

4 June 2010

Update



## Building Materials

Poland

<b>Current price</b>	<b>PLN 14.00</b>
<b>Target price</b>	<b>PLN 13.43</b>
Market cap	PLN 2.0bn
Free float	PLN 0.6bn
Avg daily trading volume (3M)	PLN 4.39m

### Shareholder Structure

Michał Sołowow	40.81%
ING OFE	11.96%
Aviva OFE	11.33%
Synthos S.A.	7.80%
Other	28.10%

### Sector Outlook

Manufacturers of building and finishing materials are struggling with weak demand and fierce competition, which is expected to last throughout 2010 even though demand, both domestic and international, will show a slight improvement. This year's earnings results will remain weak, but the situation of the tile industry will stabilize.

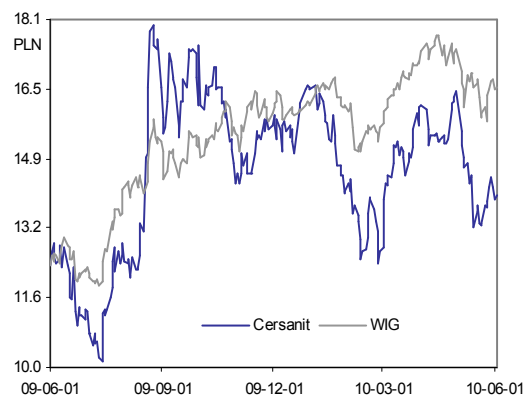
### Company Profile

Cersanit manufactures and sells bathroom furnishings, including sanitaryware, ceramic tiles, shower cabins, acrylic bathtubs and basins, bathroom furniture and other related equipment. The Company's manufacturing activities are carried out in Poland, Ukraine and Russia.

### Important Dates

31.08 - consolidated H1 2010 report  
15.11 - consolidated Q3 2010 report

### CST vs. WIG



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# Cersanit

CRSA.WA; CST.PW

## Hold

(Upgraded)

## Industry Regaining Foothold

Cersanit reported a 1.2% year-on-year decline in Q1 2010 sales, and a 16.1% drop in operating profit, caused by a strengthening zloty and harsh weather conditions seen in January and February. The first-quarter bottom line reached PLN 58.7m after a boost from foreign-currency loan translations. We maintain that 2010 will be a year of price and sales stabilization for manufacturers of bathroom tiles in Poland. As far as exports are concerned, a pickup has been observed in Russia, while retail sales in other countries are just approaching their local lows, and a stronger rebound is not expected until next year. Even in the best-case scenario assuming an increase in revenues in H2 2010, Cersanit is trading on FY2010E P/E and EV/EBITDA multiples of 16.7 and 9.5, suggesting that the improved sales prospects for the Russian and Ukrainian markets are already priced in. At today's exchange rates, mark-to-market adjustments would increase the value of the company's foreign-currency debt by PLN 74.3m (FX debt at 31 December 2009 stood at PLN 1.1bn), affecting second-quarter results. We are upgrading Cersanit to hold while lowering our price target on the company's stock from PLN 13.63 to PLN 13.43.

### Domestic Market

Demand for bathroom tiles is limited in Poland, but prices are stabilizing, as reflected in the 2% month-on-month increase in March (year-on-year growth was negative at -15%). Producers are still fighting for lower-end tile markets, but mostly through price-cut campaigns. Cersanit's 2010 second-quarter sales will be affected by the Easter holidays and the period of national mourning after the presidential plane crash. The company is not likely to benefit greatly from the floods that have been sweeping Poland, because the damage is not as great as during the 1997 flood (major cities have been spared). We expect that the additional demand created by flood damage will not exceed 2% of the total domestic demand.

### International Markets

Retail sales in most of Cersanit's export markets continued on a downward, albeit slower, year-on-year trend in March, decreasing 6.1% in Estonia, 6.9% in Lithuania, 2.8% in Croatia, 1.7% in Slovenia, 4.8% in Romania, and 3.1% in the Ukraine. The two exceptions were the Czech Republic, which recorded a 2.1% increase in retail sales, and Russia, where sales increased 9.6% vs. March 2009. Cersanit is set to launch new production lines in the Ukraine in the third quarter, expanding annual capacity from 7 to 12 million square meters. Ukraine was very severely hit by the financial crisis, experiencing retail sales drops upwards of 20%.

(PLN m)	2008	2009	2010F	2011F	2011F
Revenue	1 517.3	1 415.2	1 506.9	1 612.8	1 707.4
EBITDA	339.7	284.7	323.3	369.0	409.3
<i>EBITDA margin</i>	22.4%	20.1%	21.5%	22.9%	24.0%
EBIT	233.9	168.1	207.1	252.0	287.5
Net income	7.7	-8.1	122.4	144.3	178.6
P/E	262.1	-	16.5	14.0	11.3
P/CE	17.8	18.6	8.5	7.7	6.7
P/BV	1.9	1.9	1.7	1.5	1.4
EV/EBITDA	9.3	11.0	9.4	8.0	7.0
DYield	0.0%	0.0%	0.0%	0.0%	2.9%

## 2010 First-Quarter Results

Cersanit reported a 1.2% year-on-year decline in Q1 2010 revenues, led by a 26.3% drop in the segment of “other” products. Sales of ceramic tiles displayed a 1.4% decrease, while ceramic sanitaryware increased 13.9%. The first-quarter domestic sales were affected by unfavorable weather and fierce competition, while export revenues were hurt by an appreciation in the zloty (RUB/PLN -4.6% y/y; UAH/PLN -16.2% y/y; EUR -11.3% y/y) and weak sales generated by Eastern European operations. A stronger zloty and intense competition caused a contraction in the company’s gross margin by 0.3ppts compared to Q1 2009, indicating that tile producers are forced to keep their prices down.

### Q1 2010 results

(PLN m)	2008	2009	change	1Q2009	1Q2010	change
Ceramic tiles	1 030.2	901.8	-12.5%	201.3	198.4	-1.4%
Ceramic sanitaryware	303.5	341.6	12.5%	64.9	73.9	13.9%
Other	183.6	170.3	-7.3%	37.0	27.3	-26.3%
Total	1 517.3	1 413.6	-6.8%	303.2	299.6	-1.2%
EBIT	233.9	162.3	-30.6%	30.1	25.3	-16.1%
EBIT margin	22.7%	-6.8%	-	15.0%	12.7%	-
EBITDA	339.7	278.7	-18.0%	60.5	54.1	-10.6%
EBITDA margin	33.0%	-5.6%	-	30.1%	27.3%	-
Net income	7.7	-10.3	-233.9%	-48.1	58.7	-

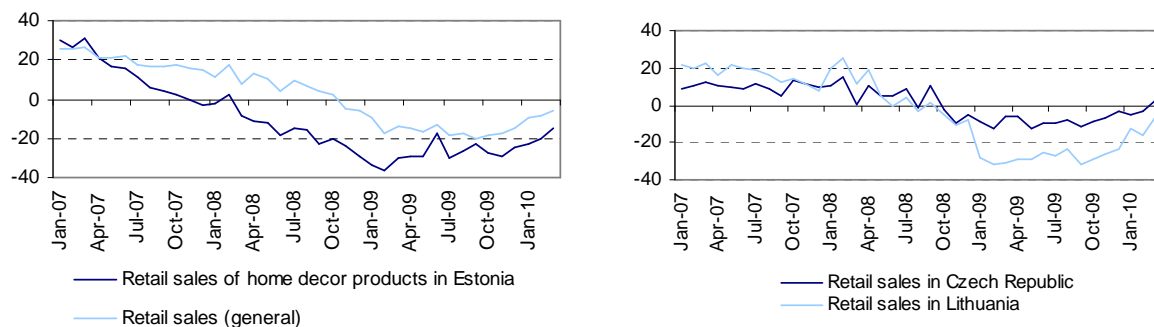
Source: BRE Bank Securities

There was a 16.1% year-on-year decrease in the first-quarter EBIT, and a 2.3ppt decline in the EBIT margin, which was additionally affected by increased selling costs (+5.0% y/y). The bottom line was boosted by a PLN 56.8m surplus of positive over negative exchange differences (chiefly FX loan revaluations), amounting to PLN 58.7m vs. a PLN 48.1m loss reported in Q1 2009.

### Exports

Cersanit’s export markets are experiencing a decrease in retail sales. In the Baltic countries, retail sales have been on a downward trend since the third quarter of 2008, and continued to move downwards in the first quarter of 2010, albeit at a slower rate (March sales were down 6.1% in Estonia and 6.9% in Lithuania). Sales of home-decor products were even weaker, showing a 14.9% year-on-year plunge in March in Estonia.

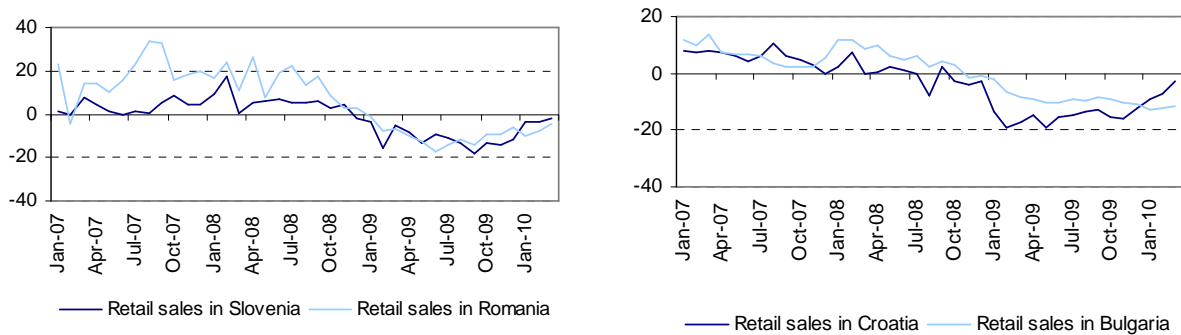
### Y/Y retail sales growth in Estonia, Czech Republic, and Lithuania (%)



Source: BRE Bank Securities, Bloomberg

March retail sales also displayed a continued downtrend in Croatia (-2.8% y/y), Bulgaria (-11.6%), Slovenia (-1.7%), and Romania (-4.8%). Only Czech retailers enjoyed 2.1% growth.

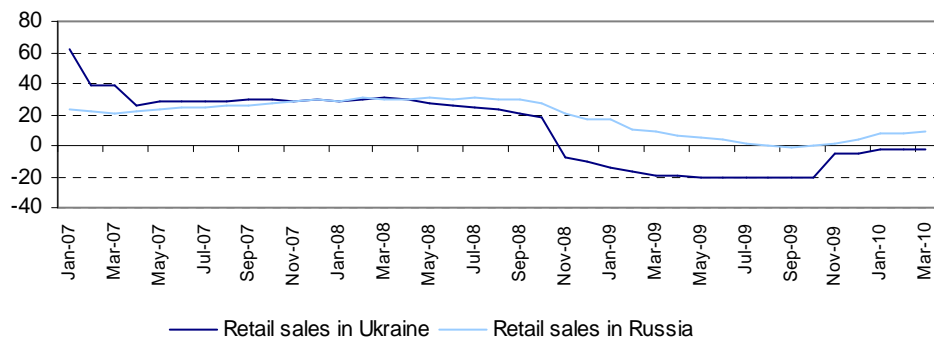
**Y/Y retail sales growth in Slovenia, Romania, Slovakia, and Bulgaria**



Source: BRE Bank Securities, Bloomberg

In the Ukraine, in spite of a 17.4% increase in industrial production, retail sales were down 2.7% in April. The positive effects of a weaker hryvnia are offset by low disposable income, and hence low purchasing power, of Ukrainians. We expect the situation to improve in 2011. Retail sales in Russia increased 10.6% in March, including a 4.7% rise in food sales and a slower, 3.8% increase in other goods. This was preceded by a period of negative growth much less dramatic than in smaller countries, stemming from a relatively small decline in disposable income (which increased by an average 1.8% in 2008, and surged 7.2% in the first quarter of 2010). If disposable income continues to increase in Russia, this will have positive effects on the manufacturing industry, including ceramic-tile producers, who are observing a recovery in demand, but at the same time are experiencing strong competition from local producers, combined with heightened transaction risks stemming from the low liquidity of sales agents.

**Y/Y retail sales growth in Ukraine and Russia**

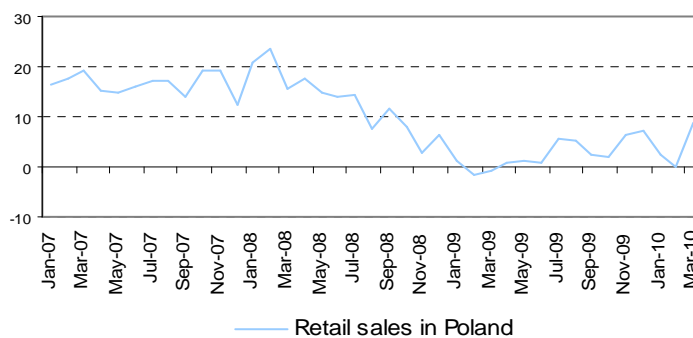


Source: BRE Bank Securities, Bloomberg

**Domestic Market**

Consumer spending in Poland has been following an upward momentum since the slight drops recorded in February and March 2009. In 2010, growth was slow in February (+0.1% y/y), followed by a 8.7% surge in March.

**Y/Y retail sales growth in Poland**



Source: BRE Bank Securities, Bloomberg



Second-quarter sales of ceramic tiles are bound to be affected by the Easter season, and the one-week period of national mourning, in April. May sales could have been slightly weighed down by floods. The scale of flood damage repairs and renovations is not expected to give a big boost to future tile sales, considering that the largest cities remained largely unaffected.

According to PSB data, prices of ceramic tiles increased about 2% m/m in April, but were over 15% lower than in the same period a year ago. Domestic demand for bathroom ceramics is still weak in spite of an improving economy, so, any price hikes are bound to cost producers market share. The downward pressure on prices is much weaker than a year ago, but a major rebound in demand is not likely to occur this year.

#### **Foreign-Exchange Trends In Q2 2010**

Foreign-exchange trends led to an decrease in the value of Cersanit's foreign-currency loans in Q1 2010, but this is expected to change in the second quarter. Between 31 March and 25 May 2010, exchange rates between the major currencies in which Cersanit does business changed as follows: EUR/PLN +6.1%, RON/PLN +3.4%, USD/PLN +17.2%, EUR/RON +1.8%, EUR/UAH -9.6%, UAH/PLN +17.4%. As a result, while revaluations of the company's FX loans reduced the value of outstanding debt by PLN 60m, if performed today, they would increase the loan value by PLN 74.3m, charged against income.



## Valuation

Based on DCF analysis and relative valuation, we set the nine-month price target on Cersanit at PLN 13.43 per share.

	Weight	Price
Relative valuation (PLN)	25%	10.59
DCF analysis (PLN)	75%	13.05
	price	12.44
	<b>9M Target Price</b>	<b>13.43</b>

We assigned a 25% weight to relative valuation, and a 75% weight to DCF valuation.

## Relative Valuation

Company	Country	2009 P/E	2010F P/E	2011F P/E	2012F P/E	2009 EV/EBITDA	2010F EV/EBITDA	2011F EV/EBITDA	2012F EV/EBITDA	
CERAMIC INDUSTRIES LTD	South Africa	13.3	11.8	10.1	8.6	-	5.5	5.0	4.5	
CERAMIKA NOWA GALA SA	Poland	14.7	12.5	9.4	9.1	7.3	6.7	5.9	6.1	
DYNASTY CERAMIC PUB CO LTD	Thailand	16.2	13.0	11.4	9.8	8.5	7.0	6.3	5.6	
EL EZZ CERAMICS & PORCELAIN	Egypt	89.4	40.6	31.9	21.3	6.8	7.2	7.0	6.6	
GWA INTERNATIONAL LTD	Australia	17.2	16.7	13.7	11.9	10.5	9.7	8.4	7.6	
HONG LEONG INDUSTRIES BHD	Malaysia	19.6	7.4	6.6	-	-	-	-	-	
HSIL LTD	India	-	12.5	9.0	6.6	-	6.4	5.3	4.4	
IMERYS SA	France	25.3	16.1	12.7	10.6	9.9	7.9	6.9	6.4	
ITALTILE LTD	South Africa	-	11.1	10.3	9.3	-	6.9	6.4	5.8	
NORCROS PLC	UK	3.8	-	-	8.3	7.3	36.4	30.3	-	
PANARIAGROUP INDUSTRIE CERAM	Italy	-	35.5	10.9	8.6	7.7	6.0	4.6	3.6	
SHANGHAI CIMIC TILE CO -A	Chin	-	117.5	83.9	78.3	-	-	-	-	
SIAM CITY CEMENT PUB CO LTD	Thailand	16.2	14.8	13.1	11.9	10.0	8.8	7.8	7.7	
Maximum		89.4	117.5	83.9	78.3	10.5	36.4	30.3	7.7	
Minimum		3.8	7.4	6.6	6.6	6.8	5.5	4.6	3.6	
<b>Median</b>		<b>16.2</b>	<b>13.9</b>	<b>11.1</b>	<b>9.5</b>	<b>8.1</b>	<b>7.0</b>	<b>6.4</b>	<b>5.9</b>	
Cersanit		-248.4	19.7*	14.0	11.3	11.0	9.4*	8.0	7.0	
Premium (discount)			29.6%	20.5%	15.6%		37.8%	29.3%	22.6%	
<b>Implied price</b>										
Median		16.2	13.9	11.1	9.5	8.1	7.0	6.4	5.9	
Discount			0%	0%	0%		0%	0%	0%	
Multiple weight				50%				50%		
Year weight			20%	40%	40%		20%	40%	40%	
Equity value per share		10.59								

Source: BRE Bank Securities; \* excl. loan revaluation effects at year-end 2010 (PLN 20m)

The peer group comprises the following companies: Ceramic Industries, Ceramika Nowa Gala, Dynasty Ceramic, El Ezz Ceramics & Porcelain, GWA International, Hong Leong Industries, Hsil, Imerys, Italtile, Norkros, Panariagroup Industrie, Shanghai Cimic Tile, Siam City Cement, YI-Lai. Ceramic Industries manufactures ceramic floor and wall tiles and bathroom equipment. Ceramika Nowa Gala is Cersanit's local competitor in the market for ceramic tiles. Dynasty Ceramic manufactures external and internal wall and floor tiles. El Ezz Ceramics & Porcelain manufactures ceramic and porcelain tiles used by the construction industry. GWA International is a global producer of bathroom furniture and sanitaryware. Hong Leong Industries manufactures and sells ceramic tiles, and is also active in the automotive and electronics industries. Hsil produces bathroom and kitchen equipment, as well as assorted glass products. Imerys is a manufacturer of building materials, including ceramic tiles. Italtile sells ceramic products, bathroom accessories and furniture. Norkros, which operates in the UK, South Africa and Australia, manufactures ceramic tiles and showers. Panariagroup Industrie makes a wide variety of wall and floor tiles. Shanghai Cimic Tile makes ceramic and porcelain tiles. Siam City Cement is a well-known Thai cement producer, which also manufactures bathroom equipment and ceramic tiles. YI-Lai is a holding company manufacturing various types of tiles, including from ceramics.



A comparison of forecasted P/E and EV/EBITDA multiples shows that the ratios for Cersanit are higher than those of the peer group.

## DCF Analysis

### Assumptions:

- Risk-free rate = 5.80% (10Y T-bond yield).
- Expected FCF rate growth after FY2018 = 2.0%.
- Beta = 1.0.
- We assume dividends will be paid within the forecast horizon starting with the profit for FY 2011.
- Net debt value is as at year-end 2009.
- Future cash flows are discounted to their present value as of early June 2010.
- We assume that Cersanit will repay outstanding PLN 445.1m interest debt by the end of 2015.
- 2010 CAPEX is expected to total PLN 118.0m, marking a reduction from a previous estimate of PLN 161.5m, resulting from withheld projects in Romania and Russia.
- Loan revaluations are expected to reduce foreign-currency debt by PLN 20m at year-end 2010 (with positive effects on income). Forecasted exchange rates at year-end 2010: EUR/PLN 4.00; RON/PLN 0.97; USD/PLN 3.10; EUR/RON 4.15; EUR/UAH 10.00; UAH/PLN 0.40.



**DCF Valuation Model**

(PLN m)	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	+	
<b>Sales revenue</b>	<b>1 506.9</b>	<b>1 612.8</b>	<b>1 707.4</b>	<b>1 793.7</b>	<b>1 859.3</b>	<b>1 919.0</b>	<b>1 964.7</b>	<b>2 006.6</b>	<b>2 046.7</b>	<b>2 087.7</b>	
change	6.5%	7.0%	5.9%	5.1%	3.7%	3.2%	2.4%	2.1%	2.0%	2.0%	
<b>EBITDA</b>	<b>323.3</b>	<b>369.0</b>	<b>409.3</b>	<b>436.4</b>	<b>456.7</b>	<b>475.5</b>	<b>490.2</b>	<b>503.8</b>	<b>516.9</b>	<b>510.3</b>	
EBITDA margin	21.5%	22.9%	24.0%	24.3%	24.6%	24.8%	25.0%	25.1%	25.3%	24.4%	
D&A expenses	116.1	117.0	121.8	123.4	124.3	125.2	126.2	127.1	128.0	128.9	
<b>EBIT</b>	<b>207.1</b>	<b>252.0</b>	<b>287.5</b>	<b>312.9</b>	<b>332.4</b>	<b>350.3</b>	<b>364.1</b>	<b>376.7</b>	<b>388.9</b>	<b>381.4</b>	
EBIT margin	13.7%	15.6%	16.8%	17.4%	17.9%	18.3%	18.5%	18.8%	19.0%	18.3%	
EBIT after taxes	39.4	47.9	54.6	59.5	63.2	66.6	69.2	71.6	73.9	72.5	
<b>NOPLAT</b>	<b>167.8</b>	<b>204.1</b>	<b>232.9</b>	<b>253.5</b>	<b>269.3</b>	<b>283.7</b>	<b>294.9</b>	<b>305.2</b>	<b>315.0</b>	<b>308.9</b>	
CAPEX	-118.0	-169.0	-143.7	-135.3	-136.3	-137.2	-138.3	-139.3	-140.3	-128.9	
Working capital	-18.9	-25.9	-22.5	-20.0	-14.9	-13.3	-10.1	-9.1	-8.7	-8.8	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>FCF</b>	<b>146.9</b>	<b>126.3</b>	<b>188.5</b>	<b>221.6</b>	<b>242.5</b>	<b>258.4</b>	<b>272.7</b>	<b>283.9</b>	<b>294.1</b>	<b>300.2</b>	
WACC	9.0%	9.0%	9.1%	9.2%	9.3%	9.3%	9.4%	9.4%	9.4%	9.4%	
discount factor	0.89	0.81	0.74	0.68	0.62	0.56	0.51	0.47	0.43	0.39	
PV FCF	130.1	102.4	139.8	150.1	149.9	145.7	140.3	133.2	125.9	117.2	
<b>WACC</b>	8.96%	9.04%	9.14%	9.23%	9.29%	9.34%	9.38%	9.40%	9.43%	9.45%	
Cost of debt	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	
Risk-free rate	5.80%	5.80%	5.80%	5.80%	5.80%	5.80%	5.80%	5.80%	5.80%	5.80%	
Risk premium	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	
Net debt / EV	33.3%	31.8%	30.0%	28.4%	27.3%	26.4%	25.6%	25.2%	24.8%	24.4%	
Cost of Equity	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
FCF growth after the forecast horizon	2.0%	<b>Sensitivity Analysis</b>									
Terminal value	4 030.6	<b>FCF growth in perpetuity</b>									
Present value of the terminal value (PV TV)	1 725.5	0.0%	1.0%	2.0%	4.0%	5.0%					
Present value of FCF in the forecast horizon	1 303.5	WACC +1.0ppt	9.19	10.08	11.19	14.43	16.95				
Enterprise value (EV)	3 029.1	WACC +0.5ppt	10.22	11.26	12.55	16.45	19.58				
Net debt	1 145.8	WACC	11.36	12.57	<b>14.10</b>	18.84	22.81				
Other non-operating assets	0.0	WACC -0.5ppt	12.64	14.05	15.87	21.72	26.86				
Minority interests	0.0	WACC 1.0ppt	14.07	15.74	17.92	25.24	32.08				
Equity value	1 883.3										
Number of shares (millions)	144.3										
<b>Equity value per share (PLN)</b>	<b>13.05</b>										
Cost of equity (9M)	8.0%										
<b>Target Price</b>	<b>14.10</b>										
EV/EBITDA for the target price	9.8										
P/E('10) for the target price	16.6										
TV to EV	57.0%										

**Income Statement**

<b>(PLN m)</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010F</b>	<b>2011F</b>	<b>2012F</b>	<b>2013F</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
<b>Sales revenue</b>	<b>1 455.2</b>	<b>1 517.3</b>	<b>1 415.2</b>	<b>1 506.9</b>	<b>1 612.8</b>	<b>1 707.4</b>	<b>1 793.7</b>	<b>1 859.3</b>	<b>1 919.0</b>	<b>1 964.7</b>
change	91.4%	4.3%	-6.7%	6.5%	7.0%	5.9%	5.1%	3.7%	3.2%	2.4%
Ceramic tiles	985.5	1 030.2	901.8	955.9	1 032.4	1 104.6	1 170.9	1 217.7	1 260.4	1 291.9
Ceramic sanitaryware	300.3	303.5	341.6	368.9	391.0	406.7	420.9	433.5	444.4	453.3
Other	169.5	183.6	171.8	182.1	189.4	196.1	201.9	208.0	214.2	219.6
<b>COGS</b>	<b>825.1</b>	<b>872.8</b>	<b>846.6</b>	<b>896.6</b>	<b>943.5</b>	<b>990.3</b>	<b>1 040.4</b>	<b>1 078.4</b>	<b>1 113.0</b>	<b>1 139.5</b>
G&A expenses	122.1	112.4	109.2	108.2	112.0	115.2	118.2	120.3	122.2	123.7
Selling costs	268.3	305.1	285.8	295.0	305.4	314.3	322.3	328.2	333.4	337.4
Other net operating expenses	-7.7	6.8	-5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>232.1</b>	<b>233.9</b>	<b>168.1</b>	<b>207.1</b>	<b>252.0</b>	<b>287.5</b>	<b>312.9</b>	<b>332.4</b>	<b>350.3</b>	<b>364.1</b>
change	35.1%	0.8%	-28.1%	23.2%	21.7%	14.1%	8.8%	6.2%	5.4%	3.9%
EBIT margin	15.9%	15.4%	11.9%	13.7%	15.6%	16.8%	17.4%	17.9%	18.3%	18.5%
Profit/loss on financial activity	-67.1	-204.3	-151.6	-60.8	-73.8	-67.1	-62.2	-58.5	-55.3	-53.2
Extraordinary gains/losses	0.0	0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	-1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Gross profit</b>	<b>164.9</b>	<b>29.6</b>	<b>-8.1</b>	<b>146.4</b>	<b>178.1</b>	<b>220.4</b>	<b>250.7</b>	<b>273.9</b>	<b>295.0</b>	<b>310.8</b>
Tax	25.9	24.3	0.4	24.0	33.8	41.9	47.6	52.0	56.1	59.1
Minority interests	18.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>121.1</b>	<b>7.7</b>	<b>-8.1</b>	<b>122.4</b>	<b>144.3</b>	<b>178.6</b>	<b>203.1</b>	<b>221.9</b>	<b>239.0</b>	<b>251.8</b>
change	-17.3%	-93.6%	-205.5%	-1605.1%	17.9%	23.7%	13.7%	9.3%	7.7%	5.4%
Margin	8.3%	0.5%	-0.6%	8.1%	8.9%	10.5%	11.3%	11.9%	12.5%	12.8%
D&A expenses	92.5	105.8	116.6	116.1	117.0	121.8	123.4	124.3	125.2	126.2
<b>EBITDA</b>	<b>324.6</b>	<b>339.7</b>	<b>284.7</b>	<b>323.3</b>	<b>369.0</b>	<b>409.3</b>	<b>436.4</b>	<b>456.7</b>	<b>475.5</b>	<b>490.2</b>
change	51.4%	4.7%	-16.2%	13.5%	14.2%	10.9%	6.6%	4.7%	4.1%	3.1%
EBITDA margin	22.3%	22.4%	20.1%	21.5%	22.9%	24.0%	24.3%	24.6%	24.8%	25.0%
Shares at year-end (millions)	132.9	144.3	144.3	144.3	144.3	144.3	144.3	144.3	144.3	144.3
EPS	0.9	0.1	-0.1	0.8	1.0	1.2	1.4	1.5	1.7	1.7
CEPS	1.6	0.8	0.8	1.7	1.8	2.1	2.3	2.4	2.5	2.6
ROAE	14.4%	0.7%	-0.8%	10.3%	10.8%	12.3%	13.1%	13.7%	14.2%	14.6%
ROAA	4.9%	0.2%	-0.3%	4.6%	5.4%	6.5%	7.3%	7.9%	8.4%	8.7%

**Balance Sheet**

<b>(PLN m)</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010F</b>	<b>2011F</b>	<b>2012F</b>	<b>2013F</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
<b>ASSETS</b>	<b>2 477.0</b>	<b>3 286.1</b>	<b>2 625.4</b>	<b>2 688.6</b>	<b>2 691.2</b>	<b>2 739.0</b>	<b>2 791.0</b>	<b>2 815.1</b>	<b>2 830.6</b>	<b>2 882.2</b>
<b>Fixed assets</b>	<b>1 363.0</b>	<b>1 628.0</b>	<b>1 570.7</b>	<b>1 572.6</b>	<b>1 624.5</b>	<b>1 646.4</b>	<b>1 658.3</b>	<b>1 670.2</b>	<b>1 682.2</b>	<b>1 694.3</b>
Intangible assets	283.8	396.6	383.1	385.0	386.9	388.8	390.8	392.7	394.7	396.7
Property, plant and equipment	1 061.0	1 205.4	1 165.4	1 165.4	1 215.4	1 235.4	1 245.2	1 255.2	1 265.2	1 275.4
Equity value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term investments	4.1	6.1	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Long-term prepayments	14.1	19.9	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8
<b>Current assets</b>	<b>1 114.0</b>	<b>1 658.2</b>	<b>1 054.7</b>	<b>1 116.0</b>	<b>1 066.7</b>	<b>1 092.5</b>	<b>1 132.8</b>	<b>1 144.9</b>	<b>1 148.4</b>	<b>1 188.0</b>
Inventories	269.9	413.7	397.7	406.3	420.5	432.9	443.8	451.9	459.2	464.7
Short-term receivables	443.0	516.5	546.5	564.2	584.1	601.2	616.4	627.6	637.7	645.3
Short-term investments	1.9	1.8	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Cash	388.9	716.8	106.3	141.3	57.8	54.2	68.3	61.1	47.3	73.7
Short-term prepayments	10.4	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>(PLN m)</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010F</b>	<b>2011F</b>	<b>2012F</b>	<b>2013F</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
<b>LIABILITIES</b>	<b>2 477.0</b>	<b>3 286.1</b>	<b>2 625.4</b>	<b>2 688.6</b>	<b>2 691.2</b>	<b>2 739.0</b>	<b>2 791.0</b>	<b>2 815.1</b>	<b>2 830.6</b>	<b>2 882.2</b>
<b>Equity</b>	<b>842.6</b>	<b>1 036.5</b>	<b>1 066.2</b>	<b>1 188.5</b>	<b>1 332.8</b>	<b>1 453.7</b>	<b>1 549.6</b>	<b>1 619.2</b>	<b>1 680.6</b>	<b>1 729.3</b>
Share capital	13.3	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.4
Supplementary capital	672.7	1 112.7	1 279.0	1 279.0	1 279.0	1 279.0	1 279.0	1 279.0	1 279.0	1 279.0
Retained earnings	68.2	-5.9	-173.3	-50.9	93.4	214.2	310.1	379.7	441.2	489.8
Minority interests	160.1	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Long-term liabilities</b>	<b>514.0</b>	<b>1 172.6</b>	<b>947.2</b>	<b>880.6</b>	<b>780.7</b>	<b>700.7</b>	<b>650.7</b>	<b>600.7</b>	<b>550.7</b>	<b>550.7</b>
Debt	506.2	1 172.6	946.5	880.0	780.0	700.0	650.0	600.0	550.0	550.0
<b>Short-term liabilities</b>	<b>924.4</b>	<b>1 058.1</b>	<b>611.2</b>	<b>618.6</b>	<b>576.8</b>	<b>583.8</b>	<b>590.0</b>	<b>594.5</b>	<b>598.5</b>	<b>601.5</b>
Trade creditors	317.8	368.0	341.3	348.7	356.8	363.8	370.0	374.5	378.5	381.5
Debt	606.6	690.1	269.9	269.9	220.0	220.0	220.0	220.0	220.0	220.0
Reserves	34.8	16.2	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other	1.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt	1 112.8	1 862.7	1 216.4	1 149.9	1 000.0	920.0	870.0	820.0	770.0	770.0
Net debt	723.9	1 145.8	1 110.2	1 008.6	942.2	865.8	801.7	758.9	722.7	696.3
(Net debt / Equity)	85.9%	110.6%	104.1%	84.9%	70.7%	59.6%	51.7%	46.9%	43.0%	40.3%
(Net debt / EBITDA)	2.2	3.4	3.9	3.1	2.6	2.1	1.8	1.7	1.5	1.4
<b>BVPS</b>	<b>6.3</b>	<b>7.2</b>	<b>7.4</b>	<b>8.2</b>	<b>9.2</b>	<b>10.1</b>	<b>10.7</b>	<b>11.2</b>	<b>11.7</b>	<b>12.0</b>

**Cash Flows**

(PLN m)	2007	2008	2009	2010F	2011F	2012F	2013F	2014F	2015F	2016F
<b>Cash flows from Operating Activities</b>	<b>173.8</b>	<b>99.1</b>	<b>157.9</b>	<b>280.3</b>	<b>309.3</b>	<b>344.9</b>	<b>368.7</b>	<b>389.8</b>	<b>406.2</b>	<b>421.1</b>
Net income	121.1	7.7	-8.1	122.4	144.3	178.6	203.1	221.9	239.0	251.8
D&A expenses	92.5	105.8	116.6	116.1	117.0	121.8	123.4	124.3	125.2	126.2
Interest and equity in profits	39.1	51.2	67.7	80.8	73.8	67.1	62.2	58.5	55.3	53.2
Working capital	-75.5	-105.9	-82.0	-18.9	-25.9	-22.5	-20.0	-14.9	-13.3	-10.1
Other	-3.4	40.4	63.6	-20.0	0.0	0.0	0.0	-0.0	0.0	-0.0
<b>Cash flows from investing activities</b>	<b>-619.45</b>	<b>-318.73</b>	<b>-118.20</b>	<b>-118.04</b>	<b>-168.97</b>	<b>-143.71</b>	<b>-135.26</b>	<b>-136.25</b>	<b>-137.25</b>	<b>-138.25</b>
CAPEX	-310.97	-66.62	-121.08	-118.05	-168.97	-143.71	-135.26	-136.25	-137.25	-138.25
Equity investments	-569.52	-250.19	0.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash flows from financing activities</b>	<b>415.8</b>	<b>515.6</b>	<b>-654.9</b>	<b>-127.3</b>	<b>-223.7</b>	<b>-204.8</b>	<b>-219.4</b>	<b>-260.8</b>	<b>-282.8</b>	<b>-256.4</b>
Debt	342.0	381.7	-705.5	-127.3	-223.7	-147.1	-112.2	-108.5	-105.3	-53.2
Dividends/buy-back	0.0	0.0	0.0	0.0	0.0	-57.7	-107.1	-152.3	-177.5	-203.1
Other	73.7	133.9	50.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Change in cash</b>	<b>-29.9</b>	<b>295.9</b>	<b>-615.2</b>	<b>35.0</b>	<b>-83.4</b>	<b>-3.6</b>	<b>14.1</b>	<b>-7.2</b>	<b>-13.9</b>	<b>26.5</b>
Cash at end of period	388.9	716.8	106.3	141.3	57.8	54.2	68.3	61.1	47.3	73.7
DPS (PLN)	0.0	0.0	0.0	0.0	0.0	0.4	0.7	1.1	1.2	1.4
FCF	-106.0	-24.8	89.4	146.9	126.3	188.5	221.6	242.5	258.4	272.7
(CAPEX / Sales)	-21.4%	-4.4%	-8.6%	-7.8%	-10.5%	-8.4%	-7.5%	-7.3%	-7.2%	-7.0%

**Market multiples**

	2007	2008	2009	2010F	2011F	2012F	2013F	2014F	2015F	2016F
P/E	15.4	262.1	-248.4	16.5	14.0	11.3	9.9	9.1	8.5	8.0
P/CE	8.7	17.8	18.6	8.5	7.7	6.7	6.2	5.8	5.5	5.3
P/BV	2.2	1.9	1.9	1.7	1.5	1.4	1.3	1.2	1.2	1.2
P/S	1.3	1.3	1.4	1.3	1.3	1.2	1.1	1.1	1.1	1.0
FCF/EV	-4.1%	-0.8%	2.9%	4.9%	4.3%	6.5%	7.9%	8.7%	9.4%	10.0%
EV/EBITDA	8.0	9.3	11.0	9.4	8.0	7.0	6.5	6.1	5.8	5.5
EV/EBIT	11.1	13.5	18.6	14.6	11.8	10.0	9.0	8.4	7.8	7.5
EV/S	1.8	2.1	2.2	2.0	1.8	1.7	1.6	1.5	1.4	1.4
DYield	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%	5.3%	7.5%	8.8%	10.1%
<b>Price (PLN)</b>	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00
Shares at year-end (millions)	132.9	144.3	144.3	144.3	144.3	144.3	144.3	144.3	144.3	144.3
MC (PLN m)	1 861.2	2 019.6	2 019.6	2 019.6	2 019.6	2 019.6	2 019.6	2 019.6	2 019.6	2 019.6
Equity attributable to minority shareholders (PLN m)	160.1	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV (PLN m)	2 425.1	3 163.1	3 129.7	3 028.2	2 961.8	2 885.3	2 821.2	2 778.5	2 742.3	2 715.8



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

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Recommendations are updated at least once every nine months.

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<b>Rating</b>	Reduce
<b>Rating date</b>	2010-04-01
<b>Price on rating day</b>	16.03
<b>WIG on rating day</b>	42446.51