26 November 2007

Update

BRE Bank Securities

Metals

Poland

Koelner

Accumulate

KOEL.WA; KLR.PW

(Upgraded)

Current price	**PLN 35.0**
Target price	**PLN 38.7**
Market cap	PLN 1139.6m
Free float	PLN 459.7m
Average daily trading (3M)	PLN 0.64m

Shareholder Structure

Amicis Sp. z o.o. Sp. k.	59.66%
Others	40.34%

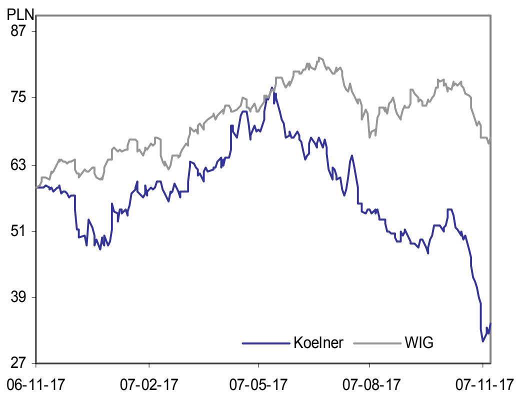
Sector Description

The market of fixing systems used in construction is largely shaped by the momentum in the construction industry. Hence, the current construction boom should also drive Koelner's business. An increased utilization of fixings will also be brought about by the changes in assembly technology (a shift away from traditional techniques such as welding).

Company Profile

Kooelner's business includes designing, manufacture, and sales (mainly wholesale) of fixings, hand and power tools, as well as other fasteners (screws, rivets, bolts, nails).

Koelner vs. WIG



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Winning Back Investor Trust

Koelner has deeply undermined investor confidence by reporting weak results for Q3 and slashing the full-year net profit forecast by over 30 percent, which sent its stock tumbling. We updated our forecasts for the company based on its revised guidance and preliminary cost-cutting plans, the result being a price target lowered from PLN 53.7 to PLN 38.7 per share. Given an over-10% upside to our target, we are upgrading Koelner from Hold to ACCUMULATE. That said, we want to point out that winning back investor trust will take time, and a strong rebound is not to be expected for a while. Koelner faces a number of tough quarters marked by high restructuring expenses (production move, layoffs at the Scottish factory), and efforts aimed at restoring lost capacity which has taken a heavy toll on sales this year. The company's management have a responsibility to prove that they are able to deliver on their promises of profitable growth made on the occasion of the last share offering – a challenge which, in our view, will not be met before Q2 2008.

Weak earnings, forecasts slashed

Investors were gravely disappointed with Koelner's third-quarter results which ultimately led to a deep downward revision in the management's full-year forecasts. The cuts were much greater than we expected, in particular in the sales revenue estimate which, adjusted for Śrubex's sales, is pegged PLN 100m below the original target. After factoring these changes in our valuation model, including a big downslide in profitability brought about by high costs of restructuring incurred by Rawlplug factories, and logistics problems, our DCF-based price target fell by close to 30%.

Potential benefits of restructuring and cost-cutting

Koelner's Q3 profitability was primarily affected by higher-than-expected restructuring costs incurred by the company's fixing-system factory in Glasgow, and significant delays in manufacturing capacity and storage upgrades (bottlenecks, inability to fill orders). Next year, Koelner will move the Rawlplug production facilities from Glasgow, and its less technologically advanced divisions from Wrocław, to Śrubex's sites in Łańcut (we assume that the tender offer will be a success). But, before this capacity relocation starts to bring tangible financial benefits, it will first generate one-time charges in the next 2-3 quarters (logistics, severance pays), totaling over PLN 10m. Ultimately, however, more effective usage of Rawlplug's manufacturing facilities (current utilization rate is 50%), paired with lower salary costs, will bring as much as 15 million zlotys extra in annual operating profits.

(PLN m)	**2005**	**2006**	**2007F**	**2008F**	**2009F**
Revenue	241.3	426.9	554.8	798.9	951.5
EBITDA	45.9	66.0	81.3	118.3	148.3
EBITDA margin	*19.0%*	*15.5%*	*14.6%*	*14.8%*	*15.6%*
EBIT	34.3	50.6	62.9	92.1	119.5
Net profit	27.6	39.8	39.4	70.5	91.4
DPS	0.00	0.00	0.00	0.00	0.00
P/E	38.4	26.8	28.9	16.2	12.5
P/CE	27.1	19.4	19.7	11.8	9.5
P/BV	6.1	4.9	3.4	2.8	2.3
EV/EBITDA	24.7	17.9	16.9	12.0	9.4
DYield	0.0%	0.0%	0.0%	0.0%	0.0%

Q3 Results, FY2007 Forecast Revision

Below Expectations

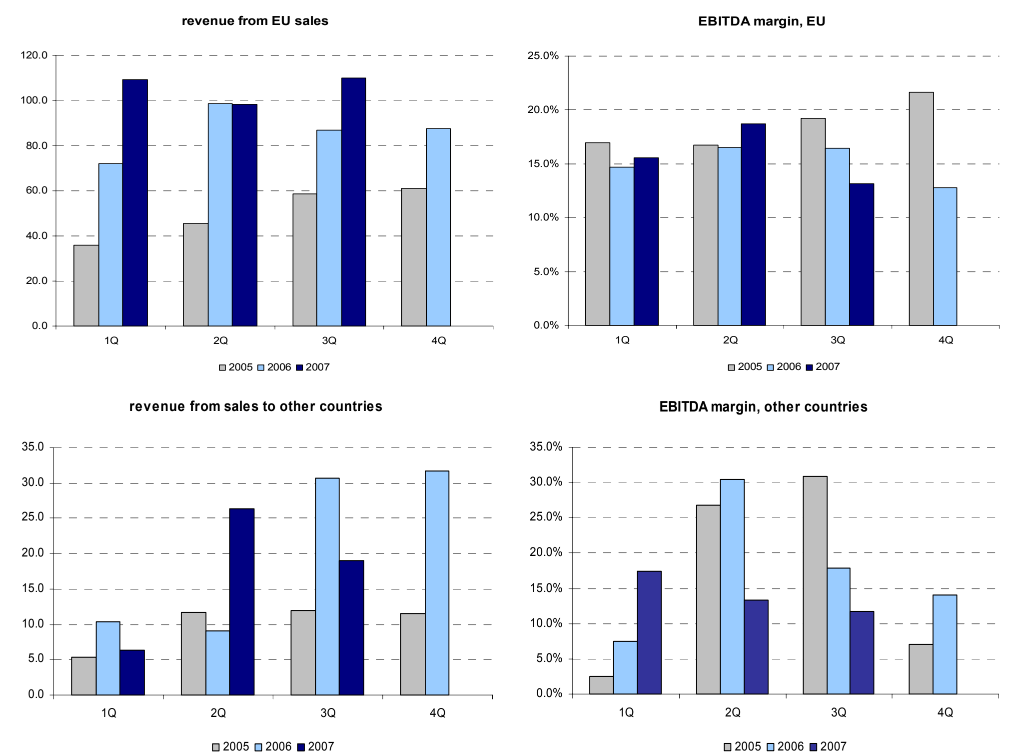
Koelner's third-quarter results were a big disappointment in all respects. Consolidated revenue, reported at PLN 168m, was 17% below expectations. Adjusted for Śrubex's sales (ca. PLN 38m), revenue growth rate fell from 26% in 1H to 10% in Q3, as a consequence of either a slowdown in the construction industry, or production bottlenecks (the company claims its both). The shortfall to our forecast was even greater in profits due to higher costs of restructuring incurred by the Rawlplug plant (set to be moved to Poland), the expenses related to the assimilation of Śrubex (PLN 2m on new FTEs, training), and a decline in the gross profit margin (spurred by a weaker market and a stronger zloty). Finance income was a bit better than estimated, but weak operating income, paired with a high effective tax rate (30% due a lack of PLN 4m in tax credits that Koelner would benefit from if it had established a Special Economic Zone in Wrocław as planned; the SEZ has just been approved this month), resulted in a net profit at half of what we forecasted. Our biggest concern is Koelner's growing debt (net debt at 30 Sept. at PLN 165m, twice the FY'07 EBITDA forecast), especially in light of the planned acquisition of Śrubex (PLN 60m).

Consolidated quarterly results

(PLN m)	3Q2007	3Q2006	change	3Q2007F	Reported vs. Forecasted	1-3Q 2007	1-3Q 2006	change
Revenue	167.7	117.5	42.7%	200.8	-16.5%	407.0	307.5	32.3%
EBITDA	20.0	20.0	-0.1%	30.5	-34.6%	60.0	49.1	22.2%
EBITDA margin	11.9%	17.01%	-30.0%	15.2%	-21.7%	14.7%	16.0%	-7.7%
EBIT	14.4	16.7	-14.3%	25.1	-42.9%	47.3	38.0	24.6%
Pre-tax income	12.5	16.5	-23.8%	21.0	-40.4%	39.4	37.0	6.5%
Net income	8.0	13.5	-40.9%	16.2	-50.7%	28.6	30.3	-5.6%

Source: Koelner, BRE Bank Securities

Revenue, EBITDA margin by geographic segment



Source: Koelner, BRE Bank Securities

In addition to the logistical problems that Koelner had warned about (delays in launching new capacity and storages), Q3 also witnessed a significant depreciation in the EBITDA margin, brought about by high costs of the Rawlplug operations, and production bottlenecks. Still in H1, the profitability of sales to EU markets remained steady at last year's level, which means that the weakness recorded in Q3 was an effect of a sales slowdown combined with a continued increase in capacity costs. Next year, after the company finally deals with the bottlenecks and adds extra storage space, profitability is sure to return to its average level, and revenues will rebound, resulting in much stronger profits. The burden of Rawlplug's restructuring costs will ease (though the move to Łańcut could eat a further PLN 7-8m), to disappear completely in FY2009.

Koelner's FY2007 Forecasts

	Old	New	Change
Revenue	590.0	550.0	-6.8%
EBIT	78.0	65.0	-16.7%
EBIT margin	13.2%	11.8%	-
Net income	62.0	42.0	-32.3%

Source: Koelner

In line with expectations, Koelner cut its full-year forecasts after a disastrous third quarter, but the size of those revisions was much bigger than we thought. New EBIT target is PLN 65m, net profit is pegged at PLN 42m, on PLN 550m revenue (down from PLN 78m, PLN 62m, and PLN 590m respectively). The deep cut in the revenue forecast surprised us the most: the PLN 590m forecasted earlier was supposed to be achieved without Śrubex, which is going to add over PLN 70m in the last two quarters of the year (without Śrubex, FY'07 revenue would be a mere PLN 480m). A downward revision to the FY2007 projections calls into question next year's plans, especially with respect to bottom-line income (projected at PLN 75m), even if calculated taking into account the fully consolidated earnings of Śrubex.

Earnings Forecast and Valuation

Using the DCF approach, we estimated the nine-month price target for Koelner at PLN 38.7 per share. We recommend to ACCUMULATE the stock at the current price level.

DCF Valuation

Assumptions

1. Cash flows were discounted as of 30 November 2007. Equity value estimates are based on net debt value as at year-end 2006 (sum total of Koelner's and Śrubex's net debt). We also took into account the proceeds from this year's SPO, and the estimated costs of the Śrubex acquisition (we assume a 100% takeover).
2. Revenue forecasts are based on an assumption of full consolidation of Śrubex's earnings since January 2007 (Koelner released statements showing consolidation as of July). Our projections for Śrubex assume achievement of target capacity in 2008 and an improvement in margins (the company predicts a net profit margin of 4% in two years, 10% ultimately).
3. As for the Koelner group not including Śrubex, we assume that resolution of logistical and production problems will enable the company to increase sales by over 25% next year. We also expect an improvement in operating profitability thanks to lower costs of restructuring at Rawlplug (PLN 14m in FY'07, PLN 7-8m in FY'08), and zero costs of the stock option plan (PLN 2.1m in FY'07). Going forward, Koelner will benefit from tax credits (and hence a lower effective tax rate) thanks to establishment of a Special Economic Zone.
4. We adjusted the income-based valuation for minority interests in Koelner Hungaria (estimated at PLN 22.3m).
5. The number of shares in the DCF model is stated after factoring in the dilution stemming from the stock option plan.
6. The depreciation and amortization expense projected for FY2016 is slightly higher than CAPEX, which is unsustainable over a long term, prompting us to revise the D&A expense to PLN 24.0 million when calculating the terminal value.
7. We based the FCF_{TV} to terminal value calculations on an assumption of a 3% sales growth rate and EBITDA margins as projected for FY2016%.
8. We assumed that FCF after FY2016 will grow at a rate of 3%. We take a risk-free rate of 5.6% and a beta of 1.0.

DCF Valuation Model

(PLN m)	2007F	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2016+
Sales revenue	**555**	**799**	**951**	**1 086**	**1 215**	**1 336**	**1 447**	**1 546**	**1 635**	**1 713**	**1 765**
change	*30.0%*	*44.0%*	*19.1%*	*14.2%*	*11.9%*	*9.9%*	*8.3%*	*6.9%*	*5.7%*	*4.8%*	*3.0%*
EBITDA	**83.3**	**118.3**	**148.3**	**177.5**	**197.3**	**214.8**	**231.7**	**246.5**	**259.1**	**269.7**	**277.7**
EBITDA margin	*15.0%*	*14.8%*	*15.6%*	*16.3%*	*16.2%*	*16.1%*	*16.0%*	*15.9%*	*15.8%*	*15.7%*	*15.7%*
Amortization and depreciation	20.9	26.2	28.8	29.1	30.0	26.8	24.8	24.7	25.5	26.5	24.0
EBIT	**62.3**	**92.1**	**119.5**	**148.4**	**167.2**	**188.0**	**206.9**	**221.7**	**233.6**	**243.1**	**253.7**
EBIT margin	*11.2%*	*11.5%*	*12.6%*	*13.7%*	*13.8%*	*14.1%*	*14.3%*	*14.3%*	*14.3%*	*14.2%*	*14.4%*
Tax rate on EBIT	12.5	7.7	13.9	25.2	28.5	31.8	36.4	39.3	41.6	43.7	48.2
NOPLAT	**49.9**	**84.4**	**105.6**	**123.2**	**138.7**	**156.1**	**170.5**	**182.4**	**192.0**	**199.4**	**205.5**
CAPEX	-103.0	-65.0	-45.0	-30.0	-24.0	-24.0	-24.0	-24.0	-24.0	-24.0	-24.0
Working capital	-68.5	-81.0	-49.8	-47.8	-48.8	-45.8	-42.1	-38.2	-34.2	-30.4	-30.4
Capital investments	-88.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF	**-189.1**	**-35.5**	**39.6**	**74.5**	**95.9**	**113.2**	**129.1**	**145.0**	**159.2**	**171.5**	**175.1**
WACC	*9.9%*	*9.9%*	*10.0%*	*10.1%*	*10.4%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.6%*
discount factor	*99.2%*	*90.3%*	*82.1%*	*74.6%*	*67.5%*	*60.9%*	*55.0%*	*49.6%*	*44.8%*	*40.4%*	*40.4%*
PV FCF	-187.6	-32.0	32.5	55.6	64.8	69.0	71.0	72.0	71.3	69.3	

WACC	***9.9%***	***9.9%***	***10.0%***	***10.1%***	***10.4%***	***10.8%***	***10.8%***	***10.8%***	***10.8%***	***10.8%***	***10.6%***
Cost of debt	*6.8%*	*6.8%*	*6.8%*	*6.8%*	*6.8%*	*6.8%*	*6.8%*	*6.8%*	*6.8%*	*6.8%*	*6.6%*
Risk-free rate	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.8%*	*5.6%*
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	*20.0%*	*8.4%*	*11.7%*	*17.0%*	*17.1%*	*16.9%*	*17.6%*	*17.7%*	*17.8%*	*18.0%*	*19.0%*
Net debt / EV	*16.5%*	*19.2%*	*17.6%*	*13.5%*	*7.2%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Cost of equity	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.8%*	*10.6%*
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	2 304.3
Discounted terminal value (PV TV)	931.6
Discounted FCF in the forecast horizon	285.8
Equity value (EV)	1 217.4
Net debt	112.2
Minority interests	-22.3
IPO gains	82.5
Equity value (EV)	1 165.4
Number of shares (millions)	32.6
Equity value per share (PLN)	**35.8**
Cost of equity (9M)	*8.0%*
Target Price	**38.7**

Sensitivity Analysis

	Secular FCF Growth				
	1.0%	**2.0%**	**3.0%**	**4.0%**	**5.0%**
WACC +1.0ppt	29.9	32.2	35.1	38.7	43.3
WACC +0.5ppt	31.0	33.6	36.7	40.8	46.3
WACC	32.2	35.1	38.7	43.3	49.7
WACC -0.5ppt	33.6	36.7	40.8	46.3	53.8
WACC -01.0ppt	35.1	38.7	43.3	49.7	58.8

EV/EBITDA('08) for the target price	11.6
P/E('08) for the target price	17.9
TV to EV	77%

Relative Valuation

We compared Koelner to a peer group of companies manufacturing construction materials. Historically, Koelner's shares have always traded at a significant premium to peer P/E and EV/EBITDA multiples. This might change after the latest forecast revisions. Because of the high share of terminal value in the income-based price estimate, we present our relative valuation estimations for information purposes only, and do not take them into account when setting the per-share price target.

		P/E				EV/EBITDA			
	Price	**2006**	**2007F**	**2008F**	**2009F**	**2006**	**2007F**	**2008F**	**2009F**
Barlinek	13.9	37.1	21.9	14.1	10.3	19.7	16.1	10.0	7.6
Cersanit	33.6	29.0	26.2	16.9	14.1	21.5	14.3	9.7	8.3
Grajewo	46.6	20.9	15.8	13.6	12.0	11.1	8.5	6.9	6.0
Nowa Gala	5.5	26.9	19.3	11.7	10.3	13.5	10.0	6.5	6.0
Opoczno	42.8	51.5	19.2	11.9	9.7	12.4	8.8	7.0	6.3
Maximum		51.5	26.2	16.9	14.1	21.5	16.1	10.0	8.3
Minimum		20.9	15.8	11.7	9.7	11.1	8.5	6.5	6.0
Median		**29.0**	**19.3**	**13.6**	**10.3**	**13.5**	**10.0**	**7.0**	**6.3**
Koelner	35.0	28.6	28.9	16.2	12.5	18.1	14.7	10.1	8.0
(premium / discount)		-1.3%	50.1%	19.3%	20.6%	34.1%	47.2%	43.1%	27.7%
Implied price									
Median		29.0	19.3	13.6	10.3	13.5	10.0	7.0	6.3
Multiple weight					50.0%				50.0%
Year weight		0.0%	33.3%	33.3%	33.3%	0.0%	33.3%	33.3%	33.3%
Equity value per share (PLN)		**26.0**							

EV/EBITDA based on FY2006 net debt

Consolidated Income Statement (Śrubex's earnings fully consolidated since July 2007)

(PLN m)	2005	2006	2007F	2008F	2009F	2010F	2011F
Sales revenue	**241.3**	**426.9**	**554.8**	**798.9**	**951.5**	**1 086.4**	**1 215.5**
change	*51.1%*	*76.9%*	*30.0%*	*44.0%*	*19.1%*	*14.2%*	*11.9%*
Cost of sales	150.6	264.7	353.3	526.7	619.2	695.4	776.0
Gross profit	90.7	162.2	201.5	272.2	332.3	391.0	439.5
Gross profit margin	*37.6%*	*38.0%*	*36.3%*	*34.1%*	*34.9%*	*36.0%*	*36.2%*
Selling costs	25.8	63.5	82.9	107.4	126.3	143.7	160.9
SG&A expenses	38.2	55.0	59.9	77.3	90.9	103.5	115.9
Other net operating profit	7.6	7.0	4.3	4.5	4.5	4.5	4.5
EBIT	**34.3**	**50.6**	**62.9**	**92.1**	**119.5**	**148.4**	**167.2**
change	*33.1%*	*47.6%*	*24.4%*	*46.3%*	*29.8%*	*24.2%*	*12.7%*
EBIT margin	*14.2%*	*11.9%*	*11.3%*	*11.5%*	*12.6%*	*13.7%*	*13.8%*
Profit on financing activity	-0.1	-2.0	-9.9	-12.8	-13.4	-11.0	-7.1
Extraordinary gains/losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax income	**34.2**	**48.8**	**53.1**	**79.3**	**106.2**	**137.4**	**160.2**
Tax	6.3	7.1	10.6	6.6	12.4	23.3	27.3
Minority interests	0.3	1.8	3.1	2.2	2.4	2.7	2.9
Net income	**27.6**	**39.8**	**39.4**	**70.5**	**91.4**	**111.4**	**129.9**
change	*61.2%*	*44.3%*	*-1.1%*	*78.9%*	*29.6%*	*22.0%*	*16.6%*
margin	*11.4%*	*9.3%*	*7.1%*	*8.8%*	*9.6%*	*10.3%*	*10.7%*
Amortization and depreciation	11.6	15.4	18.3	26.2	28.8	29.1	30.0
EBITDA	**45.9**	**66.0**	**81.3**	**118.3**	**148.3**	**177.5**	**197.3**
change	*53.0%*	*43.8%*	*23.2%*	*45.5%*	*25.4%*	*19.7%*	*11.1%*
EBITDA margin	*19.0%*	*15.5%*	*14.6%*	*14.8%*	*15.6%*	*16.3%*	*16.2%*
Shares at year-end (millions)	30.3	30.5	32.6	32.6	32.6	32.6	32.6
EPS	0.9	1.3	1.2	2.2	2.8	3.4	4.0
CEPS	1.3	1.8	1.8	3.0	3.7	4.3	4.9
ROAE	*17.1%*	*20.4%*	*14.2%*	*18.9%*	*20.1%*	*20.0%*	*19.2%*
ROAA	*9.7%*	*9.9%*	*6.5%*	*8.2%*	*9.1%*	*10.2%*	*11.2%*

Śrubex's Income Statement

(PLN m)	2005	2006	2007F	2008F	2009F	2010F	2011F
Sales revenue	**130.5**	**138.8**	**153.4**	**190.8**	**221.7**	**236.9**	**251.7**
change	*-11.2%*	*6.3%*	*10.6%*	*24.4%*	*16.2%*	*6.9%*	*6.2%*
Cost of sales	111.2	117.5	128.0	155.9	174.2	177.4	188.3
Gross profit	19.2	21.3	25.4	34.9	47.5	59.5	63.4
Gross profit margin	*14.7%*	*15.3%*	*16.6%*	*18.3%*	*21.4%*	*25.1%*	*25.2%*
Selling costs	9.3	12.4	12.8	15.9	18.0	19.5	20.7
SG&A expenses	11.7	9.9	8.9	11.1	12.5	13.6	14.4
Other net operating profit	2.7	2.5	-1.2	-1.2	-1.2	-1.2	-1.2
EBIT	**1.0**	**1.5**	**2.6**	**6.7**	**15.7**	**25.2**	**27.1**
change	*-93.0%*	*51.3%*	*68.9%*	*160.0%*	*136.6%*	*59.9%*	*7.8%*
EBIT margin	*0.8%*	*1.1%*	*1.7%*	*3.5%*	*7.1%*	*10.6%*	*10.8%*
Profit on financing activity	0.6	-1.2	-1.7	-2.6	-3.4	-3.1	-2.3
Extraordinary gains/losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
other	0.0	1.0	2.0	3.0	4.0	5.0	6.0
Pre-tax income	**1.6**	**0.3**	**0.9**	**4.0**	**12.4**	**22.1**	**24.8**
Tax	0.5	0.2	0.6	0.8	2.4	4.2	4.7
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**1.1**	**0.0**	**0.3**	**3.3**	**10.0**	**17.9**	**20.1**
change	*-91.3%*	*-95.9%*	*549.4%*	*996.6%*	*206.2%*	*78.2%*	*12.5%*
margin	*0.9%*	*0.0%*	*0.2%*	*1.7%*	*4.5%*	*7.5%*	*8.0%*
Amortization and depreciation	3.5	4.4	6.0	7.7	9.0	9.3	9.3
EBITDA	**4.5**	**5.9**	**8.5**	**14.3**	**24.7**	**34.4**	**36.5**
change	*-74.3%*	*31.1%*	*44.3%*	*67.9%*	*72.2%*	*39.4%*	*5.9%*
EBITDA margin	*3.5%*	*4.3%*	*5.6%*	*7.5%*	*11.1%*	*14.5%*	*14.5%*
Shares at year-end (millions)	1.798	1.798	1.798	1.798	1.798	1.798	1.798
EPS	0.6	0.0	0.2	1.8	5.6	9.9	11.2
CEPS	2.6	2.5	3.5	6.1	10.6	15.1	16.4
ROAE	*1.9%*	*0.1%*	*0.4%*	*4.3%*	*12.1%*	*18.4%*	*17.3%*
ROAA	*1.2%*	*0.0%*	*0.2%*	*2.0%*	*5.3%*	*8.9%*	*9.8%*

Consolidated Balance Sheet

(PLN m)	2005	2006	2007F	2008F	2009F	2010F	2011F
ASSETS	**347.1**	**456.5**	**762.9**	**948.2**	**1 050.4**	**1 126.5**	**1 199.6**
Fixed assets	**161.9**	**199.3**	**342.2**	**381.0**	**397.2**	**398.1**	**392.1**
Property, plant and equipment	111.4	124.7	255.2	293.7	310.4	311.3	305.2
Intangible assets	46.8	51.2	52.4	52.7	52.2	52.2	52.2
Equity value (EV)	0.0	0.0	26.0	26.0	26.0	26.0	26.0
Long-term receivables	0.2	0.7	0.7	0.7	0.7	0.7	0.7
Other fixed assets	3.4	22.7	8.0	8.0	8.0	8.0	8.0
Current assets	**185.2**	**257.2**	**420.6**	**567.2**	**653.2**	**728.4**	**807.5**
Inventories	92.8	138.2	254.5	332.3	374.3	412.3	455.8
Short-term receivables	71.8	100.8	154.6	218.4	259.3	293.8	326.8
Accruals	0.7	0.3	0.5	0.5	0.5	0.5	0.5
Cash and cash equivalents	20.0	17.6	11.1	16.0	19.0	21.7	24.3

(PLN m)	2005	2006	2007F	2008F	2009F	2010F	2011F
LIABILITIES	**347.1**	**456.5**	**762.9**	**948.2**	**1 050.4**	**1 126.5**	**1 199.6**
Equity	**174.7**	**216.1**	**338.5**	**409.0**	**500.4**	**611.8**	**741.7**
Share capital	30.3	30.5	32.6	32.6	32.6	32.6	32.6
Other equity	144.3	185.6	306.0	376.5	467.8	579.2	709.2
Minority interests	**5.9**	**8.3**	**11.3**	**13.5**	**16.0**	**18.6**	**21.5**
Long-term liabilities	**65.4**	**61.0**	**120.6**	**146.3**	**134.1**	**103.2**	**60.0**
Loans	64.3	60.2	116.2	141.9	129.7	98.8	55.6
Other	1.1	0.8	4.4	4.4	4.4	4.4	4.4
Short-term liabilities	**101.1**	**171.1**	**292.4**	**379.4**	**399.9**	**392.9**	**376.3**
Loans	22.5	61.8	119.3	145.6	133.1	101.4	57.1
Trade creditors	39.9	83.4	138.7	199.3	232.4	257.1	284.8
Accruals	12.9	10.1	10.1	10.1	10.1	10.1	10.1
Other	25.8	15.7	24.3	24.3	24.3	24.3	24.3
Debt	86.9	122.0	235.5	287.5	262.8	200.2	112.7
Net debt	66.9	104.4	224.4	271.6	243.8	178.4	88.4
(Net debt / Equity)	*38.3%*	*48.3%*	*66.3%*	*66.4%*	*48.7%*	*29.2%*	*11.9%*
(Net debt / EBITDA)	1.5	1.6	2.8	2.3	1.6	1.0	0.4
BVPS	5.8	7.1	10.4	12.6	15.4	18.8	22.8

Consolidated Cash Flows

(PLN m)	2005	2006	2007F	2008F	2009F	2010F	2011F
Cash flows from operating activities	**9.2**	**10.2**	**-1.8**	**30.6**	**86.1**	**106.4**	**121.1**
Net income	27.6	39.8	39.4	70.5	91.4	111.4	129.9
Amortization and depreciation	11.6	15.4	18.3	26.2	28.8	29.1	30.0
Working capital	-29.6	-36.5	-68.5	-81.0	-49.8	-47.8	-48.8
Other	-0.5	-8.5	9.0	15.0	15.8	13.7	10.0
Cash flows from investing activities	**-110.4**	**-40.6**	**-190.6**	**-64.2**	**-44.1**	**-29.0**	**-22.9**
CAPEX	-66.8	-28.3	-103.0	-65.0	-45.0	-30.0	-24.0
Capital investments	-49.1	-15.8	-88.4	0.0	0.0	0.0	0.0
Other	5.6	3.6	0.9	0.8	0.9	1.0	1.1
Cash Flows	**75.3**	**28.0**	**185.8**	**38.5**	**-39.0**	**-74.7**	**-95.6**
Stock offering	0.3	0.2	83.0	0.0	0.0	0.0	0.0
Debt	79.3	34.2	113.5	52.1	-24.7	-62.7	-87.5
Dividend (buy-back)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-4.3	-6.4	-10.7	-13.6	-14.3	-12.0	-8.1
Change in cash	**-25.9**	**-2.3**	**-6.6**	**4.9**	**3.1**	**2.7**	**2.6**
Cash at the end of period	20.0	17.6	11.1	16.0	19.0	21.7	24.3
DPS (PLN)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF	-105.9	-21.8	-189.3	-34.4	41.1	76.4	97.1
(CAPEX / Sales)	*27.7%*	*6.6%*	*18.6%*	*8.1%*	*4.7%*	*2.8%*	*2.0%*

Market multiples

	2005	2006	2007F	2008F	2009F	2010F	2011F
P/E	38.4	26.8	28.9	16.2	12.5	10.2	8.8
P/CE	27.1	19.4	19.7	11.8	9.5	8.1	7.1
P/BV	6.1	4.9	3.4	2.8	2.3	1.9	1.5
P/S	4.4	2.5	2.1	1.4	1.2	1.0	0.9
FCF/EV	*-9.3%*	*-1.8%*	*-13.8%*	*-2.4%*	*2.9%*	*5.7%*	*7.8%*
EV/EBITDA	24.7	17.9	16.9	12.0	9.4	7.5	6.3
EV/EBIT	33.1	23.3	21.9	15.5	11.7	9.0	7.5
EV/S	4.7	2.8	2.5	1.8	1.5	1.2	1.0
DYield	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*

Price (PLN)	**35.0**						
Shares at year-end (millions)	30.3	30.5	32.6	32.6	32.6	32.6	32.6
MC (PLN m)	1061.7	1068.2	1139.6	1139.6	1139.6	1139.6	1139.6
Equity attributable to minority shareholders (PLN m)	5.9	8.3	11.3	13.5	16.0	18.6	21.5
EV (PLN m)	1 134.5	1 180.9	1 375.3	1 424.7	1 399.4	1 336.7	1 249.5

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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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Previous recommendations issued for Koelner

Recommendation	Reduce	Sell	Reduce	Hold	Accumulate
Date issued	2007-04-05	2007-05-09	2007-08-01	2007-09-06	2007-11-26
Price on day of recommendation	62.45	72.50	63.45	50.70	35.00
WIG on day of recommendation	57981.75	60116.28	63670.52	60397.88	56094.38