18 November 2009

Update

BRE Bank Securities

Construction

Poland

Trakcja Polska

Accumulate

TRKC.WA; TRK.PW

(Downgraded)

Current price	**PLN 3.86**
Target price	**PLN 4.20**
Market cap	PLN 0.62bn
Free float	PLN 0.25bn
Average daily trading (3M)	PLN 1.12m

Shareholder Structure

Comsa SA	50.63%
Maciej Radziwiłł	1.48%
ING OFE	6.89%
Others	41.00%

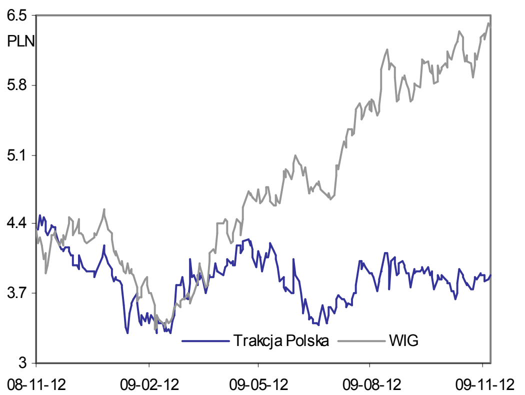
Sector Outlook

Our investment ratings for construction companies are based on more refined criteria. In addition to analyzing the firms by business segment and backlog size, we look at such factors as risk of margin erosion, or net cash position. We would also like to turn the attention of investors to small building firms which are a good alternative to the larger listed players.

Company Profile

Trakcja Polska's core lines of business and railroad and street trackage development: including surfacing, track laying and maintenance, electrical work, engineering, rail automation and installation of phone lines. In addition, the company offers road-development and building-construction services, and is a property developer. In the years ahead, Trakcja Polska plans to diversify into wind-farm development.

Trakcja Polska vs. WIG



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Improvements at PKP PLK

Investment in the railroad infrastructure is bound to increase considerably. In 2006-2009, Trakcja Polska has been able to capture ca. 25% of PKP PLK's CAPEX. Now, there are signals suggesting that PKP PLK's is unfreezing its projects. Its CEO has been telling the media that financing has already been secured for PLN 3.7bn CAPEX in 2010, of which PLN 0.5bn should come from EU funds. In addition, the government has been looking increasingly closely at the protracted tendering procedures. Despite the noticeable improvement at PKP PLK, it is still taking enough time to award contracts to threaten Trakcja Polska's FY2010 earnings (risk of a y/y decline in revenue and of low-margin contracts). The deadline for the submission of bids for the modernization of the Działdowo control center has been postponed until 27 November. We expect the contract to be awarded in December. The first deadline for bids in the Desgin&Build contract for the Warszawa Zachodnia-Skierniewice rail route has been set for 24 November, but we would be surprised if the final decision here is taken before February 2010. Our forecasts of Trakcja's earnings take into account the likelihood of it winning the individual contracts. We also take into account the risk that the delayed awarding of contracts will negatively impact FY2010 earnings. We are downgrading our rating to accumulate and our target price from PLN 4.8 to PLN 4.2 per share. We would like to draw the reader's attention to net cash, which amounted to PLN 0.65 per share at the end of Q3'09.

Działdowo Control Center

The contract for the modernization of the Działdowo control center may be worth ca. PLN 1bn. It will be an open procedure, i.e. anybody will be allowed to submit a bid (some of the recent procedures had two stages, i.e. a handful of shortlisted consortia submitted priced bids at stage two). The nature of the tender increases the risk for margins. We expect that approximately 5 consortia will participate, and three will submit serious bids. The deadline was set for 27 November, and we expect the decision to be taken in December. In our view, given the risk of a decline in its revenues in Q3 2010, TP will attempt to win the contract at a low margin (6% gross).

Warszawa Zachodnia – Skierniewice Rail Route

The contract for the modernization of the Warszawa Zachodnia – Skierniewice rail route may be worth ca. PLN 1.1bn. It is a Design&Build contract, which means that competition may be more limited. On the other hand, the need to carry out design work means that the first noticeable revenues from construction work may not appear until six months after the signing of the contract. In this case we expect the decision in February 2010, and the first material revenues from it in Q4 2010.

(PLN m)	**2007**	**2008**	**2009F**	**2010F**	**2011F**
Revenues	646.8	794.6	733.1	753.0	957.0
EBITDA	35.6	60.9	85.3	51.2	55.8
EBITDA margin	*5.5%*	*7.7%*	*11.6%*	*6.8%*	*5.8%*
EBIT	29.6	53.0	75.3	40.7	45.1
Net income	28.7	54.7	67.3	40.0	43.8
P/E	17.5	11.3	9.2	15.4	14.1
P/CE	14.5	9.9	8.0	12.2	11.3
P/BV	3.5	2.0	1.6	1.5	1.3
EV/EBITDA	12.2	4.9	5.2	8.0	6.6
DYield	0.7%	0.0%	0.0%	0.0%	0.0%

Third-Quarter Results

Revenues, unadjusted for derivatives, were in line with expectations, while gross profit exceeded them (19.3% margin vs. 16% expected). We believe that the positive surprise at the gross margin level is a consequence of higher-than-expected gain on derivatives (this is where the company books these). Derivative payables decreased by PLN 14.2m during the quarter. If we treat this position as approximation of Q3'09 profit on derivatives, we can conclude that it exceeded our expectations by PLN 4.6m. Adjusting the reported gross margin for change in derivatives, we obtain 16.9%; if the valuation of derivatives were not included in sales revenues at all, the gross margin would amount to 11.9%.

General expenses figured to PLN 6.5m, i.e. slightly more than we forecasted (PLN 6.3m). Other net operating expenses exceeded our forecast by PLN 0.6m, and other net finance expenses by PLN 1.4m. All told, net income was PLN 22.5m, which is 10.7% more than we forecasted and 4.4% more than in the consensus forecast. Compared to Q2 2009, cash flows from operating activities were positive at PLN 30.9m (compared to -PLN 143.3m in H1'09 due to lower advance payments from PKP PLK).

Q3 2009 Actuals vs. Forecasts

(PLN m)	Q3 2009	Q3 2008	Change	Our forecasts	Difference	Consensus Estimates	Difference
Revenue	193.7	217.7	-11.0%	197.9	-2.1%	208.0	-6.9%
Gross profit	37.3	25.2	48.4%	31.7	17.6%	-	-
%	*19.3%*	*11.6%*	-	*16.0%*	-	-	-
EBIT	29.9	19.1	55.9%	25.1	19.0%	25.0	19.4%
Pre-tax income	28.7	21.4	34.2%	25.3	13.3%	-	-
Net income	22.5	17.5	28.9%	20.4	10.7%	21.6	4.4%

Source: BRE Bank Securities, Trakcja Polska

Potential Impact of Big Contracts on Earnings

Current Situation at PKP PLK

FY2009 brought an investment slowdown at PKP PLK. Of the several big contract that were to be awarded, only one has been so far, for the Ciechanów local control center (in fact, only the first stage of it), as a result of a motley of financial and administrative factors (we believe both areas are of equal importance this year). At present, the situation is improving, with the CEO declaring that PKP PLK has secured financing for PLN 3.7bn CAPEX in 2010, and might obtain additional PLN 0.5bn from EU funds. In addition, the government has been looking increasingly closely at the investment program and the delays in it. It appears that one of the bleak scenarios, under which the government was going to focus on road construction at the expense of railroads, is not materializing. We project PKP PLK's investment budget in 2010 at PLN 3.95bn, of which PLN 3.46bn will actually be used (vs. less than PLN 3bn in 2009). Due to delayed awarding of contracts, as well as the fact that TP got few of them in 2009, we expect its share of PKP PLK's investment to decline to 20% in 2010. In 2011, we expect PKP PLK to have a budget of PLN 4.35bn and to spend PLN 3.8bn, of which Trakcja will grab 25%, i.e. its traditional share.

Order Backlog and Withheld Tendering Procedures

TP's FY2010 backlog stands at PLN 340m. One big contract would expand it considerably. Were it to be awarded the contract for the Działdowo control center, earnings would be boosted as soon as Q2 2010 (it is a regular construction contract and the decision in this case should come in December). The contract for the Warszawa Zachodnia – Skierniewice railroad stretch is a Design&Build contract. which means that approximately six months may elapse between the time the contract is awarded and the moment the work begins. In this case, the decision should come in February 2010, bringing material revenue for the first time in Q4 2010. We expect that there will be 5-6 bidders for the Działdowo contract (including 3 serious ones) and approximately 4 in the Warszawa Zachodnia – Skierniewice contract. In addition to these, several smaller contracts may be awarded in the near future, such as the Węgliniec – Legnica and Węgliniec – Zgorzelec railroad stretches (PLN 30-35m each with ca. 6 competing bids) and the contract for the construction of the Kraków rapid streetcar system (we expect Trakcja could get 1/3 of the value of the contract, i.e. PLN 69m, and we expect there will be six bidders).

2010 order backlog by quarter

(PLN m)	Total	Revenue Q1 2010	Revenue Q2 2010	Revenue Q3 2010	Revenue Q4 2010
Order backlog	339.6	76.6	168.2	77.4	17.5
FY2009 revenue		102.9	228.2	193.7	208.3
2010 order backlog coverage*		**74.4%**	**73.7%**	**39.9%**	**8.4%**

*Source: BRE Bank Securities, Trakcja Polska; *order backlog / FY2009 revenue*

Contract Margins Reflect the Contract Backlog

There is less competition in railroad construction than in other segments of the construction industry. On the other hand, the value of the contracts is lower (entailing higher risk related to contract acquisition). We believe that margins in the construction industry by and large reflect a company's order backlog and the investment climate. Quite naturally, empty backlogs push the companies to submit low-margin bids. This is the scenario we expect for the Działdowo control center. We believe that Trakcja's Management will not risk a decline in revenues in Q3 and Q4 2009 and it will submit low bids (ca. 6% gross). Conversely, full backlogs cause companies to submit high-margin bids, which tends to happen at the times when investment is surging. In the case of railroad construction, we saw such a scenario in 2007. In 2006, PKP PLK's CAPEX was PLN 1.376bn, in 2007, PLN 2.447bn (+77.8%). This guaranteed Trakcja excellent contract-acquisition results (the excellent earnings were "postponed" from 2008 to 2009, due to derivative valuation changes brought about by the increase in the EUR/PLN rate). Quite possibly, if the Ministry of the Infrastructure returns to its earlier investment plans, PKP PLK's CAPEX may surge to as much as PLN 5bn, which will lead to an increase in the number of contracts in the market and the margins on them.

Base Scenario and Alternatives

We have estimated Trakcja's most likely earnings in 2010. Due to the big impact of the biggest contracts, the calculation is based on expected value. We believe TP will act particularly aggressively in the case of the Działdowo control center. We assume that, not knowing the results in the case of the Działdowo control center, the likelihood that the company will land the other contracts is directly proportional to the number of bidders. Below, we present several scenarios, depending on whether or not Trakcja gets the big contracts. The base scenario uses expected value of the available contracts. The high uncertainty scenario does that as well, but assumes that the Działdowo control center project will not be awarded to TP. The other scenarios are based on specific assumptions of whether or not the big contracts are awarded to the company. Let us point out that regardless of which scenario materializes, Q1 and Q2 2010 earnings will still be very good, as they will be primarily driven by previously acquired contracts.

Scenarios for Trakcja Polska's earnings

Name of the scenario	Działdowo control center	Warszawa Zach - Skierniewice
Base	**probability count**	**probability count**
Optimistic	yes	no
Moderately optimistic	no	yes
Very optimistic	yes	yes
Very pessimistic	no	no
High uncertainty	no	probability count

Source: BRE Bank Securities

Selected contracts: likelihood of winning, margins

	Value (PLN m)	Probability	Gross profit margin (%)
Ciechanów control center (subcontracting)	30.0	100%	9.0%
Działdowo control center	1000.0	50%	6.0%
Grodzisk - Skierniewice	1100.0	25%	7.5%
Węgliniec- Legnica	34.4	17%	8.0%
Węgliniec – Zgorzelec	32.4	17%	8.0%
Kraków rapid streetcar system	69.3	17%	8.0%

Source: BRE Bank Securities

Below, we present our estimates of Trakcja Polska's earnings in the individual scenarios. Let us point out that the probabilities sum up to 200%, which stems from the fact that the table factors in not only expected-value based scenarios, but also "binary" scenarios. In addition, it should be noted that while not winning one of the big contracts affects revenues, it does not lead to a plunge in net profit, due to the nature of these contracts (big contracts give high revenues and low margins, and the reverse is the case with small contracts); in addition, there will be profits from real-estate development and high interest income.

FY2010 earnings by scenario

Name of the scenario	Probability	Revenue	EBIT	Net income	P/E	EV/EBIDTA
Base	**50%**	**753**	**40.7**	**40.0**	**15.5**	**8.0**
Optimistic	38%	898	48.3	46.1	13.4	7.0
Moderately optimistic	13%	718	41.1	40.3	15.3	7.9
Very optimistic	13%	1118	64.2	59.0	10.5	5.5
Very pessimistic	38%	498	25.3	27.5	22.5	11.4
High uncertainty	50%	553	29.4	30.8	20.1	10.3

Source: BRE Bank Securities,

Real-Estate Development

Ongoing Projects

Trakcja's subsidiary PRK-Nieruchmoości is building a residential project at Oliwska St. in Warsaw (82 apartments, of which approximately half have been presold). The project will be completed in late 2009 or early 2010. We expect that all of the revenues and profits related to it will be booked in FY2010. We expect the project to add PLN 30m to revenues and PLN 5.5m to gross profit.

Potential Project (17K Square Meters of Usable Space)

TP's subsidiary, PRK-Nieruchmości, owns a piece of land in Warsaw, at Pełczyńskiego St, where 17,000 square meters of usable space could be build. The problem is litigation that has been going on for the past two years (residents from a neighboring condominium want the building permit to be declared illegal). At present, the case is already at the court of highest instance. After the ruling of the Supreme Administrative Court from July 2009, which was favorable to TP, Trakcja's opponents made the last-resort appeal. We are now awaiting for the date of the hearing to be announced. We expect the case may be settled for good in TP's favor in Q1 2010. Earlier, Trakcja assumed it would sell the land after litigation is over. Now, when the market has stalled and the company has considerable cash, it might consider a real-estate development project. The book value of the land is ca. PLN 20m (PLN 1176 per square meter of usable space). We believe the project could bring ca. PLN 30m in gross income, with revenue at ca. PLN 115m (selling price: PLN 6750 per square meter of usable space) and gross margin of 25.7%. Our assumptions for construction costs are conservative at PLN 3500 per square meter of usable space. Profits on the project could impact FY2011 earnings, but we prefer to be more conservative and expect this in FY2012. In an case, for the time being these profits are not included in our forecasts.

Relative Valuation

We have compared Trakcja Polska to its construction peers. On P/E and EV/EBITDA, the company is trading with a 13.4% discount (average for 2009-2011).

Relative valuation

	2009F P/E	2010F P/E	2011F P/E	2009F EV/EBITDA	2010F EV/EBITDA	2011F EV/EBITDA
Budimex	11.87	10.84	12.64	9.41	8.18	8.52
Erbud	15.46	14.70	16.08	9.36	9.12	7.93
Elektrobudowa	14.92	16.51	13.12	10.04	11.33	9.14
Mostostal Warszawa	13.72	13.60	13.86	6.26	7.59	7.52
Polimex Mostostal	11.83	13.61	13.12	7.47	7.42	7.04
PBG	16.31	14.55	13.15	11.60	9.93	8.95
Rafako	21.27	13.03	12.44	7.40	5.63	4.89
Unibep	12.48	14.25	12.60	8.50	9.44	6.38
Median	**14.32**	**13.93**	**13.12**	**8.93**	**8.65**	**7.72**
Trakcja Polska	9.18	15.45	14.11	5.22	8.01	6.65
Premium (discount)	-35.9%	10.9%	7.5%	-41.6%	-7.4%	-13.9%
Implied value per share	11.87	10.84	12.64	9.41	8.18	8.52

Source: BRE Bank Securities

Valuation

Based on DCF analysis, we set the nine-month price target on Trakcja Polska's stock at PLN 4.2/share.

DCF analysis

Model Assumptions

- Risk-free rate = 6.2% (based on yields on 10Y T-bonds).
- FCF growth rate after FY2019 = 2.5%.
- The property at Pełczyńskiego St. in Warsaw is sold in 2010 for PLN 20m (book value), leading to a PLN 20m decline in inventories.
- FY2010 earnings from real-estate development at PLN 5.5m (gross), leading to a PLN 24.5m decline in inventories.
- Payables, receivables and contract turnover will become equal in 2010 (due to budget limitations, we do not expect a return to the system of advances).

DCF Valuation Model

(PLN m)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019+
Revenues	**753.0**	**957.0**	**1 012.4**	**1 067.6**	**1 124.5**	**1 181.1**	**1 237.3**	**1 293.0**	**1 347.2**	**1 401.7**	
Change	*2.7%*	*27.1%*	*5.8%*	*5.5%*	*5.3%*	*5.0%*	*4.8%*	*4.5%*	*4.2%*	*4.0%*	
EBITDA	**51.2**	**55.8**	**58.8**	**61.2**	**62.2**	**63.8**	**65.1**	**65.5**	**65.8**	**68.0**	
EBITDA margin	*6.8%*	*5.8%*	*5.8%*	*5.7%*	*5.5%*	*5.4%*	*5.3%*	*5.1%*	*4.9%*	*4.9%*	
Amortization and depreciation	10.5	10.7	10.9	11.2	11.3	11.4	11.5	11.5	11.5	11.5	
EBIT	**40.7**	**45.1**	**47.9**	**50.0**	**51.0**	**52.3**	**53.6**	**54.1**	**54.3**	**56.5**	
EBIT margin	*5.4%*	*4.7%*	*4.7%*	*4.7%*	*4.5%*	*4.4%*	*4.3%*	*4.2%*	*4.0%*	*4.0%*	
Tax rate on EBIT	7.7	8.6	9.1	9.5	9.7	9.9	10.2	10.3	10.3	10.7	
NOPLAT	**33.0**	**36.6**	**38.8**	**40.5**	**41.3**	**42.4**	**43.4**	**43.8**	**44.0**	**45.8**	
CAPEX	-15.0	-12.8	-13.1	-13.4	-12.4	-12.6	-12.1	-12.1	-11.5	-11.5	
Working capital	7.6	-2.9	-2.9	-2.6	-2.5	-2.6	-2.5	-2.3	-2.2	-2.6	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCF	**36.1**	**31.5**	**33.7**	**35.6**	**37.7**	**38.7**	**40.3**	**40.9**	**41.8**	**43.1**	**44.2**
WACC	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*11.2%*	*10.6%*	
discount factor	*89.9%*	*80.9%*	*72.7%*	*65.4%*	*58.8%*	*52.9%*	*47.6%*	*42.8%*	*38.5%*	*34.8%*	
PV FCF	32.4	25.5	24.5	23.3	22.1	20.5	19.2	17.5	16.1	15.0	

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
WACC	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***11.2%***	***10.6%***
Cost of debt	*7.4%*	*7.4%*	*7.4%*	*7.4%*	*7.4%*	*7.4%*	*7.4%*	*7.4%*	*7.4%*	*6.8%*
Risk-free rate	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*6.2%*	*5.6%*
Credit risk premium	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*
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	*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%*	*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	*2.5%*
Terminal value	545.9
Present value of the terminal value (PV TV)	189.9
Present value of FCF in the forecast horizon	216.1
Discounted FCF	405.9
Net debt (year-end 2009F)	-178.6
Shares in Eco-Wind Construction	32.7
Minority interests	0.0
Equity value	617.2
Number of shares (millions)	160.1
Equity value per share (PLN)	**3.9**
Cost of equity (9M)	8.3%
Target Price	**4.2**

Sensitivity analysis

FCF growth in perpetuity	**2.0%**	**2.5%**	**3.0%**	**3.5%**	**4.0%**
WACC -1.0pp	4.0	4.1	4.2	4.3	4.4
WACC -0.5pp	4.0	4.1	4.2	4.3	4.4
WACC	4.0	4.1	**4.2**	4.3	4.4
WACC +0.5pp	4.0	4.1	4.2	4.3	4.4
WACC +1.0pp	4.0	4.1	4.2	4.3	4.4

EV/EBITDA('08) for the target price	5.6
P/E('08) for the target price	9.9
TV to EV	31%

Income Statement

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
Revenues	**363.2**	**646.8**	**794.6**	**733.1**	**753.0**	**957.0**	**1 012.4**
Change	*49.8%*	*78.1%*	*22.9%*	*-7.7%*	*2.7%*	*27.1%*	*5.8%*
Cost of sales	337.0	592.9	719.5	629.1	682.4	877.6	927.3
Gross profit	26.1	53.9	75.1	104.0	70.6	79.4	85.0
Gross profit margin	*7.2%*	*8.3%*	*9.4%*	*14.2%*	*9.4%*	*8.3%*	*8.4%*
Selling expenses	-1.7	-2.0	-2.7	-2.5	-2.9	-3.3	-3.6
General and administrative expenses	-11.3	-18.1	-19.2	-24.9	-25.6	-29.3	-31.8
Other net operating profit	-1.1	-4.2	-0.2	-1.3	-1.3	-1.7	-1.8
EBIT	**12.1**	**29.6**	**53.0**	**75.3**	**40.7**	**45.1**	**47.9**
Change	*115.3%*	*145.1%*	*79.3%*	*42.0%*	*-45.9%*	*10.8%*	*6.1%*
EBIT margin	*3.3%*	*4.6%*	*6.7%*	*10.3%*	*5.4%*	*4.7%*	*4.7%*
Profit on financing activity	3.0	7.2	15.0	9.5	8.7	8.9	11.0
Equity in income of associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax income	**15.1**	**36.8**	**68.0**	**84.7**	**49.4**	**54.1**	**58.9**
Tax	-3.6	-7.1	-12.3	-16.8	-9.4	-10.3	-11.2
Minority interests	0.8	1.0	1.0	0.6	0.0	0.0	0.0
Net income	**10.7**	**28.7**	**54.7**	**67.3**	**40.0**	**43.8**	**47.7**
Change	-	*165.7%*	*92.2%*	*23.1%*	*-40.6%*	*9.5%*	*8.9%*
Margin	*2.9%*	*4.4%*	*6.9%*	*9.2%*	*5.3%*	*4.6%*	*4.7%*
Amortization and depreciation	4.7	6.1	7.9	10.0	10.5	10.7	10.9
EBITDA	**16.8**	**35.6**	**60.9**	**85.3**	**51.2**	**55.8**	**58.8**
Change	*71.0%*	*112.4%*	*71.0%*	*40.0%*	*-39.9%*	*9.0%*	*5.4%*
EBITDA margin	*4.6%*	*5.5%*	*7.7%*	*11.6%*	*6.8%*	*5.8%*	*5.8%*
Shares at year-end (millions)	130.1	130.1	160.1	160.1	160.1	160.1	160.1
EPS	0.1	0.2	0.3	0.4	0.2	0.3	0.3
CEPS	0.1	0.3	0.4	0.5	0.3	0.3	0.4
ROAE	*9.4%*	*21.6%*	*23.9%*	*19.5%*	*10.0%*	*9.9%*	*9.8%*
ROAA	*3.4%*	*6.6%*	*8.7%*	*9.3%*	*6.0%*	*6.4%*	*6.3%*

Balance Sheet

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
ASSETS	**377.3**	**496.4**	**754.2**	**693.9**	**641.3**	**730.6**	**789.8**
Fixed assets	**46.9**	**133.2**	**139.3**	**216.8**	**221.3**	**223.5**	**225.7**
Intangible assets	4.5	4.0	4.2	4.8	4.8	4.8	4.8
Equity in associates	1.2	13.8	0.2	0.2	0.2	0.2	0.2
Property, plant and equipment	35.1	44.6	52.1	94.3	98.8	100.9	103.1
Long-term investments	1.4	49.5	49.8	49.8	49.8	49.8	49.8
Other	4.9	21.4	33.0	67.7	67.7	67.7	67.7
Current assets	**330.3**	**363.2**	**614.8**	**477.1**	**420.0**	**507.1**	**564.2**
Inventories	17.6	83.1	84.5	70.4	28.0	28.9	30.5
Receivables	172.1	134.3	160.1	162.7	175.4	222.9	235.8
Short-term prepayments	1.7	2.3	3.3	3.3	3.3	3.3	3.3
Cash and cash equivalents	138.2	141.1	367.0	240.8	213.3	252.1	294.7
Other	0.7	2.3	0.0	0.0	0.0	0.0	0.0

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
LIABILITIES	**377.3**	**496.4**	**754.2**	**693.9**	**641.3**	**730.6**	**789.8**
EQUITY	**120.3**	**145.5**	**311.6**	**378.9**	**419.0**	**462.8**	**510.4**
Minority shares	3.2	4.4	5.4	5.4	5.4	5.4	5.4
Long-term liabilities	**8.4**	**63.6**	**59.1**	**65.5**	**18.1**	**18.1**	**18.1**
Loans, finance leases	0.0	45.8	33.3	47.3	0.0	0.0	0.0
Reserves and other	8.4	17.8	18.1	18.1	18.1	18.1	18.1
Derivatives	0.0	0.0	7.7	0.0	0.0	0.0	0.0
Short-term liabilities	**245.3**	**283.0**	**378.0**	**244.1**	**198.8**	**244.3**	**255.8**
Loans	0.0	24.7	11.6	14.9	0.0	0.0	0.0
Trade creditors	240.3	222.2	299.9	181.0	158.9	204.4	216.0
Derivatives	0.0	0.0	26.7	8.3	0.0	0.0	0.0
Other	5.1	36.1	39.9	39.9	39.9	39.9	39.9

Debt	0.0	70.5	44.9	62.2	0.0	0.0	0.0
Net debt	-138.2	-70.6	-322.1	-178.6	-213.3	-252.1	-294.7
(Net debt / Equity)	*-114.9%*	*-48.6%*	*-103.4%*	*-47.1%*	*-50.9%*	*-54.5%*	*-57.7%*
(Net debt / EBITDA)	-8.2	-2.0	-5.3	-2.1	-4.2	-4.5	-5.0
BVPS	0.9	1.1	1.9	2.4	2.6	2.9	3.2

Cash Flows

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
Cash flows from operating activities	**74.4**	**44.0**	**141.9**	**-65.5**	**41.1**	**42.7**	**44.7**
Net income	10.7	28.5	54.7	67.3	40.0	43.8	47.7
Amortization and depreciation	4.7	6.1	7.9	10.0	10.5	10.7	10.9
Working capital	11.2	-4.7	50.4	-61.6	27.2	-2.5	-2.7
Other	47.8	14.2	28.9	-81.3	-36.6	-9.3	-11.2
Cash flows from investing activities	**-7.0**	**-89.0**	**-51.5**	**-87.5**	**-15.0**	**-12.8**	**-13.1**
CAPEX	-7.0	-21.8	-14.8	-87.5	-15.0	-12.8	-13.1
Equity investments	0.0	-67.2	-36.7	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flows from financing activities	**2.6**	**47.9**	**81.6**	**26.8**	**-53.6**	**8.9**	**11.0**
Stock offering	2.6	0.0	111.5	0.0	0.0	0.0	0.0
Debt	0.0	52.7	-25.6	17.4	-62.2	0.0	0.0
Dividend (buy-back)	0.0	-3.3	0.0	0.0	0.0	0.0	0.0
Other	0.0	-1.5	0.0	0.0	0.0	0.0	0.0
Change in cash	**70.0**	**2.9**	**172.1**	**-126.2**	**-27.5**	**38.8**	**42.6**
Cash at end of period	138.2	141.1	313.2	187.0	159.5	198.3	240.9
DPS (PLN)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF	18.3	-65.1	11.2	-124.4	36.1	31.5	33.7
(CAPEX / Sales)	*1.9%*	*3.4%*	*1.9%*	*11.9%*	*2.0%*	*1.3%*	*1.3%*

Market multiples

	2006	2007	2008	2009F	2010F	2011F	2012F
P/E	46.9	17.5	11.3	9.2	15.4	14.1	13.0
P/CE	32.6	14.5	9.9	8.0	12.2	11.3	10.5
P/BV	4.2	3.5	2.0	1.6	1.5	1.3	1.2
P/S	1.4	0.8	0.8	0.8	0.8	0.6	0.6
FCF/EV	*5.0%*	*-14.9%*	*3.7%*	*-28.0%*	*8.8%*	*8.5%*	*10.2%*
EV/EBITDA	21.9	12.2	4.9	5.2	8.0	6.6	5.6
EV/EBIT	30.4	14.7	5.7	5.9	10.1	8.2	6.9
EV/S	1.0	0.7	0.4	0.6	0.5	0.4	0.3
DYield	*0.0%*	*0.7%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Price (PLN)	**3.9**						
Shares at year-end (millions)	130.1	130.1	160.1	160.1	160.1	160.1	160.1
MC (PLN m)	502.2	502.2	618.0	618.0	618.0	618.0	618.0
Equity attributable to minority shareholders (PLN m)	3.2	4.4	5.4	5.4	5.4	5.4	5.4
EV (PLN m)	367.2	436.0	301.3	444.9	410.1	371.3	328.8

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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*

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Rating	Buy	Buy	Buy
Date issued	2009-03-17	2009-05-18	2009-08-14
Price on rating day	3.75	4.03	3.90
WIG on rating day	23497.59	29424.40	35998.12