15 February 2010

Research Report

BRE Bank Securities

IT

Poland

Comarch

COMH.WA; CMR PW

Reduce

(New)

Current price	**102.9 PLN**
Target price	**93.1 PLN**
Market cap	PLN 819m
Free float	PLN 184.5m
Avg daily trading volume (3M)	PLN 1.46m

Shareholder Structure (shares/votes)

Janusz Filipiak	32.23% / 41.04%
Elżbieta Filipiak	10.63% / 28.29%
BZ WBK AIB AM	34.62%/18.43%
Others	22.52% / 12.24%

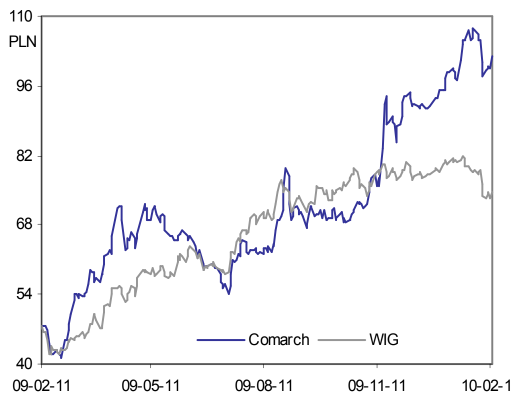
Sector Outlook

In all likelihood, the IT market dropped in value by several percent in 2009. No big rebound can be expected this year as the economic situation remains uncertain while access to credit is constrained. The industry is still awaiting big government-funded projects subsidized by the EU.

Company Profile

Comarch is one of Poland's biggest IT integrators and software suppliers. Most of its business comes from the financial industry and the telecom sector. In addition, the Company is expanding abroad, especially in Germany and France. This year, half of the revenues will be generated abroad.

Comarch vs. WIG



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Good Outlook Already Priced In

After the weak 2009, this year we should see a considerable improvement in Comarch's consolidated earnings thanks above all to restructuring activities at the German subsidiary SoftM and higher earnings generated by SPVs. A big opportunity for the Company is the launch of the Electronic Government program; here Comarch is very well poised to win contracts. Still, we believe the current market valuation fully reflects this year's upside potential for earnings, as well as Comarch's future engagement in the national computerization program. The Company's EV/EBITDA (11.2) and P/E (20.9) for 2010 imply premiums of 46.7% and 54.9%, respectively, to Polish and foreign peers. When the participation in government-funded programs in 2011 is taken into consideration, the premiums shrink to 16.3% and 42.8%, respectively. We believe for now there are no grounds to discount greater gains from these projects and a further reduction in valuation premiums. As a result, we recommend reducing the stock and we set our target price at PLN 93.1 per share.

Forecasts for Q4 2009

We expect the fourth quarter to be the best quarter of the year. Comarch's profits will be much lower y/y due to lower revenues (no public-sector orders, no one-off valuation gains on F/X receivables and a y/y decrease in the profit of SoftM). We are projecting an EBIT of PLN 16m and a net profit of PLN 16.5m.

IT Market Remains Weak

In 2010, we do not expect a breakthrough as regards IT spend in most branches of the economy. We expect IT budgets to be similar in size y/y in manufacturing, telecommunications, the financial industry, and in the energy sector. We are expecting good news in the public sector, where we expect contracts for a total of PLN 3.5bn to be awarded under the Electronic Government program (to be executed in 2011-2013).

Slightly Bigger Backlog

As of 31 October 2009, the order backlog excluding SoftM stood at PLN 215.5m vs. PLN 184m in the same period of 2008. We estimate the current backlog at PLN 280m vs. PLN 323m at the end of February 2009.

(PLN m)	2007	2008	2009F	2010F	2011F
Revenue	581.0	701.0	703.6	710.8	829.4
EBITDA	61.1	66.0	46.3	66.8	89.0
EBITDA margin	*10.5%*	*9.4%*	*6.6%*	*9.4%*	*10.7%*
EBIT	44.0	45.9	8.3	34.8	56.4
Net profit	42.8	199.1	22.2	39.2	51.1
DPS	2.3	0.0	0.0	0.0	0.0
P/E	19.2	4.1	36.8	20.9	16.0
P/CE	13.7	3.7	13.6	11.5	9.8
P/BV	2.7	1.5	1.5	1.4	1.3
EV/EBITDA	13.9	11.5	16.2	11.2	8.2

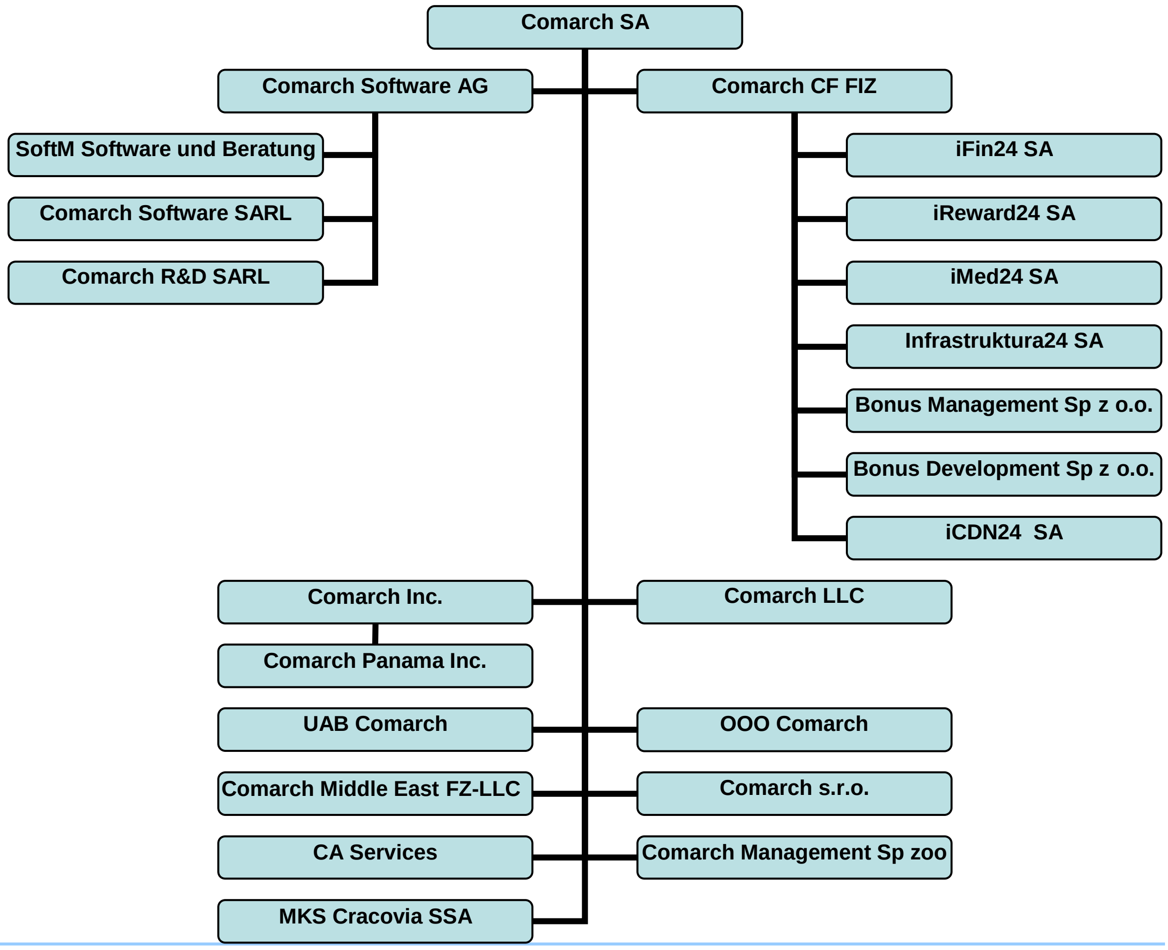
Good Outlook Already Priced In

Company Profile

Structure of the Group

Most of the Group's business is carried out by the parent company, which, in addition to having a broad product offer directed to companies in various sectors of the economy, sells services and software within Poland. The second most important part of the Group is its November 2008 acquisition SoftM Software and Bereitung, which is listed at the Frankfurt stock exchange and which has an extensive product offer directed to the German SME sector (ca. 2% market share). Its business lines include software (36.2% of revenue in 2008), consulting services (30.9%) and hardware integration (32.9%). Over the past years, its business has shrunk considerably. We estimate the decline in its revenue in 2006-2009 at 50%, with the hardware integration being the main culprit. SoftM's flagship products is the ERP software Semiramis and an accounting program called Sharknex. These two products generate ca. 25% of sales in the software segment. The company has high hopes for further increase in Semiramis sales. Sharnkex, in turn, will be replaced by a novel accountin solution, which is currently being prepared.

Structure of the Comarch Group



Source: Comarch SA

Comarch AG is an investment vehicle used by Comarch to exercise control over SoftM and the French subsidiaries. In addition, it sells IT services to telecoms in Germany, France and the Benelux countries. The task of Comarch Software S.A.R.L. is adjusting Comarch's products to the needs of the French market and selling them there.
In addition to these, Comarch has multiple other subsidiaries whose task is to support sales in individual countries, e.g. Comarch Panama Inc. (Central and South America), Comarch Inc. (USA). In addition to sales, some of these companies also provide support services for the

systems they supply, e.g. Comarch Middle East FZ, UAB Comarch (Lithuania, currently under liquidation), OOO Comarch (Russia), Comarch LLC (Ukraine).

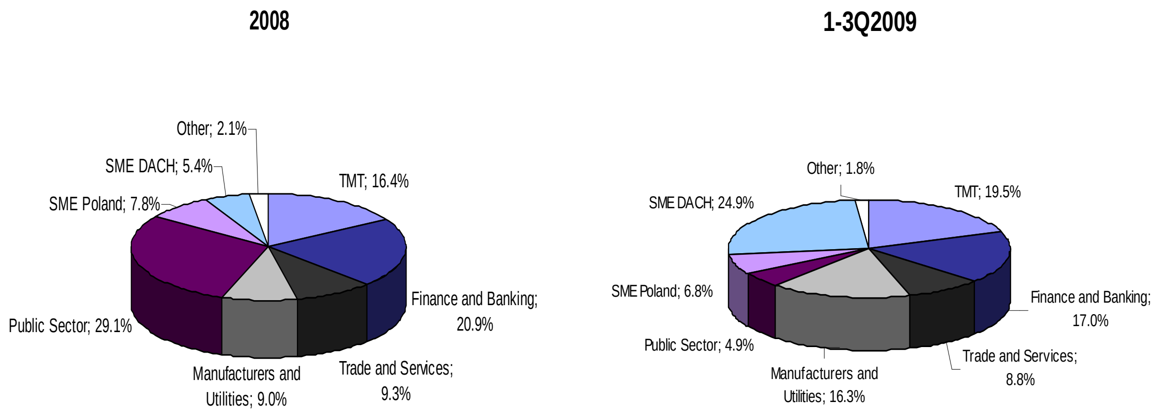
Further, through Comarch Corporate Finance FIZ, a closed investment fund, Comarch owns shares in a number of SPVs dedicated to the development of individual products. iMed24 focuses on a project in the area of telemedicine, including the management of electronic medical documentation. iFin24 focuses on the development of electronic invoicing that could replace traditional printed invoices. iReward24, in turn, prepares and implements loyalty-program software for SMEs. Infrastruktura24 offers data center services for companies from the same segment. Bonus Development manages the Group's real properties, and CA Services makes wholesale purchases of telecom connections for the Group's use, as well as offers service outsourcing for banks. iCDN24, in cooperation with accounting offices, provides outsourced bookkeeping services based on Comarch's software solutions. Bonus Development Sp. z o.o. runs an investment project in Łódź (expansion of an office and manufacturing center for the use of the Group).

In addition, the Comarch group includes the premier-division soccer club MTS Cracovia, consolidated under the full method.

Sales by Segment

Comarch's core operating segments are Telecoms, Media and IT (TMT, 16.4% of total revenue in 2008) and Banking and Finance (20.9%). In the former case, ca. 1/3 of total sales come from Poland, with nearly 2/3 going to foreign mobile operators. The segment's offer includes OSS and billing systems. In contrast, nearly all the sales in Banking and Finance are to Polish clients. The product offer focuses on CRM, transactional and product-management systems. It does not include any core accounting systems.

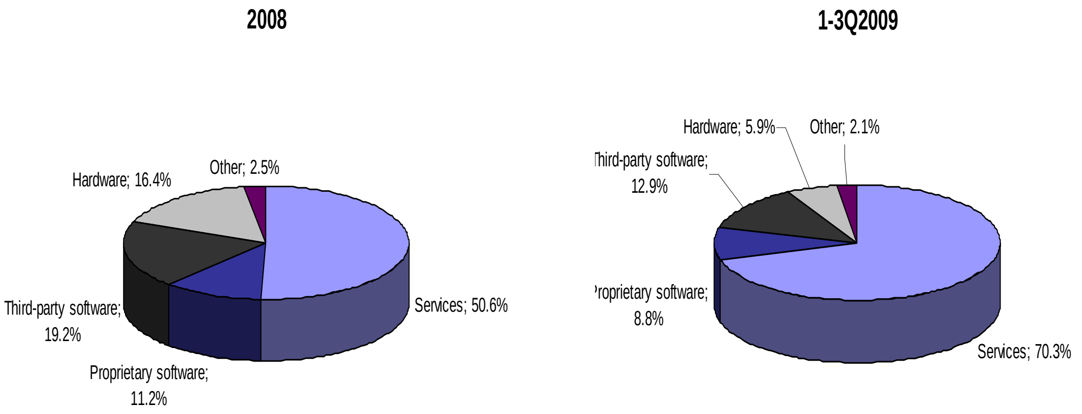
Sales by Segment



Source: Comarch

Another segment with a fairly important position in sales is the Public Sector, though the it is highly volatile as far as its revenues are concerned, as it is highly dependent on contracts from one source, the Ministry of National Education (MEN). By way of example, in 2008 over 70% of the segment's record-high PLN 203.7m revenue came from this source, but in 2010, with no big contracts coming from the MEN, our forecast for the segment is only PLN 45m. Let us point out that the contracts in question are mostly for the supply of hardware and third-party software, as a result of which they come with a margin much lower than is typical for Comarch's other segments; therefore, the impact of the fluctuations in contracts from MEN is much lower at the bottom line than at the top line.
In the case of Manufacturers and Utilities, most of the sales is to Polish and foreign Gas & Oil companies (Lotos, BP), which Comarch supplies with customer loyalty and data storage systems. In 2009, the Company executed a big order from PGNiG, which it supplied with Mirosoft software and licenses.

Sales by Product

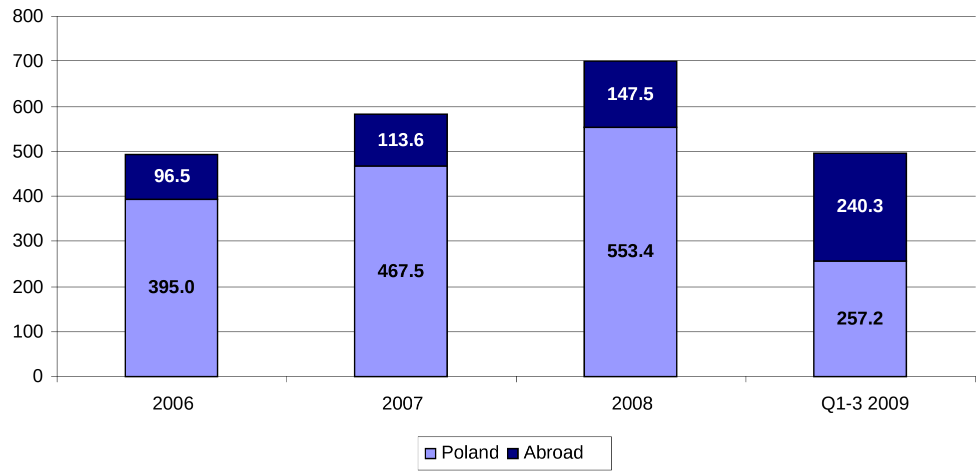


Source: Comarch

In Services and Trade, most of the Group's clients are big discount retailers, which Comarch supplies with customer loyalty systems and document-flow management systems. In 2008, the segment generated ca. 9.3% of total revenue, but Comarch has high hopes for its future. In 2010 alone, it is planning to spend PLN 40m on the development of its product offer, including the construction of data processing centers in Germany and France. As the latter is not going to be completed by 2011, the former is of more immediate importance.

In the past, the Small and Medium Enterprises segment supplied less than 10% of the Group's revenue. The segment accounts for most of the sales of the Groups' ERP software.
SoftM's sales constitutes a separate SME sector for DACH countries (Germany, Austria, Switzerland). In Q1-Q3 2009, it accounted for 24.9% of its total sales, and the Management hopes to see this share grow in the following years.

Sales by Geography (PLN m)



Source: Comarch

Sales by Geography

At present, most of the revenue is still generated within Poland (51.7% in Q1-Q3 2009). After the takeover of SoftM, however, the importance of the DACH countries increased significantly, however (ca. 32.8%). Other European countries account for ca. 13.2% of total sales, the most important one being France (ca. 4%). Sales in North and South America provide ca. 1.5% of total revenue. Comarch's goal is to increase the share of foreign sales to above 50%, mostly through increased activity in Germany and France, and then strengthen this pattern in the following years.

Future Prospects

Forecasts for Q4 2009

We expect a considerable drop in the Group's revenue, by 35.4%, driven primarily by the fact that the base of comparison will be inflated by a PLN 98m contract for the MEN. On the other hand, sales should be boosted by the full consolidation of SoftM, which in 2008 was only consolidated for half a quarter. Full consolidation of SoftM should continue to have a positive impact on the Group's revenue, despite the fact that we expect the sales of the German subsidiary it to contract to EUR 11.0m. As far as the gross margin is concerned, we expect it to reach the FY 2009 high. Our forecasted 22.5% is still less than last year, which is partially attributable to the fact that the base comparison is inflated by a ca. PLN 6m gain on the balance-sheet valuation of receivables. Moreover, during the period of its consolidation, SoftM brought PLN 2.2m in additional EBIT. We expect the German subsidiary to be back in the black at the EBIT level in Q4'09, but we only expect it to generate only PLN 1.1m, i.e. just half of the profit Comarch consolidated in Q4 2008 (in the quarter as a whole, the Company incurred a loss of EUR 3.2m).

Cost-cutting across the Group, and reduction in sales, should reduce SG&A expenses from PLN 33.1m to PLN 29.3m. We also do not expect big provisions this time (PLN 5m in Q4'08). All in all, Comarch will see its operating profit shrink considerably, from PLN 33.5m to PLN 16.0m.

Q4 2009 earnings forecast

(PLN m)	Q4 2009F	Q4 2008	Change	2009F	2008	Change
Revenue	202.3	313.2	-35.4%	703.6	701.0	0.4%
EBITDA	23.0	41.4	-44.4%	46.3	66.0	-29.8%
margin	*11.38%*	*13.21%*	-	*6.58%*	*9.41%*	-
EBIT	16.0	33.5	-52.2%	8.3	45.9	-81.9%
Pre-tax income	17.3	36.3	-52.3%	12.8	244.5	-94.8%
Net income	17.6	37.0	-52.4%	22.2	199.1	-88.8%

Source: Comarch, estimates by BRE Bank Securities

IT market in Poland in 2010

We do not expect a breakthrough in the IT market in 2010. Financial companies will most likely remain cautious about IT investment and not expand their IT budgets until 2011. This is also likely to be the case with power utilities. In the public sector, we expect selective approach to IT projects. Given the restrictive fiscal approach of the government, outlays on hardware projects, which are the easiest to postpone and which are usually financed entirely from the national budget, will most likely continue to be cut back. In turn, we can expect positive developments as regards the Electronic Government program. We expect that in 2010 tenders will be invited and contracts will be awarded for most projects included in the 7th priority axis of the Innovative Economy Operational Program, as well as those supervised by the Center for IT Projects at the Ministry of Home Affairs and Administration. We expect the total value of contracts awarded in 2010 to exceed PLN 3.5bn, though little of the work will be performed this year. The Ministry of Home Affairs and Administration expects to spend ca. PLN 408m on Electronic Government projects in 2010, but we consider this overly optimistic; in our opinion, it will be a success if a half of this amount is actually spent, and most of the work on the projects in question will actually be carried out in 2011-2013.

Projects within the 7th priority axis of the "Innovative Economy" Operational Program

No.	Project title	Applicant	Agreement signed	Total value of the project (PLN)
1	Localization and Information Platform with Central Database (PLI CBD)	Office of Electronic Communications	09.03.2009	11 164 172
2	Online access to services and digital resources of medical registers for businesses.	Center for Healthcare IT Systems	22.06.2009	43 148 550
3	Electronic Platform for the Collection, Analysis and Release of Digital Data on Medical Events	Center for Healthcare IT Systems	22.06.2009	575 314 000
4	Consolidation and centralization of customs and tax systems	Finance Ministry	25.06.2009	141 950 000
5	Development of Social Security IT System with a View to Provide Online Access to Services	Social Security Institution	26.06.2009	85 000 000
6	Public Statistics IT System	Central Statistical Office	30.06.2009	94 014 080
7	„Geoportal 2"	Central Office of Surveying and Cartography	29.07.2009	76 360 000
8	Digitalization of Property Registers	Ministry of Justice	06.08.2009	21 620 944
9	Electronic Services of the Ministry of Justice (including online access to National Court Register, National Register of Convicts, Court and Economic Monitor) (stage 1 of 3)	Ministry of Justice	31.08.2009	2 761 667 (stage 1)
10	Electronic Service Platform (PUE)	Social Security Institution	22.09.2009	86 290 000
11	Central Register of Businesses	Ministry of the Economy	25.09.2009	24 437 301
12	Georeferential Database of Topographic Objects (GBDOT), including a national management system	Central Office of Surveying and Cartography	25.09.2009	144 500 000
13	TERYT2: National Register of Borders and Areas of Territorial Subdivision Units	Central Office of Surveying and Cartography	25.09.2009	38 250 000
14	Online Services Infrastructure	Finance Ministry	25.09.2009	178 500 000
15	Emp@tia: Social Security Communication Platform	Ministry of Labor and Social Policy	25.09.2009	52 309 000
16	Broadband Infrastructure Information System and the Broadband Poland Portal	National Institute of Telecommunications	25.09.2009	13 599 973
17	e-Customs	Finance Ministry	26.11.2009	101 220 000

Source: Ministry of Regional Development

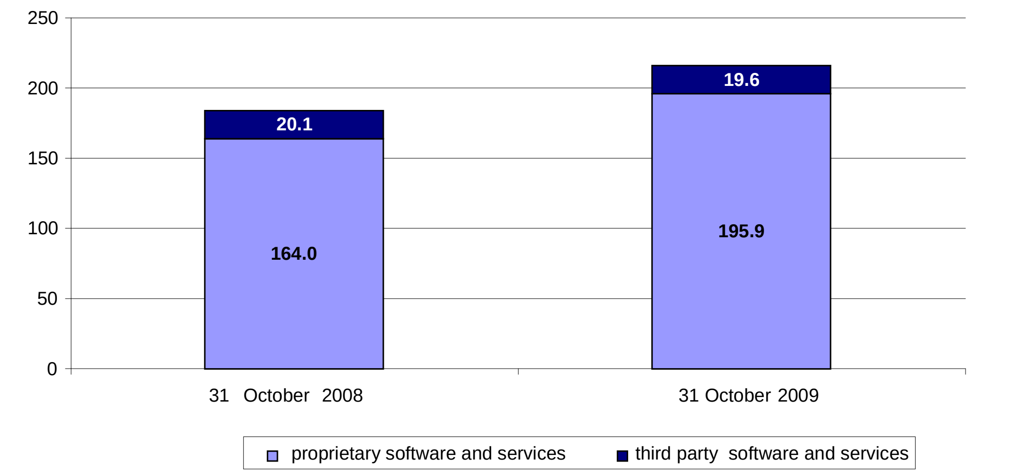
Opportunities Offered by National Computerization Plan

The total value of projects included on the primary list of the 7th priority axis of the Innovative Economy Operational Program is ca. PLN 5.2, expected to be awarded by 2013. We believe that up to 5% of the total may be awarded for IT consulting services. The reminder will be awarded to big IT companies through public tendering. We believe that of foreign competitors, Accenture, HP and IBM are likely to grab their piece of the cake. Among the Polish companies, those likely to be successful in bidding for contracts are Asseco Poland, Sygnity, Qumak-Sekom, ATM and Comarch.
We believe this may be one of the reasons behind the high multiples Comarch is currently trading at. Our forecasts do take into account some revenue from Electronic Government projects. Our sales forecast for 2011-2013 includes PLN 80m in annual revenue on this account, which is ca. 4.5% of the forecasted total.

2010 Order Backlog

At the end of October 2009, Comarch's order backlog stood at ca. PLN 215.5m, of which PLN 195.9m were contracts for proprietary services and software, and PLN 19.6m contracts for third-party software and hardware. In the same period of 2008, the backlog for 2009 amounted to PLN 184m, with PLN 164m in contracts for proprietary services and software. We estimate that the backlog for 2010 has increased to PLN 280m by now. Excluding revenue from SoftM, this accounts for ca. 48% of revenue we forecast for FY 2010.

Order backlog (excluding SoftM) for the following year as of 31 October



Source: Comarch

Restructuring at SoftM as the Main Source of Earnings Improvement

After a very unsuccessful 2009, when the German subsidiary recorded an estimated loss of EUR 7.0m at the EBIT level, its financial standing is expected to improve this year. The Company has cut employment vs. January 2009 by ca. 40 positions, and introduced a remuneration system with greater sales-related incentives. According to Comarch, SoftM should break even operationally in 2010. In addition to lower payroll expenses, there will be no write-offs, which in 2009 reduced the EBIT by EUR 3.2m. In addition, the hardware integration business, which generated EUR 18.6m in revenue in 2008 and an estimated EUR 8.0m in 2009 is going to be gradually wound up.

We believe the EBIT break-even target may be overly ambitious for FY 2010. The Management is not planning any further downsizing, which means that the reduction in average headcount will amount to just 5%. This, in our opinion, will keep payroll savings at EUR 2m at most. We expect certain savings in other operating expenses, and the non-occurrence of asset write-downs will reduce D&A charges. All told, we expect SoftM to incur a EUR 1.5m operating loss in 2010.

SPVs Remain in the Red

In the first three quarters of 2009, Comarch's SPVs generated an EBIT loss of PLN 6.5m, which we expect to increase to PLN 8m by the end of the year. The Management's goal for FY 2010 is to cut their losses by half. We believe that while ambitious, this target is attainable. In our forecasts we assume this will indeed be the case and the SPVs' losses will be reduced to PLN 4m.

Further Expansion of Sports Marketing

FY 2010 will most likely see a considerable increase in outlays on sports marketing. Expenditure on the Cracovia soccer club will increase from ca. PLN 7m to PLN 8m. In addition, Comarch is now sponsoring the German soccer club TSV 1860 Munich. Under the agreement currently in place, the Company will spend ca. EUR 0.5m on the club in H1 2010. Starting with the next season (i.e. H2 2010), Comarch will become the club's title sponsor, which will most likely entail higher expenses on this account. We assume that starting in 2011, the Company will be spending EUR 2m on the German club (EUR 1.5m in 2010), which, coupled with the increase in Cracovia's budget, will entail a ca. PLN 9m increase in sponsoring expenses vs. 2009.

Investment Plans

The Group's investment plans for FY 2010 foresee further expansion of its infrastructure. Ca. PLN 17m will be spent on the construction of a new building in the Kraków special economic zone. Approximately PLN 5m will be spent on the expansion of the Łódź branch. In addition, the Company will build server facilities for its data centers in Germany and France for PLN 8m each. With replacement CAPEX estimated at ca. PLN 20m, we expect the FY 2010 investment budget to figure to ca. PLN 58m.

Operations in the Special Economic Zone

In the light of its activity in the Kraków special economic zone, and the subsequent change in legal regulations brought about by Poland's accession to the EU, Comarch was granted a tax credit in the amount equal to 75% of its investment outlays in the Kraków economic zone between 22 March 1999, when it received permission to operate in it, and 31 December 2006. The current book value of the tax credit is PLN 22m, which entails ca. PLN 50m in nominal terms. We consider the SEZ operations and the tax relief an important asset. As a result, we have factored the PLN 50m (PLN 37.2m when discounted at the DCF rate) into our valuation as other non-operating asset.

Valuation

Valuation Summary

	PLN m	Weight	9MTP
DCF valuation	683.9	50%	
Relative Valuation	683.6	50%	
based on			
P/E	618.3	50%	
EV/EBITDA	748.8	50%	
Average	**683.8**		**741.2**
Average per share			93.1

Model Assumptions

1. Our earnings forecast horizon extends from FY 2009 to FY 2018.
2. In the forecast horizon and beyond, our assumed risk-free rate is 6.2% (yield on 10Y T-bonds).
3. We increase our valuation by the discounted value of the tax credit on account of Comarch's operations n the Kraków Special Economic Zone.
4. Expected FCF growth rate after the forecast horizon is 3.0%.

Relative Valuation

We compared the EV/EBITDA and P/E multiples of Comarch and its foreign peers as estimated for the years 2010, 2011, and 2012. The forecast years are given 25%, 45%, and 30% weights respectively.

P/E and EV/EBITDA estimates for comparable IT companies

		EV/EBITDA			P/E		
	Price	2010F	2011F	2012F	2010F	2011F	2012F
Microsoft Corp		8.6	7.9	7.2	14.1	12.9	11.4
Cap Gemini		6.0	5.3	4.8	14.5	12.2	10.2
SAP AG		10.6	9.6	8.6	16.5	14.8	13.0
Oracle Corp		9.1	8.1	7.5	14.9	13.1	11.8
Accenture Ltd		7.6	7.1	6.8	14.9	13.3	11.8
Indra Sistemas		8.2	7.6	7.5	12.0	11.1	10.9
Tietoenator		6.7	6.1	5.3	12.9	11.1	9.0
Atos Origin SA		5.4	5.0	4.6	12.1	10.2	8.6
LOGICA Plc		7.9	7.3	6.8	10.3	9.4	8.2
IBM		7.7	7.0	6.7	11.1	10.2	9.6
Asseco Poland		7.1	6.6	6.0	12.1	11.4	10.5
Sygnity		7.0	4.9	4.1	30.7	10.7	7.4
Maximum		10.6	9.6	8.6	30.7	14.8	13.0
Minimum		5.4	4.9	4.1	10.3	9.4	7.4
Median		**7.6**	**7.1**	**6.7**	**13.5**	**11.2**	**10.4**
Comarch	102.9	**11.2**	**8.2**	**6.8**	**20.9**	**16.0**	**13.4**
Premium / discount		46.7%	16.3%	0.9%	54.9%	42.8%	28.8%

DCF Valuation Model

(PLN m)	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2018+
Revenues	**703.6**	**710.8**	**829.4**	**897.4**	**957.5**	**986.3**	**1 036.7**	**1 084.7**	**1 138.7**	**1 179.9**	
Change	*0.4%*	*1.0%*	*16.7%*	*8.2%*	*6.7%*	*3.0%*	*5.1%*	*4.6%*	*5.0%*	*3.6%*	
EBITDA	**46.3**	**66.8**	**89.0**	**105.1**	**114.5**	**119.4**	**125.8**	**132.0**	**139.0**	**142.9**	
EBITDA margin	*6.6%*	*9.4%*	*10.7%*	*11.7%*	*12.0%*	*12.1%*	*12.1%*	*12.2%*	*12.2%*	*12.1%*	
Amortization and depreciation	38.0	32.0	32.6	33.1	33.5	34.0	34.6	35.2	35.8	35.8	
EBIT	**8.3**	**34.8**	**56.4**	**72.0**	**81.0**	**85.4**	**91.2**	**96.8**	**103.2**	**107.1**	
EBIT margin	*1.2%*	*4.9%*	*6.8%*	*8.0%*	*8.5%*	*8.7%*	*8.8%*	*8.9%*	*9.1%*	*9.1%*	
Tax rate on EBIT	1.6	6.6	10.7	13.7	15.4	16.2	17.3	18.4	19.6	20.3	
NOPLAT	**6.7**	**28.2**	**45.7**	**58.3**	**65.6**	**69.2**	**73.9**	**78.4**	**83.6**	**86.7**	
CAPEX	-65.4	-57.7	-56.3	-51.6	-45.7	-43.3	-41.9	-40.3	-39.0	-35.8	
Working capital	-5.0	-6.1	-13.6	-9.4	-7.8	-7.0	-6.3	-7.1	-7.9	-11.4	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCF	**-25.7**	**-3.6**	**8.3**	**30.4**	**45.7**	**52.9**	**60.2**	**66.2**	**72.5**	**75.3**	**77.6**
WACC	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	
discount factor	*100.0%*	*90.7%*	*81.6%*	*73.4%*	*66.0%*	*59.3%*	*53.4%*	*48.0%*	*43.2%*	*38.8%*	
PV FCF	-25.7	-3.3	6.8	22.3	30.1	31.4	32.1	31.8	31.3	29.2	

WACC	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***0.0%***
Cost of debt	*7.2%*	*7.2%*	*7.2%*	*7.2%*	*7.2%*	*7.2%*	*7.2%*	*7.2%*	*7.2%*	*7.2%*	*7.2%*
Risk-free rate	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*6.2%*
Risk premium	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*
Effective tax rate	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*0.0%*
Net debt / EV	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Cost of Equity	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*
Risk premium	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

FCF growth after the forecast horizon	*3.0%*
Terminal value	946.2
Present value of the terminal value (PV TV)	367.2
Present value of FCF in the forecast horizon	211.7
Enterprise value (EV)	578.9
Net debt	-78.3
Other non-operating assets	37.2
Minority interests	10.5
Equity value	683.9
Number of shares (millions)	8.0
Equity value per share (PLN)	**85.9**
Cost of equity (9M)	8.4%
Target Price	**93.1**

Sensitivity analysis

	FCF growth in perpetuity				
	1.0%	**2.0%**	**3.0%**	**4.0%**	**5.0%**
WACC +1.0pp	75.4	78.7	82.8	87.8	94.2
WACC +0.5pp	79.2	83.0	87.6	93.5	101.2
WACC	83.3	87.7	**93.1**	100.1	109.3
WACC -0.5pp	87.9	93.0	99.3	107.6	118.8
WACC -1.0pp	93.0	98.9	106.5	116.4	130.2

EV/EBITDA('09) for the target price	12.5
P/E('09) for the target price	33.3
TV to EV	63%

Income Statement

(PLN m)	2007	2008	2009F	2010F	2011F	2012F	2013F
Revenues	**581.0**	**701.0**	**703.6**	**710.8**	**829.4**	**897.4**	**957.5**
Change	*18.2%*	*20.6%*	*0.4%*	*1.0%*	*16.7%*	*8.2%*	*6.7%*
TMT	122.5	114.7	138.8	145.7	157.4	171.5	181.8
Finance and Banking	126.6	146.7	118.8	124.8	134.8	149.6	166.0
Trade and Services	60.7	65.4	56.3	60.2	67.4	75.5	81.6
Manufacturers and Utilities	83.0	63.2	103.1	72.1	75.0	79.5	85.1
Public Sector	126.8	203.7	44.8	67.2	147.9	170.1	178.6
SME Poland	49.4	54.7	54.7	57.5	60.9	64.6	69.1
SME DACH	0.0	37.6	170.8	166.2	167.9	167.3	174.7
Other	12.0	14.8	16.3	17.1	18.2	19.3	20.6
COGS	**450.7**	**551.0**	**580.2**	**570.3**	**654.4**	**701.3**	**747.3**
Gross profit	**130.4**	**149.9**	**123.4**	**140.6**	**175.0**	**196.1**	**210.3**
Selling expenses	44.4	49.2	68.2	63.4	71.0	73.8	76.3
General and administrative expenses	36.5	46.8	44.9	39.9	45.1	47.9	50.6
Net sales	**49.5**	**53.9**	**10.3**	**37.3**	**58.9**	**74.4**	**83.4**
Other operating income	-5.5	-8.0	-2.0	-2.5	-2.5	-2.4	-2.4
EBIT	**44.0**	**45.9**	**8.3**	**34.8**	**56.4**	**72.0**	**81.0**
Change	*-3.4%*	*4.3%*	*-81.9%*	*318.5%*	*62.1%*	*27.7%*	*12.5%*
EBIT margin	*7.6%*	*6.6%*	*1.2%*	*4.9%*	*6.8%*	*8.0%*	*8.5%*
Profit on financing activity	-1.7	198.6	4.5	3.5	4.1	5.1	6.7
Other	3.3	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax income	**45.5**	**244.5**	**12.8**	**38.2**	**60.5**	**77.1**	**87.7**
Tax	-3.1	-43.3	4.6	0.0	-9.1	-14.7	-16.7
Minority interests	-0.4	2.1	-4.8	-1.0	0.3	1.1	1.9
Net income	**42.8**	**199.1**	**22.2**	**39.2**	**51.1**	**61.3**	**69.1**
Change	*-18.9%*	*365.6%*	*-88.8%*	*76.3%*	*30.3%*	*20.0%*	*12.7%*
margin	*7.4%*	*28.4%*	*3.2%*	*5.5%*	*6.2%*	*6.8%*	*7.2%*
Amortization and depreciation	17.0	20.1	38.0	32.0	32.6	33.1	33.5
EBITDA	**61.1**	**66.0**	**46.3**	**66.8**	**89.0**	**105.1**	**114.5**
Change	*4.7%*	*8.1%*	*-29.8%*	*44.2%*	*33.2%*	*18.1%*	*9.0%*
EBITDA margin	*10.5%*	*9.4%*	*6.6%*	*9.4%*	*10.7%*	*11.7%*	*12.0%*
Shares at year-end (millions)	8.0	8.0	8.0	8.0	8.0	8.0	8.0
EPS	5.4	25.0	2.8	4.9	6.4	7.7	8.7
CEPS	7.5	27.5	7.6	8.9	10.5	11.9	12.9
ROAE	*15.3%*	*47.7%*	*4.1%*	*6.9%*	*8.4%*	*9.3%*	*9.8%*
ROAA	*8.4%*	*27.0%*	*2.4%*	*4.2%*	*5.2%*	*5.8%*	*6.1%*

Balance Sheet

(PLN m)	2007	2008	2009F	2010F	2011F	2012F	2013F
ASSETS	**558.5**	**915.2**	**913.5**	**948.2**	**1 033.9**	**1 096.9**	**1 165.7**
Fixed assets	**242.4**	**406.3**	**433.7**	**459.5**	**484.6**	**503.9**	**516.8**
Property, plant and equipment	182.6	257.1	261.2	265.1	268.7	271.4	273.3
Intangible assets	35.6	98.7	122.0	143.8	163.9	179.6	190.0
Goodwill from consolidation	3.3	26.3	26.3	26.3	26.3	26.3	26.3
Financial assets	0.0	1.3	1.3	1.3	1.3	1.3	1.3
Other investment	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other receivables	0.0	1.7	1.7	1.7	1.7	1.7	1.7
Deferred income tax assets	12.3	12.7	12.7	12.7	12.7	12.7	12.7
Long-term accruals	8.5	8.4	8.4	8.5	9.9	10.7	11.4
Current assets	**316.1**	**508.9**	**479.8**	**488.7**	**549.3**	**593.0**	**648.9**
Inventories	32.8	29.6	32.7	33.7	38.7	41.5	44.2
Prepayments	17.8	12.2	12.2	12.4	14.4	15.6	16.7
Trade receivables	188.6	244.6	232.1	234.5	273.6	296.0	315.8
Other	0.0	0.2	0.2	0.2	0.3	0.3	0.3
Financial assets	10.6	3.0	3.0	3.0	3.0	3.0	3.0
Cash	66.4	219.3	199.5	205.0	219.3	236.7	269.0

(PLN m)	2007	2008	2009F	2010F	2011F	2012F	2013F
LIABILITIES	**558.5**	**915.2**	**913.5**	**948.2**	**1 033.9**	**1 096.9**	**1 165.7**
EQUITY	**300.8**	**534.2**	**546.8**	**584.0**	**635.7**	**680.9**	**733.2**
Share capital	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Reserves	129.2	139.7	139.7	139.7	139.7	139.7	139.7
Retained earnings	149.4	348.5	366.0	404.2	455.6	499.7	550.0
Minority interests	14.2	38.0	33.2	32.2	32.5	33.6	35.5
Long-term liabilities	**87.2**	**158.8**	**139.8**	**140.2**	**144.5**	**144.9**	**144.4**
Loans	77.7	94.4	94.4	94.4	94.4	94.4	94.4
Long-term payables	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	9.3	64.4	45.4	45.8	50.1	50.5	50.0
Long-term accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other payables	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term liabilities	**170.6**	**222.3**	**226.9**	**223.9**	**253.7**	**271.1**	**288.2**
Loans	4.9	26.8	26.8	26.8	26.8	26.8	26.8
Trade creditors	152.9	177.2	181.8	178.7	206.8	223.6	240.3
Other debt	3.0	6.2	6.2	6.2	6.2	6.2	6.2
Provisions	2.6	6.4	6.4	6.4	7.1	7.1	7.1
Accruals	7.1	5.7	5.8	5.8	6.8	7.3	7.8

Debt	82.7	121.2	121.2	121.2	121.2	121.2	121.2
Net debt	16.3	-98.1	-78.3	-83.8	-98.2	-115.5	-147.8
(Net debt / Equity)	*5.4%*	*-18.4%*	*-14.3%*	*-14.3%*	*-15.4%*	*-17.0%*	*-20.2%*
(Net debt / EBITDA)	0.3	-1.5	-1.7	-1.3	-1.1	-1.1	-1.3
BVPS	37.8	67.1	68.7	73.4	79.9	85.5	92.1

Cash Flows

(PLN m)	2007	2008	2009F	2010F	2011F	2012F	2013F
Cash flows from operating activities	**39.1**	**-102.2**	**41.1**	**59.6**	**66.6**	**82.2**	**92.0**
Pre-tax income	42.4	201.2	17.4	38.2	51.4	62.5	71.1
Interest	1.7	-198.6	-4.5	-3.5	-4.1	-5.1	-6.7
Amortization and depreciation	17.0	20.1	38.0	32.0	32.6	33.1	33.5
Working capital	-20.7	37.5	-5.0	-6.1	-13.6	-9.4	-7.8
Tax	-4.1	-3.2	0.0	0.0	0.0	0.0	0.0
Other	2.7	-159.2	-4.8	-1.0	0.3	1.1	1.9
Cash flows from investing activities	**-50.3**	**244.9**	**-60.9**	**-54.2**	**-52.2**	**-46.5**	**-39.0**
CAPEX	-59.2	93.3	-65.4	-57.7	-56.3	-51.6	-45.7
Equity investments	0.0	-34.3	0.0	0.0	0.0	0.0	0.0
Other	8.9	185.8	4.5	3.5	4.1	5.1	6.7
Cash flows from financing activities	**16.2**	**6.2**	**0.0**	**0.0**	**0.0**	**-18.4**	**-20.7**
Debt	28.2	28.4	0.0	0.0	0.0	0.0	0.0
Stock offering	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Dividends/share buy-back	0.0	0.0	0.0	0.0	0.0	-18.4	-20.7
Other	-12.4	-22.2	0.0	0.0	0.0	0.0	0.0
Change in cash	**5.0**	**148.9**	**-19.8**	**5.4**	**14.4**	**17.3**	**32.3**
Cash at end of period	66.4	219.3	199.5	205.0	219.3	236.7	269.0
DPS (PLN)	2.3	0.0	0.0	0.0	0.0	2.3	2.6
FCF	-21.8	188.7	-21.1	-2.2	10.6	30.4	45.7
(CAPEX / Sales)	*10.2%*	*-13.3%*	*6.5%*	*6.0%*	*5.6%*	*5.2%*	*4.8%*

Market multiples

	2007	2008	2009F	2010F	2011F	2012F	2013F
P/E	19.2	4.1	36.8	20.9	16.0	13.4	11.9
P/CE	13.7	3.7	13.6	11.5	9.8	8.7	8.0
P/BV	2.7	1.5	1.5	1.4	1.3	1.2	1.1
P/S	1.4	1.2	1.2	1.2	1.0	0.9	0.9
FCF/EV	*-2.6%*	*24.9%*	*-2.8%*	*-0.3%*	*1.4%*	*4.3%*	*6.7%*
EV/EBITDA	13.9	11.5	16.2	11.2	8.2	6.8	6.0
EV/EBIT	19.3	16.5	90.4	21.4	13.0	9.9	8.4
EV/S	1.5	1.1	1.1	1.0	0.9	0.8	0.7
DYield	*2.3%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*2.2%*	*2.5%*

Price (PLN)							
Shares at year-end (millions)	8.0	8.0	8.0	8.0	8.0	8.0	8.0
MC (PLN m)	819.1	819.1	819.1	819.1	819.1	819.1	819.1
Equity attributable to minority shareholders (PLN m)	14.2	38.0	10.5	10.5	10.5	10.5	10.5
EV (PLN m)	849.7	759.0	751.3	745.8	731.5	714.2	681.9

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

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