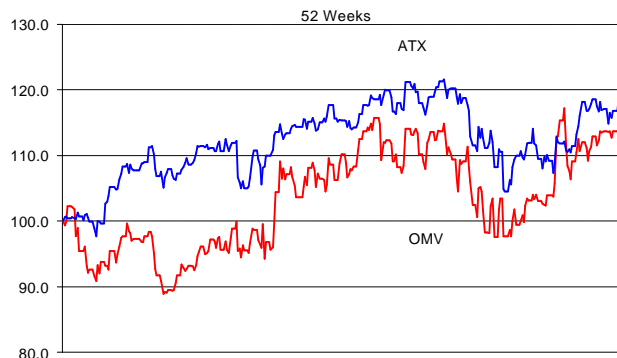


	05	06	07e	08e
Revenues (bn)	2,473.6	2,998.0	2,610.4	2,342.6
EBITDA margin	17.4%	18.4%	16.6%	18.5%
EBIT margin	12.4%	13.7%	11.0%	11.8%
Net profit margin	10.1%	11.7%	8.6%	9.2%
EPS (HUF)	2,401.3	3,480.2	2,175.5	2,081.2
Dividend (HUF)	325.0	600.0	800.0	800.0
EV/sales	1.2	0.8	1.0	1.1
EV/EBITDA	7.1	4.4	5.8	5.7
P/E	11.1	7.7	12.3	12.8
P/CE	6.4	5.2	7.5	7.2
EV/EBITDA rel.	0.8	0.6	1.0	1.1
P/E rel.	0.7	0.6	1.0	1.2

Performance	12M	6M	3M	1M
Absolute (HUF terms)	30.7%	19.7%	-2.4%	-4.8%
Rel. to sector (EUR, ppt)	12.4	15.0	-2.3	-1.5
Rel. to universe (EUR, ppt)	9.2	14.6	-7.4	-5.9

OMV Accumulate

Price (EUR)	50	ROA 2006	7.3%
Mcap (EUR mn)	15,045	ROE 2006	17.6%
		Asset turn (2006)	1.13
Free float (%)	50.9%	SPS CAGR 00-08e	57.3%
Free float (EUR mn)	7,658	EPS CAGR 00-08e	90.9%
Shares outst. (mn)	299.4	Debt/equity (2006)	0.94

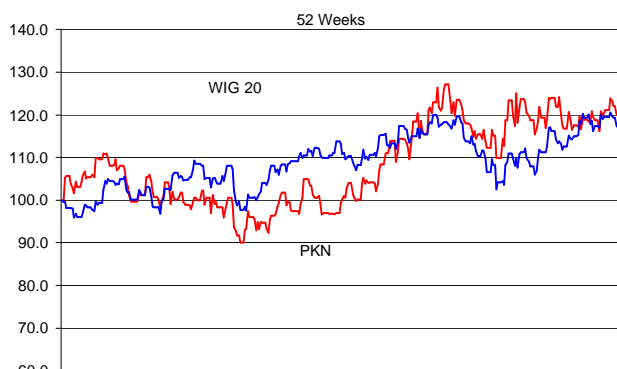


	05	06	07e	08e
Revenues (mn)	15,580	18,970.4	17,356.2	15,356.8
EBITDA margin	17.7%	15.1%	16.6%	21.4%
EBIT margin	12.6%	10.9%	12.1%	16.1%
Net profit margin	9.6%	8.7%	9.4%	12.5%
EPS (EUR)	4.2	4.6	4.5	5.3
Dividend (EUR)	0.9	1.0	1.6	1.6
EV/sales	1.0	0.8	0.9	0.9
EV/EBITDA	5.9	5.5	5.2	4.3
P/E	11.9	10.8	11.2	9.4
P/CE	7.5	7.1	6.8	6.2
EV/EBITDA rel.	0.7	0.8	0.9	0.8
P/E rel.	0.8	0.9	0.9	0.9

Performance	12M	6M	3M	1M
Absolute (EUR terms)	14.2%	3.7%	16.1%	1.4%
Rel. to sector (EUR, ppt)	-12.8	-2.2	13.5	1.9
Rel. to universe (EUR, ppt)	-16.1	-2.6	8.5	-2.6

PKN Orlen Hold

Price (PLN)	56.6	ROA 2006	5.9%
Mcap (PLN mn)	24,208	ROE 2006	13.1%
Mcap (EURmn)	6,636	Asset turn (2006)	1.34
Free float (%)	72.5%	SPS CAGR 00-08e	15.9%
Free float (EUR mn)	4,811	EPS CAGR 00-08e	9.4%
Shares outst. (mn)	427.7	Debt/equity (2006)	1.09

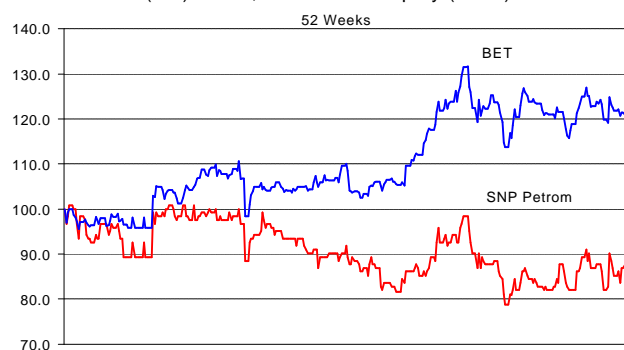


	05	06	07e	08e
Sales (PLN mn)	41,188	52,869	54,218	51,145
EBITDA margin	7.7%	9.5%	10.7%	11.3%
EBIT margin	12.0%	5.5%	6.5%	6.7%
Net profit margin	11.3%	4.6%	4.9%	4.7%
EPS (PLN)	10.72	5.45	5.76	5.06
Dividend (PLN)	2.5	0.0	0.0	2.0
EV/sales	0.7	0.6	0.5	0.5
EV/EBITDA	8.8	6.5	4.6	4.3
P/E	5.3	10.4	9.8	11.2
P/CE	7.8	5.9	5.0	5.4
EV/EBITDA rel.	1.0	0.9	0.8	0.8
P/E rel.	0.4	0.9	0.8	1.0

Performance	12M	6M	3M	1M
Absolute (PLN terms)	19.9%	23.7%	3.9%	1.1%
Rel. to sector (EUR, ppt)	-2.0	20.5	4.4	4.3
Rel. to universe (EUR, ppt)	-5.2	20.1	-0.6	-0.2

SNP Petrom **Accumulate**

Price (RON)	0.5	ROA 2006	12.3%
Mcap (RON mn)	30,305	ROE 2006	19.8%
Mcap (EURmn)	9,058	Asset turn (2006)	0.72
Free float (%)	6.2%	SPS CAGR 01-08e	-21.5%
Free float (EUR mn)	563	EPS CAGR 01-08e	-21.6%
Shares outst. (mn)	56,644.1	Debt/equity (2006)	0.58

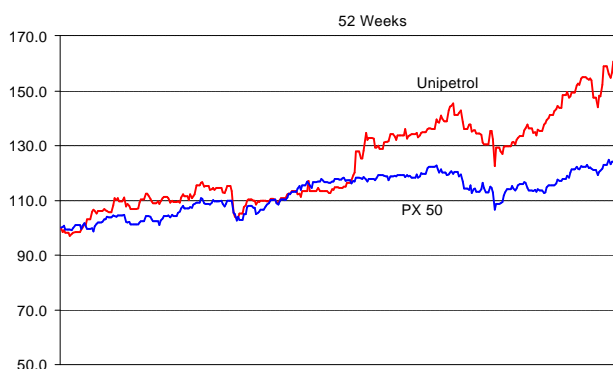


	05	06	07e	08e
Sales (RON mn)	10,973	13,416	11,337	11,676
EBITDA margin	20.7%	26.8%	26.9%	31.9%
EBIT margin	17.2%	20.7%	20.9%	25.4%
Net profit margin	12.9%	17.0%	19.1%	21.5%
EPS (RON)	0.0	0.0	0.0	0.0
Dividend (RON)	0.0	0.0	0.0	0.0
EV/sales	2.4	2.0	2.5	2.5
EV/EBITDA	11.4	7.5	9.3	7.8
P/E	21.2	13.2	14.0	12.1
P/CE	14.1	9.7	12.5	10.4
EV/EBITDA rel.	1.3	1.1	1.6	1.5
P/E rel.	1.4	1.1	1.1	1.1

Performance	12M	6M	3M	1M
Absolute (RON terms)	-12.3%	-2.7%	0.0%	1.9%
Rel. to sector (EUR, ppt)	-35.7	-10.2	-8.4	2.3
Rel. to universe (EUR, ppt)	-38.9	-10.6	-13.5	-2.1

Unipetrol **Buy**

Price (CZK)	343.3	ROA 2006	2.2%
Mcap (CZK mn)	62,244	ROE 2006	4.1%
Mcap (EURmn)	2,311	Asset turn (2006)	1.28
Free float (%)	37.0%	SPS CAGR 00-08e	6.1%
Free float (EUR mn)	855	EPS CAGR 00-08e	32.1%
Shares outst. (mn)	181.3	Debt/equity (2006)	0.77



	05	06	07e	08e
Sales (CZK mn)	80,946	95,599	88,643	81,270
EBITDA margin	11.2%	8.0%	12.6%	16.9%
EBIT margin	6.5%	3.8%	7.7%	11.2%
Net profit margin	4.2%	1.8%	5.8%	8.5%
EPS (CZK)	18.9	8.9	27.3	36.9
Dividend (CZK)	0.0	0.0	0.0	0.0
EV/sales	0.9	0.7	0.8	0.8
EV/EBITDA	8.2	8.8	6.1	4.7
P/E	18.2	38.4	12.6	9.3
P/CE	8.5	11.5	6.7	5.6
EV/EBITDA rel.	1.0	1.3	1.0	0.9
P/E rel.	1.2	3.2	1.0	0.9

Performance	12M	6M	3M	1M
Absolute (CZK terms)	61.6%	41.0%	20.3%	9.6%
Rel. to sector (EUR, ppt)	40.1	41.3	22.0	11.8
Rel. to universe (EUR, ppt)	36.9	40.9	17.0	7.4

Pharmaceuticals

- **Reporting season is just ahead, to be kicked off by Zentiva. The recently published profit warning minimized the room for a surprise and sent a clear message that the company's 2007 performance will be the worst since the firm's public listing**
- **Interim results for both Richter and Egis are anticipated to demonstrate that, despite the persisting home market pressures, the Hungarian companies' outlook is improving, driven by the recovery in Russia**
- **Krka's 1-3Q2007 report is expected to confirm the company's position at the region's top and further support its valuation premium**

CEE pharma stocks' performance was mixed last month

The performance of CEE pharma universe stocks last month was uninspiring in the best case, with mostly sideways share price moves, as investors preferred to stay in wait-and-see mode before the upcoming reporting season. After issuing a second profit warning this year, Czech-based Zentiva ended up the worst performer last month. The company's share price plummeted, reflecting investors' loss of confidence in the achievability of Zentiva's targets and disappointment over the subdued top line growth and meager profitability, which was due in part to the recurring need for provisioning at its troubled Romanian operations.

Zentiva's share price nosedived after profit warning...

...preparing investors to expect about 36% y/y drop in EBIT and 32% fall on bottom line in 1-3Q2007

The news flow from the regional pharmaceutical sector universe is anticipated to be very rich in November, with all major companies set to report their interim results (and Egis' fiscal year 2006/07 figures). Zentiva is scheduled to announce its 1-3Q2007 results on November 5, thus being the first among the CEE-based pharmas to do so. Nevertheless, as the company issued a profit warning ahead of its report, the figures are not anticipated to bring any major surprises and investors have already started to digest the bitter pill. Zentiva expects to post net profit of CZK 1.06bn, operating profit of CZK 1.46bn and net sales of CZK 11.13bn in the first three quarters of 2007, with all figures lagging behind the original market and our expectations. (EBIT is envisaged to fall by some 36% y/y and net profit to slump by 32% y/y in 1-3Q2007.) The main reasons for the weak performance cited by the company include: consolidation of Eczacibasi-Zentiva, the newly integrated Turkish arm, negatively impacting all margins in 3Q2007; continued underperformance in the home Czech market, due to price erosion; a 10% y/y sales drop in Romania, reflecting management's focus on receivables collection; and a new inventory write-off and receivables provisioning (amounting to CZK 105mn in 3Q2007) related to its Romanian operations.

Exports, including booming bulk chemicals, set to save top line for Egis' 2006/07...

Egis is scheduled to report its fiscal year 2006/07 results on November 9, 2007. Despite the envisaged drop on both the operating and bottom lines, Egis' 2006/07 performance is not anticipated to disappoint investors. We expect Egis to post net profit of HUF 7,709mn on sales of HUF 94,272mn for the 2006/07 fiscal year. In 4Q2006/07 alone, we project Egis' net profit to come in at HUF 2,528mn on sales of HUF 24,850mn. Reflecting permanent (albeit easing) pricing pressures, we expect Egis' domestic sales to decline by 4.2% y/y to HUF 8.3bn in 4Q2006/07, sending the 2006/07 total to HUF 32.4bn (down by 2.5% y/y). As indicated by interim results, exports should save the show, at least as far as the top line is concerned. Importantly, we expect exports to Russia/CIS to continue in their revival in 4Q (up by 27.6% y/y to USD 42.6mn), sending the 2006/07 total to USD 146.9mn, up 14.5% y/y. Bolstered by booming bulk chemicals (up 90% y/y), as well as finished pharmaceuticals sales (up 102% y/y) to Western markets, Egis' top line is envisaged to rise by a solid 7.9% y/y to HUF 94.3bn in 2006/07. The deteriorating sales mix, combined with the negative currency and home market pricing impacts, is set to drag down Egis' profitability in 2006/07. We predict 2006/07 operating profit reaching just HUF 9,060mn, translating into an EBIT margin of 9.6%, well below the 17.7% posted in 2005/06. With respect to the very weak 1-3Q result and persisting negative impact from the revaluation of receivables, we expect the company to record a significant drop in net profit (by as much as 50.3% y/y) to HUF 7,709mn in 2006/07.

...but deteriorating sales mix, home market pricing and currency pressures to drag down profitability

Exports, fueled by Russian revival, to bolster Richter's 3Q2007 performance

Richter Gedeon should follow its peer, publishing its interim report on November 15 or 16. In summary, we expect Richter to post a 3Q2007 net profit of HUF 9,669mn on sales of HUF 42,600mn, sending the 1-3Q2007 net figure to HUF 26,264mn on sales of HUF 127,128mn (unconsolidated and according to IFRS standards). The two consecutive rounds of price reductions associated with changes to reference prices (from April and July, respectively) have been depressing Richter's domestic sales tempo this year. As a result, we forecast Richter's domestic sales retreating by some 20% y/y to HUF 7.5bn in 3Q, translating into a 12.8% y/y drop in 1-3Q2007. Although sales within the DLO program are anticipated to remain meager (at some USD 1.5mn in 3Q), the accelerating tempo in the private market is expected to propel Richter's sales in Russia up 32% y/y to USD 66mn in 3Q, lifting the 1-3Q2007 total there to USD 178mn, up 5% y/y. The negative impact from the y/y appreciation of the Hungarian forint vs. the US dollar and the domestic market pricing pressures will undoubtedly continue to bite into profitability margins. Nevertheless, bolstered by the company's cost saving efforts, the EBIT margin should stabilize at around 20.7% in 3Q2007, translating into an EBIT margin of 20.2% for the first nine months of 2007. Further dampened by the y/y deteriorating financial result (witnessing less favorable currency fortunes), the 3Q bottom line is projected to decrease by 20.1% y/y to HUF 9,669mn (and by 37.5% y/y to HUF 26,264mn in 1-3Q2007).

Krka's 1-3Q2007 anticipated to confirm company's competitive edge...

The only CEE-based company that is envisaged to keep pleasing investors this year is Slovenia's Krka, which is scheduled to publish its nine-month report on November 9, 2007. We forecast Krka's consolidated sales advancing by a very sound 14.2% y/y to EUR 572.5mn in 1-3Q2007. We assume that - as indicated in previous periods - Krka's sales in Russia/CIS will gain momentum, while the company should be able to sustain a double-digit growth tempo in all of its export markets (particularly in Western Europe and Overseas markets and Central and South-East Europe). The y/y lower provisioning and efficient cost containment measures (namely in the area of G&A costs) bode well for further improvements of the company's EBIT. We project Krka's operating profit rising by 17.4% y/y to EUR 131.4mn. The y/y improving financial result and lower effective tax rate should bolster the solid progress on the bottom line. We forecast Krka's consolidated net profit increasing by 24.3% y/y to EUR 98.8mn.

...and support its valuation premium to regional peers

A brief look at our 1-3Q2007 results preview suggests that, among the regional pharma companies, Krka is poised to keep its status as the best performer, fully warranting its premium to sector peers. Our target price of EUR 130 per Krka share points to still untapped long-term upside potential for the stock. We continue to believe that the upcoming reporting season will confirm that the worst is over for Richter and Egis. The anticipated Russian sales revival and improving situation in the Russian pharmaceutical market (supported by upcoming elections, which promise to address the DLO program troubles more adequately) bode well for Richter and Egis' business performance. Our target prices of HUF 46,000 per share for Richter and HUF 25,700 per share for Egis suggest that both share prices fail to reflect their prospects for improvement from the currently depressed levels. While we continue to believe that Zentiva's export-driven growth story is largely untouched, the worse than anticipated results will prompt a material cut to our projections; we put our recommendation and target price under review. Given the shattered confidence among investors in the company, the stock's recovery will take significantly more time than originally thought and the company will have to deliver material and consistent progress before it will be able to claim investors' favor again.

Reviving Russian fortunes for Richter and Egis still not adequately priced in

Zentiva's stock unlikely to recover anytime soon, as company has to regain investors' confidence

Company	Curr.	Mcap (EURmn)	ROE				EBITDA margin				Performance (EUR terms)			
			2005	2006	2007e	2008e	2005	2006	2007e	2008e	1M	3M	6M	12M
A&D Pharma	EUR	573	86.2%	11.9%	7.7%	9.2%	10.1%	8.5%	8.1%	8.1%	-7.0%	16.6%	41.0%	41.6%
Bioton	PLN	821	15.8%	17.4%	11.0%	13.3%	33.6%	41.1%	33.1%	32.4%	-3.6%	-23.9%	-43.2%	-59.1%
Egis	HUF	681	13.5%	17.6%	7.8%	11.1%	20.2%	24.0%	16.5%	17.3%	-3.5%	0.4%	-0.1%	-9.5%
Richter Gedeon	HUF	2,776	19.1%	18.8%	12.0%	14.3%	36.5%	37.2%	30.5%	30.5%	-0.7%	2.0%	-0.7%	-7.1%
Pliva	USD	2,021	-8.1%	-3.3%	8.9%	10.8%	25.1%	3.2%	18.3%	20.1%	3.0%	5.3%	-1.7%	0.5%
Krka	EUR	4,155	21.1%	21.5%	23.6%	23.4%	29.7%	29.7%	31.5%	31.4%	1.2%	5.1%	33.5%	50.9%
Zentiva	CZK	1,419	23.0%	21.0%	17.0%	17.7%	27.4%	29.8%	27.7%	25.5%	-11.8%	-15.5%	-29.0%	-18.1%
Sanochemia	EUR	95	10.1%	4.9%	3.4%	5.1%	25.3%	19.5%	14.7%	16.1%	-8.6%	-7.8%	-27.3%	-28.0%
Intercell	EUR	1,274	-66%	-23%	3.7%	5%	-282%	-62%	11%	11%	5.0%	6.7%	15.5%	82.3%
Median	-	-	16%	17%	9%	11%	25%	24%	18%	20%	-	-	-	-
Ranbaxy Laboratories	ISK	2,874	10.6%	19.1%	23.8%	21.4%	5.9%	14.7%	14.8%	-	-1.5%	14.6%	16.2%	9.4%
Barr Pharmaceuticals Inc	USD	4,215	20.2%	23.8%	19.5%	19.8%	42.7%	29.4%	26.3%	30.5%	-1.6%	2.5%	7.9%	-0.9%
Mylan Inc.	USD	2,587	29.5%	31%	13.1%	7.1%	32.3%	31.5%	29.1%	22.4%	-12.0%	-11.0%	-37.0%	-34.6%
Bayer Schering Pharma A	USD	20,568	19.0%	24.0%	27.9%	31.1%	23.9%	23.8%	25.1%	25.7%	1.0%	1.6%	1.2%	14.9%
Schw arz Pharma AG	EUR	5,365	-10%	2.2%	0.7%	2.4%	3.3%	4.7%	0.8%	2.6%	2.2%	2.4%	2.6%	19.2%
Stada Arzneimittel AG	EUR	2,519	7.8%	11.4%	13.8%	15.3%	17.4%	19.6%	19.4%	20.3%	-1.0%	-11.0%	-10%	12.3%
Teva Pharmaceutical	ILS	24,345	17.6%	17.0%	15.2%	15.0%	29.6%	32.3%	30.5%	30.4%	-4.4%	-3.1%	3.6%	19.0%
Watson Pharmaceuticals	USD	2,133	7.7%	7.0%	8.3%	9.7%	27.0%	20.1%	20.3%	20.4%	-9.3%	-11.2%	-8.7%	0.4%
Median	-	-	14%	18%	14%	15%	25%	22%	23%	22%	-	-	-	-
Euro Stoxx Healthcare		148,633	12.5%	13.3%	13.0%	14.3%	20.6%	21.4%	21.1%	21.5%	-4.9%	-4.4%	-14.4%	-6.1%
CEE to Peer, Prem/Disc	-	-	12%	-3%	-38%	-27%	-1%	9%	-19%	-10%	-	-	-	-

	P/E				P/CE				P/BV			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
A&D Pharma	34.5	32.2	24.8	18.6	29.2	20.0	18.4	14.8	27.6	2.0	1.8	1.7
Bioton	39.8	29.0	30.7	22.3	31.4	25.3	23.6	17.7	7.8	3.6	3.2	2.8
Egis	16.7	11.1	22.3	14.3	11.4	8.2	12.2	9.0	2.1	1.8	1.7	1.5
Richter Gedeon	16.1	14.0	19.4	15.0	12.1	10.6	13.1	10.6	2.8	2.4	2.2	2.0
Pliva	neg.	neg.	28.9	21.8	244.3	55.3	15.1	12.6	2.8	2.7	2.5	2.3
Krka	42.7	37.2	28.2	23.3	21.8	22.7	20.5	18.5	8.7	7.4	6.0	5.0
Zentiva	20.4	17.3	17.9	15.2	15.0	12.4	9.9	8.8	3.9	3.2	2.6	2.3
Sanochemia	16.8	32.1	43.8	27.8	8.2	13.5	17.0	12.8	1.6	1.5	1.5	1.4
Intercell	neg.	neg.	180.8	108.4	neg.	neg.	150.3	94.7	19.0	12.0	5.1	4.9
Median CEE	20.4	29.0	28.2	21.8	18.4	16.7	17.0	12.8	3.9	2.7	2.5	2.3
Ranbaxy Laboratories	58.4	34.1	24.3	23.7	38.7	34.0	16.2	17.7	6.2	6.5	5.8	5.1
Barr Pharmaceuticals Inc	14.4	16.1	18.7	15.4	13.1	14.1	-	-	2.9	3.8	-	-
Mylan Inc.	12.3	8.6	11.0	17.4	12.0	7.2	10.5	-	3.6	2.7	1.4	1.2
Bayer Schering Pharma AG	32.5	52.7	27.5	24.7	20.7	20.8	19.1	19.1	6.2	12.6	7.7	7.7
Schw arz Pharma AG	high	420.3	1289.2	379.7	high	82.1	high	221.9	9.4	9.3	9.5	9.0
Stada Arzneimittel AG	44.5	25.4	19.3	15.5	18.5	18.1	14.7	11.1	3.5	2.9	2.7	2.4
Teva Pharmaceutical	22.4	17.3	18.8	16.4	16.9	13.6	15.7	13.8	3.9	2.9	2.9	2.4
Watson Pharmaceuticals	17.7	26.4	23.0	15.3	8.8	7.7	11.3	-	1.4	1.8	-	-
Median	22.4	25.9	21.1	16.9	16.9	16.1	15.2	17.7	3.8	3.4	4.3	3.8
Euro Stoxx Healthcare	30.1	25.4	21.1	18.4	17.5	15.4	14.7	14.2	4.2	3.6	2.7	2.4
CEE to Peer, Prem/Disc	-9%	12%	33%	29%	9%	4%	12%	-28%	3%	-19%	-43%	-40%

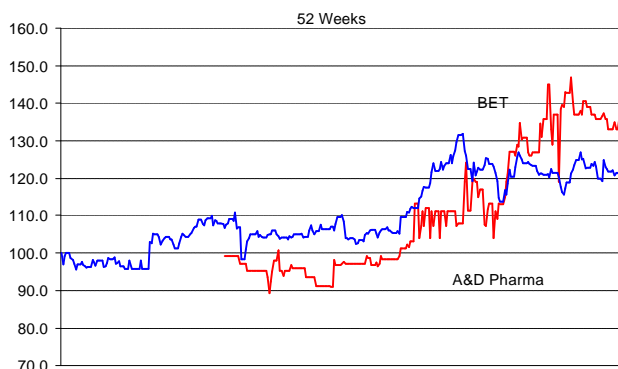
	EV/Sales				EV/EBITDA			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e
A&D Pharma	2.3	1.9	1.4	1.1	23.0	22.1	17.7	13.7
Bioton	13.4	13.5	7.7	5.5	39.8	32.7	23.2	16.8
Egis	2.3	1.9	1.7	1.5	11.4	7.8	10.4	8.5
Richter Gedeon	4.7	3.8	3.7	3.0	12.7	10.2	12.3	9.9
Pliva	2.5	2.9	2.3	2.0	10.0	90.2	12.5	9.9
Krka	7.7	6.3	5.4	4.5	25.7	21.2	17.0	14.5
Zentiva	3.4	2.9	3.0	2.2	12.4	9.8	10.7	8.7
Sanochemia	2.6	2.5	2.4	1.9	10.4	13.0	16.1	11.8
Intercell	105.8	43.3	18.1	12.1	neg.	neg.	165.9	112.8
Median CEE	3.4	2.9	3.0	2.2	12.6	17.1	16.1	11.8
Ranbaxy Laboratories	2.9	3.0	2.9	2.6	49.3	20.7	19.9	16.3
Barr Pharmaceuticals Inc	4.7	4.5	3.1	2.7	10.9	15.3	11.7	8.7
Mylan Inc.	4.0	2.9	3.6	2.0	12.3	9.2	12.3	8.8
Bayer Schering Pharma AG	1.9	3.3	3.3	3.1	8.0	14.0	13.3	12.2
Schw arz Pharma AG	2.3	4.4	6.1	5.4	70.4	93.1	750.6	208.2
Stada Arzneimittel AG	1.7	2.5	2.2	1.9	9.6	12.7	11.2	9.4
Teva Pharmaceutical	5.5	3.3	4.0	3.3	18.7	10.1	13.1	10.9
Watson Pharmaceuticals	2.0	1.9	1.5	1.3	7.5	9.4	7.6	6.5
Median	2.6	3.1	3.2	2.6	11.6	13.3	12.7	10.2
Euro Stoxx Healthcare	2.8	3.3	2.8	2.7	11.3	12.7	11.2	10.9
CEE to Peer, Prem/Disc	29%	-7%	-8%	-15%	8%	28%	27%	16%

Source: JCF Quant, Erste Bank

A&D Pharma

Accumulate

Price (GDR; EUR)	17.2	ROA 2006	5.1%
Mcap (EUR mn)	573.3	ROE 2006	11.9%
		Asset turn (2006)	0.94
Free float (%)	34.0%	SPS CAGR 05-08e	34.8%
Free float (EUR mn)	194.9	EPS CAGR 05-08e	-
GDRs outst. (mn)	33.3	Debt/equity (2006)	0.94



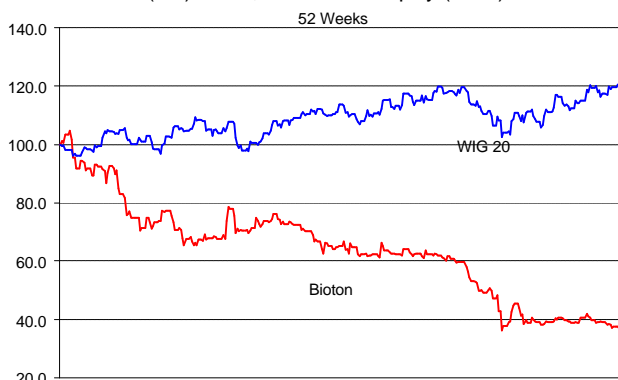
	05	06	07e	08e
Sales (EUR mn)	247.3	331.6	440.1	564.3
EBITDA margin	10.1%	8.5%	8.1%	8.1%
EBIT margin	8.8%	7.0%	6.6%	6.7%
Net profit margin	6.7%	5.4%	5.3%	5.5%
EPS (GDR; EUR)	0.5	0.5	0.7	0.9
Dividend (GDR, EL)	0.0	0.1	0.2	0.2
EV/sales	2.3	1.9	1.4	1.1
EV/EBITDA	23.0	22.1	17.7	13.7
P/E	34.5	32.2	24.8	18.6
P/CE	29.2	20.0	18.4	14.8
EV/EBITDA rel.	1.83	1.29	1.10	1.16
P/E rel.	1.70	1.11	0.88	0.85

Performance	12M	6M	3M	1M
Absolute (EUR terms)	36.5%	41.0%	16.6%	-2.7%
Rel. to sector (EUR, ppt)	34.0	40.4	16.6	-6.0
Rel. to universe (EUR, ppt)	5.5	34.0	8.1	-11.7

Bioton

under review

Price (PLN)	1.10	ROA 2006	13.9%
Mcap (PLN mn)	2,994	ROE 2006	17.9%
Mcap (EURmn)	821	Asset turn (2006)	0.32
Free float (%)	47.7%	SPS CAGR 04-08e	-8.3%
Free float (EUR mn)	391	EPS CAGR 04-08e	18.4%
Shares outst. (mn)	2,721.9	Debt/equity (2006)	0.23



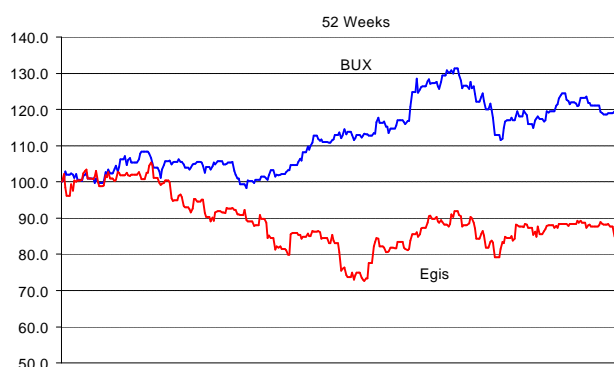
	05	06	07e	08e
Sales (PLN mn)	152	215	400	561
EBITDA margin	33.6%	41.1%	33.1%	32.4%
EBIT margin	27.5%	34.7%	25.8%	26.3%
Net profit margin	22.8%	43.5%	24.2%	23.9%
EPS (PLN)	0.028	0.038	0.036	0.049
Dividend (PLN)	0.0	0.0	0.0	0.0
EV/sales	13.4	13.5	7.7	5.5
EV/EBITDA	39.8	32.7	23.2	16.8
P/E	39.8	29.0	30.7	22.3
P/CE	31.4	25.3	23.6	17.7
EV/EBITDA rel.	3.16	1.91	1.44	1.43
P/E rel.	1.95	1.00	1.09	1.03

Performance	12M	6M	3M	1M
Absolute (PLN terms)	-63.9%	-44.7%	-26.7%	-6.8%
Rel. to sector (EUR, ppt)	-63.5	-42.1	-21.5	0.5
Rel. to universe (EUR, ppt)	-92.0	-48.4	-30.0	-5.3

Egis

Accumulate

Price (HUF)	22,100	ROA 2006	15.4%
Mcap (HUF mn)	172,064	ROE 2006	17.6%
Mcap (EURmn)	681	Asset turn (2006)	0.87
Free float (%)	49.1%	SPS CAGR 00-08e	13.8%
Free float (EUR mn)	335	EPS CAGR 00-08e	7.5%
Shares outst. (mn)	7.8	Debt/equity (2006)	0.11



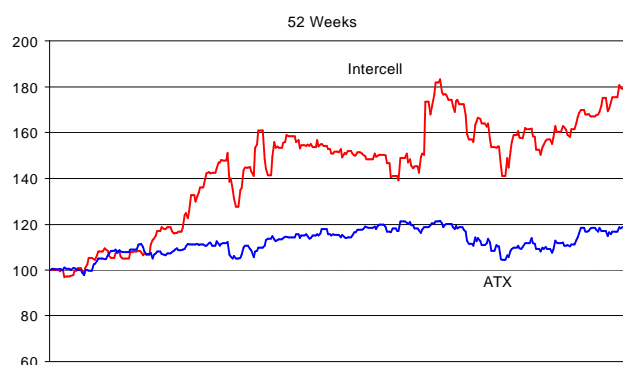
	04/05	05/06	06/07e	07/08e
Sales (HUF mn)	72,621	87,362	94,272	109,897
EBITDA margin	20.2%	24.0%	16.5%	17.3%
EBIT margin	14.2%	17.7%	9.6%	10.8%
Net profit margin	14.2%	17.8%	8.2%	10.9%
EPS (HUF)	1,324.2	1,994.0	990.1	1,543.3
Dividend (HUF)	120.0	120.0	120.0	120.0
EV/sales	2.3	1.9	1.7	1.5
EV/EBITDA	11.4	7.8	10.4	8.5
P/E	16.7	11.1	22.3	14.3
P/CE	11.4	8.2	12.2	9.0
EV/EBITDA rel.	0.91	0.45	0.65	0.72
P/E rel.	0.82	0.38	0.79	0.66

Performance	12M	6M	3M	1M
Absolute (HUF terms)	-15.0%	2.2%	0.7%	-3.3%
Rel. to sector (EUR, ppt)	-14.8	-0.7	0.4	-2.5
Rel. to universe (EUR, ppt)	-43.4	-7.1	-8.1	-8.2

Intercell

Buy

Price (EUR)	28.0	ROA 2006	-18.3%
Mcap (EUR mn)	1,274	ROE 2006	-22.8%
		Asset turn (2006)	0.27
Free float (%)	78.2%	SPS CAGR 00-08e	-
Free float (EUR mn)	996	EPS CAGR 00-08e	-
Shares outst. (mn)	45.5	Debt/equity (2006)	0.21



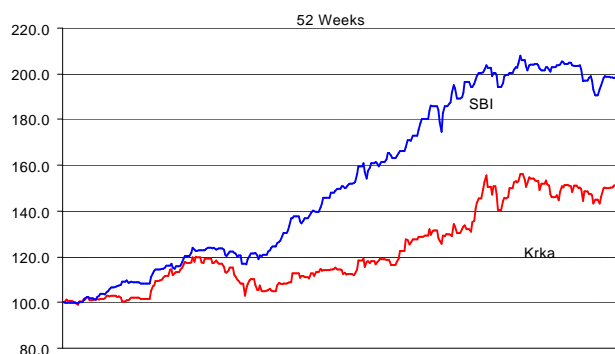
EUR	05	06	07e	08e
Revenues (mn)	8.5	23.5	55.5	78.5
EBITDA margin	-282%	-62.3%	10.9%	10.7%
EBIT margin	-294%	-66.7%	8.6%	8.5%
Net profit margin	-296%	-68.8%	11.5%	15.0%
EPS (EUR)	-0.8	-0.4	0.2	0.3
Dividend (EUR)	0.0	0.0	0.0	0.0
EV/sales	105.8	43.3	18.1	12.1
EV/EBITDA	neg	neg	165.9	112.8
P/E	neg	neg	180.8	108.4
P/CE	neg	neg	150.3	94.7
EV/EBITDA rel.	-	-	-	9.58
P/E rel.	-	-	-	4.98

Performance	12M	6M	3M	1M
Absolute (EUR terms)	75.2%	15.5%	6.7%	5.0%
Rel. to sector (EUR, ppt)	99.2	32.4	22.9	21.9
Rel. to universe (EUR, ppt)	70.7	26.0	14.4	16.2

Krka

Accumulate

Price (EUR)	117	ROA 2006	13.4%
Mcap (EUR mn)	4,155	ROE 2006	21.7%
		Asset turn (2006)	0.80
Free float (%)	70.2%	SPS CAGR 03-08e	17.3%
Free float (EUR mn)	2,917	EPS CAGR 03-08e	31.6%
Shares outst. (mn)	35.4	Debt/equity (2006)	0.56



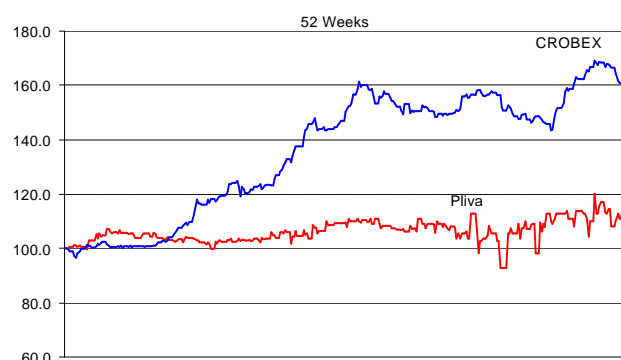
	05	06	07e	08e
Sales (EUR mn)	554.1	668.0	782.9	917.5
EBITDA margin	29.7%	29.7%	31.5%	31.4%
EBIT margin	21.5%	22.5%	24.7%	25.0%
Net profit margin	17.5%	16.7%	18.8%	19.4%
EPS (EUR)	2.7	3.2	4.2	5.0
Dividend (EUR)	0.7	0.8	1.0	1.2
EV/sales	7.7	6.3	5.4	4.5
EV/EBITDA	25.7	21.2	17.0	14.5
P/E	42.7	37.2	28.2	23.3
P/CE	21.8	22.7	20.5	18.5
EV/EBITDA rel.	2.05	1.24	1.05	1.23
P/E rel.	2.10	1.28	1.00	1.07

Performance	12M	6M	3M	1M
Absolute (EUR terms)	52.8%	33.5%	5.1%	1.2%
Rel. to sector (EUR, ppt)	50.3	32.9	5.1	2.3
Rel. to universe (EUR, ppt)	21.7	26.5	-3.4	-3.5

Pliva

-

Price (USD)	158	ROA 2006	-2.1%
Mcap (USD mn)	2,929	ROE 2006	-3.3%
Mcap (EURmn)	2,021	Asset turn (2006)	0.63
Free float (%)	3.0%	SPS CAGR 01-08e	11.5%
Free float (EUR mn)	61	EPS CAGR 01-08e	1.5%
Shares outst. (mn)	18.6	Debt/equity (2006)	0.58

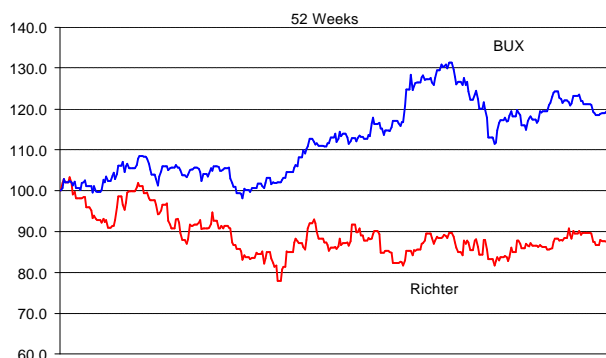


	05	06	07e	08e
Sales (USD mn)	1,171	1,051	1,209	1,358
EBITDA margin	25.1%	3.2%	18.3%	20.1%
EBIT margin	16.3%	-5.2%	10.7%	12.8%
Net profit margin	-7.8%	-3.3%	8.4%	9.9%
EPS (USD)	-4.9	-1.9	5.4	7.2
Dividend (USD)	2.0	0.0	2.0	2.5
EV/sales	2.5	2.9	2.3	2.0
EV/EBITDA	10.0	90.2	12.5	9.9
P/E	neg	-83.8	28.9	21.8
P/CE	244.3	55.3	15.1	12.6
EV/EBITDA rel.	0.79	5.27	0.77	0.84
P/E rel.	-	-4.12	1.03	1.00

Performance	12M	6M	3M	1M
Absolute (USD terms)	14.6%	4.8%	10.6%	5.9%
Rel. to sector (EUR, ppt)	-1.5	-2.3	5.3	4.6
Rel. to universe (EUR, ppt)	-30.0	-8.7	-3.2	-1.2

Richter Gedeon Buy

Price (HUF)	37,610	ROA 2006	17.5%
Mcap (HUF mn)	700,956	ROE 2006	18.8%
Mcap (EURmn)	2,776	Asset turn (2006)	0.60
Free float (%)	74.7%	SPS CAGR 00-08e	14.9%
Free float (EUR mn)	2,073	EPS CAGR 00-08e	12.2%
Shares outst. (mn)	18.6	Debt/equity (2006)	0.08

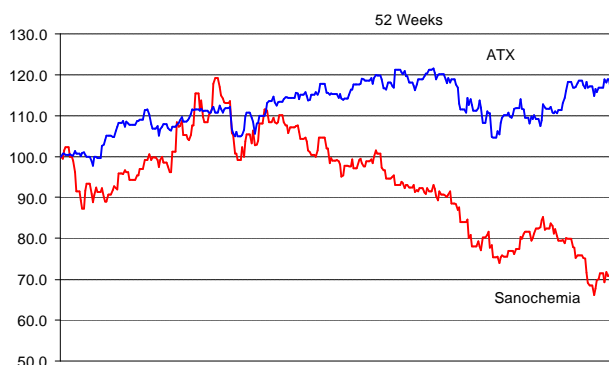


	05	06	07e	08e
Sales (HUF mn)	140,929	171,107	171,004	208,492
EBITDA margin	36.5%	37.2%	30.5%	30.5%
EBIT margin	26.5%	27.9%	20.2%	21.3%
Net profit margin	31.0%	29.3%	21.1%	22.5%
EPS (HUF)	2,340.6	2,691.8	1,933.7	2,514.9
Dividend (HUF)	600.0	690.0	550.0	700.0
EV/sales	4.7	3.8	3.7	3.0
EV/EBITDA	12.7	10.2	12.3	9.9
P/E	16.1	14.0	19.4	15.0
P/CE	12.1	10.6	13.1	10.6
EV/EBITDA rel.	1.01	0.60	0.76	0.84
P/E rel.	0.79	0.48	0.69	0.69

Performance	12M	6M	3M	1M
Absolute (HUF terms)	-12.5%	1.6%	2.3%	-0.5%
Rel. to sector (EUR, ppt)	-12.2	-1.3	2.0	0.3
Rel. to universe (EUR, ppt)	-40.7	-7.7	-6.5	-5.5

Sanochemia Hold

Price (EUR)	9.4	ROA 05/06	3.0%
Mcap (EUR mn)	95.1	ROE 05/06	4.9%
		Asset turn (05/06)	0.31
Free float (%)	30.0%	SPS CAGR 01-08e	16.3%
Free float (EUR mn)	28.5	EPS CAGR 01-08e	-
Shares outst. (mn)	10.2	Debt/equity (05/06)	0.67

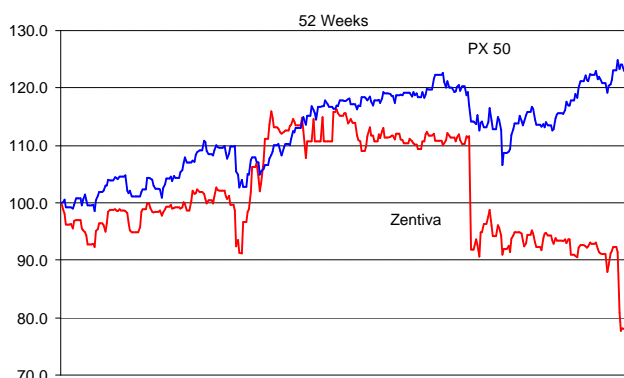


	04/05	05/06	06/07e	07/08e
Sales (EUR mn)	28.9	30.3	31.2	37.5
EBITDA margin	25.3%	19.5%	14.7%	16.1%
EBIT margin	12.1%	7.3%	3.0%	5.9%
Net profit margin	19.5%	9.8%	7.0%	9.1%
EPS (EUR)	0.6	0.3	0.2	0.3
Dividend (EUR)	0.0	0.0	0.0	0.0
EV/sales	2.6	2.5	2.4	1.9
EV/EBITDA	10.4	13.0	16.1	11.8
P/E	16.8	32.1	43.8	27.8
P/CE	8.2	13.5	17.0	12.8
EV/EBITDA rel.	0.83	0.76	1.00	1.00
P/E rel.	0.83	1.11	1.55	1.28

Performance	12M	6M	3M	1M
Absolute (EUR terms)	-28.0%	-27.3%	-7.8%	-8.6%
Rel. to sector (EUR, ppt)	-30.5	-27.9	-7.8	-7.5
Rel. to universe (EUR, ppt)	-59.0	-34.3	-16.3	-13.3

Zentiva under review

Price (CZK)	1,002	ROA 2006	11.8%
Mcap (CZK mn)	38,213	ROE 2006	22.0%
Mcap (EURmn)	1,419	Asset turn (2006)	0.75
Free float (%)	56.8%	SPS CAGR 03-08e	25.3%
Free float (EUR mn)	806	EPS CAGR 03-08e	-
Shares outst. (mn)	38.1	Debt/equity (2006)	0.51



	05	06	07e	08e
Sales (CZK mn)	11,839	14,003	17,728	23,022
EBITDA margin	27.4%	29.8%	27.7%	25.5%
EBIT margin	21.8%	23.6%	18.0%	17.6%
Net profit margin	15.9%	15.7%	12.0%	10.9%
EPS (CZK)	49.2	57.8	56.0	66.1
Dividend (CZK)	9.5	11.5	14.5	17.5
EV/sales	3.4	2.9	3.0	2.2
EV/EBITDA	12.4	9.8	10.7	8.7
P/E	20.4	17.3	17.9	15.2
P/CE	15.0	12.4	9.9	8.8
EV/EBITDA rel.	0.99	0.57	0.66	0.74
P/E rel.	1.00	0.60	0.64	0.70

Performance	12M	6M	3M	1M
Absolute (CZK terms)	-22.0%	-32.3%	-19.0%	-13.8%
Rel. to sector (EUR, ppt)	-21.4	-29.6	-15.5	-10.7
Rel. to universe (EUR, ppt)	-49.9	-35.9	-24.0	-16.5

- Sector should see weaker 3Q
- NG2 will face costs of rapid expansion
- M&A to boost Vistula's numbers
- Empik expands into CIS markets

3Q figures seasonally weak for clothing and footwear retailers

Due to the seasonal changes and discounts on the spring and summer collections, 3Q is usually weak for retail companies. This effect is ameliorated to some extent by the introduction of autumn and winter collections in September, which, due to the favorable weather conditions, attracts more customers (clement winter last year hit 3-4Q06 sales at most footwear and clothing companies). Together with swift store network development, retailers are hit with increasing costs, especially concerning salaries and rental payments. At the same time, high fixed costs of sales imply a strong operating leverage mechanism, which in periods of lower sales results in weaker results. Therefore, as a general tendency for the retail sector in 3Q, we can expect y/y bottom line dynamics to be lower than those for the top line.

Swift expansion in CEE continues

In 3Q07, **Artman's** top line should come in at PLN 69.1 mn. The 23% y/y sales dynamic has been driven above all by the swift expansion in the CEE region. Margins are usually weaker in 3Q, due to the seasonal changes and discounts on the spring and summer collections. We expect the gross margin on sales to reach 45% and thus show a slight improvement from 44.2% last year, as the company decided to close down the lower-margin wholesale business in July, in line with its retail focus strategy. The store network development both in Poland and abroad will incur substantial costs. S&GA costs should accelerate by 22.7% y/y. As a consequence, EBIT should report 47% y/y growth and arrive slightly above PLN 3mn. This translates into a 4.5% operating margin (3.8% in 3Q). Financials are not expected to influence the figures significantly. Thus, the bottom line should come in at PLN 2.1 mn (up 59% y/y), which yields a net margin of 3.1%. We have taken a closer look at Artman's performance. If the 3Q07 figures fall short of our rather conservative expectations, we will be forced to revise our FY07 guidance downwards.

Impressive number of new stores boosted sales and costs

NG2's 3Q top line is to arrive at PLN 127mn, which translates into a strong y/y dynamic of 38%. This growth will be driven mainly by the intensive efforts in the development of the store network (up 35.5% y/y in area of stores and up 58% y/y as regards the number of stores), the relatively low starting base in 3Q06, and like-to-like growth of 17.47% in 3Q07. Retail should continue to increase its contribution to the overall top line to 67% (60% last year); this should boost the gross margin on sales to 48% (up from 42.9%). On the other hand, we expect the company's figures to be hit by skyrocketing selling costs (up 76% y/y), resulting from the fast pace of new openings. During 3Q07, the company opened 38 proprietary stores and 13 stores operating via franchise. Unlike selling costs, the company should have managed to keep GA costs at bay (down 55% y/y). Consequently, EBIT should hit PLN 16.6mn (up 48% y/y), yielding an operating margin of 13%. The bottom line is expected to report a lower dynamic, due to the considerable jump in financing costs (to approx. PLN 2mn, from a mere PLN 0.4mn last year), and reach PLN 11.9mn, which translates into 31% y/y growth and a net margin of 9.4%.

Impressive growth underpinned by M&A and restructuring of Galeria Centrum

Vistula & Wolczanka's impressive top line dynamic in 3Q07 (sales expected at PLN 103.2mn, up 127% y/y) has been boosted, above all, by the acquisition of **Galeria Centrum** (GC, consolidated from February 2007) and partially by the merger with Wolczanka (consolidated from September 2006). Retail, which was backed by intensive promotional activities and the successful GC restructuring process, should come in at about PLN 80mn, which translates into an impressive y/y dynamic of over 240%. The share of retail in total sales jumped to approx. 77% (up from 50% in 3Q06), positively

influencing margins. S&GA costs are expected to jump by 160% y/y, resulting from the store network development, intensive marketing campaigns and the refurbishment of GC stores. In 3Q07, the company sold real estate properties situated in Krakow for a total of PLN 28.5mn. This should result in a one-off profit of approx. PLN 21.5mn, which would distort the margin picture. Adjusted to exclude the one-off profit, EBIT hit PLN 10mn, yielding an operating margin of 9.7%. The adjusted bottom line is anticipated to reach PLN 8.2mn, which translates into a 7.9% net margin.

Empik completed acquisition of Maratex

Empik completed the acquisition of **Maratex**, an operator of 58 franchised fashion shops in Russia, Ukraine and Kazakhstan. The total value of the transaction equals EUR 16.9. Separately, Empik announced that it wants to reach about 130 shops in the Empik retail network (it currently operates 100 shops). This would be a much faster pace than we assumed (we expected about 16 openings). Additionally, the company stated that the first shops in the Empik retail network will emerge in the UK. Empik plans five openings in cooperation with **Waterstone's** (a network of bookstores) at the beginning of next year.

Company	Curr	Mcap (EURmn)	ROE				EBITDA margin				Performance (EUR terms)			
			2005	2006	2007e	2008e	2005	2006	2007e	2008e	1M	3M	6M	12M
Artman	PLN	293	9%	16%	24%	22%	6.9%	7.4%	8.0%	7.6%	5.7%	1.4%	-12.4%	108.1%
Empik	PLN	2,527	48%	27%	19%	18%	13.8%	11.9%	9.1%	8.3%	12.6%	10.6%	10.6%	95.3%
NG2	PLN	2,419	30%	30%	39%	42%	17.8%	16.8%	20.4%	19.7%	8.6%	0.9%	-11.9%	50.2%
Vistula & Wolczanka	PLN	1,187	24%	12%	20%	20%	17.0%	14.2%	13.4%	14.0%	2.2%	6.4%	2.0%	104.3%
W. KRUK	PLN	598	14%	23%	29%	29%	10.3%	14.1%	16.1%	16.2%	7.4%	8.6%	24.1%	315.4%
Wolford	EUR	150	6%	9%	13%	15%	11.3%	9.8%	12.3%	13.5%	-9.7%	-16.3%	-13.0%	-9.7%
Median	-	-	19%	20%	22%	21%	13%	13%	13%	14%	-	-	-	-
Geox Spa	EUR	4,144	36.6%	35.1%	35.1%	33.5%	26.6%	25.1%	26.9%	27.9%	5.3%	18.1%	18.5%	50.3%
Next	GBP	6,276	121%	173.0%	380%	125%	17.8%	18.6%	19.1%	19.2%	2.1%	8.8%	-14.4%	6.9%
Hugo Boss AG	EUR	3,313	23.1%	26.0%	26.3%	26.9%	15.6%	15.6%	16.2%	16.8%	1.4%	8.7%	5.0%	28.9%
Benetton	EUR	2,318	8.8%	9.5%	10.3%	11.1%	16.1%	13.8%	15.5%	16.0%	5.6%	6.2%	1.9%	-15.2%
Escada AG	EUR	476	13.6%	6.4%	-29.0%	19.2%	10.0%	10.7%	9.7%	10.6%	-2.9%	-9.0%	-23.6%	6.4%
Ted Baker	GBP	323	29.9%	28.1%	27.9%	26.5%	18.8%	19.1%	19.1%	19.4%	10.2%	-9.9%	-14.1%	-0.7%
Baltika	EUR	91	31.8%	27.8%	22.7%	24.0%	14.0%	13.0%	9.3%	10.6%	-28.3%	-31.3%	-39.2%	-19.0%
Damartex SA	EUR	201	11.4%	11.0%	7.6%	11.0%	4.9%	5.0%	4.2%	6.3%	8.3%	-2.6%	-16.1%	-23.2%
French Connection	GBP	214	5.4%	1.8%	2.5%	5.1%	8.9%	5.4%	5.5%	7.0%	3.7%	-16.4%	-37.0%	-29.1%
Inditex	EUR	31,572	27.7%	29.1%	29.7%	29.4%	21.6%	21.8%	22.4%	22.4%	2.8%	16.8%	10.0%	34.9%
Gerry Weber international	EUR	561	14.1%	16.4%	21.0%	21.9%	10.8%	10.9%	11.7%	12.4%	6.6%	7.3%	22.5%	52.8%
Valentino Fashion Group S	EUR	2,663	23.1%	22.6%	27.6%	38.2%	14.8%	14.9%	15.8%	16.9%	1.0%	0.6%	8.1%	20.4%
Lpp Sa	PLN	1,119	17.4%	15.0%	31.4%	30.3%	13.1%	11.4%	16.2%	17.0%	14.7%	25.1%	30.3%	206.2%
Silvano Fashion Group AS	EUR	184	-22%	27.6%	27.1%	20.0%	9.1%	22.4%	24.8%	20.6%	-16.6%	-13.8%	-0.2%	39.7%
Hennes & Mauritz AB	SEK	37,205	35.7%	38.9%	42.6%	44.8%	23.9%	24.7%	26.5%	26.9%	1.4%	6.5%	-7.1%	33.3%
Median	-	-	23%	26%	27%	27%	15%	15%	16%	17%	-	-	-	-
EuroStoxx Retail		152,001	11%	16%	15%	14%	6%	7%	7%	7%	-	-	-	-
EuroStoxx Personal Goods		225,622	16%	18%	18%	18%	19%	19%	20%	21%	-	-	-	-
CEE to Peer, Prem/Disc			-17%	-24%	-20%	-21%	-15%	-13%	-21%	-19%	-	-	-	-

Source: JCF Quant, Erste Bank

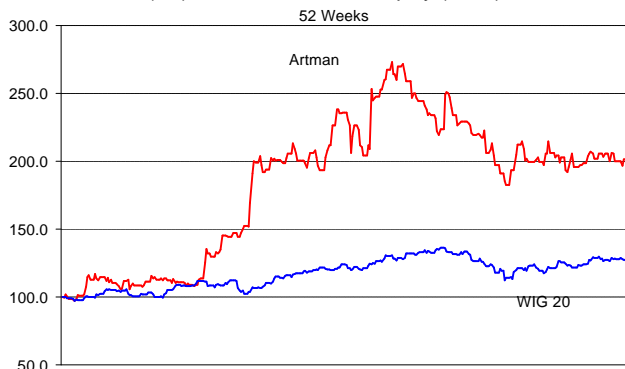
	P/E				P/CE				P/BV			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Artman	91.5	44.3	25.2	21.5	38.3	23.8	16.2	13.4	7.9	6.7	5.3	4.3
Empik	44.1	32.3	36.5	32.3	26.2	22.9	22.8	19.8	10.4	7.4	6.2	5.2
NG2	55.2	45.5	30.3	22.5	49.8	42.2	26.4	19.9	14.3	13.2	10.8	8.5
Vistula & Wolczanka	0.0	59.0	25.4	21.2	0.0	37.7	17.5	16.6	11.1	5.7	4.6	3.7
W. KRUK	104.2	52.8	33.0	25.8	66.6	41.0	28.3	22.4	13.6	10.8	8.5	6.8
Wolford	41.5	22.8	15.0	11.3	18.5	11.2	8.7	7.1	2.3	2.0	1.8	1.6
Median CEE	49.6	44.9	27.9	22.0	32.3	30.7	20.1	18.2	10.7	7.1	5.8	4.8
Geox Spa	55.4	42.6	32.2	26.3	46.6	35.8	27.5	22.5	20.3	15.0	11.3	8.8
Next	16.5	14.1	12.9	11.8	13.3	10.0	9.7	9.1	19.9	24.4	48.9	14.7
Hugo Boss AG	31.1	26.0	22.4	19.2	21.9	18.4	16.4	14.6	7.2	6.8	5.9	5.2
Benetton	20.6	18.4	16.0	14.1	10.8	10.5	9.4	8.4	1.8	1.8	1.6	1.6
Escada AG	34.3	67.7	high	23.9	13.9	10.5	15.3	10.3	4.7	4.3	5.6	4.6
Ted Baker	17.8	15.4	15.0	13.6	15.1	19.4	16.3	12.1	5.3	4.3	4.2	3.6
Baltika	20.5	8.3	18.0	13.9		4.1	15.7	10.1	6.5	2.3	4.1	3.3
Damartex SA	13.2	13.0	18.2	11.0	7.6	9.4	10.9	7.4	1.5	1.4	1.4	1.2
French Connection	21.6	68.2	51.6	24.0	8.2	51.5	8.8	7.9	1.2	1.2	1.3	1.2
Inditex	39.3	31.5	25.8	22.0	26.0	22.0	18.1	15.2	10.9	9.2	7.6	6.5
Gerry Weber international A	34.2	26.6	19.7	14.6	25.2	19.2	16.0	10.8	4.8	4.3	4.1	3.2
Valentino Fashion Group Sp.	29.5	27.2	23.6	19.8	13.0	14.0	10.4	8.9	6.8	6.1	6.5	7.5
Lpp Sa	106.0	104.4	33.0	24.5	63.7	51.9	20.3	15.7	18.5	15.7	10.4	7.4
Silvano Fashion Group AS	high	22.0	13.2	14.4					9.0	6.1	3.6	2.9
Hennes & Mauritz AB	37.8	31.1	25.7	21.6	32.6	27.8	22.7	19.3	13.5	12.1	10.9	9.7
Median	30.3	26.6	21.1	19.2	15.1	18.8	15.8	10.5	6.8	6.1	5.6	4.6
EuroStoxx Retail	23.4	18.9	18.4	15.7	11.9	9.7	9.2	8.5	3.4	3.0	2.2	2.0
EuroStoxx Personal Goods	27.0	23.9	20.4	17.5	18.6	17.0	15.1	13.5	4.5	4.1	3.7	3.3
CEE to Peer, Prem/Disc	64%	69%	32%	15%	113%	64%	27%	73%	58%	16%	2%	4%
	EV/Sales				EV/EBITDA							
	2005	2006	2007e	2008e	2005	2006	2007e	2008e				
Artman	2.1	1.4	1.1	0.9	30.1	19.4	13.4	11.4				
Empik	2.7	2.2	1.7	1.4	19.7	18.6	19.2	16.7				
NG2	7.2	6.1	4.4	3.3	40.6	36.2	21.8	16.7				
Vistula & Wolczanka	5.4	6.1	2.3	2.0	31.9	43.3	17.5	14.2				
W. KRUK	5.1	4.7	3.7	3.0	49.1	33.0	22.7	18.4				
Wolford	1.3	1.2	1.0	0.9	11.9	11.8	8.0	6.4				
Median CEE	3.9	3.4	2.0	1.7	31.0	26.2	18.3	15.4				
Geox Spa	5.2	4.8	5.2	4.1	19.5	19.3	19.3	14.8				
Next	1.4	1.4	1.5	1.4	7.8	7.4	7.7	7.1				
Hugo Boss AG	1.7	2.0	2.1	1.9	10.9	12.6	12.7	11.2				
Benetton	1.2	1.6	1.3	1.3	7.4	11.3	8.6	8.0				
Escada AG	1.0	1.0	1.0	0.9	9.9	9.3	9.8	8.5				
Ted Baker	1.8	1.9	1.5	1.4	9.3	9.9	8.1	7.1				
Baltika		2.7	1.3	1.1		20.7	14.1	10.1				
Damartex SA	0.4	0.3	0.3	0.3	8.8	6.9	7.8	4.9				
French Connection	0.8	0.6	0.4	0.3	9.2	11.1	7.2	4.8				
Inditex	2.4	3.0	3.1	2.6	11.3	13.8	14.0	11.8				
Gerry Weber international A	1.1	1.1	1.0	0.9	9.8	9.7	8.7	7.4				
Valentino Fashion Group Sp.	1.1	1.4	1.4	1.3	7.3	9.2	8.7	7.4				
Lpp Sa	2.0	1.7	3.3	2.7	15.7	14.7	20.6	15.6				
Silvano Fashion Group AS												
Hennes & Mauritz AB	3.4	3.9	4.2	3.6	14.1	15.8	15.7	13.4				
Median	1.4	1.6	1.4	1.3	9.8	11.1	8.7	8.0				
EuroStoxx Retail	0.4	0.5	0.5	0.5	7.8	8.0	8.3	7.5				
EuroStoxx Personal Goods	2.3	2.4	2.3	2.1	11.4	12.0	11.1	9.5				
CEE to Peer, Prem/Disc	181%	119%	45%	31%	217%	137%	110%	93%				

Source: JCF Quant, Erste Bank

Artman

Buy

Price (PLN)	748.5	ROA 2006	8.6%
Mcap (PLN mn)	1,068	ROE 2006	16.4%
Mcap (EURmn)	292.7	Asset turn (2006)	2.68
Free float (%)	29.4%	SPS CAGR 05-08e	36.3%
Free float (EUR mn)	86.1	EPS CAGR 05-08e	177.0%
Shares outst. (mn)	4.3	Debt/equity (2006)	0.93



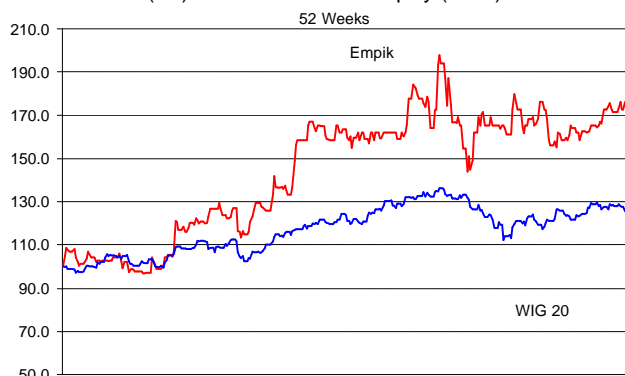
	05	06	07e	08e
Sales (PLN mn)	142	206	279	359
EBITDA margin	6.9%	7.4%	8.0%	7.6%
EBIT margin	3.5%	4.8%	5.7%	5.3%
Net profit margin	2.2%	3.2%	4.2%	3.8%
EPS (PLN)	0.7	1.5	2.7	3.2
Dividend (PLN)	0.0	0.0	0.0	0.0
EV/sales	2.1	1.4	1.1	0.9
EV/EBITDA	30.1	19.4	13.4	11.4
P/E	91.5	44.3	25.2	21.5
P/CE	38.3	23.8	16.2	13.4

Performance	12M	6M	3M	1M
Absolute (PLN terms)	101.3%	-14.7%	-2.4%	2.2%
Rel. to sector (EUR, ppt)	94.3	-18.5	-1.5	-70.8
Rel. to universe (EUR, ppt)	71.5	-21.2	-10.3	-2.0

Empik

Accumulate

Price (PLN)	24.5	ROA 2006	9.6%
Mcap (PLN mn)	2,527	ROE 2006	27.6%
Mcap (EURmn)	693	Asset turn (2006)	1.35
Free float (%)	34.3%	SPS CAGR 05-08e	95.1%
Free float (EUR mn)	237.6	EPS CAGR 05-08e	17.6%
Shares outst. (mn)	103.2	Debt/equity (2006)	1.69



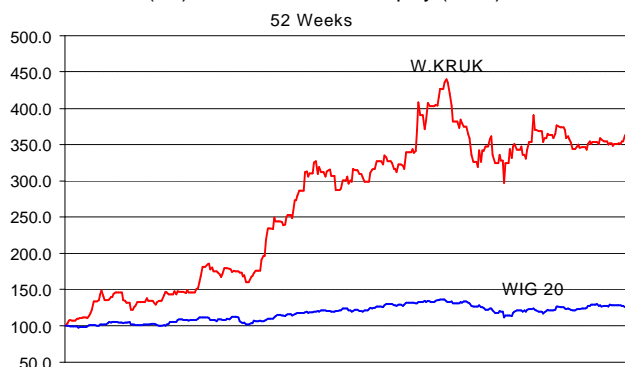
	05	06	07e	08e
Sales (PLN mn)	978	1,131	1,433	1,787
EBITDA margin	13.8%	11.9%	9.1%	8.3%
EBIT margin	9.5%	8.9%	6.2%	5.6%
Net profit margin	6.2%	7.1%	4.8%	4.4%
EPS (PLN)	0.6	0.8	0.7	0.8
Dividend (PLN)	0.0	0.0	0.0	0.0
EV/sales	2.7	2.2	1.7	1.4
EV/EBITDA	19.7	18.6	19.2	16.7
P/E	44.1	32.3	36.5	32.3
P/CE	26.2	22.9	22.8	19.8

Performance	12M	6M	3M	1M
Absolute (PLN terms)	76.2%	7.7%	6.5%	8.8%
Rel. to sector (EUR, ppt)	69.1	3.9	7.4	-64.2
Rel. to universe (EUR, ppt)	55.7	4.8	3.2	9.0

W. KRUK

Buy

Price (PLN)	32.4	ROA 2006	12.6%
Mcap (PLN mn)	598	ROE 2006	22.9%
Mcap (EURmn)	164	Asset turn (2006)	1.47
Free float (%)	47.0%	SPS CAGR 05-08e	16.1%
Free float (EUR mn)	77.0	EPS CAGR 05-08e	-16.1%
Shares outst. (mn)	18.5	Debt/equity (2006)	0.71



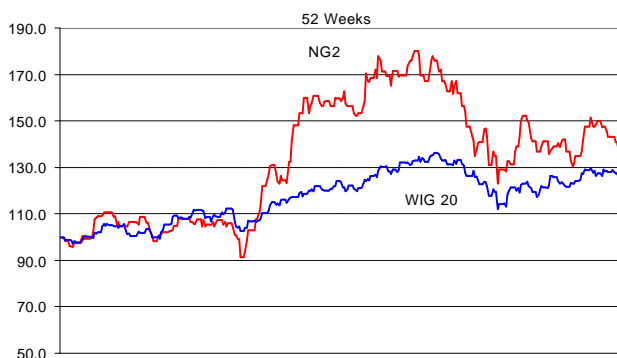
	05	06	07e	08e
Sales (PLN mn)	121	132	168	204
EBITDA margin	10.3%	14.1%	16.1%	16.2%
EBIT margin	7.6%	11.6%	14.3%	14.5%
Net profit margin	4.7%	8.6%	10.8%	11.4%
EPS (PLN)	0.3	0.6	1.0	1.3
Dividend (PLN)	0.1	0.2	0.3	1.3
EV/sales	5.1	4.7	3.7	3.0
EV/EBITDA	49.1	33.0	22.7	18.4
P/E	104.2	52.8	33.0	25.8
P/CE	66.6	41.0	28.3	22.4

Performance	12M	6M	3M	1M
Absolute (PLN terms)	264%	21%	4.5%	3.8%
Rel. to sector (EUR, ppt)	256.6	17.0	5.4	-69.2
Rel. to universe (EUR, ppt)	250.6	17.2	0.1	2.7

NG2

Hold

Price (PLN)	63.0	ROA 2006	23.9%
Mcap (PLN mn)	2,419	ROE 2006	30.2%
Mcap (EURmn)	663	Asset turn (2006)	1.80
Free float (%)	26.4%	SPS CAGR 03-08e	28.9%
Free float (EUR mn)	175.2	EPS CAGR 03-08e	13.3%
Shares outst. (mn)	38.4	Debt/equity (2006)	0.31

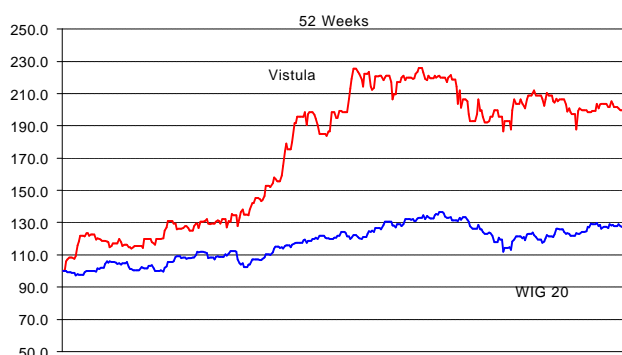


	05	06	07e	08e
Sales (PLN mn)	331	401	551	749
EBITDA margin	17.8%	16.8%	20.4%	19.7%
EBIT margin	16.6%	15.5%	18.7%	17.8%
Net profit margin	13.2%	13.3%	14.5%	14.4%
EPS (PLN)	1.1	1.4	2.1	2.8
Dividend (PLN)	0.0	1.0	1.3	1.8
EV/sales	7.2	6.1	4.4	3.3
EV/EBITDA	40.6	36.2	21.8	16.7
P/E	55.2	45.5	30.3	22.5
P/CE	49.8	42.2	26.4	19.9

Performance	12M	6M	3M	1M
Absolute (PLN terms)	37.0%	-14.2%	-2.9%	5.0%
Rel. to sector (EUR, ppt)	29.9	-18.0	-2.0	-68.0
Rel. to universe (EUR, ppt)	12.7	-18.8	-7.6	3.9

Vistula & Wolczanka Accumulate

Price (PLN)	14.8	ROA 2006	8.2%
Mcap (PLN mn)	1,187	ROE 2006	11.8%
Mcap (EURmn)	325	Asset turn (2006)	0.93
Free float (%)	100.0%	SPS CAGR 05-08e	28.4%
Free float (EUR mn)	325.5	EPS CAGR 05-08e	15.3%
Shares outst. (mn)	80.2	Debt/equity (2006)	0.43



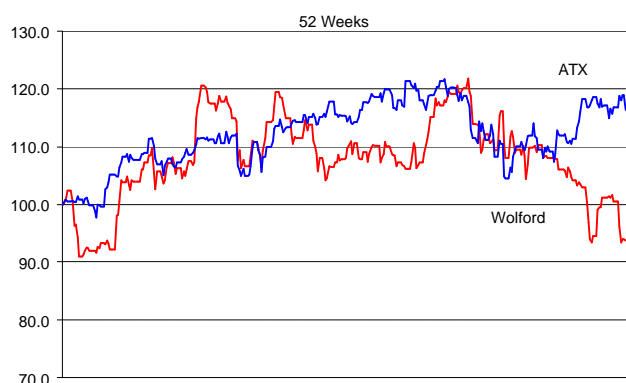
	05	06	07e	08e
Sales (PLN mn)	131	181	500	590
EBITDA margin	17.0%	14.2%	13.4%	14.0%
EBIT margin	13.0%	10.2%	11.3%	11.9%
Net profit margin	10.7%	8.9%	9.3%	9.6%
EPS (PLN)	0.0	0.3	0.6	0.7
Dividend (PLN)	0.0	0.0	0.0	0.5
EV/sales	5.4	6.1	2.3	2.0
EV/EBITDA	31.9	43.3	17.5	14.2
P/E	0.0	59.0	25.4	21.2
P/CE	0.0	37.7	17.5	16.6

Performance	12M	6M	3M	1M
Absolute (PLN terms)	97.1%	-0.7%	2.5%	-1.2%
Rel. to sector (EUR, ppt)	90.0	-4.5	3.4	-74.2
Rel. to universe (EUR, ppt)	79.4	-3.1	-0.2	-0.7

Wolford

Accumulate

Price (PLN)	30.6	ROA 2006	4.8%
Mcap (PLN mn)	150	ROE 2006	9.3%
Mcap (EURmn)	150	Asset turn (2006)	1.06
Free float (%)	49.0%	SPS CAGR 05-08e	10.3%
Free float (EUR mn)	73.5	EPS CAGR 05-08e	-
Shares outst. (mn)	4.9	Debt/equity (2006)	0.89



	05	06	07e	08e
Sales (PLN mn)	121	142	162	178
EBITDA margin	11.3%	9.8%	12.3%	13.5%
EBIT margin	6.1%	5.4%	8.2%	9.4%
Net profit margin	2.9%	4.5%	6.2%	7.4%
EPS (PLN)	0.7	1.3	2.0	2.7
Dividend (PLN)	0.0	0.3	0.6	0.8
EV/sales	1.3	1.2	1.0	0.9
EV/EBITDA	11.9	11.8	8.0	6.4
P/E	41.5	22.8	15.0	11.3
P/CE	18.5	11.2	8.7	7.1

Performance	12M	6M	3M	1M
Absolute (EUR terms)	-6.2%	-13.0%	-16.3%	-9.7%
Rel. to sector (EUR, ppt)	-13.2	-16.8	-15.5	-82.7
Rel. to universe (EUR, ppt)	-37.2	-20.0	-24.8	-14.4

Telecom

- **Magyar Telekom intends to finance Slovenian bid with debt**
- **TPSA above consensus - we remain negative on outlook**
- **Target price for Telefonica O2 CR raised - rating upgrade to accumulate**

Absence of restructuring costs should support Magyar Telekom's 3Q07 results

Magyar Telekom will publish its 3Q07 figures on November 8, 2007. We expect group revenues to decline by 1.1% to HUF 175.5bn, as mobile revenues fell markedly (-4.6%). This is due to the absence of one-off TETRA revenues of HUF 10.9bn recognized in 3Q06. Excluding this effect, group revenues would grow by 5.4%. Broadband and IT/System Integration businesses should drive the company's revenue growth. The consolidation of KFKI and T-System Hungary should bring additional revenues of at least HUF 5.5bn to the IT/System Integration business in 3Q07.

Operating expenses should decline by 6.7% y/y, driven by the absence of one-off TETRA expenses (also HUF 10.9bn). Furthermore, there should be no restructuring charges in 3Q07, but rather in 4Q07 onwards. As a result, EBITDA should increase by 6% to HUF 74.2bn and the margin should rise to 42.3%. Lower depreciation should boost EBIT (+11.1%). We expect the financial results to decline in 3Q07. The financial results in 2H06 were exceptionally good, as the company did not pay a dividend until 2007, which led to lower interest expenses. Finally, we expect net income to increase by 4% to HUF 24.3bn.

Magyar Telekom among seven bidders for Telekom Slovenije

Magyar Telekom is among the seven bidders short-listed for the privatization of **Telekom Slovenije** (49.13%). **T-Hrvatski Telekom**, another **Deutsche Telekom** subsidiary, is also short-listed. The state only allows either Magyar Telekom or T-Hrvatski Telekom to submit a binding offer by December 18. The most important criterion for evaluating the bids is price (70%). Magyar Telekom expects to finance the acquisition through debt. Currently, roughly 80% of Magyar Telekom's debt is from DT. There would still be a dividend payment, but at a lower level. The company refuses to publish its offer price; therefore, it is currently not possible for us to assess the possible impact on the earnings or to comment on the valuation.

TPSA's 3Q07 results slightly above our estimates

TPSA's revenues fell by 1.8% in 3Q07 to PLN 4.65bn, slightly above our estimate. The fixed-line segment drove the revenue decline, as it fell by 6.7% y/y. Fixed-line subscription and traffic revenues fell by 7% and 22.7%, respectively, in 3Q07, driven by fixed-to-mobile substitution, loss on lines due to Wholesale Line Rental, lower mobile termination rates and interconnection tariffs. Furthermore, the broadband revenue growth slowed to 4.4% in 3Q07, compared to 18.9% last year. This was driven by price pressure. Mobile revenue growth slowed down to 5.2% (from +20.5% last year) and could not compensate for the fixed-line performance.

The gross operating margin fell by 3.9% to PLN 1.96bn, giving a margin of 44.2% (-1% y/y). The decline was again driven by the poor fixed-line performance (-9.7%). EBIT fell by 5% and came in 6% above our estimate. Net income fell by 6.5% (before restatement of financial results and taxes), or by 3% after restatement to PLN 644mn. Net income was 5% above our expectation. The company confirmed its guidance for 2007.

The results showed an improvement in 3Q07 compared to 1H07 and came in 10-15% above the consensus. Nevertheless, it is clearly a negative performance, driven largely by regulatory decisions (such as lower MTR, interconnection, WLR, bitstream access) and competitive pressure, especially in the broadband and mobile markets. We do not expect these two factors to disappear anytime soon; instead, they should accelerate. We remain bearish on the stock and we think that the strong share price reaction could present a good opportunity to sell.

***Brighter future for
Telekom Austria
through MDC
acquisition***

Telekom Austria acquired **MDC** at a reasonable valuation of 7.2x EV/EBITDA 2008e, including a deferred consideration. We estimate a deferred consideration of EUR 200-480mn to be paid in 4Q10. MDC offers a strong EBITDA margin (60.5%) and revenue growth (>30%). The acquisition should support revenue growth, as well as reduce the negative impact of the new EU roaming tariffs and start-up losses in Serbia and Macedonia on EBITDA. However, the additional depreciation/amortization and financing costs lead us to reduce our EPS estimate for 2007e by 6% to EUR 1.08. We raise our EPS estimate for 2008e-2009e by 4-6%. Our DCF valuation stays at EUR 21, as the effect of the higher FCF estimate from the acquisition is neutralized by the higher cost of debt and net debt. The stock is trading at a 7-15% premium to its peers in terms of P/E. We therefore reiterate our Hold recommendation and target price of EUR 21.

***Telefónica O2 CR
upgraded from Hold
to Accumulate***

We upgrade **Telefónica O2 CR** from Hold to Accumulate, as the share premium has come down significantly (to -2% in terms of EV/EBITDA or 5% in terms of P/E). The premium could be justified by the company's above-average margin, strong balance sheet, high dividend, above-average earnings growth and growth potential in Slovakia. Furthermore, the real estate optimization project could provide upside potential in 2008. Following the 3Q07 figures, we raise our estimates for EPS 2007e by 3% to CZK 29.4 and for EPS 2008e by 6% to CZK 33.9. Based on the higher estimates, we raise our target price from CZK 620 to CZK 650.

The 3Q07 figures were in line with our and consensus estimates. The strong performance of broadband, IT services and mobile could offset the traditional fixed-line performance. Revenues grew by 3.4% to CZK 16bn, driven by the mobile business (+6.1%), retail broadband (+31.2%) and IT services segments (+212.8%). Operating expenses rose by 11.1%, driven to a large extent by the Slovak mobile venture and to a lesser extent by the ICT business. OIBDA fell by 5.2% and the margin fell to 45.2%, which is nevertheless still above the CEE peer group average. Depreciations fell by 18.7% and therefore led to EBIT growth of 11.2%. Net profit rose by 5.5%, as the company experienced higher taxes (+31.7%). The 2007 outlook was confirmed, with revenue growth of close to 3% and -1% to flat OIBDA.

Company	Curr	Mcap (EURmn)	ROE				EBITDA margin				Performance (EUR terms)			
			2005	2006	2007e	2008e	2005	2006	2007e	2008e	1M	3M	6M	12M
Magyar Telekom	HUF	3,839	15.1%	14.7%	15.2%	16.9%	40.0%	38.5%	38.4%	38.3%	-0.9%	-1%	-12.5%	1.1%
Telefonica O2 CR	CZK	7,039	6.7%	8.7%	11.1%	13.6%	44.7%	45.5%	43.8%	43.1%	11.0%	5%	0.5%	31.2%
TP SA	PLN	9,076	15.0%	11.6%	12.3%	13.1%	44.2%	44.2%	42.0%	41.7%	14.9%	15%	3.6%	10.0%
Telekom Austria	EUR	9,214	14.4%	19.6%	18.0%	19.9%	40.3%	40.1%	39.2%	39.8%	6.3%	8%	-1.8%	2.7%
Median	-	-	15%	13%	14%	15%	42%	42%	41%	41%	-	-	-	-
Kpn Koninklijke	EUR	24,081	27.9%	36.3%	45.5%	55.4%	39.6%	40.1%	39.7%	35.3%	6%	13%	3%	22%
Teo LT AB	LTL	566	7.7%	11.9%	14.7%	14.9%	47.2%	-	-	43.8%	-2%	-4%	3%	-3%
Portugal Telecom	EUR	10,306	36.1%	38.4%	100%	84%	39.1%	38.2%	37.3%	36.9%	10%	7%	4%	11%
Rostelecom	USD	5,372	1.9%	3.3%	4.1%	4.6%	30.6%	17.3%	19.2%	20.9%	-9%	-2%	6%	67%
Sw isscom AG	CHF	14,293	33.6%	36.0%	33.7%	30.7%	42.9%	39.2%	39.4%	38.6%	-5%	0%	-2%	-8%
TDC A/S	DKK	7,252	10.3%				27.9%	-	-	-	0%	2%	29%	29%
Telenor ASA	NOK	26,783	16.4%	22.0%	17.7%	17.8%	34.6%	35.9%	31.7%	32.2%	13%	16%	16%	30%
TDC	SEK	29,774	10.0%	13.1%	15.9%	17.1%	33.5%	34.6%	32.7%	33.2%	7%	18%	18%	27%
Median	-	-	13%	22%	18%	18%	37%	37%	35%	35%	-	-	-	-
EuroStoxx Telecom		360,201	25.0%	26.2%	25.5%	26.6%	39.3%	37.2%	37.0%	36.3%	0.4%	1%	-6.9%	-3.6%
CEE to Peer, Prem/Dis	-	-	10%	-40%	-22%	-14%	15%	14%	16%	16%	-	-	-	-

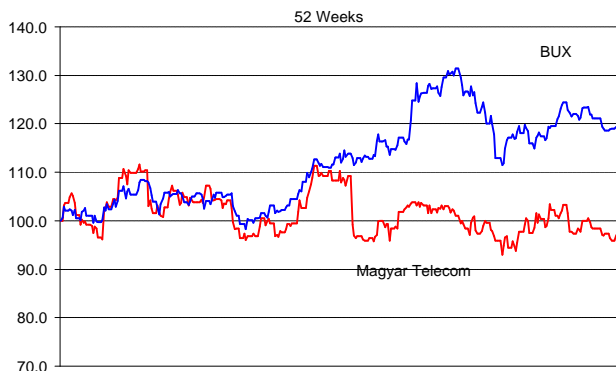
	P/E				P/CE				P/BV			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Magyar Telekom	12.4	12.9	13.3	12.8	5.1	4.8	5.0	5.0	1.6	1.6	1.9	1.9
Telefonica O2 CR	30.3	23.6	20.0	17.4	6.3	8.0	7.5	7.8	2.0	2.1	2.3	2.4
TP SA	14.3	15.8	15.1	14.7	5.1	5.1	5.0	5.1	1.8	1.8	2.0	2.0
Telekom Austria	24.0	16.9	18.6	16.7	6.2	5.6	5.4	5.1	3.4	3.5	3.6	3.4
Median CEE	19.1	16.3	16.8	15.7	5.7	5.3	5.2	5.1	1.9	2.0	2.1	2.2
Kpn Koninklijke	19.6	16.2	16.2	14.5	7.4	6.3	6.3	6.3	5.5	5.9	7.4	8.0
Teo LT AB	21.8	14.4	12.0	11.4		6.0	6.2	5.9	1.7	1.7	1.8	1.7
Portugal Telecom	18.7	14.2	15.4	17.0	7.1	6.1	6.2	6.2	6.7	5.5	15.4	14.4
Rostelecom	170.1	89.4	60.7	52.1	16.7	23.9	19.6	18.6	3.3	2.9	2.5	2.4
Sw isscom AG	11.6	14.0	11.9	12.1	6.8	6.9	6.1	5.7	3.9	5.1	4.0	3.7
TDC A/S	29.8	15.7	17.6	17.2	10.3				3.1			
Telenor ASA	28.7	17.2	17.9	16.1	10.5	7.3	8.5	8.3	4.7	3.8	3.2	2.9
TDC	24.0	17.2	16.0	14.9	11.7	9.8	10.9	10.5	2.4	2.3	2.5	2.5
Median	22.9	15.9	16.1	15.5	10.3	6.9	6.3	6.3	3.6	3.8	3.2	2.9
EuroStoxx Telecom	18.7	16.2	16.1	14.7	7.2	6.5	6.4	6.4	4.4	4.0	3.9	3.7
CEE to Peer, Prem/Disc	-17%	3%	5%	1%	-45%	-23%	-17%	-20%	-46%	-48%	-33%	-24%

	EV/Sales				EV/EBITDA			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e
Magyar Telekom	2.0	1.8	1.8	1.8	5.1	4.6	4.8	4.7
Telefonica O2 CR	3.2	3.1	3.0	2.9	7.2	6.8	6.9	6.8
TP SA	2.2	2.1	2.1	2.1	5.0	4.7	5.1	5.0
Telekom Austria	3.0	2.8	2.8	2.6	7.4	6.9	7.0	6.5
Median CEE	2.6	2.4	2.4	2.3	6.1	5.8	6.0	5.8
Kpn Koninklijke	2.3	2.6	2.7	2.4	5.7	6.4	6.9	6.8
Teo LT AB								
Portugal Telecom	2.3	2.3	2.6	2.5	5.8	6.1	7.0	6.7
Rostelecom	1.4	2.8	3.3	3.1	4.7	16.3	17.0	14.9
Sw isscom AG	2.5	3.2	3.1	2.8	5.8	8.1	7.9	7.2
TDC A/S	1.9				6.9			
Telenor ASA	2.1	2.6	2.7	2.5	6.1	7.3	8.6	7.8
TDC	2.4	3.1	3.2	3.1	7.1	8.8	9.8	9.4
Median	2.3	2.7	2.9	2.7	5.8	7.7	8.2	7.5
EuroStoxx Telecom	2.3	2.5	2.6	2.4	6.3	6.4	6.7	6.6
CEE to Peer, Prem/Disc	16%	-11%	-17%	-12%	6%	-25%	-27%	-23%

Source: JCF Quant, Erste Bank

Magyar Telekom Accumulate

Price (HUF)	932.0	ROA 2006	6.8%
Mcap (HUF mn)	969,579	ROE 2006	14.3%
Mcap (EURmn)	3,839	Asset turn (2006)	0.61
Free float (%)	40.3%	SPS CAGR 00-08e	6.4%
Free float (EUR mn)	1,545.3	EPS CAGR 00-08e	-0.4%
Shares outst. (mn)	1,040.3	Debt/equity (2006)	0.91

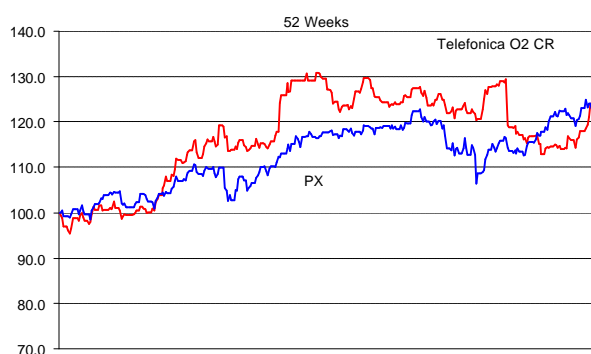


	05	06	07e	08e
Sales (HUF mn)	620,697	671,196	673,255	676,920
EBITDA margin	40.0%	38.5%	38.4%	38.2%
EBIT margin	21.5%	20.3%	20.7%	20.7%
Net profit margin	12.7%	11.2%	10.9%	11.2%
EPS (HUF)	75.3	72.5	70.3	72.8
Dividend (HUF)	0.0	143.0	72.0	74.0
EV/sales	2.0	1.8	1.8	1.8
EV/EBITDA	5.1	4.6	4.8	4.7
P/E	12.4	12.9	13.3	12.8
P/CE	5.1	4.8	5.0	5.0
EV/EBITDA rel.	0.8	0.8	0.8	0.8
P/E rel.	0.6	0.8	0.8	0.8

Performance	12M	6M	3M	1M
Absolute (HUF terms)	-2.9%	-10.4%	-0.3%	-0.6%
Rel. to sector (EUR, ppt)	-10.4	-11.2	-8.8	-9.8
Rel. to universe (EUR, ppt)	-30.9	-19.4	-9.1	-5.6

Telefonica O2 CR Accumulate

Price (CZK)	588.5	ROA 2006	8.2%
Mcap (CZK mn)	189,550	ROE 2006	11.1%
Mcap (EURmn)	7,039	Asset turn (2006)	0.55
Free float (%)	30.6%	SPS CAGR 00-08e	1.4%
Free float (EUR mn)	2,153.8	EPS CAGR 00-08e	7.0%
Shares outst. (mn)	322.1	Debt/equity (2006)	0.37

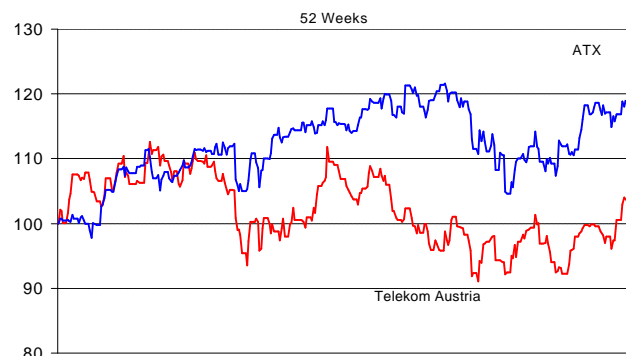


	05	06	07e	08e
Sales (CZK mn)	61,311	63,096	63,096	64,076
EBITDA margin	45.5%	44.2%	44.2%	43.1%
EBIT margin	18.2%	17.7%	17.7%	22.6%
Net profit margin	13.1%	12.7%	12.7%	17.0%
EPS (CZK)	24.9	29.4	29.4	33.9
Dividend (CZK)	50.0	45.0	25.0	30.0
EV/sales	3.1	3.0	3.0	2.9
EV/EBITDA	6.8	6.9	6.9	6.8
P/E	23.6	20.0	20.0	17.4
P/CE	8.0	7.5	7.5	7.8
EV/EBITDA rel.	1.1	1.1	1.1	1.2
P/E rel.	1.2	1.2	1.2	1.1

Performance	12M	6M	3M	1M
Absolute (CZK terms)	24.2%	-4.2%	1.1%	8.5%
Rel. to sector (EUR, ppt)	18.6	1.7	-2.7	2.1
Rel. to universe (EUR, ppt)	-1.9	-6.5	-3.0	6.3

Telekom Austria Hold

Price (EUR)	20.0	ROA 2006	7.4%
Mcap (EUR mn)	9,214	ROE 2006	19.6%
		Asset turn (2006)	0.63
Free float (%)	72.6%	SPS CAGR 00-08e	7.1%
Free float (EUR mn)	6,692.0	EPS CAGR 00-08e	12.9%
Shares outst. (mn)	460.0	Debt/equity (2006)	1.68



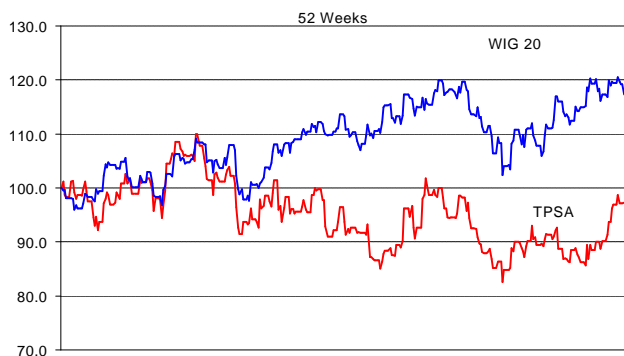
	05	06	07e	08e
Sales (EUR mn)	4,365	4,760	4,891	5,011
EBITDA margin	40.3%	40.1%	39.2%	39.8%
EBIT margin	14.2%	16.2%	15.3%	15.9%
Net profit margin	9.4%	11.8%	10.0%	10.5%
EPS (EUR)	0.84	1.19	1.08	1.20
Dividend (EUR)	0.5	0.8	0.7	0.8
EV/sales	3.0	2.8	2.8	2.6
EV/EBITDA	7.4	6.9	7.0	6.5
P/E	24.0	16.9	18.6	16.7
P/CE	6.2	5.6	5.4	5.1
EV/EBITDA rel.	1.2	1.2	1.2	1.1
P/E rel.	1.3	1.0	1.1	1.1

Performance	12M	6M	3M	1M
Absolute (EUR terms)	4.9%	-1.8%	8.0%	6.3%
Rel. to sector (EUR, ppt)	-14.1	-8.4	-8.8	-11.1
Rel. to universe (EUR, ppt)	-34.6	-16.6	-9.1	-7.0

TP SA

Reduce

Price (PLN)	23.7	ROA 2006	6.1%
Mcap (PLN mn)	33,110	ROE 2006	11.6%
Mcap (EURmn)	9,076	Asset turn (2006)	0.55
Free float (%)	43.6%	SPS CAGR 00-08e	1.4%
Free float (EUR mn)	3,957.1	EPS CAGR 00-08e	5.1%
Shares outst. (mn)	1,400.0	Debt/equity (2006)	0.80



	05	06	07e	08e
Sales (PLN mn)	18,342	18,625	18,017	17,787
EBITDA margin	44.2%	44.2%	41.9%	41.7%
EBIT margin	20.9%	18.1%	18.1%	18.4%
Net profit margin	12.6%	11.2%	11.9%	12.4%
EPS (PLN)	1.65	1.50	1.57	1.61
Dividend (PLN)	1.0	1.9	1.6	1.7
EV/sales	2.2	2.1	2.1	2.1
EV/EBITDA	5.0	4.7	5.1	5.0
P/E	14.3	15.8	15.1	14.7
P/CE	5.1	5.1	5.0	5.1
EV/EBITDA rel.	0.8	0.8	0.9	0.9
P/E rel.	0.7	1.0	0.9	0.9

Performance	12M	6M	3M	1M
Absolute (PLN terms)	-2.7%	0.9%	10.8%	11.0%
Rel. to sector (EUR, ppt)	-8.4	4.8	6.8	6.0
Rel. to universe (EUR, ppt)	-28.9	-3.4	6.5	10.1

Utilities

- **Verbund cut back to accumulate**
- **Praterm ventures into biomass business**
- **Energy strategy remains hot political topic in Prague**
- **CEZ receives less emission certificates - bids in Romania and Bulgaria**

Spot market prices up significantly

In the last two months, the market saw significantly rising prices on the spot market (the average base load price was EUR 35.0/MWh in September and EUR 57.3 in October). Futures prices remained at a very high level (the average future prices were EUR 55.5 and EUR 59.0 for September and October, respectively).

Verbund 1-3Q figures in line with consensus

Verbund's 1-3Q07 figures were in line with the consensus estimates. Sales revenue rose by 5.8% to EUR 2,256.6mn, EBITDA climbed by 5.7% to EUR 819.9mn, the operating result improved by 6.1% to EUR 685.1mn and the group's net result increased by 11.5% to EUR 457.9mn. The operating cash flow dropped by 24.2% to EUR 512.6mn, due mainly to the higher income tax payments, but also to the omission of cash flow from the deconsolidated eco-electricity segment.

Verbund is still suffering from a very poor water supply. After the dreadful 2Q07, with a hydro-coefficient of 0.78 (which led to a ratio of 0.87 in 1H07), the situation only improved slightly. After 9M07, the hydro coefficient is (at 0.91) still significantly below-average and well below the corresponding ratio of last year, 0.98. We roughly estimate that this had a negative impact on the company's EBIT line of about EUR 60mn compared to an average year. The main reason for Verbund still being able to present another set of record figures was that it achieved significantly higher contract prices, due to the higher futures prices (EUR 51.5/MWh, compared to EUR 46.9/MWh in 2006), which also easily compensated for the lower spot market prices.

For this year, we do not expect any big surprises. The company is sticking to its guidance of EBIT of 10% plus and an increase of the net result in the region of 15%. This guidance is too conservative, in our view. The poor water supply (0.98) and an unexpected aperiodic tax payment in 3Q07 led us to lower our EPS estimate for this year. We now expect EUR 1.94 instead of EUR 2.00. On the other hand, we significantly raise our EPS estimates for the years 2008-10, due to the rising electricity prices. Our EPS for 2008-10 now amount to EUR 2.44, EUR 2.64 and EUR 2.89, respectively (previously EUR 2.29, EUR 2.56 and EUR 2.71, respectively).

We included the latest developments (rising electricity prices) in our DCF model and consequently increased our target price to EUR 50 (from EUR 46). However, the latest price increase in the Verbund share has prompted us to reduce our recommendation to Accumulate (from Buy).

Praterm bought into biomass boiler maker

In October, **Praterm** concluded a deal to acquire an 80% stake (spending PLN 4mn) in **Eurobiomass**, a manufacturer of boilers for biomass. Next year, Eurobiomass should generate PLN 10mn in revenues and net profit of approximately PLN 1mn. The company is complementary for Praterm, especially as it also announced that it will consider the construction of a small thermal electric power plant for biomass. In light of the increasing costs of CO₂ emissions (reflected in the prices of contracts for CO₂ emission rights), the use of biomass will become more and more attractive, as it allows firms to save emission rights. Separately, Praterm posted its 3Q results. The traditionally weak summer results came in slightly above our expectations. The company revised its 2007 net profit forecast to PLN 36mn (thanks to the good 3Q). This is almost exactly equal with our expectation of PLN 36.2mn.

**Energy policy -
political football in
Czech Republic**

Ex-Industry Minister Milan Urban of the Social Democrats (CSSD) has proposed an amendment requiring Parliament to approve the state energy policy, which is currently approved by the cabinet. Urban said that no one respects the policy as approved by the cabinet. If nothing is done, he said, the Czech Republic risks facing an electricity crisis as soon as 2012 or 2013. As was broadly expected, Green Party Chair Martin Bursik said that he and Prime Minister Mirek Topolánek are against the above-mentioned proposal from CSSD. However, some other members of the Civic Democrats are saying that it is much more important for them to have enough energy than to worry about the fate of the current coalition government. One of them, MP Kláš of the Civic Democrats, said a decision needs to be made by the end of 2007 on building two new reactors of a total of 3,000MW and the breaking of territorial mining limits. Given the strong negative stance of the Greens towards the results of several energy studies (on new nuclear reactors), we think that any moves will take time and will definitely be a political question. For the ruling Civic Democrats, it is quite a difficult situation, as they will have to choose between the general view on the energy situation (relying on nuclear assets; supported by the opposition Social Democrats) or go along with the Green Party, their partner in the governing coalition.

**CEZ pushing
strongly in supply
deal**

CEZ extended its legal proceedings against **MUS**, claiming compensatory damages of CZK 22bn, should the preliminary contract from 2005 not be fulfilled by the coal company. **MUS** decided not to sign a long-term contract with **CEZ** concerning coal supplies for **CEZ**'s Pocerady power plant, where **CEZ** planned to build a new coal-fired plant and needed to secure future coal supplies. **MUS** instead started to negotiate with **E.ON**. We think that this step is just another legal action meant to push **MUS** to sign the coal delivery contract with **CEZ** so that **CEZ** can build new capacity. We do not think that **MUS** will ever pay such damages, even if the court rules in favor of **CEZ**. We instead believe that this is a negotiating tactic.

**CEZ received less
emission certificates**

The Czech government decided in October that **CEZ** will be able to emit 34.3mn tons of CO₂ a year from 2008 through 2012, **CEZ** announced in e-mailed statements. This represents some 7% less than in the previous permit phase (which ends this year) and **CEZ** estimates the costs at CZK 1bn. **CEZ** received 100,000 less permits than originally anticipated, which is worth approximately EUR 2.2mn, given the future price of emission allowances of around EUR 22 per permit. This news is neutral for **CEZ**, because the cut in allocated CO₂ permits was already expected and the additional costs of CZK 1bn were included in our model. We expect **CEZ** to become a net buyer of CO₂ permits as of 2008.

**Bidding in Romania
and Bulgaria**

CEZ placed a bid in a tender for the construction and operation of two units at the nuclear power plant **Cernavoda** in Romania. The project is estimated to be worth EUR 2.2bn, with total installed capacity of 2x720MW, and should be finished by 2015. **CEZ** also filed a non-binding bid to become a strategic partner in a project to build and operate a nuclear power plant in **Belene**, Bulgaria. The Bulgarian authorities are calling for bids on as much as 49% of the plant. Separately, **CEZ** is considering entering the Turkish electricity generation and distribution market, and should agree on a partnership with **MOL** (including buying up to a 10% stake in **MOL** at the end of October or the beginning of November).

Company	Curr.	Mcap (EURmn)	ROE				EBITDA margin				Performance (EUR terms)			
			2005	2006	2007e	2008e	2005	2006	2007e	2008e	1M	3M	6M	12M
CEZ	CZK	30,231	10.6%	14.4%	15.7%	15.1%	38.0%	40.4%	42.1%	43.4%	15%	33.5%	35.6%	64.1%
Praterm	PLN	126	8.0%	10.1%	17.8%	-	20.1%	27.3%	38.7%	-	-1%	-12.6%	-10.8%	20.5%
EVN	EUR	3,757	8.2%	10.6%	8.5%	8.4%	20.8%	19.2%	16.8%	16.5%	3%	11.2%	6.6%	5.8%
Verbund	EUR	13,863	22.2%	27.9%	26.4%	27.6%	33.1%	34.2%	34.7%	37.4%	10%	26.7%	18.3%	17.0%
Median	-	-	9%	12%	17%	15%	27%	31%	37%	33%	-	-	-	-
E.On AG	EUR	92,105	8.8%	9.8%	10.5%	11.2%	19.8%	16.8%	17.8%	18.8%	4.1%	14.2%	17.9%	45.1%
Electrabel SA	EUR		17.7%	15.3%	16.0%	-	17.5%	0.0%	-	-				
Endesa (Empresa Nacional	EUR	38,179	15.9%	25.8%	21.3%	21.1%	34.4%	36.4%	36.2%	36.1%	-6.3%	-8.7%	-10.6%	3.6%
Enel Spa	EUR	51,008	14.9%	16.4%	17.6%	18.4%	22.7%	21.4%	21.9%	26.0%	4.0%	9.3%	-1.3%	9.8%
Fortum Corporation	EUR	26,674	12.3%	13.5%	14.5%	16.5%	45.2%	42.0%	47.0%	47.4%	17.9%	24.4%	31.1%	41.8%
Rw e AG	EUR	52,180	19.6%	18.4%	22.2%	23.8%	19.9%	17.8%	19.3%	19.4%	6.4%	18.5%	19.2%	23.0%
Median	-	-	15%	16%	17%	18%	21%	20%	22%	26%	-	-	-	-
EuroStoxx Utilities		653,067	14.2%	16.4%	14.8%	15.5%	24%	22%	25%	26%	-1.8%	7.9%	12.0%	21.4%
CEE to Peer, Prem/Disc			-39%	-21%	0%	-19%	27%	57%	68%	28%	-	-	-	-

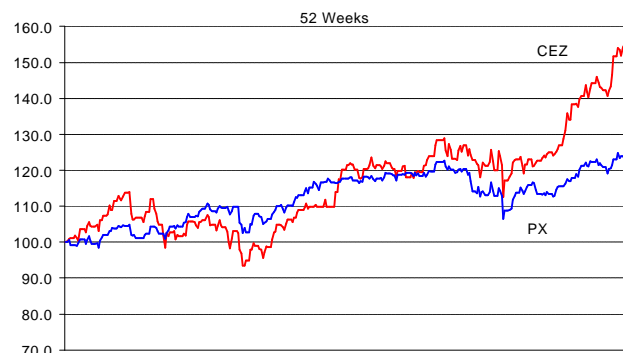
	P/E				P/CE				P/BV			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e	2005	2006	2007e	2008e
CEZ	45.5	28.9	22.9	21.2	21.3	15.1	13.6	12.5	4.5	3.8	3.4	3.0
Praterm	35.4	25.4	12.7	-	16.2	12.3	7.3	-	2.3	2.2	2.1	-
EVN	26.0	16.9	17.3	15.8	11.5	5.0	8.5	8.0	1.6	1.4	1.2	1.1
Verbund	38.5	27.7	23.1	18.4	25.7	20.4	17.8	14.7	6.6	5.4	4.6	3.8
Median CEE	36.9	26.5	20.1	17.1	18.8	13.7	11.0	10.3	3.4	3.0	2.7	2.6
E.On AG	22.3	18.7	17.1	15.2	12.5	11.6	10.4	9.3	2.0	1.8	1.8	1.7
Electrabel SA												
Endesa (Empresa Nacional	20.7	12.9	14.6	13.5	8.2	7.8	8.4	7.7	3.3	3.3	3.1	2.8
Enel Spa	17.8	16.8	15.6	14.5	8.9	9.0	8.3	6.8	2.7	2.8	2.7	2.7
Fortum Corporation	29.6	24.8	22.2	18.4	19.3	18.8	14.7	14.4	3.7	3.4	3.2	3.0
Rw e AG	23.4	21.3	16.3	14.0	10.0	7.8	9.0	8.7	4.6	3.9	3.6	3.3
Median	22.3	18.7	16.3	14.5	10.0	9.0	9.0	8.7	3.3	3.3	3.1	2.8
EuroStoxx Utilities	24.7	21.5	19.0	17.9	10.7	10.7	10.0	9.3	3.5	3.1	2.7	2.7
CEE to Peer, Prem/Disc	66%	42%	24%	18%	87%	53%	23%	18%	2%	-10%	-13%	-10%

	EV/Sales				EV/EBITDA			
	2005	2006	2007e	2008e	2005	2006	2007e	2008e
CEZ	6.8	5.2	4.7	4.2	17.9	13.0	11.1	9.8
Praterm	3.5	3.3	2.6	-	17.3	12.2	6.8	-
EVN	2.8	2.1	1.9	1.7	13.5	10.8	11.4	10.2
Verbund	7.3	5.3	5.0	4.5	22.0	15.6	14.5	11.9
Median CEE	5.1	4.3	3.6	3.2	17.6	12.6	11.3	10.0
E.On AG	1.1	1.1	1.5	1.6	5.5	6.3	8.3	8.3
Electrabel SA								
Endesa (Empresa Nacional	2.4	2.9	2.9	2.7	7.0	8.1	7.9	7.3
Enel Spa	1.6	1.6	2.4	2.0	6.9	7.5	10.8	7.6
Fortum Corporation	4.4	5.2	6.8	5.9	9.7	12.4	14.5	12.5
Rw e AG	1.1	1.0	1.2	1.1	5.6	5.4	6.0	5.9
Median	1.6	1.6	2.37	1.96	6.9	7.5	8.3	7.6
EuroStoxx Utilities	2.0	2.0	2.5	2.4	8.9	9.4	10.1	9.1
CEE to Peer, Prem/Disc	228%	169%	54%	61%	156%	69%	35%	32%

Source: JCF Quant, Erste Bank

CEZ Hold

Price (CZK)	1,375	ROA 2006	8.4%
Mcap (CZK mn)	814,122	ROE 2006	14.8%
Mcap (EURmn)	30,231	Asset turn (2006)	0.48
Free float (%)	33.0%	SPS CAGR 00-08e	147.2%
Free float (EUR mn)	9,976	EPS CAGR 00-08e	27.6%
Shares outst. (mn)	592.1	Debt/equity (2006)	0.72

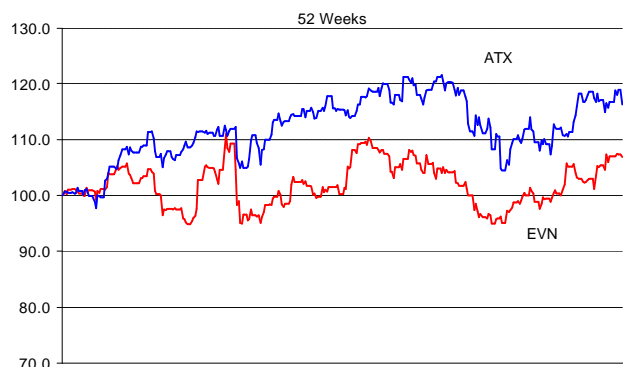


	05	06	07e	08e
Revenues (mn)	124,673	159,429	173,408	184,463
EBITDA margin	38.0%	40.4%	42.1%	43.4%
EBIT margin	22.4%	25.1%	28.6%	29.0%
Net profit margin	14.9%	17.9%	20.6%	21.1%
EPS (CZK)	30.2	47.6	60.0	65.0
Dividend (CZK)	15.0	18.5	22.5	28.7
EV/sales	6.8	5.2	4.7	4.2
EV/EBITDA	17.9	13.0	11.1	9.8
P/E	45.5	28.9	22.9	21.2
P/CE	21.3	15.1	13.6	12.5
EV/EBITDA rel.	1.0	1.0	1.0	1.0
P/E rel.	1.2	1.1	1.1	1.2

Performance	12M	6M	3M	1M
Absolute (CZK terms)	55.3%	29.4%	28.0%	12.8%
Rel. to sector (EUR, ppt)	20.0	8.3	4.2	2.7
Rel. to universe (EUR, ppt)	30.4	28.7	25.0	10.7

EVN Buy

Price (EUR)	92	ROA 2006	4.2%
Mcap (EUR mn)	3,757	ROE 200	9.6%
		Asset turn (2006)	0.39
Free float (%)	10.0%	SPS CAGR 00-08e	136.5%
Free float (EUR mn)	376	EPS CAGR 00-07e	-
Shares outst. (mn)	40.9	Debt/equity (2006)	1.12

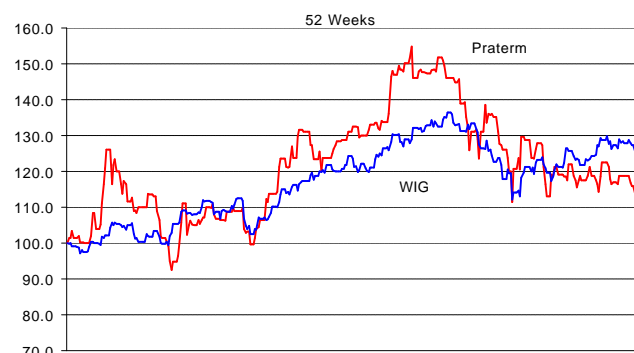


	05	06	07e	08e
Sales (EUR mn)	1,658.7	2,085.2	2,296.6	2,586.0
EBITDA margin	20.8%	19.2%	16.8%	16.5%
EBIT margin	8.1%	8.9%	8.7%	8.9%
Net profit margin	9.8%	12.9%	10.9%	10.5%
EPS (EUR)	3.5	5.4	5.3	5.8
Dividend (EUR)	1.2	1.4	1.4	1.6
EV/sales	2.8	2.1	1.9	1.7
EV/EBITDA	13.5	10.8	11.4	10.2
P/E	26.0	16.9	17.3	15.8
P/CE	11.5	5.0	8.5	8.0
EV/EBITDA rel.	0.8	0.9	1.0	1.0
P/E rel.	0.7	0.6	0.9	0.9

Performance	12M	6M	3M	1M
Absolute (EUR terms)	6.9%	6.6%	11.2%	2.6%
Rel. to sector (EUR, ppt)	-34.6	-20.7	-18.1	-10.1
Rel. to universe (EUR, ppt)	-24.2	-0.3	2.7	-2.1

Praterm Accumulate

Price (HUF)	46	ROA 2006	6.7%
Mcap (HUF mn)	460	ROE 2006	10.6%
Mcap (EURmn)	126	Asset turn (2006)	0.53
Free float (%)	70.8%	SPS CAGR 05-08e	25.8%
Free float (EUR mn)	326	EPS CAGR 05-08e	38.8%
Shares outst. (mn)	10.0	Debt/equity (2006)	0.32



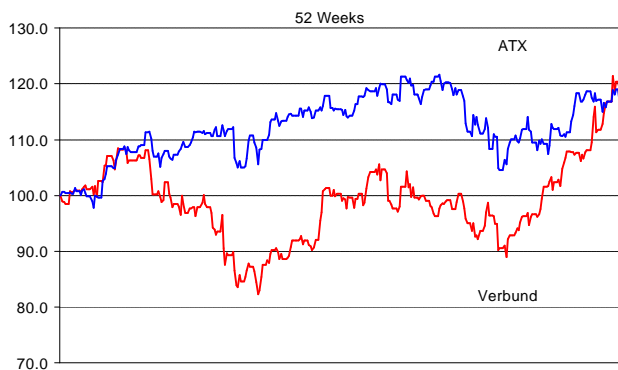
	05	06	07e	08e
Sales (HUF mn)	137	149.9	203.4	258.6
EBITDA margin	20.1%	27.3%	38.7%	29.1%
EBIT margin	9.0%	14.0%	25.4%	17.4%
Net profit margin	11.5%	14.3%	19.2%	12.5%
EPS (HUF)	1.3	1.8	3.6	3.0
Dividend (HUF)	0.0	0.0	1.9	3.6
EV/sales	3.5	3.3	2.6	2.1
EV/EBITDA	17.3	12.2	6.8	7.1
P/E	35.4	25.4	12.7	15.4
P/CE	16.2	12.3	7.3	7.6
EV/EBITDA rel.	4.0	3.9	0.5	0.7
P/E rel.	1.0	1.0	0.6	0.8

Performance	12M	6M	3M	1M
Absolute (EUR terms)	13.9%	-13.2%	-15.8%	-4.2%
Rel. to sector (EUR, ppt)	-25.7	-41.0	-44.7	-16.7
Rel. to universe (EUR, ppt)	-15.4	-20.6	-23.9	-8.7

Verbund

Accumulate

Price (EUR)	45.0	ROA 2006	7.7%
Mcap (EUR mn)	13,863	ROE 2006	26.4%
		Asset turn (2006)	0.44
Free float (%)	24.0%	SPS CAGR 00-08e	-13.4%
Free float (EUR mn)	3,327	EPS CAGR 00-08e	-1.0%
Shares outst. (mn)	308.2	Debt/equity (2006)	1.53



	05	06	07e	08e
Sales (EUR mn)	2,134	2,878	3,123	3,546
EBITDA margin	33.1%	34.2%	34.7%	37.4%
EBIT margin	24.7%	28.0%	28.9%	32.1%
Net profit margin	18.8%	21.2%	22.3%	24.6%
EPS (EUR)	1.17	1.63	1.94	2.44
Dividend (EUR)	0.5	0.8	0.9	1.1
EV/sales	7.3	5.3	5.0	4.5
EV/EBITDA	22.0	15.6	14.5	11.9
P/E	38.5	27.7	23.1	18.4
P/CE	25.7	20.4	17.8	14.7
EV/EBITDA rel.	1.3	1.2	1.3	1.2
P/E rel.	1.0	1.0	1.1	1.1

Performance	12M	6M	3M	1M
Absolute (EUR terms)	18.7%	18.3%	26.7%	10.2%
Rel. to sector (EUR, ppt)	-22.7	-9.1	-2.6	-2.5
Rel. to universe (EUR, ppt)	-12.4	11.3	18.2	5.5

Other titles

- **Danubius has to balance better occupancy rates versus lower domestic average room rates**
- **Pannonplast to further decrease its exposure to plastics business, full steam ahead in geothermal business**

Declining operating profit on falling domestic ARR

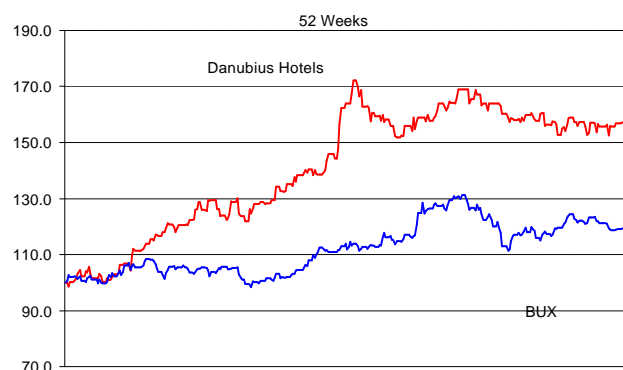
Danubius will publish its third quarter results on November 14. In the third quarter, the company witnessed a better than expected occupancy level throughout the group, albeit with a massive decline in domestic average room rates. The largest setback was seen in the Budapest hotels, resulting in an 11.5% decline in room income and an 8.5% y/y decline in net sales for 3Q07. Cost efficiency is still looking good, though, as material-type costs increased only slightly, as did personnel costs, due to the worsening results at the hotels. Meanwhile, material-type services saw a significant decline (from HUF 2,909mn in 3Q06 to a likely HUF 2,493mn in 3Q07), partially offsetting the sales decline. The major reconstruction program at the Hotel and Spa Gellért in Budapest and Edward VII hotel in the Czech Republic is likely to start in 2008, although no executive decision has been announced on this matter yet.

Share split, EGM and geothermal projects ahead

At the end of September, **Pannonplast** announced its strategy for the geothermal business. The company said that, using equity of EUR 70mn, it intends to invest EUR 350mn in a geothermal energy-based electricity generation business, combined with central heating. To increase the feasibility of these projects, the company is to cooperate with Iceland-based VGK-Hönnun, which has significant experience in this industry. Pannonplast expects to launch the first power plants in two years. At the same time, the firm is further decreasing its exposure to the plastic business and plans to offer a stake in the Pannunion group to financial investors, probably in the first quarter of next year. An EGM will be held on November 16. On the agenda are a change of the company's name and the approval of the share option program (regarding 5.94% of the share capital; minimum exercise price HUF 1,750). The exercise price is valid for the share split in the ratio of 1:5. After the registry court has registered this move, the trading of split shares will start on November 21.

Danubius Hotels under review

Price (HUF)	9,600.0	ROA 2006	1.8%
Mcap (HUF mn)	79,540	ROE 2006	3.2%
Mcap (EURmn)	315	Asset turn (2006)	0.57
Free float (%)	47.0%	SPS CAGR 00-07e	n.a.
Free float (EUR mn)	148.0	EPS CAGR 00-07e	n.a.
Shares outst. (mn)	8.3	Debt/equity (2006)	0.72

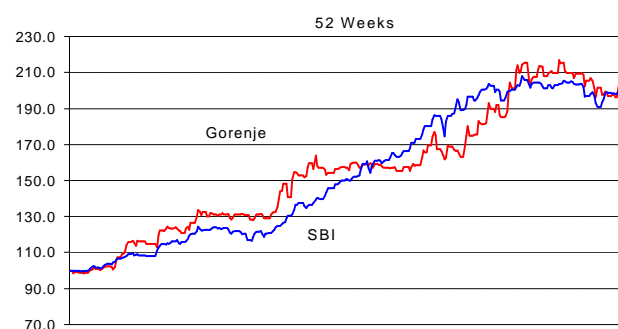


	04	05	06	07e
Sales (HUF mn)	39,103	42,842	47,363	n.a.
EBITDA margin	14.3%	15.6%	16.9%	n.a.
EBIT margin	3.6%	5.5%	7.2%	n.a.
Net profit margin	4.0%	3.2%	4.5%	n.a.
EPS (HUF)	188.8	166.2	255.4	n.a.
Dividend (HUF)	0.0	0.0	0.0	n.a.
EV/sales	2.5	2.3	2.1	n.a.
EV/EBITDA	17.5	14.8	12.3	n.a.
P/E	50.9	57.8	37.6	n.a.
P/CE	14.5	10.6	11.7	n.a.

Performance	12M	6M	3M	1M
Absolute (HUF terms)	52.7%	-3.0%	-4.0%	0.0%
Rel. to sector (EUR, ppt)	-	-	-	-
Rel. to universe (EUR, ppt)	26.6	-12.2	-12.8	-5.0

Gorenje Hold

Price (EUR)	46.3	ROA 2006	2.6%
Mcap (EURmn)	650	ROE 2006	9.0%
		Asset turn (2006)	1.29
Free float (%)	65.1%	SPS CAGR 04-08e	7.0%
Free float (EUR mn)	423.3	EPS CAGR 04-08e	5.4%
Shares outst. (mn)	14.0	Debt/equity (2006)	2.56

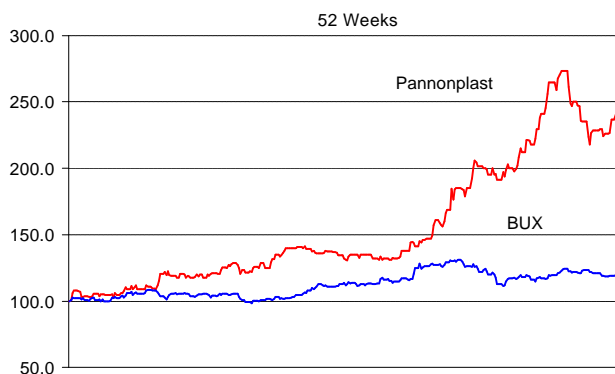


	05	06	07e	08e
Sales (EUR mn)	1,015	1,111	1,239	1,355
EBITDA margin	7.5%	7.2%	7.8%	7.8%
EBIT margin	2.7%	2.8%	3.5%	3.8%
Net profit margin	2.1%	2.0%	1.8%	2.2%
EPS (EUR)	1.7	1.8	1.8	2.1
Dividend (EUR)	0.4	0.5	0.5	0.5
EV/sales	0.8	0.8	0.7	0.7
EV/EBITDA	10.5	10.6	9.6	8.8
P/E	26.5	25.3	25.5	21.7
P/CE	6.3	8.0	7.4	6.2

Performance	12M	6M	3M	1M
Absolute (EUR terms)	102.5%	28.6%	11.8%	-3.4%
Rel. to sector (EUR, ppt)	-	-	-	-
Rel. to universe (EUR, ppt)	101.8	40.9	20.1	6.3

Pannonplast under review

Price (HUF)	8,194.0	ROA 2006	6.7%
Mcap (HUF mn)	34,504	ROE 2006	11.6%
Mcap (EUR mn)	137	Asset turn (2006)	0.77
Free float (%)	79.0%	SPS CAGR 00-08e	-4.2%
Free float (EUR mn)	107.9	EPS CAGR 00-08e	-11.3%
Shares outst. (mn)	4.2	Debt/equity (2006)	0.55

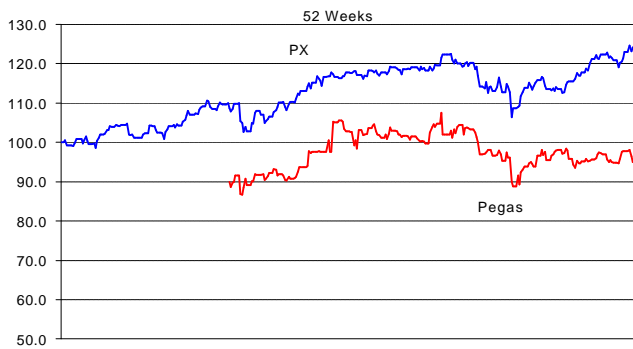


	05	06	07e	08e
Sales (HUF mn)	22,774	16,177	12,929	14,495
EBITDA margin	5.4%	9.6%	13.3%	14.7%
EBIT margin	-4.0%	2.0%	3.3%	5.6%
Net profit margin	-0.5%	8.7%	2.2%	4.5%
EPS (HUF)	-29.4	336.9	69.4	155.9
Dividend (HUF)	0.0	0.0	62.0	139.2
EV/sales	1.7	2.3	2.8	2.5
EV/EBITDA	30.8	24.1	21.1	16.9
P/E	neg.	neg.	118.1	52.6
P/CE	16.9	13.1	21.7	17.4

Performance	12M	6M	3M	1M
Absolute (HUF terms)	141.0%	78.9%	19.6%	-3.0%
Rel. to sector (EUR, ppt)	-	-	-	-
Rel. to universe (EUR, ppt)	117.7	67.8	10.8	-8.0

Pegas Nonwovens Hold

Price (CZK)	748.5	ROA 2006	10.6%
Mcap (CZK mn)	6,908	ROE 2006	22.2%
Mcap (EURmn)	256.5	Asset turn (2006)	0.63
Free float (%)	56.0%	SPS CAGR 04-08e	18.8%
Free float (EUR mn)	143.6	EPS CAGR 04-08e	14.3%
Shares outst. (mn)	9.2	Debt/equity (2006)	2.87



	05	06	07e	08e
Sales (EUR mn)	110	121	128	159
EBITDA margin	37.2%	34.8%	34.1%	33.8%
EBIT margin	28.1%	24.8%	24.4%	25.3%
Net profit margin	24.3%	16.9%	16.5%	20.7%
EPS (EUR)	2.9	2.2	2.3	3.6
Dividend (EUR)	0.0	0.0	0.8	0.8
EV/sales	2.1	3.2	2.9	2.2
EV/EBITDA	5.7	9.1	8.5	6.5
P/E	9.6	12.6	12.2	7.8
P/CE	6.8	7.0	7.6	5.5

Performance	12M	6M	3M	1M
Absolute (CZK terms)	-	-2.7%	3.1%	2.7%
Rel. to sector (EUR, ppt)	-	-	-	-
Rel. to universe (EUR, ppt)	-	-9.7	-5.4	-2.1

Looking Ahead

Date	Company/country	Release/event	Erste comment
05-Nov	KGHM / Poland	Unconsolidated 3Q 07 report	
	Rafako / Poland	Consolidated 3Q 07 report	
	Zentiva	1-3Q2007 results	
07-Nov	W. Kruk / Poland	Consolidated 3Q 07 report	
	BZWBK / Poland	Consolidated 3Q 07 report	
08-Nov	Mtelekom/ Hungary	Quarterly Report 3 Q	
	Egis/ Hungary	Quarterly Report 4 Q	
	Agora / Poland	Consolidated 3Q 07 report	
	Asseco Poland	Consolidated 3Q 07 report	
	Gorenje	1-3Q2007 results	
09-Nov	Komercni Banka	consolidated 3Q 2007 results	
	Duda / Poland	Consolidated 3Q 07 report	
	Krka	1-3Q2007 results	
12-Nov	Egis	2006/07 results	
	BRD-Group Societe Generale / Romania	1-3Q2007 results	
	SIF Moldova / Romania	1-3Q2007 results	
	SIF Muntenia / Romania	1-3Q2007 results	
13-Nov	SIF Oltenia / Romania	1-3Q2007 results	
	Apator/ Poland	Consolidated 3Q 07 report	
	BPH/ Poland	Consolidated 3Q 07 report	
	Dwory / Poland	Consolidated 3Q 07 report	
	Lotos / Poland	Consolidated 3Q 07 report	
	PBG / Poland	Consolidated 3Q 07 report	
	Prokom / Poland	Consolidated 3Q 07 report	
14-Nov	MOL/ Hungary	Quarterly Report 3 Q	
	OTP/ Hungary	Quarterly Report 3 Q	
	Danubius/ Hungary	Quarterly Report 3 Q	
	Ambra / Poland	Consolidated 1Q 07/08 report	
	Bioton / Poland	Consolidated 3Q 07 report	
	NG2 (CCC)/ Poland	Consolidated 3Q 07 report	
	Ceramika NG / Poland	Consolidated 3Q 07 report	
	Comarch / Poland	Consolidated 3Q 07 report	
	Sygnity / Poland	Consolidated 3Q 07 report	
	Graal/ Poland	Consolidated 3Q 07 report	
	GTC / Poland	Consolidated 3Q 07 report	
	Jutrzenka / Poland	Consolidated 3Q 07 report	
	KGHM / Poland	Consolidated 3Q 07 report	
	Koelner/ Poland	Consolidated 3Q 07 report	
	Opoczno/ Poland	Consolidated 3Q 07 report	
	PEKAO/Poland	Consolidated 3Q 07 report	
	PGNIG / Poland	Consolidated 3Q 07 report	
	PKN / Poland	Consolidated 3Q 07 report	
	PKO BP/Poland	Consolidated 3Q 07 report	
	TPSA / Poland	Consolidated 3Q 07 report	
	Vistula&Wólczanka/Poland	Consolidated 3Q 07 report	
	Bioton /Poland	3Q2007 results	
	Unipetrol	consolidated 3Q 2007 results	
	Biofarm / Romania	1-3Q2007 results	
	Impact Developer & Contractor / Romania	1-3Q2007 results	
	Transelectrica / Romania	1-3Q2007 results	
	15-Nov	CEZ	consolidated 3Q 2007 results
RFV/ Hungary		EGM	
Richter Gedeon		1-3Q2007 results	
Antibiotice		1-3Q2007 results	
Flamingo International / Romania		1-3Q2007 results	
Petrom / Romania		1-3Q2007 results	

Looking Ahead

Date	Company/country	Release/event	Erste comment
19-Nov	Intercell	1-3Q2007 results	
23-Nov	Pannonplast/Hungary	EGM	
29-Nov	Orco	consolidated 3Q 2007 results	
	Pegas Nonwovens	3Q 2007 results	
30-Nov	ECM	consolidated 3Q 2007 results	
05-Dec	Ambra / Poland	AGM	
18-Dec	Gorenje	Business plan for 2008	
31-Jan	BRE / Poland	Consolidated 4Q07 report	
04-Feb	Ambra / Poland	Consolidated 2Q07/08 report	
14-Feb	Empik / Poland	Consolidated 4Q07 report	
21-Feb	PEKAO/Poland	Consolidated 4Q07 report	
25-Feb	BZWBK / Poland	Consolidated 4Q07 report	
28-Feb	PKN / Poland	Consolidated 4Q07 report	
29-Feb	TPSA / Poland	Consolidated 4Q07 report	



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A-1010 Vienna, Austria. Tel. +43 (0)50100-ext.

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Erste Bank's CEE Universe

		Mcap.	Free float			Mcap.	Free float
		(EURmn)	(EUR mn)			(EURmn)	(EUR mn)
Hungary	MOL	10,478.3	6,758.5	Czech Republic	CEZ	30,231.0	9,976.2
	OTP Bank	10,388.4	9,661.2		Telefonica O2 CR	7,038.6	2,153.8
	Magyar Telekom	3,839.2	1,547.9		Komerčni banka	5,967.5	2,366.1
	Richter Gedeon	2,775.5	2,065.0		CME	3,371.5	2,562.3
	Egis	681.3	334.5		Unipetrol	2,311.3	855.2
	FHB	538.3	204.6		Zentiva	1,419.0	806.0
	Danubius Hotels	314.9	148.0		Pegas Nonw over	256.5	143.6
	Pannonplast	136.6	107.7				
				Croatia	INA	3,572.6	857.4
					Pliva	2,020.9	60.6
Poland	Bank Pekao	12,117.0	5,710.8		Ericsson Nikola	589.0	288.6
	TP SA	9,076.0	3,957.1		Podravka	377.7	259.0
	Bank BPH	7,611.8	1,925.0	Slovenia	Krka	4,155.4	2,917.1
	KGHM	7,127.0	4,133.7		Gorenje	650.2	423.3
	Polski Koncern Naftowy	6,635.9	4,811.0	Austria	Raiffeisen Inter.	17,318.1	5,195.4
	PKO BP	5,967.5	2,366.1		OMV	15,044.9	7,657.8
	BZ WBK	5,371.9	1,584.7		Verbund	13,862.8	3,327.1
	BRE	4,391.9	1,207.8		voestalpine	9,369.0	6,277.2
	CEDC	1,501.6	1,365.0		Telekom Austria	9,213.8	6,692.0
	PBG	1,233.6	801.9		EVN	3,757.0	375.7
	Asseco Poland	987.4	472.0		Böhler Uddeholm	3,727.6	1,118.3
	Agora	857.3	703.0		Wienerberger	2,999.4	2,999.4
	Bioton	820.7	391.3		Andritz	2,502.5	1,801.8
	Dwory	801.2	388.6		RHI	1,390.9	848.4
	Empik	692.8	237.6	Palfinger	1,310.5	471.8	
	NG2	663.1	175.2	Zumtobel	1,296.9	855.9	
	Prokom	548.3	400.9	Intercell	1,273.7	996.0	
	Koelner	443.7	143.7	SBO	1,152.0	737.3	
	Jutrzenka	408.9	114.5	A-Tec	1,101.7	354.8	
	ComArch	370.5	143.7	BWT	854.2	422.8	
Vistula & Wolczanka	325.5	325.5	Christ Water Tect	249.7	123.6		
Rafako	272.8	75.0	Frauenthal	195.9	47.9		
Duda	247.0	185.3	S&T	187.7	88.2		
Apator	199.0	161.8	Pankl Racing Syst	135.8	48.9		
Pamapol	195.0	80.5	Sanochemia	95.1	28.5		
Opoczno	189.4	97.7					
W. KRUK	163.9	77.0	Romania	SNP Petrom	9,058	562.5	
Sygnity	146.5	79.6		A&D Pharma	573	194.9	
Praterm	126.2	89.3					
Ambra	103.0	40.0					
Ceramika Nowa Gala	96.9	79.5					
Artman	80.2	23.6					
Graal	64.0	37.8					
Toora	21.0	10.3					
Total universe	267,774	123,558					

Contacts

Group Research

Head of Group Research

Friedrich Mostböck, CEFA +43 (0)50 100-11902

CEE Equity Research

Co-Head: Günther Artner, CFA +43 (0)50 100-11523

Co-Head: Henning Eßkuchen +43 (0)50 100-19634

Günter Hohberger (Banks) +43 (0)50 100-17354

Franz Hörl, CFA (Steel, Construction) +43 (0)50 100-18506

Gernot Jany (Banks, Real Estate) +43 (0)50 100-11903

Daniel Lion (IT) +43 (0)50 100-17420

Martina Valenta, MBA (Transp., Paper) +43 (0)50 100-11913

Christoph Schultes (Insurance, Utilities) +43 (0)50 100-16314

Vera Sutedja, CFA (Telecom) +43 (0)50 100-11905

Vladimira Urbankova (Pharma) +4202 24 995 940

Gerald Walek, CFA (Machinery) +43 (0)50 100-16360

International Equities

Hans Engel (Market strategist) +43 (0)50 100-19835

Ronald Stöferle (Asia) +43 (0)50 100-11723

Jürgen Rene Ulamec, CEFA (Europe) +43 (0)50 100-16574

Macro/Fixed Income Research

Head: Veronika Lammer (Euroland, SW) +43 (0)50 100-11909

Alihan Karadagoglu (Corporates) +43 (0)50 100-19633

Rainer Singer (US, Japan) +43 (0)50 100-11185

Elena Stelov, CIIA (Corporates) +43 (0)50 100-19641

Macro/Fixed Income Research CEE

Co-Head CEE: Juraj Kotian (Macro/FI) +43 (0)50 100-17357

Co-Head CEE: Rainer Singer (Macro/FI) +43 (0)50 100-11185

Editor Research CEE

Brett Aarons +420 224 995 904

Research, Croatia/Serbia

Head: Mladen Dodig +381 11 22 00 866

Damir Cukman (Equity) +385 62 37 28 12

Alen Kovac (Fixed income) +385 62 37 13 83

Davor Spoljar (Equity) +385 (62) 372 825

Research, Czech Republic

Head: Viktor Kotlan (Fixed income) +420 224 995-217

Petr Bartek (Equity) +420 224 995 227

Maria Feherova (Fixed income) +420 224 995 232

Jan Hajek, CFA (Equity) +420 224 995 324

Radim Kramule (Equity) +420 224 995 213

Martin Lobotka (Fixed income) +420 224 995 192

Lubos Mokras (Fixed income) +420 224 995 456

David Navratil (Fixed income) +420 224 995 439

Jakub Zidon (Equity) +420 224 995 340

Research, Hungary

Head: József Miró (Equity) +361 235-5131

György Zalányi (Equity) +361-235-5135

Orsolya Nyeste (Fixed income) +361 373-2830

Research, Poland

Head: Artur Iwanski (Equity) +48 22 3306253

Magda Jagodzinska (Equity) +48 22 3306250

Marcelina Hawryluk (Equity) +48 22 3306255

Tomasz Kasowicz (Equity) +48 22 3306251

Piotr Lopaciuk (Equity) +48 22 3306252

Marek Czachor (Equity) +48 22 3306254

Research, Romania

Head: Lucian Claudiu Anghel +4021 312 6773

Mihai Caruntu (Equity) +4021 311 27 54

Dumitru Dulgheru (Fixed income) +4021 312 6773 1028

Cristian Mladin (Fixed income) +4021 312 6773 1028

Loredana Oancea (Equity) +4021 311 27 54

Research, Slovakia

Head: Juraj Barta (Fixed income) +421 2 59 57 4166

Michal Musak (Fixed income) +421 2 59 57 4512

Maria Valachyova (Fixed income) +421 2 59 57 4185

Institutional Sales

Head of Sales Equities & Derivatives

Michal Rizek +4420 7623-4154

Brigitte Zeitberger-Schmid +43 (0)50 100-83123

Equity Sales Vienna XETRA & CEE

Hind Al Jassani +43 (0)50 100-83111

Werner Fuerst +43 (0)50 100-83114

Josef Kerekes +43 (0)50 100-83125

Ana Milatovic +43 (0)50 100-83131

Stefan Raidl +43 (0)50 100-83113

Simone Rentschler +43 (0)50 100-83124

Sales Derivatives

Christian Luig +43 (0)50 100-83181

Manuel Kessler +43 (0)50 100-83182

Sabine Kircher +43 (0)50 100-83161

Christian Klikovich +43 (0)50 100-83162

Armin Pfingstl +43 (0)50 100-83171

Roman Rafeiner +43 (0)50 100-83172

Equity Sales, London

Dieter Benesch +4420 7623-4154

Tatyana Dachyshyn +4420 7623 4154

Jarek Dudko, CFA +4420 7623 4154

Federica Gessi-Castelli +4420 7623-4154

Declan Wooloughan +4420 7623-4154

Sales, Croatia

Zeljka Kajkut (Equity) +385 62 37 28 11

Damir Eror (Equity) +385 62 37 28 13

Sales, Czech Republic

Michal Brezna (Equity) +420 224 995-523

Ondrej Cech (Fixed income) +420 224 995-577

Michal Rizek +420 2 2499 5537

Jiri Smehlik (Equity) +420 224 995-510

Pavel Zdichynec (Fixed income) +420 224 995-590

Sales, Hungary

Róbert Barlai (Fixed income) +361 235-5844

Gregor Glatzer (Equity) +361 235-5144

Krisztián Kandik (Equity) +361 235-5140

Zoltán Szabó (Fixed income) +361 235-5144

Sales, Poland

Head: Andrzej Tabor +4822 330 62 03

Pawel Czuprynski (Equity) +4822 330 62 12

Lukasz Mitan (Equity) +4822 330 62 13

Jacek Krynski (Equity) +4822 330 62 18

Sales, Slovakia

Head: Dusan Svitek +421 2 5050-5620

Rado Stopiak (Derivatives) +421 2 5050-5601

Andrea Slesarova (Client sales) +421 2 5050-5629

Treasury - Erste Bank Vienna

Sales Retail & Sparkassen

Head: Manfred Neuwirth +43 (0)50100-84250

Equity Retail Sales

Head: Kurt Gerhold +43 (0)50100-84232

Domestic Sales Fixed Income

Head: Thomas Schaufler +43 (0)50100-84225

Treasury Domestic Sales

Head: Gottfried Huscava +43 (0)50100-84130

Corporate Desk

Head: Leopold Sokolicek +43 (0)50100-84601

Alexandra Blach +43 (0)50100-84141

Roman Friesacher +43 (0)50100-84143

Helmut Kirchner +43 (0)50100-84144

Christian Skopek +43 (0)50100-84146

Fixed Income Institutional Desk

Head: Thomas Almen +43 (0)50100-84323

Martina Fux +43 (0)50100-84113

Michael Konczer +43 (0)50100-84121

Ingo Lusch +43 (0)50100-84111

Ulrich Inhofner +43 (0)50100-84324

Karin Rauscher +43 (0)50100-84112

Michael Schmotz +43 (0)50100-84114

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Important Disclosures

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Agora	--	--	Lotos Group	--	--
Ambra	--	--	Magyar Telekom	--	--
Andritz	2	--	Mayr-Melnhof	2	--
Apator	4	--	MOL	--	--
Artman	--	--	NG2	--	--
Asseco Poland	--	--	OMV	2	--
AT&S	--	--	Opoczno	--	--
A-TEC	3	--	Orco	2	--
Austrian Airlines	2	--	OTP	--	--
Austrian Post	2	--	Palfinger	--	--
BA-CA	--	--	Pamapol	--	--
BDI International	3	--	Pankl Racing Systems	--	--
Bioton	--	--	Pannonplast	--	--
BorsodChem	--	--	PBG	--	--
Boehler Uddeholm	2	--	Pegas Nonwovens	2,3	--
Bank BPH	--	--	Pekao	--	--
BRE	--	--	PKN Orlen	--	--
bwin	2	--	PKO BP	--	--
BWT	2	--	Pliva	--	--
BZ WBK	--	--	Podravka	--	--
CA Immo Int.	--	--	Praterm	--	--
C.A.T.oil	--	--	Prokom	--	--
CEDC	--	--	Rafako	--	--
Ceramika Nowa Gala	--	--	Raiffeisen International	2	--
CWT	--	--	RHI	2	--
CEZ	2,4,5	--	Richter Gedeon	--	--
CME	2,3	--	Sanochemia	--	--
ComArch	--	--	SBO	2	--
Sygnity (former Computerland)	--	--	Semperit	--	--
Danubius	--	--	S&T	2	--
Duda	--	--	sIMMO	1,2,3,4	--
Dwory	--	--	SNP Petrom	--	--
ECM	2,3	--	Sygnity	--	--
Egis	--	--	Teak Holz Int.	2,3	--
Empik	--	--	Telefonica O2 CR	2,4	--
Ericsson Nikola Tesla	--	--	Telekom Austria	2	--
EVN	2	--	Toora	--	--
FHB	--	--	TPSA	--	--
Flughafen Wien	2	--	Unimil	--	--
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Krka	--	--			