16 September 2009

Update

BRE Bank Securities

Oil & Gas
Poland

PKN Orlen

Buy

PKNA.WA; PKN.PW

(Reiterated)

Current price	**PLN 27.15**
Target price	**PLN 38.20**
Market cap	PLN 11.6bn
Free float	PLN 7.8bn
Avg daily trading volume (3M)	PLN 85.07m

Shareholder Structure

State Treasury	27.52%
ING OFE	5.17%
Others	67.31%

Sector Outlook

Refining fundamentals are very volatile at the moment, but positive trends are starting to emerge, which should lead to a steadying in the cash flows of refineries. An expected in increase oil prices will further help boost sentiment toward the sector.

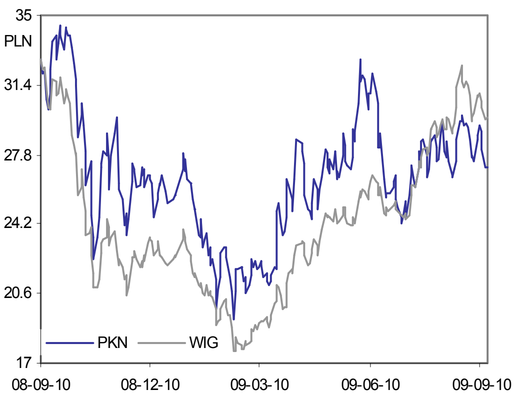
Company Profile

PKN Orlen is the largest refinery in the CEE region, with 14.1 million tons of annual capacity. In addition to crude refining, PKN Orlen is also active in the chemicals industry via its subsidiary Anwil, and in petrochemicals through BOP. In 2005, PKN Orlen took over the Czech "Unipetrol" group, followed by the acquisition of Lithuania's Mazeikiu Nafta in 2006.

Important dates

13.11 - consolidated 3Q'09 report

PKN Orlen vs. WIG



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Strong CF, Improved Petchem Profits

The fundamentals of petroleum refining (pricing differential, crack spreads) remain adverse, and it seems that investors expect them to remain so for the next 2-3 years. In our opinion, as the global economy recovers, there is a chance that the crack spreads on diesel will widen, and that OPEC will increase production, restoring the discount in heavy crude prices. As for the outlook for PKN Orlen specifically, we expect strong sales performance from the filling stations, and a rebound in the petrochemical business after a period of huge losses. Other potential value drivers include the passing of new strategic-reserve laws, and completion of planned divestitures (Anwil may be sold still this year). We are reiterating a buy rating on PKN Orlen, with a price target of PLN 38.2 a share.

Strong OCF despite adverse market

At PLN 1.9 billion, PKN Orlen's operating cash flow for Q2 2009 far exceeded, unaided by any one-offs (some PLN 0.8bn did stem from movements in working capital, but note the offset PLN 0.5bn portion of the increase in liabilities related to the Agrofert claim). It was the second quarter in a row of such strong cash flows (which amounted to PLN 1.1bn in Q109), and it proved that PKN Orlen is able to generate substantial cash flows even amid unfavorable market conditions. Cash flows in the second half of the 2009 may not be as robust due to the Agrofert damages and a PLN 0.5 billion outlay toward strategic reserves.

Predicting strong performance from Retail & Petrochemicals

PKN refineries are not likely to report much improvement in Q309 as they remain under pressure from a low crude pricing differential and 30-day downtime on HC and HOG units. On the upside, the Retail segment is expected to report sustained volume trends and higher margins generated by the filling stations, and declare an EBIT in excess of PLN 300m. On an equally positive note, after three "red" quarters, the Petrochemical business is going to end the third quarter in the black thanks to improved market margins.

Strategic reserve laws

The has been no news as yet as to whether the government is going to buy strategic petroleum reserves from refineries. While investors seem skeptical, statements from the refiners as well as the Ministry of the Economy indicate that this is indeed what is going to happen. The final decision should not take longer than 2-3 more weeks to make, and if that decision is to take over strategic reserve maintenance, the implications for PKN Orlen are a PLN 5.6-6 billion reduction in net debt and a decrease in the estimated 2010 EV/EBITDA multiple to 5.3 from 6.6 (excl. Polkomtel).

(PLN m)	2007	2008	2009F	2010F	2011F
Revenue	63793.0	79535.2	60200.4	70868.2	79175.2
EBITDA	5035.3	887.6	3828.9	4336.3	4992.3
EBITDA margin	*7.9%*	*1.1%*	*6.4%*	*6.1%*	*6.3%*
EBIT	2603.9	-1603.8	1151.2	1600.2	2063.8
Net income	2412.4	-2505.7	1000.6	1258.7	1419.2
DPS	0.00	1.62	0.00	0.00	0.60
P/E	4.8	-4.6	11.6	9.2	8.2
P/CE	2.4	-809.8	3.2	2.9	2.7
P/BV	0.6	0.7	0.6	0.6	0.6
EV/EBITDA	4.6	30.3	7.2	6.6	5.8
DYield	0.0%	6.0%	0.0%	0.0%	2.2%

Q2'09: Solid Cash Flows, Better Than Expected

In Q2'09, PKN Orlen's consolidated EBIT figured to PLN 661m vs. PLN 600-650m suggested by preliminary earnings estimates. At PLN 1.2m, net income was also ahead (we estimated ca. PLN 1bn after the preliminary earnings release). Refining EBIT was PLN 770m vs. PLN 831m we expected and PLN 1.5bn a year ago. The main factors that led to a y/y decline in earnings were the deterioration in the macroeconomic environment (-PLN 400m on margins and price differential, to a certain extent offset by the higher USD/PLN exchange rate) and the decline in volumes (-PLN 350m). The Management estimated the impact of unplanned downtime at Płock and Unipetrol at –PLN 76m (net of positive impact of asset write-downs of PLN 80m). The LIFO effect was PLN 928m (including PLN 890m in Refining) vs. PLN 859m a year earlier. Adjusted for the one-offs mentioned above, LIFO earnings in refining figured to -PLN 52m, which means that in the current macroeconomic environment the segment is close to break even point. There was a nice surprise in Retail, with an EBIT of PLN 223m EBIT vs. PLN 112m expected and PLN 122m in Q2'08. This was made possible by higher margins at gas stations (+PLN 70m y/y, mostly in the Czech Republic and Germany) and higher non-gasoline margins (+PLN 30m). In case of the Petrochemical segment, earnings undershot our expectations at -PLN 172m (vs. -PLN 62m forecasted and PLN 120m in Q2'08), due to the decline in margins (-PLN 200m) and volumes (-PLN 50m), caused, inter alia, by the unplanned downtimes at the olefin line (-PLN 64m). Anwil earned only PLN 8m vs. PLN 45m expected (lower supply of ethylene from Płock, leading to a decline in PVC volumes). There were no surprises in unattributed costs (PLN 160m vs. PLN 150m forecasted).

Consolidated second-quarter results

(PLN m)	Q2 2009	Q2 2008	Change	Q2 2009F*	Actuals vs. forecast	Consensus	Actuals vs. consensus	H1 2009	H1 2008	Change
Revenues	16 770	22 093	-24.1%	16 931.0	-1.0%	16 965	-1.1%	31 472	40 032	-21.4%
EBITDA	1 317	2 253	-41.5%	1 416.5	-7.0%	1 342	-1.9%	1 648	3 405	-51.6%
EBITDA margin	*7.9%*	*10.2%*	-	*9.63%*	-	*7.9%*	-	*5.24%*	*8.51%*	-
EBIT	661	1 646	-59.8%	730.5	-9.5%	716	-7.7%	340	2211	-84.6%
Pre-tax income	1 335	2 138	-37.6%	944.5	41.3%	-	-	64	2928	-97.8%
Net income	1 171	1 741	-32.7%	761.9	53.7%	867	35.1%	76	2367	-96.8%

** our forecasts made before Orlen published its preliminary earnings estimates for Q2 2009*
Source: PKN Orlen, F-forecasts by BRE Bank Securities, Consensus Estimates by PAP

The Company recorded finance gains of PLN 619m vs. PLN 214m expected, primarily thanks to higher F/X gains on EUR loans (PLN 351m vs. PLN 350m). The striking aspect of Q2 earnings are the extremely high positive operating cash flows at the time of increasing crude oil prices (working capital balance was PLN 0.8bn thanks to an increase in payables, although this effect was in fact smaller, as it was offset by reduction in provisions in the amount of PLN 0.5bn after the penalty due to Agrofert was rebooked from provisions to payables), which, coupled with the revaluation of F/X loans (+PLN 1bn in the balance sheet, and only EUR-denominated loans in the amount of PLN 351m in the income statement) allowed net debt to be reduced from PLN 14.3bn to PLN 13.3bn despite the PLN 1bn payment for the remaining shares in Mazeikiu Nafta.

Consolidated quarterly results by business segment

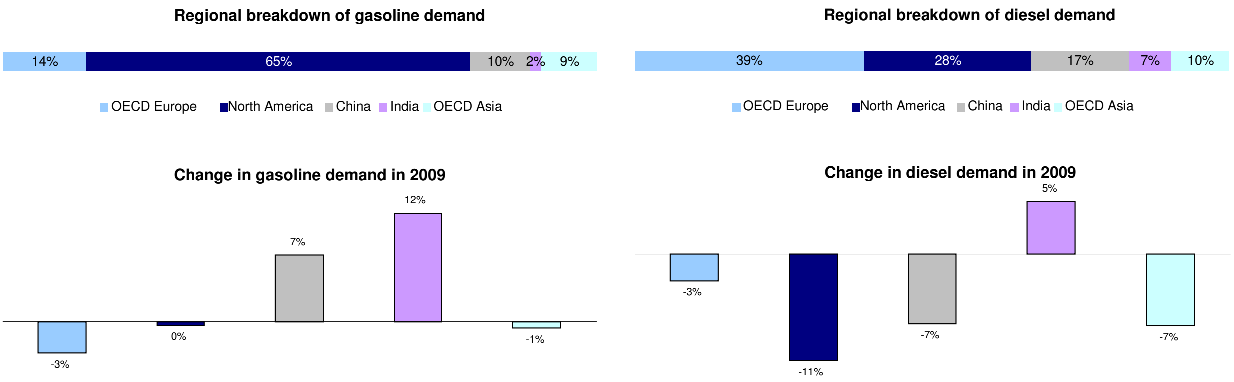
	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09
Revenues	**17 938**	**22 090**	**23 058**	**16 449**	**14 702**	**16 770**
EBIT	**565**	**1 646**	**512**	**-1 965**	**-320**	**981**
Refinery	330	1 407	184	-1 778	-116	846
LIFO	355	845	-316	-2 713	-246	928
Retail	70	109	247	165	87	223
Petrochemicals	278	35	104	-97	-162	64
Chemicals	0	73	87	33	90	8
Unattributed	-113	-52	-139	-321	-219	-160
EBIT (LIFO)	**210**	**801**	**828**	**748**	**-74**	**53**
EBITDA	**1 152**	**2 253**	**1 120**	**-1 275**	**331**	**1 637**
Finance gains/losses	225	402	-388	-1621	-951	674
Net income	**626**	**1 668**	**21**	**-3 047**	**-1 095**	**1 171**

Source: PKN Orlen

Refinery

The situation in the global market for fuels remains impacted by the ongoing economic crisis. Demand has declined primarily in OECD countries, including the world's biggest fuel market, USA. According to the June data from the International Energy Agency, the US fuel consumption fell by the staggering 7.5% y/y. Declines have been observed in practically speaking all refining categories, although the situation was at its worse in case of middle distillates (as much as -20% y/y during the summer). In the other developed economies, the situation is somewhat better, but a significant reduction in the demand for fuels is being observed in both Europe (-3.4%) and Asia (-3.6%, including -8.2% in Japan). The picture looks much better in developing countries such as China or India, where total fuel consumption is expected to rise by 2.8% and 3.8%, respectively, in 2009. With growth in excess of 1%, Poland is in this category as well (and growth approaches 4.6% in case of transportation fuels). For now, however, these countries do not account for a big enough share of the global demand to change the overall picture.

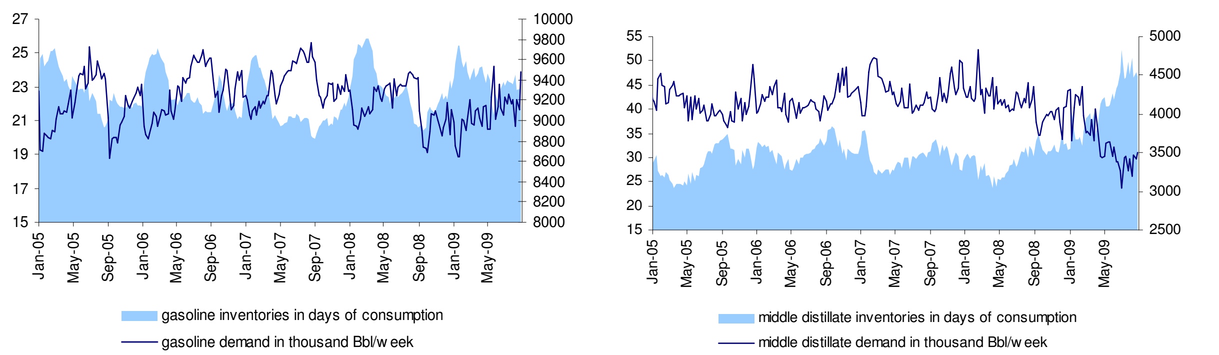
Changes in the demand for gasoline and diesel by geography



** due to data availability limitations, the charts above show regions providing 69% of total fuel consumption in the world*
Source: forecasts by IEA, estimates by BRE Bank Securities

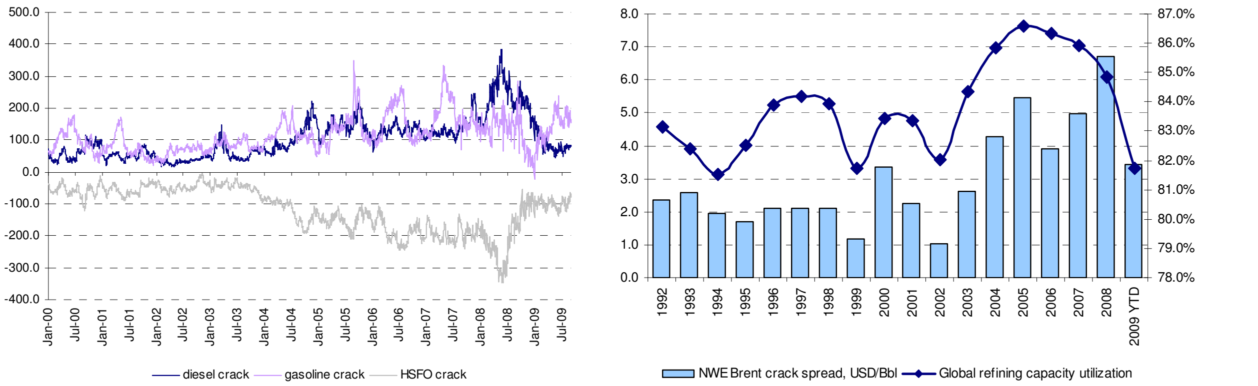
A detailed analysis of fuel consumption indicates that the highest y/y declines are being observed for diesel and aircraft fuel, which is quite understandable when industrial output and international trade are both falling, reducing freight traffic. In case of gasoline, whose consumption is affected by the situation of consumers, the downward trend in OECD countries is much less strong (thanks to the decline in end-user prices by 15-18% y/y in Europe, 30% y/y in Japan, 37% y/y in the US); in case of the developing countries, growth is in fact continuing. The automotive boom in China (with car sales increasing by 48% y/y thanks to state subsidies and tax incentives) and in India (by 26% in August) should, according to IEA, increase gasoline consumption in these countries in 2009 by 7% and 12%, respectively. These diverging trends in the core fuel categories are reflected by inventory trends. While gasoline reserves in OECD countries are at levels comparable to those seen in the past three years, in case of middle distillates we are observing a clear increase in stored volumes. In Europe, middle distillate reserves are 14% above the average level for the last three years (which is equivalent to 39 days of consumption, while the average is 30 days) and 30% in the USA (47 days of consumption vs. the average of 30 days).

US gasoline and middle distillate inventories vs. consumption



Source: EIA, estimates by BRE Bank Securities

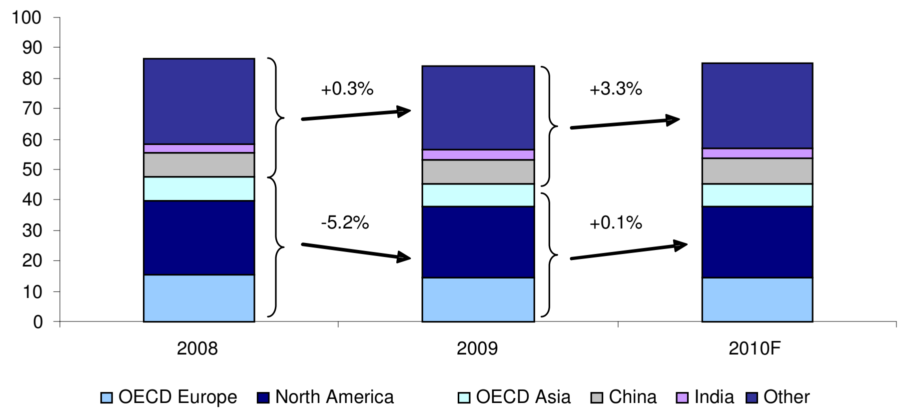
Crack spreads on individual fuels, refining margin vs. refining throughput



Source: Bloomberg, BP, estimates by BRE Bank Securities

The tendencies in the fuel market, as outlined above, have a direct impact on capacity utilization in refining, and on its profitability. The decline in demand has led to reduced production levels and a reduction in the capacity utilization ratio to 81.7% (which includes the new plant in India), a level that has not been observed since 1999. In the developed countries, refineries reacted to the breakdown in demand and in margins by cutting their capacity utilization by more than 4% y/y. An important factor for the sector is the structure of this decline in consumption, which is mostly affecting middle distillates. This has led to a drastic reduction in crack spreads on diesel and JET fuel (to USD 70-80 per ton vs. USD 230 per ton in 2008 and a 5Y average of USD 150 per ton); with lower negative crack spreads on heavy fuel oils (-USD 90 per ton vs. –USD 196 per ton in 2008 and 5Y average of -USD 170 per ton - most likely because the decline in demand for this fuel was less profound than in the case of diesel and because its supply has been reduced sharply as the supply of heavy crude declined), this has sharply reduced the premium for comprehensive refineries with higher output of white products (ca. USD 2-3 per Bbl for Brent crude, vs. up to USD 7-8 per Bbl last year). The steadying demand for gasoline and the rebound in crack spreads on this fuel (USD 160 per ton vs. USD 127 per ton in 2008 and 5Y average of USD 144 per ton) was only enough to moderate the decline in benchmark margins, which returned to their 2003 levels (NWE Brent USD 2.5 per Bbl vs. USD 6.7 per Bbl in 2008). For Polish refineries, we saw similar tendencies, which were further strengthened by the continuing climb of crude oil prices, which reduced their energy efficiency (own consumption at their CHPs).

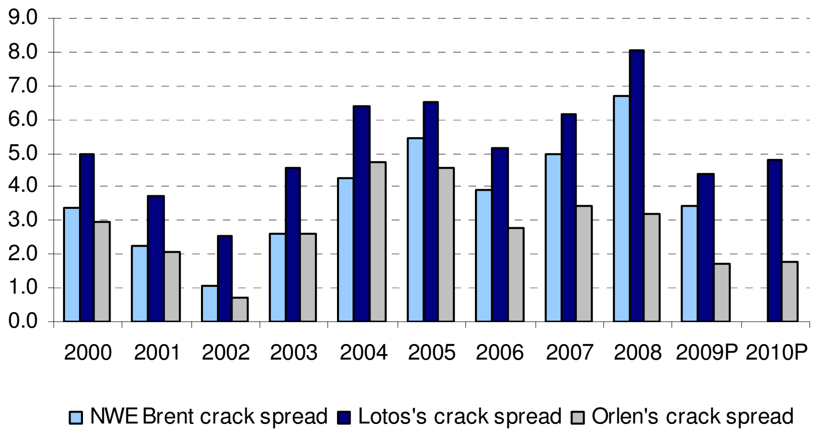
Global fuel demand forecast, 2010



Source: IEA

In the upcoming months, the key factor affecting crack spreads will be further data concerning US demand for gasoline (which allow market trends to be monitored on a weekly basis) as well as trends in petroleum pricing. Should positive changes in demand continue, in particular in the area of middle distillates (3% growth was observed in the past 4 weeks), crack spreads on these products should, in our opinion, improve, perhaps convincing the IEA to upgrade its fuel consumption forecast for North America from the current +0.8%. We believe that similar tendencies should also be noted in the other key economies of the world, as industrial production is expected to start growing again under the optimistic scenario. Profitability should rebound also if petroleum prices reach an equilibrium above USD 70/Bbl – with the current level of crack spreads, this would guarantee satisfactory margins (adjusted for own consumption). The first few weeks of September suggest that such a scenario is possible; this is why we take it into account in our forecasts.

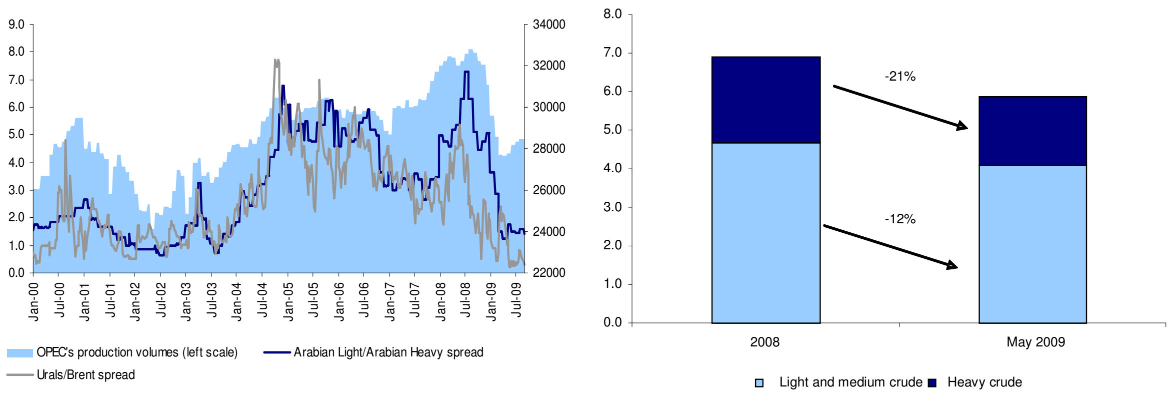
Orlen's and Lotos's crack spreads vs. benchmark, forecasts for 2010



Source: BP, Bloomberg, estimates by BRE Bank Securities

For Polish refiners, another factor which is as important as the margins is the price discount between the variety of petroleum they use and Brent crude, which has narrowed down considerably over the past few quarters. Contrary to our previous expectations, the improvement in the ratio of Russian export duties and crude oil prices strengthened the differential only for a while (late March and early April). It seems therefore that the reduction in the differential between the price of heavier and lighter varieties of crude oil is a global phenomenon, whose roots lie in the reduced supply of heavy crude due to OPEC's output cuts. Since September 2008, the cartel has cut production by 12%, with much heavier cuts in heavy sour varieties (our estimates for three leading OPEC exporters are shown below), although they comprise only 25-35% of these producers' total output. This decision was, of course, economically motivated. Just as in 2001-2002, the objective was achieved. Under this interpretation, this tendency is not structural in nature and it is not a consequence of Russia's purposeful actions (Russia did state multiple times that it was going to attempt to reduce the pricing differential between the Urals and Brent varieties). Thus, we cannot expect the differential to be sustained at USD 0.5/Bbl in a longer term; the situation should start improving once the next economic cycle in the global economy begins, leading to an increase in OPEC's output. Our forecast that the discount will return to USD 2/Bbl within two years appear absolutely realistic.

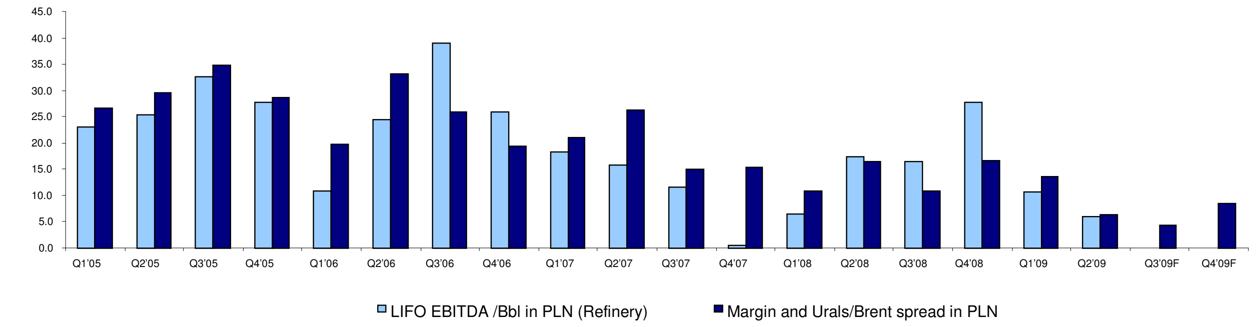
Pricing differentials on heavy crude varieties vs. OPEC output and exports by variety (Venezuela, Iran, Saudi Arabia)*

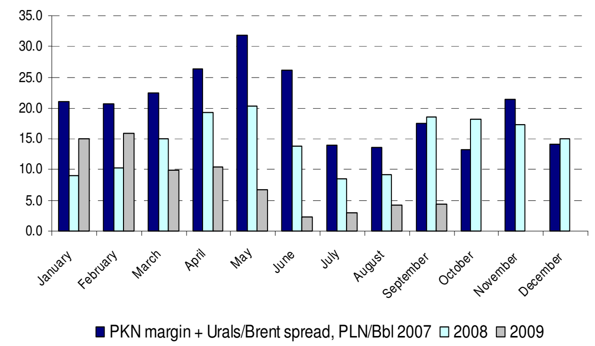


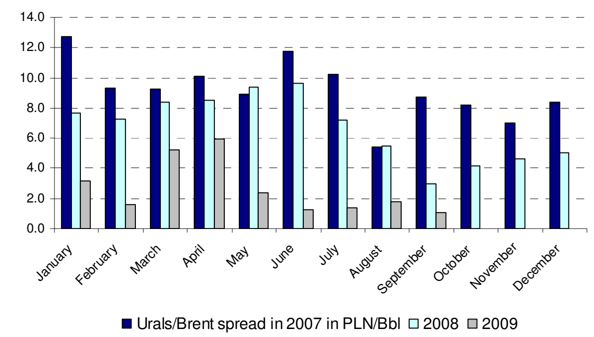
**These countries jointly account for 54% of OPEC's total output*
Source: Bloomberg, estimates by BRE Bank Securities

Given the crack spread and Urals/Brent differential tendencies outlined above, Q3 earnings in Refinery cannot be expected to bring a breakthrough. Another charge against the EBIT will be the 30 day downtime at the HDS and HC lines, whose cost we estimate at ca. PLN 150m. All in all, LIFO EBIT will be a loss of ca. PLN 150-160m. Due, however, to the expected gains from inventory revaluation (PLN 200-250m), the reported EBIT should be positive.

Refinery earnings and the macroeconomic environment



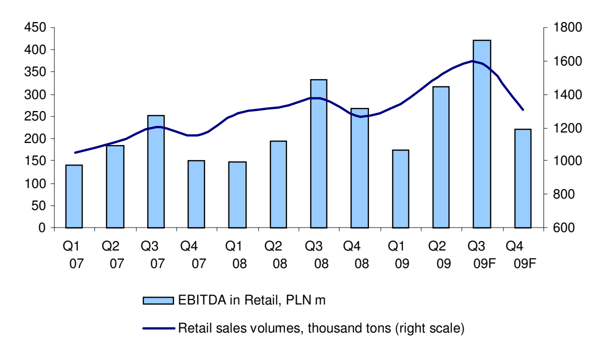


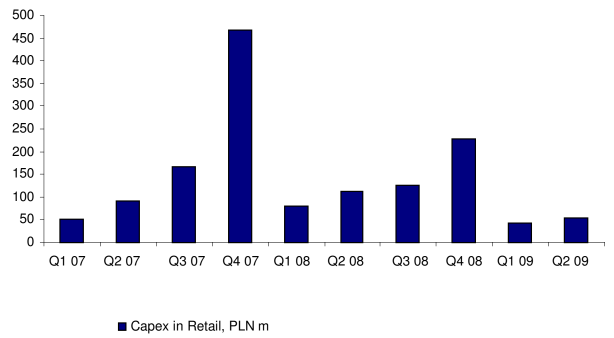


Source: Bloomberg, estimates by BRE Bank Securities

With the current tough macroeconomic conditions, filling stations are a factor that stabilizes Orlen's cashflows and reported earnings. In H1, the Company's retail EBIT amounted to PLN 310m vs. PLN 192m a year earlier. Such a considerable improvement was mostly a consequence of higher sales volumes (especially in Poland in Q2'09 – by the whooping 9.5%) and higher margin on non gasoline sales (+PLN 66m y/y, mostly due to the expansion of the "stop cafe" and "bistro cafe" deli services). Surprisingly, retail margins have remained high, despite the upwards trend in crude oil and fuel prices. The Management's recent pronouncements indicate that the tendencies observed in Q2 have persisted into Q3, which has led us to upgrade our FY forecasts for the segment to PLN 754m. We would also like to point out, that the "network revitalization" program is slowly nearing its end (there is a clear downward tendency in CAPEX), which should further strengthen earnings in this line (to give an example, in Q2'08, 78 stations were being modernized, vs. just 14 in Q2'09).

Retail EBITDA and sales volumes at gas stations



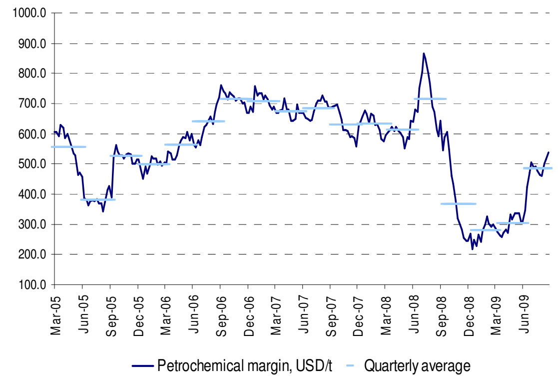


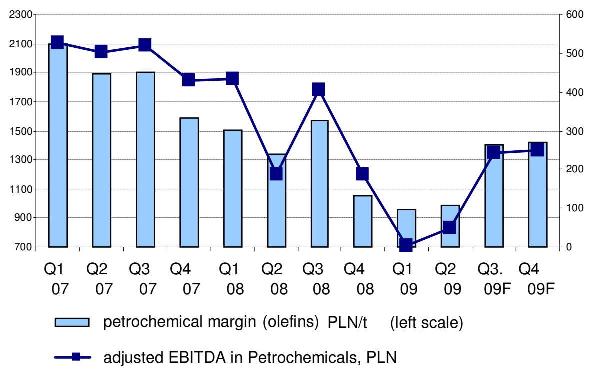
Source: Bloomberg, estimates by BRE Bank Securities

Petrochemicals

Since the beginning of September, we have been observing an improvement in petrochemical margins, in the case of olefins as well as polyolefins, despite the systematic increase in the price of feedstock materials caused by the mounting price of petroleum. The segment's profitability has improved due to the revival in demand for the products on the one hand (including the impact of governmental aid programs for the automotive industry) and to a series of unplanned downtimes on production lines (2.5m tons potential), which, coupled with earlier economically-driven reductions in capacity utilization, have led to a decline in supply (especially propylene, ethylene and butadiene). These installation failures occurred in France, Italy, Sweden and Norway; in addition, a Serbian producer had liquidity problems. Also of importance was the downtime at Płock (production resumed in July). We estimate the current margin on olefins at ca. USD 516 per ton, vs. USD 300 per ton on average in H1'09. This is still significantly lower than the average for 2007-2008 (ca. USD 630/ton), but we believe it should lead to a considerable improvement in the segment's operating earnings. We estimate the EBIT in Q3 at PLN 50m vs. the -PLN 162m loss in Q1'09 and -PLN 180m in Q2'09. Quarter-on-quarter earnings growth should also be improved as there will be no maintenance downtimes, which will make it possible to expand sales volumes (the current level of demand makes this possible). We expect that with the continuation of the economic revival, which we are currently observing in the global economy, petrochemical margins will be systematically on the rise.

Margin on petrochemicals vs. EBITDA of the Petrochemical segment





Source: Bloomberg, PKN Orlen, estimates by BRE Bank Securities

Mandatory Reserves

The Ministry of the Economy has prepared the guidelines for a new bill on mandatory fuel reserves, which is supposed to align the Polish regulations with the new EU directive. The Ministry's proposal was prepared by a group of experts in consultation with the fuel industry and the Finance Ministry. It foresees a change in the crude oil and fuel mandatory reserve system, shifting the responsibility onto a governmental agency that will be created for this purpose. The Ministry's proposals include several variants, including proposals as to how to finance the potential purchase of the existing stockpiles from Orlen (PLN 5.6bn, i.e. PLN 13.1 per share), Lotos (PLN 1.7bn, i.e. PLN 13 per share) and the other players. In additions, solutions have been developed concerning fees for the maintenance of these reserves and infrastructural leases, including objects owned by the Polish refineries (in the case of Orlen, which has the most infrastructure, potential fees paid to the new agency should be fully offset with rental revenues for storage units). At present, the government is looking into the proposals. Most likely, in late September or early November we will learn which approach will be pursued. One of the most likely ones is a bond offering carried out by the state-owned BGK bank, with the creation of a special purpose fund resembling the National Road Fund. Recently, reports have appeared in the press concerning talks allegedly conducted with a commercial banks. No details have been revealed, but we believe the underlying idea might be to create derivatives to be sold by an investment bank on the basis of the mandatory reserves, which would convert them into a financial asset capable of generating a steady profit, which could be used to service the abovementioned bonds. These are merely speculations for now, however, and it is too early to discount this positive scenario. If the government does make a decision along these lines, however, the share price of Orlen and Lotos might go north, as this would reduce their net debt and working capital (at Lotos in particular, where a considerable increase in volumes is planned after the 10+ program ends).

Loan Terms

On 27 April, Orlen has successfully concluded negotiations with a consortium of banks, which allowed it to temporarily exceed the allowed net debt/EBITDA ratio of 3.5. Thus, it was able to rebook PLN 9.5bn of debt from short-term to long-term liabilities, and the banks unfroze unused credit lines of EUR 1bn. Loan margin has been increased temporarily, but the Company says it does not exceed 300bps. Investors are worried, however, that Orlen will have to return to the negotiating table with its banks, as at the end of 2009, when loan covenants are examined again, its net debt will be significantly higher than 3.5x EBITDA. According to our estimates, at the current USD/PLN and EUR/PLN exchange rates, the Company should meet this requirement, despite the tough macroeconomic environment, delays in asset divestment and high payments made in Q3 (a total of PLN 1bn due to the Agrofert penalty and mandatory reserve charges). Our forecasted net debt/EBITDA ratio is 3.4. The security buffer is, however, negligible, and we cannot preclude the possibility than new appendices to loan agreements will be necessary. We believe that due to the improvement in the global financial markets and the fact that an agreement could be reached in the much-tougher conditions in place in April 2009, another margin hike should not exceed 100bps. This should not, however, lead to a similar increase in interest expenses, as Orlen's net debt is expected to decrease next year (lower CAPEX, the Polkomtel divestment, perhaps cash from mandatory reserves).

Disputes With Agorfert And Jukos

Under a ruling of the Court of Arbitration in Prague of 30 June 2009, Orlen was ordered to pay a contractual penalty of EUR 77.3m plus interest (PLN 28.3m) to Agrofert. The total payment – PLN 460m – was made on 3 July. The ruling concerns the privatization of Unipetrol in 2003-2004 and Orlen's failure to comply with agreements in which it undertook to sell some of Unipetrol's assets to Agrofert. At the same time, the court dismissed two other Agrofert claims in their entirety (EUR 77.3m and EUR 15.8m). We are still awaiting the decision concerning Agrofert's fourth claim (EUR 700m damages). In this case, we agree with the Management that the arguments cited to justify the claim (unfair competition and defamation) and the value of the claim are totally unjustified.

PKN Orlen filed a claim against Yukos International with the Court of Arbitration at the International Chamber of Trade in London, alleging that YI misrepresented the situation of the Mazeikiu Nafta refinery as of the day of execution of the sale (the plant had already been damaged by fire and crude oil supplies via the Druzhba pipeline had been interrupted). At present, Orlen is demanding USD 250m that is deposited in an escrow account (pursuant to the sale agreement), but further claims are possible. In our opinion, Orlen's arguments are fully valid, and it is very likely that it will receive the said amount (equivalent of PLN 715m without interest) from the escrow account. The arbitration proceedings have not began yet, however, and the whole process may last several years before there is a final solution.

Employment Restructuring

Under the voluntary separation scheme, headcount should be reduced by 270 people in the Polish part of the concern. A further 250 people will be laid off at Mazeikiu Nafta, and similar steps have been undertaken at the Czech Unipetrol. The Management estimates that across the Group, headcount will decline by ca. 600-1000 people by the end of December (from the current 23,000). Severance payments will have a limited impact on this year's earnings, as the existing restructuring reserve will be used for them. We should see the positive impact of downsizing in 2010, when costs should be reduced by PLN 50-70m. The Management is, however, planning to continue with the process (up to 10% of the staff is to be laid off in the next 5 years).

Disinvestment Plans

Among the planned disinvestments, the Management lists Orlen's 24.39% stake in Polkomtel, the mobile operator, and an 85% stake in Anwil, a chemicals manufacturing group. We estimate the after-tax value of these assets at PLN 3.4bn (PLN 8.0 per share) and PLN 1.4bn (PLN 3.2 per share), respectively. Orlen is also selling 12 fuel stations as well as storage facilities with asking price of nearly PLN 100m. Orlen is also going to review its subsidiaries. It estimates the potential profits from divesting some of them at several hundred million dollars within the next three years. Potential candidates for divestment include transportation companies Orlen Transport and Orlen Koltrans, whose value we estimate at PLN 60-65m and PLN 50-55m, respectively. For now, however, it is difficult to say when this cash could be coming in.

Polkomtel

Orlen is expecting the first bids for Polkomtel in late October or early November (the schedule was prepared by Nomura, which advises on the transaction). As far as the timeline is concerned, an important aspect is the agreement that binds the current shareholders, which gives preemptive 30-days preemptive rights to the non-divesting partners. For sure, PGE will not be wanting to execute this right (the Company has announced that it is going to sell its 21.85% stake), but it is hard to say what the other shareholders will do (KGHM 24.39%, Węglokoks 4.98% and Vodafone 24.39%). It seems, however, that only Vodafone might be interested, although the recent agency reports suggest this might not be the case. If there are no bidders for PKN's and PGE's stakes in an open tender, stock exchange debut is a possibility – in fact, Polkomtel is already preparing for that option. Under this scenario, however, the whole process would be delayed; in addition, the other shareholders have to agree, which might be difficult to achieve.

Anwil

According to the current timeline, the informational memorandum for investors should be ready in September; the first bids can be expected in October. Based on EV/EBITDA (2008/2010 sector median), we estimate the value of Orlen's 85% stale at PLN 1.7bn (PLN 1.4bn after-tax, standalone). At this stage, it is difficult to asses the likelihood of success and the level of interest. It should be stressed, however, that Anwil should be interesting for industry investors due to its integration with the refinery (feedstock materials), which could be strengthened if capacity is expanded. In addition, we would like to point out that our multiple-based valuation for Anwil is based on consolidated data, which are strongly depressed this year due to the loss suffered by the Czech Spolana. Orlen might want to approach this loss-making subsidiary separately so as not to depress Anwil's valuation.

Multiple valuation for the Anwil group*

(PLN m)	2008	2009F	2010F
EBITDA	433	244	354
Net debt (year-end 2008)	91	91	91
EV/EBITDA (sector median)	4.2	8.5	6.3
Implied equity	1713	1972	2155
Overall valuation	1947		
Value of Orlen's 85% stake	1655		
Book value of the stake	176		
Net value of the stake	1374		

** inclusive of Spolana*
Source: PKN Orlen, estimates by BRE Bank Securities

Macroeconomic Assumptions

The table below lists our macroeconomic assumptions for the DCF model.

$/Bbl	2005	2006	2007	2008	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F
Brent crude	54.5	65.4	72.8	98.0	60.6	70.0	80.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0
Urals crude	50.4	61.2	69.5	95.1	59.6	68.2	78.0	87.6	87.7	87.7	87.7	87.8	87.8	87.8
Urals-Brent spread	4.1	4.2	3.3	2.9	1.0	1.8	2.0	2.4	2.3	2.3	2.3	2.2	2.2	2.2
PKN's product margin	6.3	4.5	6.4	4.9	3.3	3.3	4.0	4.3	4.6	5.0	5.3	5.7	5.5	5.5
Mazeikiu Nafta's product margin	5.4	2.1	3.6	2.7	2.0	2.0	4.8	5.0	5.3	5.5	5.7	6.0	6.2	6.2
Unipetrol's product margin	8.5	5.9	7.3	9.7	5.1	5.5	5.6	5.8	5.9	6.1	6.2	6.4	6.5	6.5
Oil throughput (millions of tons)														
Orlen	12.8	13.7	14.0	14.2	14.2	15.0	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7
Unipetrol	2.6	4.3	4.1	4.5	4.2	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Mazeikiu Nafta			5.0	9.2	8.8	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Petrochemical output ('000 of tons)	1923	3051	3059	2956	2577	3204	3375	3804	3575	3804	3575	3804	3575	3805
Chemical products output ('000 of tons)	1326	1804	1826	1759	1691	1778	1798	1878	1878	1878	1878	1878	1878	1878
Chemical & Petrochemical Lines														
Margin on chemicals (EUR/t)	500	535	620	609	488	528	538	565	565	557	557	557	557	557
Margin on petrochemicals ($/t)	498	559	660	553	406	461	475	522	522	507	507	507	507	507
Margin on HDPE+LDPE ($/t)	666	683	660	650	552	554	570	602	602	584	584	584	584	584
Margin on PP ($/t)	679	625	634	659	509	537	553	612	612	593	593	593	593	593
Margin on PTA ($/t)			896	1041	731	866	866	926	1045	926	866	866	926	926

Other macroeconomic assumptions	2005	2006	2007	2008	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F
USD/PLN exchange rate	3.23	3.11	2.77	2.42	3.12	2.96	2.80	2.69	2.69	2.69	2.69	2.69	2.69	2.69
EUR/PLN exchange rate	4.02	3.90	3.78	3.48	4.30	3.91	3.80	3.50	3.50	3.50	3.50	3.50	3.50	3.50

Source: Bloomberg, PKN Orlen, Mazeikiu Nafta, forecasts by BRE Bank Securities

Earnings Forecast and Valuation

Our DCF model (which factors in PKN's interests in Polkomtel) produced a nine-month per-share target price of PLN 38.2.

DCF Analysis

Model Assumptions

1. Cash flows were discounted as of August 31, 2009. When determining equity value, we took into account net debt as of December 31, 2008, less the February installment of damages received by Mazeikiu Nafta ($63m), plus the price of the 10% stake in MN bought under the Lithuanian government ($290m). We are also taking into account contractual penalties awarded by the Court of Arbitration to Agrofert (PLN 460m paid in July plus PLN 164m reserve for additional costs stemming from the last claim, still being considered).
2. The macroeconomic assumptions are as forecasted above.
3. We added the investment in Polkomtel to equity value, including shares bought at the end of 2008 (at cost of PLN 733m).
4. The amortization and depreciation expense projected for 2018 is higher than CAPEX, which is unsustainable over a long term, prompting us to revise the D&A expense to PLN 1.9 billion for terminal value calculation purposes.
5. When calculating FCF_{TV}, we based the terminal value calculations on the sales growth rate and EBITDA margins projected for 2018.
6. We assume that FCF after FY2018 will grow at a rate of 1%. Risk-free rate is 6.25%, and beta is 1.0.

DCF Valuation Model For PKN Orlen

(PLN m)	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017	2018	2018+
Revenue	**60 200**	**70 868**	**79 175**	**88 614**	**90 116**	**91 081**	**91 014**	**92 312**	**92 222**	**93 339**	**93 339**
change	*-24.3%*	*17.7%*	*11.7%*	*11.9%*	*1.7%*	*1.1%*	*-0.1%*	*1.4%*	*-0.1%*	*1,2%*	*0.0%*
EBITDA	**3 828.9**	**4 336.3**	**4 992.3**	**6 429.3**	**6 101.4**	**5 992.4**	**5 966.8**	**6 234.4**	**6 216.8**	**6 294,0**	**6 294.0**
EBITDA margin	*6.4%*	*6.1%*	*6.3%*	*7.3%*	*6.8%*	*6.6%*	*6.6%*	*6.8%*	*6.7%*	*6,7%*	*6.7%*
Amortization and depreciation	2 677.7	2 736.1	2 928.5	2 933.4	2 738.4	2 494.5	2 352.0	2 298.5	2 159.4	2 140,1	1 943.4
EBIT	**1 151.2**	**1 600.2**	**2 063.8**	**3 495.9**	**3 363.0**	**3 497.9**	**3 614.8**	**3 935.9**	**4 057.5**	**4 153,9**	**4 350.6**
EBIT margin	*1.9%*	*2.3%*	*2.6%*	*3.9%*	*3.7%*	*3.8%*	*4.0%*	*4.3%*	*4.4%*	*4,5%*	*4.7%*
Tax rate on EBIT	218.7	304.0	392.1	664.2	639.0	664.6	686.8	747.8	770.9	789,2	826.6
NOPLAT	**932.5**	**1 296.1**	**1 671.7**	**2 831.7**	**2 724.1**	**2 833.3**	**2 928.0**	**3 188.1**	**3 286.5**	**3 364,7**	**3 524.0**
CAPEX	-3 716	-3 950	-3 185	-2 468	-2 293	-1 943	-1 943	-1 943	-1 943	-1 943	-1 943
Working capital	402	-921	-763	-4 131	-303	-297	-271	-133	3	-36	3
Capital investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,0	0.0
FCF	**296**	**-839**	**653**	**-834**	**2 866**	**3 087**	**3 065**	**3 411**	**3 505**	**3 526**	**3 527**
WACC	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.1%*	*9.2%*	*9.2%*	*9.2%*	*9.3%*	*9,3%*	*9.5%*
discount factor	*97.2%*	*89.1%*	*81.7%*	*75.0%*	*68.7%*	*62.9%*	*57.6%*	*52.8%*	*48.3%*	*44,2%*	*44.2%*
PV FCF	287	-748	534	-625	1 969	1 943	1 767	1 800	1 693	1 557	

WACC	***9.0%***	***9.0%***	***9.0%***	***9.0%***	***9.1%***	***9.2%***	***9.2%***	***9.2%***	***9.3%***	***9,3%***	***9.5%***
Cost of debt	*7.3%*	*7.3%*	*7.3%*	*7.3%*	*7.3%*	*7.3%*	*7.3%*	*7.3%*	*7.3%*	*7,3%*	*7.3%*
Risk-free rate	*6.3%*	*6.3%*	*6.3%*	*6.3%*	*6.3%*	*6.3%*	*6.3%*	*6.3%*	*6.3%*	*6,3%*	*6.3%*
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%*	*19.0%*
Net debt / EV	*41.0%*	*41.8%*	*41.1%*	*41.7%*	*39.3%*	*38.7%*	*38.3%*	*37.4%*	*36.7%*	*36,2%*	*31.7%*
Cost of Equity	*11.3%*	*11.3%*	*11.3%*	*11.3%*	*11.3%*	*11.3%*	*11.3%*	*11.3%*	*11.3%*	*11,3%*	*11.3%*
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	*1.0%*
Terminal value	41 273
Present value of the terminal value (PV TV)	18 233
Present value of FCF in the forecast horizon	10 176
Net debt	13 397
Minority interests	2 719
Allowance against Agrofert claim	-624
Equity value	11 669
Number of shares (millions)	427.7
Equity value per share (PLN)	**27.3**
Per-share value of interests in Polkomtel	**8.0**
Equity value per share (PLN)	**35.3**
Cost of equity (9M)	*8.4%*
Target Price	**38.2**
EV/EBITDA('09) for the target price	8.5
P/E('09) for the target price	16.3
TV to EV	56%

Sensitivity analysis

	FCF growth in perpetuity				
	0.0%	**1.0%**	**2.0%**	**3.0%**	**4.0%**
WACC +1.0pp	29.5	33.4	38.2	44.3	52.3
WACC +0.5pp	31.3	35.7	41.1	48.1	57,3
WACC	33.4	38.2	44.3	52,3	63.2
WACC -0.5pp	35.7	41.1	48.1	57.3	70.3
WACC -1.0pp	38.2	44.3	52.3	63.2	78,9

Relative valuation

		P/E				EV/EBITDA			
	Price	**2008**	**2009F**	**2010F**	**2011F**	**2008**	**2009F**	**2010F**	**2011F**
MOL	14550	7.6	17.4	9.6	7.8	5.4	6.1	5.1	4.3
OMV	28.4	4.5	10.9	7.1	5.8	3.4	4.9	3.9	3.4
Lotos*	23.0	-5.8	7.8	5.8	2.4	36.7	10.8	8.4	5.1
Tupras	25.3	7.2	10.2	8.6	7.8	4.0	6.7	5.9	5.0
Hellenic	7.3	8.6	12.3	11.2	9.3	6.9	8.7	8.1	6.8
Unipetrol (CZK)	140.7	25.1	38.7	12.4	9.7	5.0	6.1	4.7	4.0
SNP Petrom	0.3	7.1	11.4	9.0	6.7	3.6	4.7	3.5	3.0
ERG	10.0	12.8	-68.4	17.6	13.1	3.1	12.9	4.5	3.8
Neste	11.3	6.4	20.8	14.0	8.7	4.4	8.3	6.4	4.8
Motor Oil	9.9	7.9	9.8	8.8	8.1	6.9	8.1	7.4	7.1
INA	1531.1	16.7	18.5	9.7	6.4	7.5	7.5	5.1	3.9
Maximum		25.1	38.7	17.6	13.1	36.7	12.9	8.4	7.1
Minimum		-5.8	-68.4	5.8	2.4	3.1	4.7	3.5	3.0
Median		**7.6**	**11.4**	**9.6**	**7.8**	**5.0**	**7.5**	**5.1**	**4.3**
PKN	27.2	-4.6	11.7	9.2	8.2	21.6	5.0	4.4	3.8
(premium / discount)		-160.8%	2.7%	-4.0%	4.5%	335.9%	-33.3%	-13.7%	-11.4%
Implied valuation									
Median		7.6	11.4	9.6	7.8	5.0	7.5	5.1	4.3
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)		**32.9**							

EV/EBITDA based on net debt at year-end 2008

Net debt adjusted for the value of the stake in Polkomtel and mandatory reserves (PLN 5.6bn)

Lotos's multiples were estimated based on net debt from 2007-2010.

Income Statement

Revenue	2006	2007	2008	2009F	2010F	2011F	2012F
change	**52 867**	**63 793**	**79 535**	**60 200**	**70 868**	**79 175**	**88 614**
	28.4%	*20.7%*	*24.7%*	*-24.3%*	*17.7%*	*11.7%*	*11.9%*
EBIT							
Refinery	**2 576.6**	**2 603.9**	**-1 603.8**	**1 151.2**	**1 600.2**	**2 063.8**	**3 495.9**
LIFO effect	1 614.0	1 689.0	53.0	1 184.0	1 049.9	1 254.3	1 954.4
Retail	32.0	1 167.0	-1 843.0	933.6	326.2	51.5	597.5
Petrochemicals	439.0	423.0	625.0	753.9	760.7	784.8	829.4
Chemicals	842.0	1 068.0	144.0	-209.7	185.2	384.5	1 032.7
Other	224.0	246.0	285.0	91.8	199.2	241.0	286.4
Unattributed costs	8.0	-155.0	137.0	0.0	0.0	0.0	0.0
	-550.4	-667.1	-2 977.8	-668.8	-594.9	-600.8	-606.8
EBIT (LIFO ACCOUNTING)	**2 544.6**	**1 436.9**	**239.2**	**217.6**	**1 273.9**	**2 012.3**	**2 898.4**
Profit on financing activity	-68.0	139.8	-1 578.6	-298.4	-327.3	-623.6	-702.8
Extraordinary gains/losses	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Other	220.7	267.4	266.5	300.0	300.0	300.0	300.0
Pre-tax income	**2 729.3**	**3 011.1**	**-2 915.9**	**1 152.8**	**1 572.9**	**1 740.2**	**3 093.1**
Tax	669.1	530.6	-388.8	203.0	298.9	330.6	587.7
Minority interests	74.2	68.0	-21.4	-50.8	15.4	-9.7	-0.3
Net income	**1 986.0**	**2 412.4**	**-2 505.7**	**1 000.6**	**1 258.7**	**1 419.2**	**2 505.8**
change	*-56.6%*	*21.5%*	*-203.8%*	*-139.9%*	*25.8%*	*12.8%*	*76.6%*
margin	*3.8%*	*3.8%*	*-3.2%*	*1.7%*	*1.8%*	*1.8%*	*2.8%*
Amortization and depreciation	2 108.1	2 431.4	2 491.4	2 677.7	2 736.1	2 928.5	2 933.4
EBITDA	**4 684.7**	**5 035.3**	**887.6**	**3 828.9**	**4 336.3**	**4 992.3**	**6 429.3**
change	*-30.4%*	*7.5%*	*-82.4%*	*331.1%*	*13.3%*	*15.1%*	*28.8%*
EBITDA margin	*8.9%*	*7.9%*	*1.1%*	*6.4%*	*6.1%*	*6.3%*	*7.3%*
Shares at year-end (millions)	427.7	427.7	427.7	427.7	427.7	427.7	427.7
EPS	4.6	5.6	-5.9	2.3	2.9	3.3	5.9
CEPS	9.6	11.3	0.0	8.6	9.3	10.2	12.7
ROAE	*11.2%*	*12.4%*	*-13.3%*	*5.4%*	*6.5%*	*7.0%*	*11.5%*
ROAA	*5.0%*	*5.3%*	*-5.4%*	*2.1%*	*2.5%*	*2.6%*	*4.4%*

Balance Sheet

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
ASSETS	**45 419.1**	**46 103.3**	**46 975.8**	**48 619.6**	**52 730.0**	**55 286.9**	**57 509.8**
Fixed assets	**27 660.8**	**26 736.4**	**29 280.9**	**30 319.4**	**31 533.5**	**31 789.8**	**31 324.8**
Property, plant and equipment	25 199.7	24 833.5	26 268.8	27 324.8	28 536.2	28 808.0	28 369.0
Intangible assets	619.8	531.0	557.0	539.6	542.2	526.8	500.8
Equity interests	716.3	700.3	1 561.1	1 561.1	1 561.1	1 561.1	1 561.1
Other fixed assets	1 125.0	671.5	893.9	893.9	893.9	893.9	893.9
Current assets	**17 758.3**	**19 367.0**	**17 694.9**	**18 300.2**	**21 196.5**	**23 497.1**	**26 185.0**
Inventories	7 398.9	10 365.4	9 089.0	10 241.1	11 802.4	13 063.4	14 924.6
Short-term receivables	6 293.7	6 884.5	6 356.2	6 321.0	7 441.2	8 313.4	8 950.0
Other current assets	1 714.4	618.9	905.4	525.4	525.4	525.4	525.4
Cash and cash equivalents	2 351.3	1 498.2	1 344.2	1 212.6	1 427.5	1 594.8	1 784.9

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
LIABILITIES	**45 419.1**	**46 103.3**	**46 975.8**	**48 619.6**	**52 730.0**	**55 286.9**	**57 509.8**
EQUITY	**18 850.9**	**19 935.3**	**17 813.1**	**18 993.7**	**19 952.4**	**20 816.8**	**22 740.6**
Share capital	1 057.6	1 057.6	1 057.6	1 057.6	1 057.6	1 057.6	1 057.6
Other equity	17 793.3	18 877.6	16 755.5	17 936.1	18 894.7	19 759.1	21 683.0
Minority shares	**2 731.6**	**2 638.0**	**2 718.6**	**2 667.7**	**2 683.1**	**2 673.4**	**2 673.1**
Long-term liabilities	**8 958.1**	**11 091.4**	**4 634.2**	**14 022.1**	**15 169.0**	**15 445.3**	**17 055.6**
Loans	6 211.2	8 602.7	2 610.7	11 998.6	13 145.5	13 421.8	15 032.1
Other	2 747.0	2 488.7	2 023.5	2 023.5	2 023.5	2 023.5	2 023.5
Short-term liabilities	**14 878.4**	**12 438.7**	**21 809.9**	**12 936.1**	**14 925.5**	**16 351.4**	**15 040.4**
Loans	4 277.9	1 719.2	11 282.1	2 397.9	2 627.1	2 682.3	3 004.1
Trade creditors	8 221.4	9 181.2	8 414.1	9 933.1	11 693.3	13 063.9	11 431.2
Other	2 379.1	1 538.2	2 113.7	605.2	605.2	605.2	605.2
Debt	10 489.1	10 321.9	13 892.8	14 396.4	15 772.5	16 104.1	18 036.2
Net debt	8 137.8	8 823.7	12 548.5	13 183.8	14 345.1	14 509.3	16 251.3
(Net debt / Equity)	*43.2%*	*44.3%*	*70.4%*	*69.4%*	*71.9%*	*69.7%*	*71.5%*
(Net debt / EBITDA)	1.7	1.8	14.1	3.4	3.3	2.9	2.5
BVPS	44.1	46.6	41.6	44.4	46.6	48.7	53.2

Cash Flows

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
Cash flows from operating activities	**3 693.2**	**1 965.1**	**3 616.8**	**3 757.8**	**3 116.1**	**3 899.1**	**1 711.1**
Net income	2 060.2	2 480.4	-2 526.6	949.8	1 274.1	1 409.5	2 505.4
Amortization and depreciation	2 108.1	2 431.4	2 491.4	2 677.7	2 736.1	2 928.5	2 933.4
Working capital	-492.8	-2 830.4	1 358.2	402.0	-921.3	-762.5	-4 130.5
Other	17.6	-116.3	2293.8	-271.6	27.3	323.6	402.8
Cash flows from investing activities	**-6 746.2**	**-2 845.1**	**-4 385.0**	**-4 201.9**	**-3 584.5**	**-3 099.9**	**-2 373.4**
CAPEX	-1 924.6	-3 693.7	-3 969.4	-3 716.3	-3 950.1	-3 184.9	-2 468.4
Capital investments	-5 836.5	-539.5	-736.9	-1 058.5	0.0	0.0	0.0
Other	1015.0	1388.2	321.3	572.8	365.6	84.9	95.0
Cash flows from financing activities	**4 277.6**	**27.0**	**612.6**	**312.4**	**683.3**	**-631.8**	**852.4**
Stock offering	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt	4 505.3	667.9	1 902.1	983.7	1 376.1	331.5	1 932.1
Dividend (buy-back)	0.0	0.0	-692.9	0.0	0.0	-254.8	-281.9
Other	-227.8	-640.9	-596.7	-671.2	-692.8	-708.6	-797.8
Change in cash	**1 224.5**	**-853.1**	**-155.6**	**-131.6**	**214.9**	**167.3**	**190.1**
Cash at the end of period	2 351.3	1 498.2	1 344.2	1 212.6	1 427.5	1 594.8	1 784.9
DPS (PLN)	0.00	0.00	1.62	0.00	0.00	0.60	0.66
FCF	-4 238.3	-2 559.0	-2 071.7	-746.9	-834.0	714.2	-757.3
(CAPEX / Sales)	*3.6%*	*5.8%*	*5.0%*	*6.2%*	*5.6%*	*4.0%*	*2.8%*

Market multiples

	2006	2007	2008	2009F	2010F	2011F	2012F
P/E	5.8	4.8	-	11.6	9.2	8.2	4.6
P/CE	2.8	2.4	-	3.2	2.9	2.7	2.1
P/BV	0.6	0.6	0.7	0.6	0.6	0.6	0.5
P/S	0.2	0.2	0.1	0.2	0.2	0.1	0.1
FCF/EV	*-18.9%*	*-11.1%*	*-7.7%*	*-2.7%*	*-2.9%*	*2.5%*	*-2.5%*
EV/EBITDA	4.8	4.6	30.3	7.2	6.6	5.8	4.7
EV/EBIT	8.7	8.9	-16.8	23.9	17.9	14.0	8.7
EV/S	0.4	0.4	0.3	0.5	0.4	0.4	0.3
DYield	*0.0%*	*0.0%*	*6.0%*	*0.0%*	*0.0%*	*2.2%*	*2.4%*

Price (PLN)	**27.15**						
Shares at year-end (millions)	427.7	427.7	427.7	427.7	427.7	427.7	427.7
MC (PLN m)	11 612	11 612	11 612	11 612	11 612	11 612	11 612
Equity attributable to minority shareholders (PLN m)	2 732	2 638	2 719	2 668	2 683	2 673	2 673
EV (PLN m)	22 482	23 074	26 879	27 464	28 640	28 795	30 537

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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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HOLD – we expect that the rate of return from an investment will range from –5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
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Date issued	2009-02-27	2009-06-02
Price on rating day	21.45	30.50
WIG on rating day	21923.27	30781.55