

13 August 2010

Update


**Others**  
Poland

<b>Current price</b>	<b>PLN 73.80</b>
<b>Target price</b>	<b>PLN 71.10</b>
Market cap	PLN 3.69bn
Free float	PLN 1.25bn
Avg daily trading volume (3M)	PLN 1.46m

**Shareholder Structure**

Framondi	66.00%
ING NN Polska OFE	10.40%
AVIVA OFE	7.31%
Others	16.29%

**Sector Outlook**

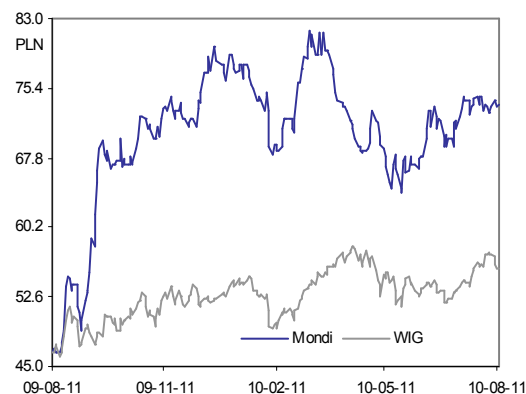
The paper industry is a cyclical one. Currently, it is being helped by the revival in manufacturing and the depreciation of the EUR vs. the USD. That said, the increase in paper prices is being offset by the quick rise in waste paper prices.

**Company Profile**

Mondi manufactures paper used to produce corrugated cardboard and paper bags. The company generates the bulk of its sales from kraftliner (45%) and fluting (29%). Geographically, Mondi generates 70% of revenues from exports to such countries as Italy, Germany, UK, France, and Benelux countries.

**Important Dates**

02.11.2010 - Q3 2010 report  
25.02.2011 - FY2010 report

**Mondi vs. WIG**

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# Mondi

CELA.WA; MSC.PW

## Hold

(Reiterated)

### Paper Already Priced In

**Mondi's future operating margins and quarterly earnings stand to benefit from rising prices of corrugated case materials, paired with easing prices of recycled paper. These trends are expected to continue at least into Q1 2011, even in the event of the overall production slowdown that we anticipate in H2 2010. Based on this assumption, we are raising our 2010 profit forecast for Mondi from PLN 196m to PLN 213.5m. Because, at the current price level (FY11E P/E = 12.0 assuming strong earnings growth), the favorable market conditions seem to be already priced in, we are reiterating a hold rating on MSC stock.**

**Q2 2010 results**

As predicted, Mondi's 2010 second-quarter earnings figures were better than in preceding quarters, and came ahead of consensus estimates. On a revenue of PLN 568m (+19.8% q/q), the company generated an EBITDA of PLN 132m (+90% q/q) and a net profit of PLN 59.3m (+234% q/q).

**CCM and OCC prices**

Prices of corrugated case materials, which are closely tied with European production trends, are continuing on an upward curve, averaging 4.8% more in zloty terms than in the second quarter. Further, the spread between testliner and recycled-paper (OCC) prices has widened by 4%. Note that prices of testliner and fluting have slowed down (-1%) since mid-July, moreover, the zloty has strengthened versus the euro, and the price margin has narrowed to PLN 880 from 990 at the end of June, but we consider this to be a temporary slowdown that will reverse itself in the coming months. We will be keeping a close watch on the trends shaping the paper market to make sure that our financial forecasts for Mondi stay up-to-date.

**H2 2010 outlook**

Mondi is scheduled to recognize the proceeds from CO2 emission credits, estimated at PLN 9m (to be credited to pre-tax income), in the second half of the year. Moreover, the scheduled summer maintenance downtime on the MP7 machine is going to limit the third-quarter sales volumes. We expect the company to sell 420,000 tons of containerboard in 2010 (the H1 2010 sales volumes amounted to 197,000 tons).

(PLN m)	2008	2009	2010F	2011F	2012F
Revenues	1 406.3	1 360.8	2 108.4	2 301.2	2 274.4
EBITDA	305.5	217.9	431.4	522.2	507.5
<i>EBITDA margin</i>	21.7%	16.0%	20.5%	22.7%	22.3%
EBIT	194.7	99.6	260.1	350.6	339.9
Net profit	141.2	71.4	213.5	308.0	301.9
DPS	0.0	0.0	0.0	4.3	6.2
P/E	26.1	51.6	17.3	12.0	12.2
P/CE	14.6	19.4	9.6	7.7	7.8
P/BV	3.5	3.1	2.6	2.5	2.5
EV/EBITDA	13.0	20.0	10.0	8.0	8.2
DYield	0.0%	0.0%	0.0%	5.8%	8.4%

## Paper Prices Drive Testliner-OCC Margins

As predicted, Mondi's 2010 second-quarter earnings figures were better than in preceding quarters, and came ahead of consensus estimates. On a revenue of PLN 568m (+19.8% q/q), the company generated an EBITDA of PLN 132m (+90% q/q) and a net profit of PLN 59.3m (+234% q/q). The reported figures compare to our forecasts of PLN 546m, PLN 117.5m, and PLN 58m respectively. The period's net profit was boosted by special economic zone tax benefits related to the MP7 project, which resulted in a zero tax charge. In future quarters, we expect the effective tax rate to increase to 6% (Mondi's overall SSE tax allowance is PLN 220m).

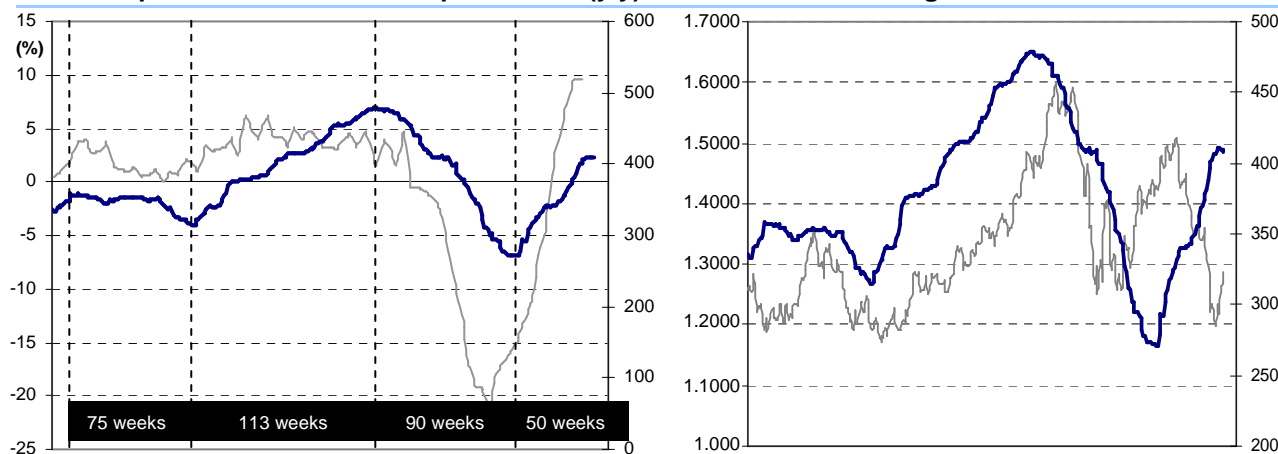
### Reported vs. forecasted Q2 2010 results

(PLN m)	Q2 2010	Q2 2010F	Analysts' Consensus	Q22009	y/y change	H1 2010F	H1 2009	change
Revenues	567.9	546.3	550.0	295.6	192.1%	1 041.9	612.0	70.2%
EBITDA	132.0	117.5	110.0	37.5	351.5%	201.3	74.5	170.3%
Margin	23.2%	21.5%	20.0%	12.7%	-	12.2%	12.2%	-
EBIT	92.6	79.3	63.5	11.5	808.3%	123.7	22.3	455.0%
Pre-tax income	59.3	63.3	-	14.1	421.0%	75.9	9.9	669.2%
Net income	59.3	58.2	48.7	11.7	505.2%	77.1	7.9	870.1%

Source: Mondi, F – forecasts by BRE Bank Securities, Consensus estimates by PAP

Mondi's Q2 earnings were also supported by favorable trends in prices of corrugated cardboard materials; the weighted average of euro prices was 11% higher than in Q2 2009, or 20% higher before taking into account changes in the sales structure. The diagram below shows the correlation between CCM prices (represented by testliner) and industrial production trends in the EU, which is Mondi's main market (the company's containerboard packaging is used by manufacturers in Italy, Germany, UK, and Poland). What is clear from the diagram is that a shift in industrial production precedes a similar shift in paper prices by a few months. Taken as a leading indicator, a correlation between paper prices and USD/EUR exchange-rate trends suggests a bleaker outlook.

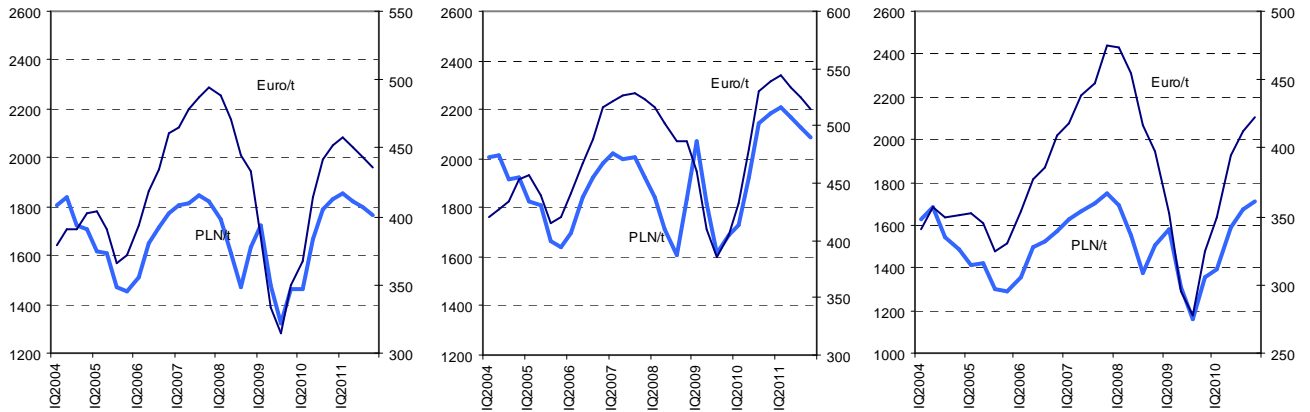
### Testliner prices vs. EU industrial production (y/y) and USD/EUR exchange rates



Source: FOEX, BRE Bank Securities

Using testliner as an example, we created a diagram demonstrating past CCM cycles by duration. The current price uptrend has lasted 50 weeks, and, judging by the previous cycles, it is bound to go on for a number of months. Given the lag to industrial production and the durations of past uptrends, we reckon that the current rally is going to continue through the first quarter of 2011, after which it will shift downwards. Assuming that the price of testliner reaches EUR 410/T at the end of 2011, next year's average price of Mondi's OCC range will be 6.6% higher than the 2010 average.

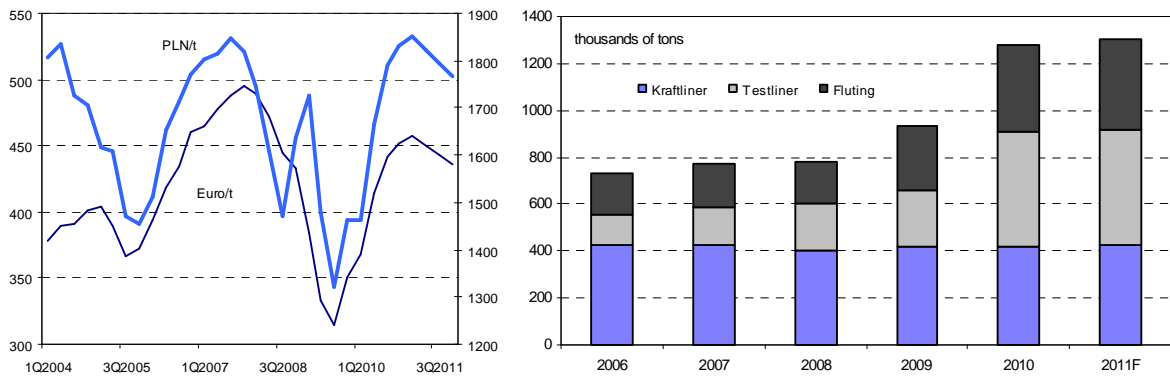
### Historical European prices of kraftliner (l), testliner (m), fluting (r) and 2010 forecast



Source: FOEX, BRE Bank Securities

Compared to the same period a year ago, Mondi's sales volumes in the first half of 2010 were higher by 50%, or 217.4KT, of which 197 thousand tons was the output (testliner, fluting) produced by the new MP7 machine. Production of sack paper tripled.

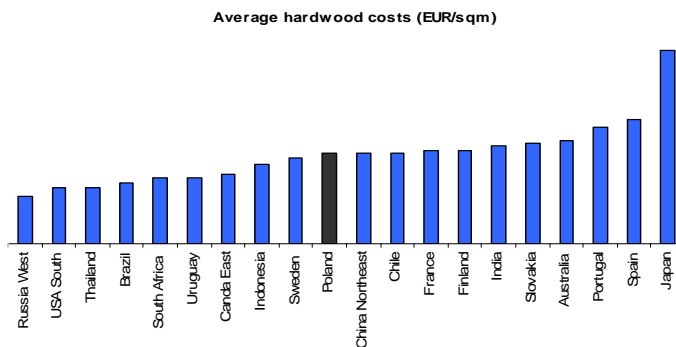
### Prices of Mondi's CCM product mix, CCM production breakdown



Source: FOEX, BRE Bank Securities, Mondi Świecie

Alongside paper, prices of raw materials were also on an upward curve in the first half of 2010, with the average price of wood surging 23% relative to H1 2009 (Mondi had to increase imports due to insufficient supply from the State Forests), and recycled paper gaining a staggering 192%. Mondi purchased 405 thousand tons of recovered paper in H1, nearly 100% more than a year earlier, to feed the MP7. At the moment, the company is responsible for about 68% of Poland's total annual recycled-paper usage, which means a need for increased imports and an upward pressure on prices across the EU region (recently opened mills have created higher demand in Hungary and Germany).

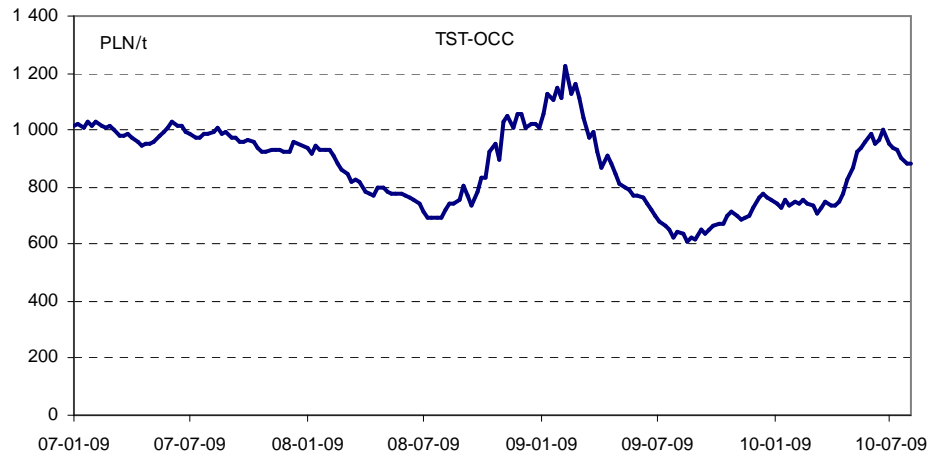
### Prices of wood (4Q2009)



Source: Mondi Group

The theoretical margin between testliner and OCC continues to expand, although it slipped to PLN 880 in July, led by a strengthening zloty and a slowdown in testliner prices. The quarter-to-date margin is 4% higher than in the second quarter. If the July narrowing should continue, this will affect Mondi's earnings for the third and fourth quarter.

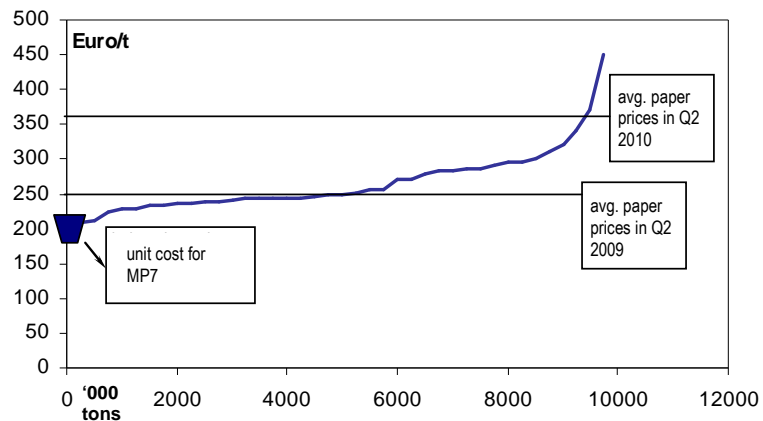
**Theoretical testliner sales margin**



Source: FOEX, BRE Bank Securities

Mondi Świecie has managed to maintain its competitive edge in spite of rallying OCC costs. According to a Mondi Group report, the new MP7 machine operating at its Polish mill generated the lowest unit costs in Europe in Q1 2010. At the moment, the machine is working at 84% of its capacity. Note that, in the second quarter of 2009, the bulk of European paper production was unprofitable (with average testliner prices at ca. EUR 250/T, and FOEX prices containing a 15% discount). This year, the situation has improved considerably, with only a little under 0.5MT of capacity considered to be potentially loss-making. If the favorable momentum continues, Mondi will probably launch new investment projects in the near future.

**Cost curve for European testliner producers in Q1 2010**



Source: Mondi Group

Mondi did not enter into any FX hedges in the first half of 2010 (in H1 2009, such transactions resulted in a PLN 100m charge against revenues). The company has sold surplus CO2 emission allowances for a total of 150 thousand tons, and it is going to recognize the proceeds (ca. PLN 9m) in H2 2010.

## Valuation

Using DCF analysis and relative valuation, we estimated the current per-share price of Mondi at PLN 65.8, and set a nine-month target on the stock at PLN 71.1. The increase in valuation was supported by upward revisions in 2010 financial forecasts, and better valuation multiples.

The table below outlines the assumptions used to predict Mondi's future financial performance.

### Earnings forecast assumptions

(PLN m)	2006	2007	2008	2009	2010F	2011F	2012F
<b>Revenues</b>	<b>1 444.0</b>	<b>1 518.7</b>	<b>1 406.3</b>	<b>1 360.8</b>	<b>2 108.4</b>	<b>2 301.2</b>	<b>2 274.4</b>
<i>change</i>	12.6%	5.2%	-7.4%	-3.2%	54.9%	9.1%	-1.2%
Paper	1 444	1 519	1 406	1 361	1 962	2 152	2 122
Other	99	124	115	127	146	149	152
Average paper prices (EUR/T)	415.6	435.1	441.2	296.2	368.9	394.3	388.5
<i>change</i>	10.4%	4.7%	1.4%	-32.9%	24.5%	6.9%	-1.5%
Average paper prices (PLN/T)	1 640.8	1 649.5	1 551.1	1 281.5	1 484.8	1 587.2	1 564.0
<i>change</i>	8.8%	0.5%	-6.0%	-17.4%	15.9%	6.9%	-1.5%
Avg. annual EUR/PLN exchange rate	3.95	3.79	3.52	4.33	4.03	4.03	4.03
Sales volumes (thousands of tons)	819.4	845.3	832.6	962.5	1 321.3	1 355.7	1 356.8
<i>change</i>	2.5%	3.2%	-1.5%	15.6%	37.3%	2.6%	0.1%
Unit cost ex. depreciation	947.2	1 053.9	1 030.1	929.0	1 047.5	1 086.2	1 077.7
<i>change</i>	3.4%	11.3%	-2.3%	-9.8%	12.7%	3.7%	-0.8%

Source: BRE Bank Securities

(PLN)	Weight	Valuation
Relative valuation	50%	65.9
DCF analysis	50%	65.7
Valuation		65.8
<b>Target price (9M)</b>		<b>71.1</b>

(PLN)	EV/EBITDA			EV/SALES			P/E		
	2009	2010F	2011F	2009	2010F	2011F	2009	2010F	2011F
Implied value per share	21	56	58	73	88	88	31	65	74
Year weight	0%	50%	50%	0%	50%	50%	0%	50%	50%
Premium/discount	0%	0%	0%	0%	0%	0%	0%	0%	0%
Multiple weight		45%			10%			45%	
<b>Valuation</b>	<b>65.9</b>	<b>57.1</b>			<b>88.0</b>			<b>69.9</b>	



**DCF Model**

(PLN m)	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	TV
<b>Revenues</b>	<b>2 108.4</b>	<b>2 301.2</b>	<b>2 274.4</b>	<b>2 237.8</b>	<b>2 299.1</b>	<b>2 403.6</b>	<b>2 474.1</b>	<b>2 525.1</b>	<b>2 578.7</b>	
<i>change</i>	54.9%	9.1%	-1.2%	-1.6%	2.7%	4.5%	2.9%	2.1%	2.1%	
<b>EBITDA</b>	<b>431.4</b>	<b>522.2</b>	<b>507.5</b>	<b>524.9</b>	<b>542.8</b>	<b>574.7</b>	<b>597.5</b>	<b>614.0</b>	<b>632.3</b>	
<i>EBITDA margin</i>	20.5%	22.7%	22.3%	23.5%	23.6%	23.9%	24.1%	24.3%	24.5%	
D&A expenses	171.3	171.6	167.6	164.9	162.3	159.9	157.9	156.2	156.2	
<b>EBIT</b>	<b>260.1</b>	<b>350.6</b>	<b>339.9</b>	<b>360.0</b>	<b>380.5</b>	<b>414.8</b>	<b>439.5</b>	<b>457.8</b>	<b>476.1</b>	
<i>EBIT margin</i>	12.3%	15.2%	14.9%	16.1%	16.6%	17.3%	17.8%	18.1%	18.5%	
EBIT tax	15.3	14.5	14.3	14.2	72.3	78.8	83.5	87.0	90.5	
<b>NOPLAT</b>	<b>244.9</b>	<b>336.1</b>	<b>325.5</b>	<b>345.8</b>	<b>308.2</b>	<b>336.0</b>	<b>356.0</b>	<b>370.8</b>	<b>385.6</b>	<b>393.3</b>
CAPEX	-254.5	-92.0	-113.7	-111.9	-115.0	-120.2	-123.7	-156.2	-156.2	-156.2
Working capital	-102.5	-30.2	3.4	-4.9	-7.4	-12.3	-8.8	-6.5	-6.5	-6.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
<b>FCF</b>	<b>59.1</b>	<b>385.4</b>	<b>382.9</b>	<b>394.0</b>	<b>348.1</b>	<b>363.4</b>	<b>381.5</b>	<b>364.3</b>	<b>379.1</b>	<b>386.6</b>
WACC	9.8%	10.1%	10.2%	10.3%	10.2%	10.2%	10.3%	10.4%	10.4%	9.8%
<i>discount factor</i>	91.0%	82.7%	75.1%	68.1%	61.8%	56.1%	50.8%	46.1%	41.7%	42.0%
PV FCF	53.8	318.7	287.4	268.3	215.2	203.8	193.9	167.8	158.2	2 093.1
<b>WACC</b>	<b>9.8%</b>	<b>10.1%</b>	<b>10.2%</b>	<b>10.3%</b>	<b>10.2%</b>	<b>10.2%</b>	<b>10.3%</b>	<b>10.4%</b>	<b>10.4%</b>	<b>9.8%</b>
Cost of debt	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.1%
Risk-free rate	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.6%
Risk premium	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Effective tax rate	5.9%	4.1%	4.2%	3.9%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Net debt / EV	19.8%	15.4%	13.8%	11.7%	11.4%	9.8%	8.4%	8.1%	7.8%	15.0%
Cost of equity	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%
Beta	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	2.0%		<b>Sensitivity Analysis</b>							
Terminal value	4 988.2		<b>FCF growth in perpetuity</b>							
Present value of terminal value	2 093.1		-1.0%    0.0%    2.0%    4.0%    5.0%							
Present value of FCF in the forecast horizon	1 867.1		WACC +1.0ppt	51.5	54.1	61.0	71.9	80.2		
Equity Value	3 960.1		WACC +0.5ppt	54.8	57.7	65.7	78.7	89.0		
Net debt	676.9		WACC	58.4	61.7	<b>71.0</b>	86.7	99.6		
Other non-operating assets	0.0		WACC -0.5ppt	62.3	66.1	77.0	96.2	112.6		
Minority interests	0.0		WACC -01.0ppt	66.6	71.1	84.0	107.7	129.1		
Equity Value	3 283.3									
Number of shares (millions)	50.0									
<b>Equity value per share (PLN)</b>	<b>65.7</b>									
Cost of equity	0.0%									
<b>Target Price</b>	<b>71.0</b>									
EV/EBITDA ('10) for the target price	9.8									
P/E ('10) for the target price	16.6									
TV to EV	47%									

**Income Statement**

(PLN m)	2007	2008	2009	2010F	2011F	2012F	2013F
<b>Revenues</b>	<b>1 518.7</b>	<b>1 406.3</b>	<b>1 360.8</b>	<b>2 108.4</b>	<b>2 301.2</b>	<b>2 274.4</b>	<b>2 237.8</b>
<i>change</i>	5.2%	-7.4%	-3.2%	54.9%	9.1%	-1.2%	-1.6%
<b>COGS</b>	<b>984.9</b>	<b>968.5</b>	<b>1 012.5</b>	<b>1 555.3</b>	<b>1 644.1</b>	<b>1 629.9</b>	<b>1 575.6</b>
SG&A expenses	90.4	99.8	83.5	85.2	89.1	88.6	87.8
Cost of sales	150.1	143.7	165.4	210.8	220.4	219.1	217.4
Other net operating expenses	2.5	0.4	0.1	3.0	3.0	3.0	3.0
<b>EBIT</b>	<b>295.7</b>	<b>194.7</b>	<b>99.6</b>	<b>260.1</b>	<b>350.6</b>	<b>339.9</b>	<b>360.0</b>
<i>change</i>	-9.4%	-34.1%	-48.8%	161.1%	34.8%	-3.1%	5.9%
<i>EBIT margin</i>	19.5%	13.8%	7.3%	12.3%	15.2%	14.9%	16.1%
Profit/loss on financial activity	8.1	-20.1	-25.0	-33.3	-29.3	-24.6	-21.7
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	1.0	2.0	3.0
<b>Pre-tax income</b>	<b>303.8</b>	<b>174.6</b>	<b>74.6</b>	<b>226.8</b>	<b>321.3</b>	<b>315.3</b>	<b>338.3</b>
Tax	-57.6	-33.5	-3.2	-13.3	-13.3	-13.3	-13.3
Minority interests	0.0	0.0	0.0	0.0	1.0	2.0	3.0
<b>Net income</b>	<b>246.2</b>	<b>141.2</b>	<b>71.4</b>	<b>213.5</b>	<b>308.0</b>	<b>301.9</b>	<b>324.9</b>
<i>change</i>	-8.8%	-42.7%	-49.4%	199.0%	44.3%	-2.0%	7.6%
<i>Margin</i>	16.2%	10.0%	5.2%	10.1%	13.4%	13.3%	14.5%
D&A expenses	104.3	110.8	118.3	171.3	171.6	167.6	164.9
<b>EBITDA</b>	<b>400.0</b>	<b>305.5</b>	<b>217.9</b>	<b>431.4</b>	<b>522.2</b>	<b>507.5</b>	<b>524.9</b>
<i>change</i>	-7.9%	-23.6%	-28.7%	98.0%	21.0%	-2.8%	3.4%
<i>EBITDA margin</i>	26.3%	21.7%	16.0%	20.5%	22.7%	22.3%	23.5%
Shares at year-end (millions)	50.0	50.0	50.0	50.0	50.0	50.0	51.0
EPS	4.9	2.8	1.4	4.3	6.2	6.0	6.5
CEPS	0.1	0.1	0.1	0.2	0.2	0.2	0.2
ROAE	24.8%	13.8%	6.3%	16.5%	21.3%	20.3%	21.7%
ROAA	18.1%	8.7%	3.4%	8.8%	11.9%	11.7%	12.7%

**Balance Sheet**

(PLN m)	2007	2008	2009	2010F	2011F	2012F	2013F
<b>ASSETS</b>	<b>1 367.1</b>	<b>1 881.4</b>	<b>2 279.7</b>	<b>2 555.4</b>	<b>2 621.6</b>	<b>2 561.6</b>	<b>2 569.5</b>
<b>Fixed assets</b>	<b>891.6</b>	<b>1 476.2</b>	<b>1 839.1</b>	<b>1 922.5</b>	<b>1 843.2</b>	<b>1 789.4</b>	<b>1 736.6</b>
Intangible assets	7.5	5.9	5.1	5.1	5.1	5.1	5.1
Property, plant and equipment	868.8	1 445.3	1 821.2	1 904.4	1 824.8	1 770.9	1 717.9
Long-term receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term investments	4.8	2.8	2.1	2.1	2.1	2.1	2.1
Long-term prepayments	10.6	22.1	10.7	10.9	11.1	11.3	11.5
<b>Current assets</b>	<b>475.4</b>	<b>405.2</b>	<b>440.6</b>	<b>632.9</b>	<b>778.4</b>	<b>772.1</b>	<b>832.9</b>
Inventories	129.4	140.7	174.4	234.3	255.7	252.7	248.6
Short-term receivables	283.9	228.5	234.6	363.7	397.0	392.3	386.0
Short-term investments	62.1	15.3	30.5	33.9	124.8	126.0	197.2
Short-term prepayments	0.0	20.7	1.0	1.0	1.0	1.0	1.1
<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>LIABILITIES</b>	<b>1 367.1</b>	<b>1 881.5</b>	<b>2 279.7</b>	<b>2 555.4</b>	<b>2 621.6</b>	<b>2 561.6</b>	<b>2 569.5</b>
<b>Equity</b>	<b>981.9</b>	<b>1 066.0</b>	<b>1 184.5</b>	<b>1 397.9</b>	<b>1 492.5</b>	<b>1 486.4</b>	<b>1 509.4</b>
Capital stock	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Capital reserve	672.6	918.7	1 062.2	1 133.6	1 133.6	1 133.6	1 133.6
Undistributed earnings	249.3	144.0	72.2	214.3	308.8	302.8	325.8
<b>Long-term liabilities</b>	<b>0.0</b>	<b>196.0</b>	<b>674.3</b>	<b>650.0</b>	<b>550.0</b>	<b>500.0</b>	<b>500.0</b>
Debt	0.0	196.0	674.3	650.0	550.0	500.0	500.0
<b>Short-term liabilities</b>	<b>300.0</b>	<b>538.6</b>	<b>345.3</b>	<b>465.0</b>	<b>536.7</b>	<b>532.7</b>	<b>517.7</b>
Trade creditors	251.9	428.6	312.3	432.0	455.7	450.7	434.7
Debt	48.1	110.0	33.0	33.0	80.0	80.0	80.0
Other	0.0	0.0	0.0	0.0	1.0	2.0	3.0
Debt	48.1	306.0	707.3	683.0	630.0	580.0	580.0
Net debt	-14.0	290.7	676.9	649.1	505.2	454.0	382.8
(Net debt / Equity)	-1.4%	27.3%	57.1%	46.4%	33.9%	30.5%	25.4%
(Net debt / EBITDA)	0.0	1.0	3.1	1.5	1.0	0.9	0.7
<b>BVPS</b>	<b>19.6</b>	<b>21.3</b>	<b>23.7</b>	<b>28.0</b>	<b>29.8</b>	<b>29.7</b>	<b>30.2</b>

**Cash Flows**

(PLN m)	2007	2008	2009	2010F	2011F	2012F	2013F
<b>Operating cash flows</b>	<b>328.8</b>	<b>403.6</b>	<b>177.4</b>	<b>282.2</b>	<b>449.4</b>	<b>473.0</b>	<b>485.0</b>
Net income	246.2	141.2	71.4	213.5	308.0	301.9	324.9
D&A expenses	104.3	110.8	118.3	171.3	171.6	167.6	164.9
Working capital	-21.8	151.6	-12.3	-102.5	-30.2	3.4	-4.9
<b>Cash flows from investing activities</b>	<b>-81.3</b>	<b>-688.8</b>	<b>-554.2</b>	<b>-254.5</b>	<b>-92.0</b>	<b>-113.7</b>	<b>-111.9</b>
CAPEX	-81.3	-690.8	-554.9	-254.5	-92.0	-113.7	-111.9
<b>Cash flows from financing activities</b>	<b>-247.7</b>	<b>238.4</b>	<b>391.9</b>	<b>-24.3</b>	<b>-266.5</b>	<b>-358.0</b>	<b>-301.9</b>
Debt	-3.6	257.9	401.3	-24.3	-53.0	-50.0	0.0
Dividends/buy-back	-270.0	0.0	0.0	0.0	-213.5	-308.0	-301.9
Other	25.9	-19.5	-9.4	0.0	0.0	0.0	0.0
<b>Change in cash</b>	<b>-0.1</b>	<b>-46.8</b>	<b>15.2</b>	<b>3.4</b>	<b>90.9</b>	<b>1.3</b>	<b>71.1</b>
Cash at period-end	62.1	15.4	30.5	33.9	124.8	126.0	197.2
DPS (PLN)	5.4	0.0	0.0	0.0	4.3	6.2	6.0
FCF	240.9	-146.1	-353.5	59.1	385.4	382.9	394.0
(CAPEX / Sales)	5.4%	49.1%	40.8%	12.1%	4.0%	5.0%	5.0%

**Multiples**

	2007	2008	2009	2010F	2011F	2012F	2013F
P/E	15.0	26.1	51.6	17.3	12.0	12.2	11.3
P/CE	10.5	14.6	19.4	9.6	7.7	7.8	7.5
P/BV	3.8	3.5	3.1	2.6	2.5	2.5	2.4
P/S	2.4	2.6	2.7	1.7	1.6	1.6	1.6
FCF/EV	6.6%	-3.7%	-8.1%	1.4%	9.2%	9.2%	0.0%
EV/EBITDA	9.2	13.0	20.0	10.0	8.0	8.2	7.7
EV/EBIT	12.4	20.4	43.8	16.7	12.0	12.2	11.3
EV/S	2.4	2.8	3.2	2.1	1.8	1.8	1.8
DYield	7.3%	0.0%	0.0%	0.0%	5.8%	8.4%	8.2%
<b>Price (PLN)</b>	<b>73.7</b>						
Shares at year-end (millions)	50.0	50.0	50.0	50.0	50.0	50.0	51.0
MC (PLN m)	3685.0	3685.0	3685.0	3685.0	3685.0	3685.0	3685.0
Equity attributable to minority shareholders (PLN m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV (PLN m)	3 671.0	3 975.7	4 361.9	4 334.1	4 190.2	4 139.0	4 067.8



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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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Rating	Reduce	Hold
Rating date	2010-04-09	2010-06-02
Price on rating day	73.40	67.90
WIG on rating day	42717.20	40931.54