

25 September 2009

Update


Construction
Poland

Current price	PLN 9.74
Target price	PLN 11.60
Market cap	PLN 0.68bn
Free float	PLN 0.15bn
Avg daily trading volume(3M)	PLN 1.41m

Shareholder Structure

Laris Investments	37.45%
BZ WBK AIB Asset Management	27.47%
Elektrim	12.47%
Others	22.61%

Sector Description

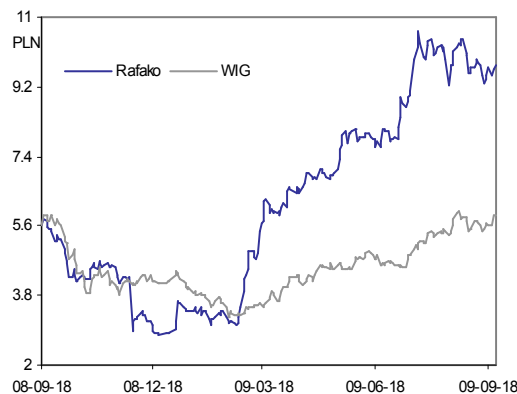
Our investment ratings for construction companies are based on more refined criteria. In addition to analyzing the firms by business segment and backlog size, we look at such factors as risk of margin erosion, or net cash position. We would also like to turn the attention of investors to small building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

Company Profile

The Rafako Group is one of Europe's biggest constructors of boilers. The Company's product range also includes desulfurization systems, electrostatic precipitators and boiler elements.

Important Dates

12.11 - Q3 2009 report

Rafako vs. WIG

Maciej Stokłosa

(48 22) 697 47 41

maciej.stoklosa@dibre.com.pl

www.dibre.com.pl

Rafako

RAFA. WA; RFK.PW

Buy

(Reiterated)

Big Tenders in Sight

Earnings for Q2 2009 were in line with our expectations at the operating level, but net income was tarnished by a write-off on a joint and several guarantee for some of Elwo's liabilities (a PLN 8.7m charge against finance costs). Considering its 2009 earnings, Rafako may appear expensive, but we believe next year will bring a considerable improvement. The current low profitability is motivated by the Company's conservative contract-budgeting policies. In 2010, we expect more orders, which should improve earnings. In addition, it is possible that at least some provisions created by the Management in Q4 2008 and in Q1-Q2 2009 to cover the unexpected consequences of the financial crisis will be released (ca. PLN 20m total). We do not take this into account in our forecasts for now. Rafako's 2010 order backlog currently amounts to PLN 0.97bn, and it is set to increase to PLN 1.09bn, including the contract for a desulfurization line at the Bełchatów power plant (PLN 323m, expected to be signed in late October given that a protest by Energomontaż Południe was dismissed) We do not believe this year can bring a significant improvement in earnings, but it can bring new contracts. We are reiterating a buy rating with the same target price.

Selected Tenders

In late September, bids are due for general contracting in the construction of a CHP unit in Bielsko-Biała (PLN 400-500m). Towards the end of the year, the Bełchatów power plant should call a tender for the modernization of its units no. 7-12 (PLN 2-3bn). The tender will comprise several packages (6 boilers, 6 electrostatic precipitators, 6 revolving heaters, 6 packages of pipelines, 6 turbine sets). In early 2010, a general contracting contract for new power units at the Siekierki power plant should be awarded (PLN 3bn). A tender has been called for general contracting in the construction of two power units in Opole (PLN 10bn). Two small desulfurization projects are also up for grabs (PLN 100-150m).

Towards Consolidation

It was a big surprise to everybody when Doosan Heavy Industries (South Korea) took over Skoda Power, a manufacturer of electric turbines. Doosan will now be able to offer all the key elements of a power plant (boilers, generators and turbines). The value of the transaction was EUR 451.6m (P/S = 1.7). This development is indicative of a tendency towards consolidation in the sector. The Management of Rafako is considering a stock offering so as to finance acquisitions, but it is too early for now to say how this might affect valuation.

(PLN m)	2007	2008	2009F	2010F	2011F
Revenues	1137.5	1125.6	1049.5	1310.2	1441.2
EBITDA	35.1	76.1	70.1	84.4	87.1
<i>EBITDA margin</i>	3.1%	6.8%	6.7%	6.4%	6.0%
EBIT	22.1	60.8	54.3	68.2	70.2
Net profit	12.2	-11.6	34.2	55.8	58.2
P/E	55.6	-	19.8	12.1	11.6
P/CE	26.8	180.8	13.6	9.4	9.0
P/BV	2.0	2.0	1.8	1.6	1.4
EV/EBITDA	12.0	5.7	6.7	5.0	4.3
DYield	0.1%	0.0%	0.0%	0.0%	0.0%



Second-Quarter Results

Rafako's Q2'09 revenue and gross profit were 6% ahead of estimates (the gross margin was in line at 10.9%). At PLN 14.8m, SG&A expenses were PLN 0.1m higher than predicted. Other operating expenses amounted to PLN 3.8m, exceeding our PLN 2.25m forecast because of a guarantee reserve of PLN 3.4m. With other operating expenses subtracted, operating income figured to PLN 10.9m, which was PLN 0.1m higher than expected.

The results of Rafako's financial operations missed our expectations by a significant margin. We expected other finance income of PLN 4.7m. We projected that the valuation of derivatives will bring PLN 7.6m and we expected F/X losses of PLN 3.15m. In actuality, Rafako reported a PLN 3.3m finance loss which stems from recognition of an PLN 8.7m reserve against potential bank claims.

In Q2 2009, Rafako received a call for payment from ING BSK concerning payments due under the June 25, 2008 loan agreement in which Rafako and Elwo assumed joint and several liability for Elwo's debt. Adjusted for this amount, Rafako's Q2'09 financial operations were in line with expectations (a PLN 7.9m gain on the valuation of derivatives and a PLN 6.4m F/X loss offset by higher-than-expected interest income). The claim reserve resulted in a pre-tax income 50% below our estimate. Paired with a higher-than-expected effective tax rate of 44.5%, this brought bottom-line income well below our estimate.

Summing up, Rafako reported strong results from core operations which, however, were affected by one-time finance charges.

Q2'09 Actuals vs. Forecasts

(PLN m)	Q2 2009	Q2 2008	Change	Our forecasts	Actuals vs. forecasts
Revenues	271.6	301.9	-10.0%	255.7	6.2%
Pre-tax income	29.5	32.8	-10.2%	27.7	6.3%
%	10.9%	10.9%	-	10.9%	-
EBIT	10.9	12.2	-10.1%	10.8	1.2%
Pre-tax income	7.7	6.1	24.8%	15.5	-50.7%
Net income	3.8	4.1	-7.2%	11.9	-67.9%

Source: Rafako, BRE Bank Securities

Relative Valuation

Relative Valuation

	2009F P/E	2010F P/E	2009F EV/EBITDA	2010F EV/EBITDA	2008 P/S	2009F P/S	2010F P/S
Alstom	13.1	12.0	7.2	6.4	0.91	0.79	0.79
Energoinstal	9.8	14.5	4.9	6.7	1.16	0.83	0.79
Foster Wheeler	11.8	12.8	7.3	7.5	0.59	0.80	0.79
Polimex Mostostal	12.3	14.1	7.7	7.6	0.45	0.40	0.44
Ses Tlmace					0.21		
Median	12.0	13.5	7.3	7.1	0.59	0.79	0.79
Rafako	19.8	12.1	6.7	5.0	0.60	0.65	0.52
Premium (discount)	64.8%	-9.8%	-7.9%	-29.2%	1.9%	-18.5%	-34.5%

Source: BRE Bank Securities, Bloomberg

Rafako is priced with a premium to peers on its 2009 P/E multiple, but displays a significant discount on the EV/EBITDA ratio due to a big cash base. Using our forecasts for FY2010, we note a discount towards peers on all the multiples. The basis for comparison is limited in Rafako's case because of a lack of peers with closely similar business profiles. Alstom Power and Foster Wheeler are international corporations for whom boilers are just one line of business. Polimex Mostostal, which deals in construction and manufacture, generates less than 10% of revenues from boiler production via its subsidiary Sefako. Energoinstal



manufactures small biomass-fired boilers and waste incinerators, as well as providing installation and construction services. Its customer base is different from Rafako's, and consist mostly of CHP plants and local waste-management authorities. The closes to matching Rafako's business model is SES TImace, but the problem here is the lack of available financial forecasts.

Earnings Forecast and Valuation

Based on DCF analysis, we set the nine-month price target on Rafako's stock at PLN 11.6/share.

DCF Analysis

Model Assumptions

- Risk-free rate = 6.2% (10Y T-bond yield).
- FCF growth rate after FY2017 = 3%.



DCF Valuation Model

(PLN m)	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2018+
Revenue	1 049.5	1 310.2	1 441.2	1 585.3	1 743.9	1 900.8	2 033.9	2 135.5	2 210.3	2 276.6	
<i>change</i>	-6.8%	24.8%	10.0%	10.0%	10.0%	9.0%	7.0%	5.0%	3.5%	3.0%	
EBITDA	70.1	84.4	87.1	91.8	99.9	108.0	114.7	111.2	112.1	113.8	
<i>EBITDA margin</i>	6.7%	6.4%	6.0%	5.8%	5.7%	5.7%	5.6%	5.2%	5.1%	5.0%	
Amortization and depreciation	15.8	16.3	16.9	17.5	18.2	18.9	19.4	19.7	19.7	19.7	
EBIT	54.3	68.2	70.2	74.3	81.7	89.0	95.3	91.5	92.5	94.1	
<i>EBIT margin</i>	5.2%	5.2%	4.9%	4.7%	4.7%	4.7%	4.7%	4.3%	4.2%	4.1%	
Tax rate on EBIT	10.3	13.0	13.3	14.1	15.5	16.9	18.1	17.4	17.6	17.9	
NOPLAT	44.0	55.2	56.9	60.1	66.2	72.1	77.2	74.1	74.9	76.2	
CAPEX	-20.5	-21.1	-23.6	-24.6	-25.5	-26.5	-24.2	-22.6	-22.6	-19.7	
Working capital	-67.1	-7.4	-2.6	-3.3	-3.3	-3.3	-3.2	-2.7	-4.1	-4.6	
Other	-24.5	-8.1	-9.0	-9.9	-10.8	-11.8	-12.6	-13.3	-13.7	-14.2	
FCF	-52.3	34.7	38.6	40.0	44.8	49.4	56.5	55.2	54.1	57.5	59.2
<i>WACC</i>	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	10.6%	
<i>discount factor</i>	97.4%	87.6%	78.8%	70.8%	63.7%	57.3%	51.5%	46.3%	41.7%	37.7%	
PV FCF	-51.0	30.4	30.4	28.3	28.5	28.3	29.1	25.6	22.5	21.7	
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%	
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		3.0%									
Terminal value		779.2									
Present value of the terminal value (PV TV)		293.4									
Present value of FCF in the forecast horizon		193.8									
Equity value (EV)		487.2									
Net debt		-258.9									
Other non-operating assets		0.0									
Minority interests		0.0									
Equity value		746.1									
Number of shares (millions)		69.6									
Equity value per share (PLN)		10.7									
Cost of equity (9M)		8.3%									
Target Price		11.6									
EV/EBITDA('09) for the target price		8.0									
P/E('09) for the target price		23.6									
TV to EV		39%									

Sensitivity analysis

FCF growth in perpetuity

	2.0%	2.5%	3.0%	3.5%	4.0%
WACC -1.0pp	12.3	12.1	12.1	12.3	13.0
WACC -0.5pp	12.1	11.9	11.9	12.1	12.6
WACC	11.9	11.6	11.6	11.9	12.3
WACC +0.5pp	11.6	11.5	11.5	11.6	12.1
WACC +1.0pp	11.5	11.3	11.3	11.5	11.9

**Income Statement**

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
Revenue	777.2	1 137.5	1 125.6	1 049.5	1 310.2	1 441.2	1 585.3
<i>change</i>	54.5%	46.4%	-1.1%	-6.8%	24.8%	10.0%	10.0%
Cost of sales	705.1	1 065.3	1 005.2	935.4	1 175.0	1 294.3	1 426.8
Gross profit	72.1	72.2	120.4	114.1	135.2	146.8	158.5
<i>Gross profit margin</i>	9.3%	6.3%	10.7%	10.9%	10.3%	10.2%	10.0%
Selling expenses	-17.7	-18.2	-15.9	-24.3	-24.2	-28.1	-30.9
General and administrative expenses	-22.4	-24.2	-24.6	-31.4	-37.3	-42.5	-46.8
Other net operating profit	-11.1	-7.7	-19.1	-4.1	-5.5	-6.0	-6.6
EBIT	20.9	22.1	60.8	54.3	68.2	70.2	74.3
<i>change</i>	45.3%	5.3%	175.6%	-10.6%	25.4%	3.0%	5.7%
<i>EBIT margin</i>	2.7%	1.9%	5.4%	5.2%	5.2%	4.9%	4.7%
Profit on financing activity	-3.8	-3.7	-11.9	-7.1	3.8	5.3	6.9
Equity in income of associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross profit	17.2	18.4	48.9	47.3	71.9	75.5	81.2
Tax	-3.9	-5.8	-11.5	-11.1	-13.7	-14.3	-15.4
Net income from recurring operations	17.2	18.4	37.4	47.3	71.9	75.5	81.2
Losses on discontinued operations			-50.3				
Minority interests	0.6	0.4	-1.4	2.0	2.4	2.7	3.0
Net income	12.8	12.2	-11.6	34.2	55.8	58.5	62.8
<i>change</i>	-	-4.6%	-195.2%	-394.7%	63.2%	4.7%	7.4%
<i>margin</i>	1.6%	1.1%	-1.0%	3.3%	4.3%	4.1%	4.0%
Amortization and depreciation	10.7	13.1	15.4	15.8	16.3	16.9	17.5
EBITDA	31.7	35.1	76.1	70.1	84.4	87.1	91.8
<i>change</i>	29.3%	10.8%	116.8%	-7.9%	20.4%	3.2%	5.4%
<i>EBITDA margin</i>	4.1%	3.1%	6.8%	6.7%	6.4%	6.0%	5.8%
Shares at year-end (millions)	17.4	69.6	69.6	69.6	69.6	69.6	69.6
EPS	0.7	0.2	-0.2	0.5	0.8	0.8	0.9
CEPS	1.4	0.4	0.1	0.7	1.0	1.1	1.2
ROAE	5.7%	4.2%	-3.4%	9.7%	14.0%	12.9%	12.2%
ROAA	2.2%	1.7%	-1.4%	4.3%	6.6%	6.0%	5.8%

**Balance Sheet**

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
ASSETS	688.5	787.3	819.7	771.0	915.8	1 018.8	1 130.7
Fixed assets	185.2	197.4	220.6	225.3	230.2	237.0	244.0
Intangible assets	3.8	4.7	12.3	12.3	12.3	12.3	12.3
Equity value	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	128.7	144.7	163.8	168.5	173.4	180.2	187.2
Financial assets	18.9	14.8	3.8	3.8	3.8	3.8	3.8
Deferred tax assets	33.8	33.1	40.7	40.7	40.7	40.7	40.7
Current assets	503.3	589.9	599.0	545.6	685.6	781.8	886.7
Inventories	20.3	29.7	61.4	35.9	45.1	49.6	54.7
Receivables	192.8	222.3	204.6	192.7	240.5	264.5	291.0
Short-term prepayments	65.8	94.7	64.6	86.3	125.6	144.1	165.0
Cash and cash equivalents	223.2	241.8	268.5	230.9	274.3	323.5	376.0
Other	1.3	1.3	0.0	0.0	0.0	0.0	0.0
(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
LIABILITIES	688.5	787.3	819.7	771.0	915.8	1 018.8	1 130.7
EQUITY	230.5	347.1	335.6	369.8	425.6	484.1	546.8
Minority shares	6.2	2.4	12.6	12.6	12.6	12.6	12.6
Long-term liabilities	20.7	34.1	26.1	26.1	26.1	26.1	26.1
Loans, finance leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserves and other	20.7	34.1	26.1	26.1	26.1	26.1	26.1
Short-term liabilities	431.1	403.6	445.4	362.5	451.5	496.0	545.2
Loans	1.0	11.3	9.6	9.6	9.6	9.6	9.6
Amounts owed to suppliers	189.4	219.9	186.3	171.7	215.7	237.6	261.9
Derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepayments	240.7	172.3	249.4	181.2	226.1	248.8	273.6
Debt	1.0	11.3	9.6	9.6	9.6	9.6	9.6
Net debt	-222.2	-230.5	-258.9	-221.2	-264.7	-313.8	-366.3
(Net debt / Equity)	-96.4%	-66.4%	-77.1%	-59.8%	-62.2%	-64.8%	-67.0%
(Net debt / EBITDA)	-7.0	-6.6	-3.4	-3.2	-3.1	-3.6	-4.0
BVPS	13.2	5.0	4.8	5.3	6.1	7.0	7.9

**Cash Flows**

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
Cash flows from operating activities	163.7	-68.6	112.5	-10.0	60.9	67.5	70.1
Net income	12.8	12.2	-11.6	34.2	55.8	58.5	62.8
Amortization and depreciation	10.7	13.1	15.4	15.8	16.3	16.9	17.5
Working capital	159.2	-83.9	30.8	-67.1	-7.4	-2.6	-3.3
Other	-19.1	-10.0	77.9	7.1	-3.8	-5.3	-6.9
Cash flows from investing activities	-132.7	-75.5	-27.9	-20.5	-21.1	-23.6	-24.6
CAPEX	-13.8	-31.6	-41.8	-20.5	-21.1	-23.6	-24.6
Capital investments	-125.1	-49.4	17.6	0.0	0.0	0.0	0.0
Other	6.1	5.4	-3.7	0.0	0.0	0.0	0.0
Cash flows from financing activities	-4.3	107.9	-27.7	-7.1	3.8	5.3	6.9
Stock offering	0.0	104.4	0.0	0.0	0.0	0.0	0.0
Debt	-0.1	10.2	3.4	0.0	0.0	0.0	0.0
Dividend (buy-back)	-0.2	-0.6	0.0	0.0	0.0	0.0	0.0
Other	-4.0	-6.2	0.0	0.0	0.0	0.0	0.0
Change in cash	26.7	-36.2	56.9	-37.6	43.5	49.1	52.5
Cash at the end of period	223.2	241.8	268.5	230.9	274.3	323.5	376.0
DPS (PLN)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF	161.1	-107.6	-64.4	-52.3	34.7	38.6	40.0
(CAPEX / Sales)	1.8%	2.8%	3.7%	2.0%	1.6%	1.6%	1.5%

Market multiples

	2006	2007	2008	2009F	2010F	2011F	2012F
P/E	13.3	55.6	-	19.8	12.1	11.6	10.8
P/CE	7.2	26.8	180.8	13.6	9.4	9.0	8.4
P/BV	0.7	2.0	2.0	1.8	1.6	1.4	1.2
P/S	0.2	0.6	0.6	0.6	0.5	0.5	0.4
FCF/EV	-193.8%	-25.5%	-14.9%	-11.2%	8.2%	10.2%	12.3%
EV/EBITDA	-2.6	12.0	5.7	6.7	5.0	4.3	3.5
EV/EBIT	-4.0	19.1	7.1	8.6	6.2	5.4	4.4
EV/S	-0.1	0.4	0.4	0.4	0.3	0.3	0.2
DYield	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Price (PLN)	9.7						
Shares at year-end (millions)	17.4	69.6	69.6	69.6	69.6	69.6	69.6
MC (PLN m)	169.5	677.9	677.9	677.9	677.9	677.9	677.9
Equity attributable to minority shareholders (PLN m)	6.2	2.4	12.6	12.6	12.6	12.6	12.6
EV (PLN m)	-83.1	421.5	431.7	469.3	425.8	376.7	324.2

*EV/EBITDA based on net debt at year-end of each fiscal year.



Michał Marczak tel. (+48 22) 697 47 38
Managing Director
Head of Research
michal.marczak@dibre.com.pl
Strategy, Telco, Mining, Metals, Media

Research Department:

Marta Jeżewska tel. (+48 22) 697 47 37
Deputy Director
marta.jezewska@dibre.com.pl
Banks

Analysts:

Kamil Kliszcz tel. (+48 22) 697 47 06
kamil.kliszcz@dibre.com.pl
Fuels, Chemicals, Retail

Piotr Grzybowski tel. (+48 22) 697 47 17
piotr.grzybowski@dibre.com.pl
IT, Media

Maciej Stokłosa tel. (+48 22) 697 47 41
maciej.stoklosa@dibre.com.pl
Construction, Developers

Sales and Trading:

Piotr Dudziński tel. (+48 22) 697 48 22
Director
piotr.dudzinski@dibre.com.pl

Marzena Łempicka-Wilim tel. (+48 22) 697 48 95
Deputy Director
marzena.lempicka@dibre.com.pl

Traders:

Emil Onyszczyk tel. (+48 22) 697 49 63
emil.onyszczyk@dibre.com.pl

Grzegorz Stępień tel. (+48 22) 697 48 62
grzegorz.stepien@dibre.com.pl

Tomasz Dudź tel. (+48 22) 697 49 68
tomasz.dudz@dibre.com.pl

Michał Jakubowski tel. (+48 22) 697 47 44
michal.jakubowski@dibre.com.pl

Tomasz Jakubiec tel. (+48 22) 697 47 31
tomasz.jakubiec@dibre.com.pl

Grzegorz Strublewski tel. (+48 22) 697 48 76
grzegorz.strublewski@dibre.com.pl

"Private Broker"

Jacek Szczepański tel. (+48 22) 697 48 26
Director
jacek.szczepanski@dibre.com.pl

Paweł Szczepanik tel. (+48 22) 697 49 47
Sales
pawel.szczepanik@dibre.com.pl

Dom Inwestycyjny
BRE Banku S.A.
ul. Wspólna 47/49
00-950 Warszawa
www.dibre.com.pl

**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

A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:

BUY – we expect that the rate of return from an investment will be at least 15%
ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
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%
SELL – we expect that an investment will bear a loss greater than 15%
 Recommendations are updated at least once every nine months.

This document has been created and published by BRE Bank Securities S.A. The present report expresses the knowledge as well as opinions of the authors on day the report was prepared. The opinions and estimates contained herein constitute our best judgement at this date and time, and are subject to change without notice. The present report was prepared with due care and attention, observing principles of methodological correctness and objectivity, on the basis of sources available to the public, which BRE Bank Securities S.A. considers reliable, including information published by issuers, shares of which are subject to recommendations. However, BRE Bank Securities S.A., in no case, guarantees the accuracy and completeness of the report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts. BRE Bank Securities S.A. bears no responsibility for investment decisions taken on the basis of the present report or for any damages incurred as a result of investment decisions taken on the basis of the present report.

This document does not constitute an offer or invitation to subscribe for or purchase any financial instruments and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. It is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. This document nor any copy hereof is not to be distributed directly or indirectly in the United States, Australia, Canada or Japan.

Recommendations are based on essential data from the entire history of a company being the subject of a recommendation, with particular emphasis on the period since the previous recommendation. Investing in shares is connected with a number of risks including, but not limited to, the macroeconomic situation of the country, changes in legal regulations as well as changes on commodity markets. Full elimination of these risks is virtually impossible.

It is possible that BRE Bank Securities S.A. renders, will render or in the past has rendered services for companies and other entities mentioned in the present report.

The present report was not transferred to the issuer prior to its publication.

BRE Bank Securities S.A., its shareholders and employees may hold long or short positions in the issuer's shares or other financial instruments related to the issuer's shares. BRE Bank Securities S.A., its affiliates and/or clients may conduct or may have conducted transactions for their own account or for account of another with respect to the financial instruments mentioned in this report or related investments before the recipient has received this report.

Copying or publishing the present report, in full or in part, or disseminating in any way information contained in the present report requires the prior written agreement of BRE Bank Securities S.A.

Recommendations are addressed to all Clients of BRE Bank Securities S.A. This report is not for distribution to third parties. The activity of BRE Bank Securities S.A. is subject to the supervision of the Polish Financial Supervision Commission.

Individuals who did not participate in the preparation of this recommendation, but had or could have had access to the recommendation prior to its publication, are employees of BRE Bank Securities S.A. authorised to access the premises in which recommendations are prepared, other than the analysts mentioned as the authors of the present recommendation.

Strong and weak points of valuation methods used in recommendations:

DCF – acknowledged as the most methodologically correct method of valuation; it is based in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.

Comparative – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

Previous ratings issued for Rafako

Rating	Buy	Buy	Accumulate	Accumulate	Buy	Suspended	Accumulate	Buy
Date issued	2009-02-10	2009-03-06	2009-04-02	2009-04-08	2009-05-14	2009-08-05	2009-08-14	2009-09-04
Price on rating day	3.40	4.56	6.00	6.60	7.05	10.15	10.20	9.55
WIG on rating day	24470.22	22547.31	24145.69	26172.07	29495.23	35363.92	35998.12	36009.43