



Manufacturers

Poland

Boryszew

BRS PW; BORY.WA

Hold

(Downgraded)

| | |
|-------------------------------|-----------------|
| Current price | PLN 0.63 |
| Target price | PLN 0.65 |
| Market cap | PLN 1.4bn |
| Free float | PLN 0.6bn |
| Avg daily trading volume (3M) | PLN 49.1m |

Shareholder Structure

| | |
|-------------------------------|--------|
| Roman Karkosik | 56.28% |
| BANK POLSKIEJ SPÓŁDZIELCZOŚCI | 7.57% |
| Others | 36.15% |

Sector Outlook

The market for non-ferrous metals has been seeing a revival since H2 2010, both in Poland and abroad. As a result, producers have been able to hike processing margins and grow profits. Moreover, the European market for automotive parts has been recovering from the recent slump this year, but may see another downward shift again next year if the economic momentum decelerates.

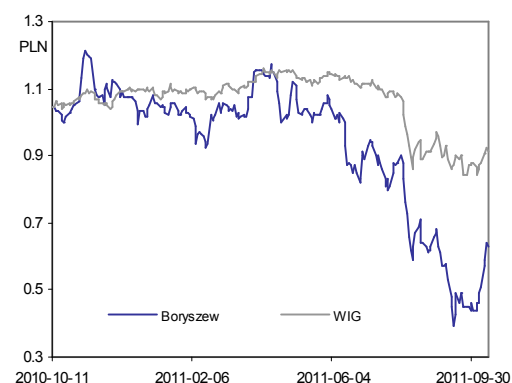
Company Profile

Boryszew processes non-ferrous metals and their alloys, manufactures rubber pipes for the automotive sector, chemicals, polymers, building materials and bearings. Approximately 45% of all sales go to the construction industry, and the remainder to manufacturers. Approximately 50% of sales come from exports.

Important Dates

10.11 - Q3 2011 report

BRS vs. WIG



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Maflow Disappoints in 2011

Maflow, Boryszew's manufacturer of air-conditioning tubes, posted an operating loss of PLN 5.6m in Q2 2011 because of weak sales generated by its production plants in Italy, Brazil, and China. Based on the loss-making first half of the year, we made downward revisions to our FY2011 financial forecasts for Maflow (our original prediction was that the company could generate an annual net profit of PLN 60m). Our new annual core earnings forecasts for Maflow and other Boryszew subsidiaries (excluding Impexmetal) are PLN 27.0m in 2011 and PLN 35.8m in 2012 (reduced from PLN 80m and PLN 105m, respectively). In the second half of the year, Maflow is benefitting from the zloty's depreciation versus the euro (two-thirds of its sales are generated by the profitable plant in Poland, and 90% of these sales are priced in euros). Moreover, the Brazilian and Chinese factories have been seeing rising order volumes from local customers. The order book of the Italian plant remains stagnant. We anticipate Maflow will have a neutral impact on Boryszew's EBIT in H2 2011 (after a PLN 1.2m charge in H1'11). Keep in mind that the A/C duct producer has been successfully rebuilding its order portfolio (the backlog through mid-2012 is 23% higher than the year-ago amount) which will be a source of growing revenues going forward. We are lowering our nine-month price target on BRS from PLN 1.2 to PLN 0.65 per share, and we are downgrading the stock from buy to hold.

Maflow's Q2'11 results

According to our estimates, the unit that contributed the most to Maflow's Q2 2011 operating loss was the factory in Trezzano, Italy, which generated a loss ranging between PLN 5m and 10m because of low capacity utilization (about 20%) after the loss of contracts with BMW and Fiat. The most successful of Maflow's operations was the production plant in Poland (with Q2 EBIT over PLN 10m), supported by a supply deal with Volkswagen.

AKT and Theysohn

Boryszew has been consolidating the recently acquired companies AKT and Theysohn into its financial statements since September. We expect these companies to generate a combined revenue of PLN 132m and EBIT of PLN 3m for the four months to 31 December 2011, and to achieve annual revenue of PLN 676m and PLN 10m EBIT in 2012. Moreover, Boryszew is set to recognize a fair value gain on the acquisitions to the tune of PLN 20m. Last but not least, AKT and Theysohn have given Maflow access to new customers including such automotive giants as General Motors.

Share buyback

During the October 13th EGM, Boryszew's shareholders voted in favor of a five-year buyback at PLN 0.40-3.00 per share.

| (PLN m) | 2009 | 2010 | 2011F | 2012F | 2013F |
|-----------------|---------|---------|---------|---------|---------|
| Revenues | 2 288.7 | 3 134.8 | 3 977.8 | 4 618.0 | 4 865.3 |
| EBITDA | 215.9 | 268.3 | 347.8 | 304.1 | 332.6 |
| EBITDA margin | 9.4% | 8.6% | 8.7% | 6.6% | 6.8% |
| EBIT | 139.9 | 188.1 | 241.9 | 199.8 | 230.2 |
| Net profit | 39.7 | 93.9 | 127.3 | 90.5 | 109.0 |
| P/E | 1.0 | 7.6 | 11.2 | 15.7 | 13.0 |
| P/E (adjusted*) | 1.0 | 6.1 | 11.3 | 15.8 | 13.2 |
| P/CE | 0.3 | 4.1 | 6.1 | 7.3 | 6.7 |
| P/BV | 0.1 | 1.1 | 1.7 | 1.4 | 1.3 |
| EV/EBITDA | 5.2 | 6.6 | 7.2 | 8.0 | 6.9 |
| DYield | 0.0% | 0.00% | 0.00% | 0.00% | 3.07% |

*Without taking into account sales of Szopienice and Elana properties

Q2'11 results

In Q2 2011, Boryszew's sales revenues amounted to PLN 1037.8m (+44.4% y/y). The Impexmetal Group saw rapid sales growth (13-45% depending on the company), thanks to rising volumes and 7-13% y/y metal price growth. NPA Skawina, Boryszew's subsidiary that manufactures aluminum wire rod, saw an estimated 53.8% increase in sales revenues. In the case of polymers and polyesters, revenues increased by 15.2% (driven by feedstock costs), and in the case of other chemical products, a 10.8% y/y drop was noted. In the automotive segment, Maflow's revenues amounted to PLN 150.8m, i.e. 4% less than in Q1'11.

Abbreviated income statement for Q2'11

| (PLN m) | H1'10 | H1'11 | Change | Q2'10 | 2Q'11 | Change |
|---|----------------|----------------|---------------|--------------|----------------|---------------|
| Revenue | 1 390.5 | 2 059.4 | 48.1% | 718.8 | 1 037.8 | 44.4% |
| Polymers and polyesters (Boryszew - Elana, Elana PET, Elana Energetyka, Torlen) | 88.0 | 99.7 | 13.3% | 43.1 | 49.7 | 15.2% |
| Other chemical products (Boryszew ERG, Elmimer, Nylonbor) | 89.7 | 90.0 | 0.4% | 49.4 | 44.0 | -10.8% |
| Automotive (Maflow) | 0.0 | 307.8 | - | 0.0 | 150.8 | - |
| Aluminum (Impexmetal, NPA Skawina) | 529.5 | 628.7 | 18.7% | 278.6 | 315.7 | 13.3% |
| Zinc and lead (Baterpol, Silesia) | 252.9 | 300.4 | 18.8% | 126.6 | 152.7 | 20.6% |
| Copper (Hutmen, Dziedzice, Szopienice) | 338.6 | 473.1 | 39.7% | 170.5 | 247.2 | 45.0% |
| Bearings (F&T) | 145.6 | 188.8 | 29.7% | 77.6 | 98.1 | 26.4% |
| EBIT | 75.6 | 139.1 | 83.9% | 46.1 | 90.7 | 96.7% |
| <i>margin</i> | <i>5.4%</i> | <i>6.8%</i> | <i>-</i> | <i>6.4%</i> | <i>8.7%</i> | <i>-</i> |
| Polymers and polyesters (Boryszew - Elana, Elana PET, Elana Energetyka, Torlen) | 21.3 | 41.9 | 96.4% | 16.9 | 37.0 | 119.0% |
| Other chemical products (Boryszew ERG, Elmimer, Nylonbor) | 3.5 | 0.6 | -82.2% | 3.3 | 0.5 | -85.3% |
| Automotive (Maflow) | 0.0 | -1.2 | - | 0.0 | -5.6 | - |
| Aluminum (Impexmetal, NPA Skawina) | 31.4 | 58.2 | 85.0% | 16.3 | 35.7 | 119.8% |
| Zinc and lead (Baterpol, Silesia) | 13.4 | 50.6 | - | 4.9 | 38.5 | - |
| Copper (Hutmen, Dziedzice, Szopienice) | -2.8 | 8.2 | - | -1.0 | 6.7 | - |
| Bearings (F&T) | 6.5 | 10.5 | 61.1% | 3.5 | 5.5 | 55.4% |
| EBITDA | 113.6 | 187.8 | 65.3% | 64.2 | 114.4 | 78.1% |
| <i>margin</i> | <i>8.2%</i> | <i>9.1%</i> | <i>-</i> | <i>8.9%</i> | <i>11.0%</i> | <i>-</i> |
| Net income | 29.5 | 70.1 | 137.7% | 21.1 | 51.3 | 143.7% |
| <i>margin</i> | <i>2.1%</i> | <i>3.4%</i> | <i>-</i> | <i>2.9%</i> | <i>4.9%</i> | <i>-</i> |

Source: Bloomberg

Consolidated EBIT amounted to PLN 90.7m (+96.7% y/y), most of which was generated by Impexmetal (PLN 39.6m, +55.6%), thanks to an improvement in processing margins on aluminum, copper and lead. As far as polymers, polyesters and other chemical products are concerned, EBIT amounted to PLN 37.5m (+89.5% y/y), but this result was mostly based on other operating income (during the quarter, the Company carried out a revaluation of Elana's landholdings, which contributed PLN 26.5m). According to our estimates, the EBIT of NPA Skawina amounted to PLN 3.3m (+202.8% y/y). The improvement at Skawina is a consequence of increased sales volumes on the one hand, and of higher processing margins on the other. The biggest disappointment in Q2 earnings was the automotive segment, because Maflow generated an operating loss of PLN 5.6m due to a weak performance on the part of its Italian subsidiaries (which generated an estimated loss of PLN 5-10m), as well as the Brazilian, Chinese and Spanish companies (which generated a combined loss of several million zloty). The problems in Italy are a consequence of low capacity utilization at the Trezzano plant (ca. 20%), which lost its contract with BMW when it was in bankruptcy and failed to win an order for supplies for next-generation Fiat Panda. We estimate that the EBIT was in the black at the Ascoli plant, thanks to strong rubber sales to Maflow plants and other manufacturers of A/C ducts and active suspension. In the case of Brazilian operations, the main cause of the EBIT loss were problems with defective output and low capacity utilization (20-30%) in spite of high order volumes. During a quarter, it was decided that corporate culture at the branch must change. The Chinese plant continued to experience low capacity utilization (ca. 30%) after losing contracts during its period in bankruptcy. At the moments, efforts are being undertaken to recapture contracts with Audi and Volvo. According to our estimates, the EBIT loss at the Spanish plant was insignificant, and the branch maintained high sales volumes to French companies (just as the French plant did, which we believe remained in the black). In the case of the Polish operations, we estimate the Q2'11 EBIT at over PLN 10m

thanks to the high number of orders for Volkswagen and, in part, to declining prices of feedstock (especially rubber). Fiat's purchases in Poland undershot the Company's expectations.

As far as financing operations are concerned, the Group recognized PLN 7.7m in interest expenses and PLN 0.5m in foreign-exchange and derivative gains.

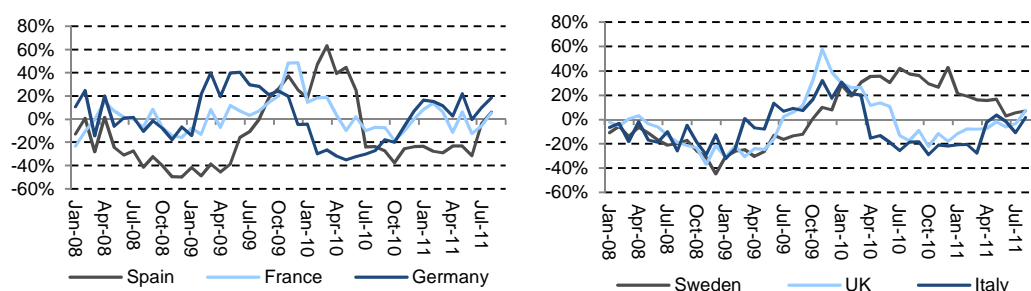
Net loss on discontinued operations (Szopienice, parts of Elana) amounted to –PLN 3.7m, and the net profit attributable to shareholders of the parent was PLN 51.3m (+143.7% y/y).

Note that the strong, PLN 48.2m operating cash flow generated in Q2 2011 was owed largely to Impexmetal, whose operating cash flow in the period amounted to PLN 47.8m.

Situation in the automotive industry

YTD passenger car sales in the European Union are 1.0% below the level observed in the same period of last year. However, in Q3'11, sales increased by 2.2% driven by the strong August (+8% y/y). The fastest growth in new car registrations has been observed in Sweden (+13.2% y/y), Germany (+11.2% y/y) and France (+0.6% y/y). In turn, the situation looked weak in the UK (-6.1% y/y), Italy (-12.3% y/y) and Spain (-22.2% y/y). In Q3'11 (July and August), the strongest sales of new passenger car sales were recorded in Germany (+13.7% y/y for new car registrations), and in Sweden (+7.1% y/y). In Italy, following double-digit drops in H2 2010, Q3'11 growth amounted to -6.9% y/y. A certain revival was observed in Spain, where new car registrations declined by 0.5% y/y in July and August compared to -22.2% YTD decline.

New car registrations in Spain, France and Germany (L) and Sweden, Italy and the UK (R) (percent change, y/y)



Source: Bloomberg

According to German car manufacturers, Volkswagen (i.e. Maflow's main client) reported strong sales, with a 14% y/y increase. Car sales increased by 12.1% in Germany, and by 10.6% y/y in Europe as a whole. Between January and August, all VW's brands' saw a y/y increase in sales.

Outlook for H2'11

In H2'11, Boryszew's performance will be supported by the exchange rates. The relative weakness of the zloty to the euro supports sales of aluminum sheets (an in H1'11, exports to the EU accounted for 43% of Impexmetal's sales; moreover, in Q4'11 the price of aluminum in zlotys has been some 0.5% lower than in Q1-Q3). In the automotive segment, the weak zloty will help Maflow's operations in Poland, which account for approximately 2/3 of the segment's sales (over 90% of total sales is priced in the EUR). The outlook is the least optimistic for lead recycling, with Q4'11 product price 11.2% below the Q1-Q3 figure.

In the second half of the year, the automotive segment should witness the first effects of changes in the corporate culture of the Brazilian plant and the consequent elimination of defective output (in Q2'11, Boryszew delegated its own chief engineer to oversee these changes). In China, increased capacity utilization should produce a palpable result. The branch has enough orders from local producers, but it must improve product quality to be able to enter into binding contracts. It is possible that it will be able to sign the first such agreements for supplies to Audi and Volvo plants in China already in early Q4. Order volumes at the Spanish plant should be supported by sales to the Indian market, which can offset any potential decline in sales to local producers. The most difficult situation obtains at the Italian Trezzano plant which currently manufactures components for Scania and BMW Mini. However, without orders for next-generation Fiat Panda, the plant is likely to continue generating losses in H2.



In the following periods, even if we assume a negative scenario for the global economy and automotive industry, Maflow's production volumes should be on the rise as it recaptures previously-lost contracts with car producers. Maflow's current order backlog will allow it to increase revenues by 23% through the end of H1'12.

Takeover of AKT and Theysohn

Since 28 August, Boryszew has been consolidating AKT, and since 8 September, Theysohn. In an interview for TVN CNBC, Management Board member Paweł Miller said that the 2012 revenue potential of the automotive segment (AKT, Maflow and Theysohn) amounted to EUR 330-360m (including EUR 120-130m for AKT and Theysohn). Approximately 50-60% of the sales generated by the automotive segment will go to Volkswagen. Thanks to the acquisition of AKT and Theysohn, Maflow will also get access to General Motors (Opel), which will support sales growth in the quarters to come. According to our estimates, in the four months of consolidation in 2011 AKT and Theysohn will add some PLN 3m to consolidated EBIT, and in the following year, ca. PLN 10m. We estimate negative goodwill arising from the acquisition at PLN 20m.

**Sum of the Parts valuation of Boryszew (PLN m)**

According to our estimates, Boryszew's "other" subsidiaries (i.e. other than Impexmetal: Boryszew—Elana, Elana PET, Elana Energetyka, Torlen, Boryszew ERG, Elimer, Nylonbor, Maflow, AKT, Theysohn and NPA Skawina) will generate a net profit of PLN 76.3m in 2011 (PLN 27.0m after adjustment for one-offs). Given the current market cap of Boryszew and Impexmetal and the estimated value of land attributable to shareholders of the parent, the market values Boryszew's other subsidiaries at FY11 P/E of 11.0 and FY12 P/E of 23.5 (the adjusted values are 31.1 and 23.5, respectively).

According to our estimates, the earnings of Maflow, AKT and Theysohn will gradually improve over the upcoming years as the companies streamline costs and recapture lost contracts. We assume that over the next 10 years, Boryszew's other subsidiaries will nearly quadruple their profits. Despite the high 2011 P/E ratios of Boryszew's other subsidiaries, the expected increase in their earnings warrants a PLN 690.6m valuation for them.

Sum of the Parts valuation of Boryszew

| (PLN m) | 2011F | 2012F | 2013F | 2014F | 2015F | 2016F | 2017F | 2018F | 2019F | 2020F | + |
|--|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Net income (other subsidiaries) | 76.3 | 35.8 | 51.7 | 71.6 | 89.1 | 108.8 | 122.8 | 131.6 | 129.3 | 132.9 | 145.9 |
| Net income adjusted for one-offs (other subsidiaries) | 27.0 | 35.8 | 51.7 | 71.6 | 89.1 | 108.8 | 122.8 | 131.6 | 129.3 | 132.9 | 145.9 |
| Valuation of Boryszew's other subsidiaries | 690.5 | 690.5 | 690.5 | 690.5 | 690.5 | 690.5 | 690.5 | 690.5 | 690.5 | 690.5 | 690.5 |
| Current value of Boryszew's other subsidiaries | 863.6 | 863.6 | 863.6 | 863.6 | 863.6 | 863.6 | 863.6 | 863.6 | 863.6 | 863.6 | 863.6 |
| P/E for other subsidiaries (our valuation) | 9.1 | 19.3 | 13.4 | 9.7 | 7.8 | 6.3 | 5.6 | 5.2 | 5.3 | 5.2 | 4.7 |
| P/E for other subsidiaries (current market cap) | 11.0 | 23.5 | 16.3 | 11.8 | 9.4 | 7.7 | 6.9 | 6.4 | 6.5 | 6.3 | 5.8 |
| P/E for other subsidiaries (our valuation, adjusted for one-offs) | 25.6 | 19.3 | 13.4 | 9.7 | 7.8 | 6.3 | 5.6 | 5.2 | 5.3 | 5.2 | 4.7 |
| P/E for other subsidiaries (current market cap, adjusted for one-offs) | 31.1 | 23.5 | 16.3 | 11.8 | 9.4 | 7.7 | 6.9 | 6.4 | 6.5 | 6.3 | 5.8 |
| FCF of Boryszew's other subsidiaries | -213.1 | -41.7 | 60.3 | 80.4 | 103.0 | 119.3 | 135.2 | 145.5 | 145.3 | 146.5 | 132.7 |
| Discounted FCF of Boryszew's other subsidiaries | -208.4 | -37.2 | 48.8 | 59.0 | 68.3 | 71.4 | 72.7 | 69.9 | 62.0 | 55.8 | 45.5 |
| Present value of terminal value (PV TV) | 631.8 | | | | | | | | | | |
| Present value of FCF in the forecast horizon | 262.4 | | | | | | | | | | |
| Net debt | 203.5 | | | | | | | | | | |
| Enterprise value (EV) of Boryszew's other subsidiaries | 690.6 | | | | | | | | | | |
| Property value (Boryszew's stake) | 247.0 | | | | | | | | | | |
| Value of Impexmetal (Boryszew's stake) | 595.2 | | | | | | | | | | |
| Enterprise value (EV) of Boryszew | 1 532.8 | | | | | | | | | | |

Source: BRE Bank Securities

Valuation

Based on DCF analysis and relative valuation, we estimated Boryszew's per-share value at PLN 0.65. DCF valuation alone yields PLN 0.73 per share.

| | Weight | Price |
|--------------------------|------------------------|-------------|
| Relative valuation (PLN) | 25% | 0.38 |
| DCF analysis (PLN) | 75% | 0.68 |
| | Implied price | 0.60 |
| | 9M Target Price | 0.65 |

Relative valuation is assigned a 25% weight, and DCF valuation 75% weight..

Our relative valuation compares Boryszew to metal producers whose business profiles match Impexmetal and to companies resembling Boryszew's other subsidiaries (AKT, Theysohn, Elana, PET, Torlen, Maflow, ERG). Our calculations of multiples are based on earnings adjusted for property disposal gains (i.e. the difference between property price and book value less tax). To the price implied by the multiples, we add the estimated value of properties held for sale (HMN Szopienice, Elana Toruń) in the part attributable to shareholders of the parent (PLN 0.18 per share).

The peer group comprises Aichi Steel Corp, AK Steel Holding Corp, Blue Scope LTD, Crane Group LTD, Grupa Kęty, Mitsui Mining & Smelting Co, Noranda Aluminum Holding Cor, Norsk Hydro ASA, Nyrstar, One Steel LTD, Reliance Steel & Aluminium Co, Sanyo Special Steel Co LTD, Sidenor Steel Products Manufacturing S.A, Steel Dynamics INC, Thai Metal Trade PCL, Denso Corp, Eaton Corp, Hexpol AB, Kongsberg Automotive Holding, Parker Hannifin Corp, Plastics Capital PLC, Rieter Holding AG-REG, Semperit AG Holding, Selamat Sempurna PT, Sterlite Industries LTD, Tokai Rubber Industries, Walsin Lihwa Corp., Visteon Corp.

Aichi Steel is a Japan-based manufacturer of steel shapes, stainless steel, and forgings, catering mainly to the auto industry. AK Steel Holding manufactures flat-rolled steel products for the US automotive industry. Bluescope Steel sells rolled steel to the construction industry, car makers and manufacturers of food packaging in Australia and New Zealand. Crane Group LTD is an Australian manufacturer of copper hoses and alloys and aluminum extrusions. Grupa Kęty is a Polish manufacturer of aluminum shapes, window and door frames, and flexible packaging, selling 75% of its products to the construction industry. Mitsui Mining and Smelting is a Japanese producer of non-ferrous metals and copper and lead alloys. Noranda Aluminium Holding is a US producer of rolled aluminum, foil, and wire. Norsk Hydro produces automotive and construction aluminum. Nyrstar produces zinc and lead, and is a supplier of die-cast and galvanized metal to customers across the world. One Steel LTD is an Australian manufacturer of steel and aluminum products. Sanyo Special Steel is a Japanese manufacturer of bearings and hoses as well as stainless steel hoses and rolled products. Sidenor Steel Products Manufacturing is a Greek manufacturer of steel bars and hot-rolled steel plates. Steel Dynamics is a US manufacturer of flat-rolled steel. Thai Metal Trade is a steel producer from Thailand catering to wholesalers, construction companies, rolled-steel producers, and auto part makers.

Denso manufactures car parts, including complete air conditioning systems, airbags, ignition systems, alternators and steering systems. Eaton makes equipment used by the car, construction and space industries, including hydraulic systems, liquid transportation hoses, electronic and engine elements. Hexpol makes rubber, plastic and polyurethane components for the automotive industry, the pharmaceutical industry, power utilities, refineries and the construction industry. Kongsberg Automotive Holding makes car seat elements, transmissions, various hoses and wires. Parker Hannifin makes motion control components (fluid steering systems, electromechanical systems), as well as elements of air conditioning and cooling systems and fluid transfer hoses. Plastics Capital makes plastic bearings, packaging and hoses. Rieter Holding makes chemical and continuous fibers and fibers used in soundproofing, by and large for the automotive industry. Semperit Holding makes rubber products, including gloves and belt conveyors, as well as flexible rubber elements used by the automotive industry. Sempurna manufactures car components, including filters, air conditioning systems, brake cables, fuel hoses, fuel tanks and muffling systems. Sterlite Industries makes a wide range of electric cables and similar products from copper and aluminum, as well as electrical components made of zinc and lead. Tokai Rubber Industries manufactures various elements of rubber and resin, including hoses used by car makers. Walsin Lihwa makes electrical wires and copper and aluminum cables, selling its products to Taiwan, China, Korea or Japan.



Visteon supplies the automotive industry with temperature control systems, electronic elements, lighting systems.

Relative valuation of Boryszew

| | 2010 P/E | 2011F P/E | 2012F P/E | 2013F P/E | 2010 EV/ EBITDA | 2011F EV/ EBITDA | 2012F EV/ EBITDA | 2013F EV/ EBITDA |
|-------------------------------|-------------|--------------|--------------|--------------|-----------------------|------------------------|------------------------|------------------------|
| AICHI STEEL CORP | - | 5.7 | 14.2 | 9.4 | 7.3 | 4.8 | 4.9 | 4.1 |
| AK STEEL HOLDING CORP | - | 17.7 | 6.6 | 3.8 | 16.8 | 5.6 | 3.8 | 2.8 |
| ALCOA INC | 19.7 | 10.8 | 8.9 | 8.0 | 8.1 | 6.2 | 5.6 | 5.1 |
| BLUESCOPE STEEL LTD | 20.0 | - | 50.0 | 8.3 | 5.1 | 11.4 | 7.4 | 4.1 |
| CRANE GROUP LTD | - | - | - | - | 9.7 | 9.1 | 7.9 | 7.2 |
| DENSO CORP | 24.8 | 13.3 | 16.3 | 10.7 | 4.9 | 4.4 | 4.8 | 4.0 |
| EATON CORP | 14.7 | 10.4 | 9.3 | 7.9 | 9.6 | 7.2 | 6.4 | 5.9 |
| GRUPA KETY SA | 10.5 | 9.7 | 9.3 | 8.3 | 7.0 | 6.1 | 5.9 | 5.5 |
| HEXPOL AB | 13.4 | 7.9 | 8.3 | 7.7 | 11.4 | 6.0 | 6.1 | 5.8 |
| KONGSBERG AUTOMOTIVE HOLDING | 53.9 | 4.1 | 4.1 | 2.7 | 6.2 | 4.4 | 4.4 | 3.8 |
| MITSUI MINING & SMELTING CO | 11.8 | 6.2 | 7.4 | 6.5 | 5.5 | 5.6 | 5.7 | 5.2 |
| NORANDA ALUMINUM HOLDING COR | 10.0 | 6.5 | 6.7 | 5.5 | 4.9 | 3.5 | 3.5 | 3.1 |
| NORSK HYDRO ASA | 22.1 | 11.0 | 9.7 | 8.3 | 11.4 | 4.7 | 4.8 | 4.4 |
| NYRSTAR | 9.4 | 7.8 | 4.4 | 3.2 | 6.9 | 4.3 | 2.8 | 2.3 |
| ONESTEEL LTD | 7.2 | 7.1 | 5.6 | 4.3 | 5.9 | 5.3 | 4.5 | 3.7 |
| PARKER HANNIFIN CORP | 23.4 | 11.4 | 10.4 | 9.4 | 10.2 | 6.4 | 5.9 | 5.4 |
| PLASTICS CAPITAL PLC | 8.3 | 6.5 | 5.3 | - | 5.9 | 5.3 | 4.7 | - |
| RELIANCE STEEL & ALUMINUM | 15.5 | 8.6 | 7.3 | 6.0 | 8.5 | 5.5 | 4.8 | 4.2 |
| RIETER HOLDING AG-REG | 31.4 | 5.5 | 10.8 | 13.3 | 2.9 | 3.6 | 4.0 | 5.3 |
| SANYO SPECIAL STEEL CO LTD | - | 9.1 | 9.2 | 7.1 | 17.8 | 5.0 | 5.3 | 4.0 |
| SELAMAT SEMPURNA PT | 11.8 | 9.5 | 8.0 | 7.0 | 7.0 | - | - | - |
| SEMPERIT AG HOLDING | 14.3 | 12.4 | 11.0 | 10.1 | 5.1 | 4.6 | 4.1 | 3.8 |
| SIDENOR STEEL PRODUCTS MANU | - | - | 15.9 | 5.5 | 12.4 | 12.9 | - | - |
| STEEL DYNAMICS INC | 16.4 | 8.2 | 6.8 | 5.6 | 7.4 | 5.3 | 4.6 | 4.1 |
| STERLITE INDUSTRIES INDIA LT | 10.6 | 8.3 | 6.2 | 5.4 | 8.8 | 7.0 | 4.6 | 3.9 |
| THAI METAL TRADE PCL | 7.9 | 7.8 | 6.8 | 7.0 | 8.1 | 7.1 | 6.5 | 6.0 |
| TOKAI RUBBER INDUSTRIES | - | 10.9 | 9.4 | 8.6 | - | 2.6 | 2.7 | 2.4 |
| VISTEON CORP | - | - | - | - | - | - | - | - |
| WALSIN LIHWA CORP | 7.2 | 11.7 | 10.9 | 12.7 | 8.6 | - | - | - |
| Maximum | 53.9 | 17.7 | 50.0 | 13.3 | 17.8 | 12.9 | 7.9 | 7.2 |
| Minimum | 7.2 | 4.1 | 4.1 | 2.7 | 2.9 | 2.6 | 2.7 | 2.3 |
| Median | 13.8 | 8.6 | 8.9 | 7.4 | 7.4 | 5.4 | 4.8 | 4.1 |
| Boryszew (adjusted) | 7.6 | 11.3 | 15.8 | 13.2 | 6.6 | 7.2 | 8.0 | 6.9 |
| Boryszew | 7.6 | 11.2 | 15.7 | 13.0 | 6.6 | 7.2 | 8.0 | 6.9 |
| Premium (discount) | -45.2% | 30.4% | 75.9% | 76.3% | -10.2% | 32.9% | 65.6% | 69.5% |
| Implied price | | | | | | | | |
| Median | 13.8 | 8.6 | 8.9 | 7.4 | 7.4 | 5.4 | 4.8 | 4.1 |
| Discount | | 0% | 0% | 0% | | 0% | 0% | 0% |
| Multiple weight | | | 50% | | | | 50% | |
| Year weight | | 20% | 40% | 40% | | 20% | 40% | 40% |
| Relative valuation | 0.29 | | | | | | | |
| Investment property | 0.09 | | | | | | | |
| Equity value per share | 0.38 | | | | | | | |

Source: BRE Bank Securities; *not taking into account the sale of the Szopienice property

DCF Analysis

Assumptions

- Growth rate after FY2020 = 3%.
- Risk-free rate is 6.0% (10Y T-bond yield).
- Future cash flows are discounted to their present value as at 1 October 2011.
- We assume that the sale of the assets of HMN Szopienice between 2011 and 2013 will fetch net gains of PLN 0.5m in 2011, PLN 0.8m in 2012, and PLN 1.2m in 2013. As a result, the book value of assets held for sale will decrease by PLN 15.3m in 2011, PLN 28.9m in 2012, and PLN 38.8m in 2013.
- In 2011-2012, Impexmetal will incur investment outlays of PLN 29.5-31.7m (PLN 15-25.3m for Boryszew). CAPEX is offset by proceeds of the sale of the assets of HMN Szopienice (less the part attributable to minority shareholders). Our valuation model only factors in the proceeds attributable to the shareholders of the parent.
- Boryszew's 2011 investment outlays include PLN 58.1m and PLN 27.8m spent on the acquisition of shares in AKT and Theysohn, respectively, as well as PLN 29.1m spent on the acquisition of AKT's inventories and PLN 41.5m contributed to the working capital of the acquired companies.
- Our model factors in the tax shield Boryszew established thanks to losses incurred in 2008. As of the end of 2009, PLN 26.6m in tax breaks remained to be used, mostly for the parent company, within which Maflow Boryszew Branch operates (we expect a PLN 5.0m reduction in tax in 2011, a PLN 13.3m reduction in 2012 and a PLN 8.3m reduction in 2013). In addition, we take into account a PLN 28.4m tax break on account of Maflow Poland's operations in a special economic zone, which we expect to be used in 2014-2018 (PLN 5.7m per year on average).
- Net debt is as at year-end 2010; plus PLN 110m Boryszew owes to Impexmetal (bonds).
- Our valuation takes into account the value of non-operating assets, i.e. the property in Warsaw (PLN 38m, i.e. the part attributable to Boryszew's shareholders) and the land of Elana Toruń (PLN 150m).
- We assume that Boryszew will begin paying dividends starting with the profits for 2012.

Additional assumptions

| Volumes (kt) | 2008 | 2009 | 2010 | 2011F | 2012F | 2013F | 2014F | 2015F | 2016F | 2017F | 2018F | 2019F | 2020F | + |
|-------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Boryszew | 65.2 | 27.2 | 26.1* | 27.4 | 28.0 | 28.5 | 29.1 | 29.7 | 30.3 | 30.9 | 31.5 | 32.1 | 32.8 | 33.4 |
| Elana PET | 6.8 | 6.8 | 6.5* | 6.8 | 7.0 | 7.1 | 7.2 | 7.4 | 7.5 | 7.7 | 7.8 | 8.0 | 8.2 | 8.3 |
| Torlen | - | 3.5 | 3.7* | 3.9 | 4.0 | 4.0 | 4.1 | 4.2 | 4.3 | 4.4 | 4.5 | 4.6 | 4.6 | 4.7 |
| NPA Skawina | 0.0 | 20.1 | 21.7* | 23.9 | 25.1 | 27.6 | 30.3 | 30.6 | 30.9 | 31.2 | 31.6 | 31.9 | 32.2 | 32.5 |
| Boryszew ERG | 30.3 | 33.0 | 33.4* | 34.2 | 35.1 | 36.0 | 36.9 | 37.8 | 38.7 | 39.7 | 40.7 | 41.7 | 42.8 | 43.6 |
| Impexmetal Group | 161.1 | 147.6 | 186.4 | 189.7 | 198.1 | 202.0 | 206.1 | 210.2 | 214.4 | 218.7 | 223.0 | 227.5 | 232.1 | 234.7 |
| Total | 275.7 | 248.8 | 277.8 | 285.9 | 297.1 | 305.2 | 313.7 | 319.9 | 326.1 | 332.5 | 339.1 | 345.8 | 352.6 | 357.3 |
| Metal prices | | 2009 | 2010 | 2011F | 2012F | 2013F | 2014F | 2015F | 2016F | 2017F | 2018F | 2019F | 2020F | + |
| Aluminum (3M) USD | | 1 705 | 2 200 | 2 579 | 2 669 | 2 763 | 2 859 | 2 959 | 3 063 | 3 170 | 3 281 | 3 396 | 3 515 | 3 620 |
| Aluminum (3M) PLN | | 5 313 | 6 635 | 7 114 | 7 290 | 7 469 | 7 653 | 7 842 | 8 076 | 8 317 | 8 565 | 8 820 | 9 083 | 9 356 |
| Lead (3M) USD | | 1 738 | 2 171 | 2 583 | 2 674 | 2 767 | 2 864 | 2 965 | 3 068 | 3 176 | 3 287 | 3 402 | 3 521 | 3 627 |
| Lead (3M) PLN | | 5 415 | 6 549 | 7 127 | 7 302 | 7 482 | 7 667 | 7 856 | 8 090 | 8 331 | 8 580 | 8 836 | 9 099 | 9 372 |
| Zinc (3M) USD | | 1 688 | 2 186 | 2 313 | 2 394 | 2 478 | 2 564 | 2 654 | 2 747 | 2 843 | 2 943 | 3 046 | 3 152 | 3 247 |
| Zinc (3M) PLN | | 5 260 | 6 592 | 6 380 | 6 538 | 6 699 | 6 864 | 7 033 | 7 243 | 7 459 | 7 682 | 7 911 | 8 147 | 8 391 |
| Copper (3M) USD | | 5 180 | 7 554 | 9 180 | 7 515 | 7 200 | 7 200 | 7 200 | 7 200 | 7 200 | 7 200 | 7 200 | 7 200 | 7 200 |
| Copper (3M) PLN | | 16 143 | 22 785 | 25 323 | 20 522 | 19 466 | 19 272 | 19 079 | 18 984 | 18 889 | 18 794 | 18 700 | 18 607 | 18 607 |
| Steel (3M) USD | | 361 | 486 | 565 | 585 | 605 | 627 | 649 | 671 | 695 | 719 | 744 | 770 | 782 |
| Steel (3M) PLN | | 1 126 | 1 467 | 1 559 | 1 598 | 1 637 | 1 677 | 1 719 | 1 770 | 1 823 | 1 877 | 1 933 | 1 991 | 2 021 |
| Brass (3M) USD | | 3 783 | 5 407 | 6 433 | 5 466 | 5 311 | 5 346 | 5 382 | 5 419 | 5 457 | 5 497 | 5 538 | 5 581 | 5 619 |
| Brass (3M) PLN | | 11 790 | 16 308 | 17 746 | 14 928 | 14 359 | 14 309 | 14 261 | 14 287 | 14 317 | 14 349 | 14 384 | 14 423 | 14 520 |
| USD / PLN | | 3.12 | 3.02 | 2.76 | 2.73 | 2.70 | 2.68 | 2.65 | 2.64 | 2.62 | 2.61 | 2.60 | 2.58 | 2.58 |
| Change | | 29.3% | -3.2% | -8.5% | -1.0% | -1.0% | -1.0% | -1.0% | -0.5% | -0.5% | -0.5% | -0.5% | -0.5% | 0.0% |

* estimates by BRE Bank Securities



| Number of employees | 2010 | 2011F | 2012F | 2013F | 2014F | 2015F | 2016F | 2017F | 2018F | 2019F | 2020F | + |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Impexmetal Group | 1 910 | 1 925 | 1 990 | 2 010 | 2 030 | 2 051 | 2 071 | 2 092 | 2 113 | 2 134 | 2 155 | 2 158 |
| Other companies | 3 747 | 4 097 | 5 004 | 5 054 | 5 104 | 5 156 | 5 207 | 5 259 | 5 312 | 5 365 | 5 418 | 5 473 |
| Total | 5 657 | 6 022 | 6 994 | 7 064 | 7 135 | 7 206 | 7 278 | 7 351 | 7 424 | 7 499 | 7 574 | 7 631 |
| Average salary | 2010 | 2011F | 2012F | 2013F | 2014F | 2015F | 2016F | 2017F | 2018F | 2019F | 2020F | + |
| Average salary at Impexmetal (PLN thousand per month) | 4.1 | 4.3 | 4.4 | 4.6 | 4.7 | 4.9 | 5.1 | 5.3 | 5.4 | 5.6 | 5.8 | 6.0 |
| Average salary at other companies (PLN thousand per month) | 2.8 | 3.2 | 3.8 | 3.9 | 4.0 | 4.2 | 4.3 | 4.5 | 4.6 | 4.8 | 5.0 | 5.1 |
| Average salary (PLN thousand per month) | 3.6 | 3.6 | 4.0 | 4.1 | 4.2 | 4.4 | 4.5 | 4.7 | 4.9 | 5.0 | 5.2 | 5.4 |

* estimates by BRE Bank Securities



DCF Model

| (PLN m) | 2011F | 2012F | 2013F | 2014F | 2015F | 2016F | 2017F | 2018F | 2019F | 2020F | + |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 3 977.8 | 4 618.0 | 4 865.3 | 5 123.6 | 5 355.1 | 5 614.5 | 5 860.8 | 6 098.4 | 6 324.4 | 6 559.7 | 6 754.5 |
| Change | 26.9% | 16.1% | 5.4% | 5.3% | 4.5% | 4.8% | 4.4% | 4.1% | 3.7% | 3.7% | 3.0% |
| EBITDA | 347.8 | 304.1 | 332.6 | 358.2 | 382.6 | 412.9 | 433.1 | 446.3 | 452.5 | 458.4 | 471.6 |
| EBITDA margin | 8.7% | 6.6% | 6.8% | 7.0% | 7.1% | 7.4% | 7.4% | 7.3% | 7.2% | 7.0% | 7.0% |
| D&A expenses | 105.9 | 104.2 | 102.4 | 100.5 | 100.1 | 100.1 | 99.9 | 101.0 | 103.1 | 103.9 | 90.9 |
| EBIT | 241.9 | 199.8 | 230.2 | 257.7 | 282.5 | 312.8 | 333.2 | 345.3 | 349.3 | 354.5 | 380.7 |
| EBIT margin | 6.1% | 4.3% | 4.7% | 5.0% | 5.3% | 5.6% | 5.7% | 5.7% | 5.5% | 5.4% | 5.6% |
| EBIT tax | 35.5 | 16.3 | 29.7 | 37.1 | 42.1 | 48.2 | 52.3 | 55.0 | 61.8 | 63.1 | 68.4 |
| NOPLAT | 206.4 | 183.6 | 200.5 | 220.6 | 240.3 | 264.6 | 280.8 | 290.3 | 287.5 | 291.3 | 312.3 |
| CAPEX* | -132.6 | -54.8 | -48.2 | -61.8 | -62.4 | -63.1 | -63.7 | -64.3 | -65.0 | -65.6 | -90.9 |
| of which divestments* | 2.4 | 4.3 | 5.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Working capital | -226.9 | -123.8 | -47.8 | -49.9 | -44.8 | -50.2 | -47.6 | -46.0 | -43.7 | -45.5 | -37.7 |
| Other | -52.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FCF | -99.9 | 109.2 | 206.8 | 209.3 | 233.3 | 251.5 | 269.4 | 281.0 | 282.0 | 284.1 | 274.6 |
| WACC | 9.4% | 9.6% | 9.8% | 10.0% | 10.1% | 10.3% | 10.4% | 10.6% | 10.9% | 11.0% | 11.0% |
| Discount factor | 0.98 | 0.89 | 0.81 | 0.73 | 0.66 | 0.60 | 0.54 | 0.48 | 0.43 | 0.38 | 0.34 |
| PV FCF | -97.7 | 97.3 | 167.4 | 153.5 | 154.7 | 150.6 | 144.8 | 134.9 | 120.3 | 108.2 | 94.2 |

| | | | | | | | | | | | |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| WACC | 9.38% | 9.64% | 9.85% | 10.01% | 10.14% | 10.26% | 10.44% | 10.65% | 10.88% | 11.00% | 11.00% |
| Cost of debt | 6.28% | 6.28% | 6.28% | 6.28% | 6.28% | 6.28% | 6.28% | 6.28% | 6.28% | 6.28% | 6.28% |
| Risk-free rate | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |
| Risk premium | 0.28% | 0.28% | 0.28% | 0.28% | 0.28% | 0.28% | 0.28% | 0.28% | 0.28% | 0.28% | 0.28% |
| Effective tax rate | 16.66% | 10.11% | 15.25% | 16.48% | 16.74% | 17.00% | 17.14% | 17.22% | 19.00% | 19.00% | 19.00% |
| Net debt / EV | 28.1% | 25.3% | 20.3% | 17.3% | 14.9% | 12.7% | 9.7% | 6.1% | 2.0% | 0.0% | 0.0% |
| Cost of equity | 11.0% | 11.0% | 11.0% | 11.0% | 11.0% | 11.0% | 11.0% | 11.0% | 11.0% | 11.0% | 11.0% |
| 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 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| | | | | | | | | |
|--|---------|--------------------------|------|------|------|------|------|--|
| FCF growth after the forecast horizon | 3.0% | | | | | | | |
| Terminal value (TV) | 3 432.8 | FCF growth in perpetuity | | | | | | |
| Present value of terminal value (PV TV) | 1 307.4 | | 0.0% | 1.0% | 3.0% | 4.0% | 5.0% | |
| Present value of FCF in the forecast horizon | 1 134.6 | WACC +1,0pp | 0.47 | 0.50 | 0.59 | 0.66 | 0.74 | |
| Enterprise value (EV) | 2 442.0 | WACC +0,5pp | 0.51 | 0.55 | 0.66 | 0.74 | 0.83 | |
| Net debt | 538.9 | WACC | 0.56 | 0.61 | 0.73 | 0.82 | 0.94 | |
| Other non-core assets | 188.0 | WACC -0,5pp | 0.62 | 0.67 | 0.82 | 0.93 | 1.07 | |
| Minority interests | 558.4 | WACC 1,0PP | 0.68 | 0.74 | 0.91 | 1.04 | 1.23 | |
| Equity value | 1 532.8 | | | | | | | |
| Number of shares (millions) | 2 256.7 | | | | | | | |
| Equity value per share (PLN) | 0.68 | | | | | | | |
| 9M cost of equity | 8.1% | | | | | | | |
| Target Price | 0.73 | | | | | | | |
| EV/EBITDA for the target price | 6.3 | | | | | | | |
| P/E ('11) for the target price | 13.0 | | | | | | | |
| TV to EV | 53.5% | | | | | | | |

* after minority interests

**Income Statement**

| (PLN m) | 2009 | 2010 | 2011F | 2012F | 2013F | 2014F | 2015F | 2016F |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 2 288.7 | 3 134.8 | 3 977.8 | 4 618.0 | 4 865.3 | 5 123.6 | 5 355.1 | 5 614.5 |
| Change | -28.8% | 37.0% | 26.9% | 16.1% | 5.4% | 5.3% | 4.5% | 4.8% |
| Polymers and polyesters (Boryszew - Elana, Elana PET, Elana Energetyka, Torlen) | 178.1 | 177.8 | 181.1 | 186.2 | 191.5 | 196.9 | 202.5 | 208.2 |
| Other chemical products (Boryszew ERG, Elmimer, Nylonbor) | 170.2 | 195.3 | 198.3 | 205.1 | 212.1 | 219.4 | 226.9 | 234.7 |
| Automotive (Maflow) | 0.0 | 194.7 | 585.3 | 643.8 | 740.4 | 814.4 | 895.8 | 985.4 |
| Automotive (AKT, Theysohn) | 0.0 | 0.0 | 135.2 | 676.2 | 710.0 | 745.5 | 767.9 | 790.9 |
| Aluminum (Impexmetal, NPA Skawina) | 808.9 | 1 102.9 | 1 261.2 | 1 324.6 | 1 404.6 | 1 491.4 | 1 554.9 | 1 627.1 |
| Zinc and lead (Baterpol, Silesia) | 341.9 | 523.7 | 570.9 | 619.6 | 646.4 | 674.3 | 703.4 | 737.0 |
| Copper (Hutmen, Dziedzice, Szopienice) | 562.3 | 745.3 | 809.3 | 715.2 | 702.0 | 711.6 | 721.5 | 735.0 |
| Bearings (F&T) | 200.6 | 300.9 | 236.4 | 247.2 | 258.4 | 270.0 | 282.2 | 296.1 |
| COGS | 2 065.0 | 2 814.7 | 3 547.1 | 4 105.6 | 4 314.2 | 4 537.4 | 4 737.8 | 4 960.3 |
| G&A expenses | 132.7 | 146.9 | 186.8 | 227.2 | 233.3 | 238.8 | 243.4 | 248.2 |
| Selling expenses | 53.7 | 56.2 | 70.6 | 94.8 | 97.2 | 99.5 | 101.4 | 103.4 |
| Other net operating income/expenses | 99.0 | 71.2 | 68.7 | 9.4 | 9.5 | 9.7 | 9.9 | 10.1 |
| EBIT | 139.9 | 188.1 | 241.9 | 199.8 | 230.2 | 257.7 | 282.5 | 312.8 |
| Change | -298.1% | 34.5% | 28.6% | -17.4% | 15.2% | 11.9% | 9.6% | 10.7% |
| EBIT margin | 6.1% | 6.0% | 6.1% | 4.3% | 4.7% | 5.0% | 5.3% | 5.6% |
| Financing income/expenses | -68.9 | -40.7 | -28.6 | -39.0 | -35.4 | -32.6 | -30.9 | -29.4 |
| Extraordinary income/expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pre-tax income | 71.0 | 147.4 | 213.3 | 160.8 | 194.7 | 225.1 | 251.6 | 283.4 |
| Tax | 6.2 | 13.3 | 35.5 | 16.3 | 29.7 | 37.1 | 42.1 | 48.2 |
| Minority interests | 12.0 | 32.5 | 51.0 | 54.8 | 57.3 | 58.2 | 60.2 | 63.2 |
| Gain on property sales (after tax) | 0.0 | -7.7 | 0.5 | 0.8 | 1.2 | 0.0 | 0.0 | 0.0 |
| Net income | 39.7 | 93.9 | 127.3 | 90.5 | 109.0 | 129.8 | 149.2 | 172.0 |
| Change | -123.9% | 136.2% | 35.6% | -28.9% | 20.3% | 19.1% | 15.0% | 15.3% |
| margin | 1.7% | 3.0% | 3.2% | 2.0% | 2.2% | 2.5% | 2.8% | 3.1% |
| D&A expenses | 76.1 | 80.3 | 105.9 | 104.2 | 102.4 | 100.5 | 100.1 | 100.1 |
| EBITDA | 215.9 | 268.3 | 347.8 | 304.1 | 332.6 | 358.2 | 382.6 | 412.9 |
| Change | 471.6% | 24.3% | 29.6% | -12.6% | 9.4% | 7.7% | 6.8% | 7.9% |
| EBITDA margin | 9.4% | 8.6% | 8.7% | 6.6% | 6.8% | 7.0% | 7.1% | 7.4% |
| Shares at year-end (millions) | 62.7 | 1 128.4 | 2 256.7 | 2 256.7 | 2 256.7 | 2 256.7 | 2 256.7 | 2 256.7 |
| EPS | 0.6 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| CEPS | 1.8 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| ROAE | 9.5% | 15.1% | 14.8% | 9.2% | 10.1% | 11.3% | 12.3% | 13.6% |
| ROAA | 1.9% | 4.0% | 4.9% | 3.2% | 3.7% | 4.3% | 4.8% | 5.4% |

**Balance Sheet**

| (PLN m) | 2009 | 2010 | 2011F | 2012F | 2013F | 2014F | 2015F | 2016F |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| ASSETS | 2 043.7 | 2 340.5 | 2 613.1 | 2 793.1 | 2 916.3 | 3 028.1 | 3 114.7 | 3 204.6 |
| Fixed assets | 1 090.6 | 1 247.0 | 1 274.5 | 1 202.3 | 1 122.8 | 1 084.8 | 1 047.8 | 1 011.6 |
| Intangible assets | 56.7 | 99.0 | 106.2 | 99.1 | 92.1 | 85.0 | 78.0 | 71.0 |
| Property, plant and equipment | 815.4 | 903.0 | 923.2 | 858.1 | 785.7 | 754.7 | 724.8 | 695.6 |
| Equity value | 23.5 | 23.5 | 23.5 | 23.5 | 23.5 | 23.5 | 23.5 | 23.5 |
| Long-term receivables | 0.8 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Long-term investment | 148.0 | 184.0 | 184.0 | 184.0 | 184.0 | 184.0 | 184.0 | 184.0 |
| Prepayments | 46.2 | 37.3 | 37.3 | 37.3 | 37.3 | 37.3 | 37.3 | 37.3 |
| Current assets | 953.2 | 1 093.5 | 1 338.7 | 1 590.9 | 1 793.6 | 1 943.3 | 2 066.9 | 2 193.0 |
| Inventories | 341.1 | 407.3 | 555.0 | 644.4 | 678.9 | 714.9 | 747.2 | 783.4 |
| Short-term receivables | 441.5 | 585.6 | 734.3 | 852.5 | 898.1 | 945.8 | 988.5 | 1 036.4 |
| Trade debtors | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Short-term investment | 117.4 | 17.2 | 17.2 | 17.2 | 17.2 | 17.2 | 17.2 | 17.2 |
| Cash | 51.5 | 82.1 | 30.7 | 75.1 | 197.5 | 263.5 | 311.9 | 353.9 |
| Prepayments | 1.7 | 1.3 | 1.5 | 1.7 | 1.8 | 1.9 | 2.0 | 2.1 |
| (PLN m) | 2009 | 2010 | 2011F | 2012F | 2013F | 2014F | 2015F | 2016F |
| LIABILITIES | 2 043.7 | 2 340.5 | 2 613.1 | 2 793.1 | 2 916.3 | 3 028.1 | 3 114.7 | 3 204.6 |
| Equity | 417.9 | 621.5 | 858.7 | 984.8 | 1 075.6 | 1 153.5 | 1 209.8 | 1 265.7 |
| Share capital | 15.4 | 122.0 | 225.7 | 225.7 | 225.7 | 225.7 | 225.7 | 225.7 |
| Supplementary capital | 2.8 | 1.1 | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 |
| Retained earnings | 369.4 | 470.0 | 597.3 | 687.8 | 753.2 | 818.1 | 862.9 | 905.9 |
| Minority interests | 477.7 | 516.0 | 516.0 | 516.0 | 516.0 | 516.0 | 516.0 | 516.0 |
| Long-term liabilities | 122.1 | 151.4 | 132.8 | 132.8 | 132.8 | 132.8 | 132.8 | 132.8 |
| Debt | 113.7 | 144.5 | 126.0 | 126.0 | 126.0 | 126.0 | 126.0 | 126.0 |
| Current liabilities | 923.0 | 934.3 | 987.7 | 1 041.3 | 1 073.5 | 1 107.2 | 1 137.4 | 1 171.3 |
| Trade creditors | 280.6 | 405.9 | 468.3 | 543.7 | 572.8 | 603.2 | 630.5 | 661.0 |
| Debt | 534.2 | 484.6 | 468.8 | 438.8 | 438.8 | 438.8 | 438.8 | 438.8 |
| Provisions | 90.8 | 115.4 | 115.4 | 115.4 | 115.4 | 115.4 | 115.4 | 115.4 |
| Other | 0.0 | 2.0 | 2.5 | 2.9 | 3.0 | 3.2 | 3.3 | 3.5 |
| Debt | 647.9 | 629.1 | 594.8 | 564.8 | 564.8 | 564.8 | 564.8 | 564.8 |
| Net debt | 596.4 | 547.0 | 564.1 | 489.7 | 367.3 | 301.3 | 252.8 | 210.9 |
| (Net debt / Equity) | 142.7% | 88.0% | 65.7% | 49.7% | 34.1% | 26.1% | 20.9% | 16.7% |
| (Net debt / EBITDA) | 2.8 | 2.0 | 1.6 | 1.6 | 1.1 | 0.8 | 0.7 | 0.5 |
| BVPS | 6.7 | 0.6 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.6 |

**Cash Flows**

| (PLN m) | 2009 | 2010 | 2011F | 2012F | 2013F | 2014F | 2015F | 2016F |
|---|---------------|--------------|----------------|---------------|---------------|---------------|---------------|---------------|
| Operating cash flows | 263.5 | 56.2 | 12.9 | 143.6 | 216.7 | 225.3 | 246.2 | 263.4 |
| Net income | 39.7 | 93.9 | 127.3 | 90.5 | 109.0 | 129.8 | 149.2 | 172.0 |
| D&A expenses | 76.1 | 80.3 | 105.9 | 104.2 | 102.4 | 100.5 | 100.1 | 100.1 |
| Working capital | 20.0 | -80.9 | -226.9 | -123.8 | -47.8 | -49.9 | -44.8 | -50.2 |
| Minority dividends | 0.0 | 0.0 | -19.7 | -20.4 | -38.3 | -45.8 | -49.5 | -51.2 |
| Other | 127.7 | -37.1 | 26.4 | 93.0 | 91.5 | 90.8 | 91.1 | 92.6 |
| Cash flows from investing activities | 91.48 | 6.64 | -119.57 | -30.12 | -15.26 | -61.82 | -62.44 | -63.06 |
| CAPEX | 77.61 | -89.82 | -119.57 | -30.12 | -15.26 | -61.82 | -62.44 | -63.06 |
| of which divestments | 0.00 | 7.34 | 10.49 | 19.40 | 26.36 | 0.00 | 0.00 | 0.00 |
| Equity investment | 13.60 | 96.46 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash flows from financing activities | -371.2 | -30.8 | 55.2 | -69.0 | -79.0 | -97.5 | -135.4 | -158.4 |
| Debt | -201.6 | -59.3 | -34.3 | -30.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest expenses | -47.7 | -53.5 | -47.7 | -40.6 | -39.5 | -39.5 | -39.5 | -39.5 |
| Dividends/buyback/share issue | 0.1 | 106.6 | 118.2 | 0.0 | -43.6 | -64.9 | -104.5 | -129.0 |
| Other | -169.7 | -78.1 | -28.6 | -39.0 | -35.4 | -32.6 | -30.9 | -29.4 |
| Change in cash | -16.2 | 32.9 | -51.4 | 44.4 | 122.4 | 66.0 | 48.4 | 41.9 |
| Cash at period-end | 51.5 | 82.1 | 30.7 | 75.1 | 197.5 | 263.5 | 311.9 | 353.9 |
| DPS (PLN) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| FCF | 295.0 | 128.3 | -99.9 | 109.2 | 206.8 | 209.3 | 233.3 | 251.5 |
| (CAPEX / Sales) | 3.4% | -1.9% | -3.3% | -1.2% | -1.0% | -1.2% | -1.2% | -1.1% |

Market multiples

| | 2009 | 2010 | 2011F | 2012F | 2013F | 2014F | 2015F | 2016F |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| P/E | 1.0 | 7.6 | 11.2 | 15.7 | 13.0 | 11.0 | 9.5 | 8.3 |
| P/CE | 0.3 | 4.1 | 6.1 | 7.3 | 6.7 | 6.2 | 5.7 | 5.2 |
| P/BV | 0.1 | 1.1 | 1.7 | 1.4 | 1.3 | 1.2 | 1.2 | 1.1 |
| P/S | 0.0 | 0.2 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| FCF/EV | 46.4% | 10.2% | -5.0% | 5.7% | 11.6% | 12.1% | 13.9% | 15.4% |
| EV/EBITDA | 5.2 | 6.6 | 7.2 | 8.0 | 6.9 | 6.3 | 5.7 | 5.2 |
| EV/EBIT | 8.0 | 9.4 | 10.3 | 12.1 | 10.0 | 8.7 | 7.8 | 6.9 |
| EV/S | 0.5 | 0.6 | 0.6 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| DYield | 0.00% | 0.00% | 0.00% | 0.00% | 3.07% | 4.56% | 7.35% | 9.07% |
| Price (PLN) | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 |
| Shares at year-end (millions) | 62.7 | 1 128.4 | 2 256.7 | 2 256.7 | 2 256.7 | 2 256.7 | 2 256.7 | 2 256.7 |
| MC (PLN m) | 39.5 | 710.9 | 1 421.7 | 1 421.7 | 1 421.7 | 1 421.7 | 1 421.7 | 1 421.7 |
| Equity attributable to minority shareholders (PLN m) | 477.7 | 516.0 | 516.0 | 516.0 | 516.0 | 516.0 | 516.0 | 516.0 |
| EV (PLN m) | 1 113.6 | 1 773.9 | 2 501.8 | 2 427.4 | 2 305.0 | 2 239.0 | 2 190.5 | 2 148.6 |



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**List of abbreviations and ratios contained in the report:****EV** – net debt + market value**EBIT** – Earnings Before Interest and Taxes**EBITDA** – EBIT + Depreciation and Amortisation**P/CE** – price to earnings with amortisation**MC/S** – market capitalisation to sales**EBIT/EV** – operating profit to economic value**P/E** – (Price/Earnings) – price divided by annual net profit per share**ROE** – (Return on Equity) – annual net profit divided by average equity**P/BV** – (Price/Book Value) – price divided by book value per share**Net debt** – credits + debt papers + interest bearing loans – cash and cash equivalents**EBITDA margin** – EBITDA/Sales**Recommendations of BRE Bank Securities**

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Previous ratings issued for Boryszew

| Rating | Accumulate | Buy |
|----------------------------|------------|------------|
| Date issued | 2011-04-07 | 2011-07-01 |
| Price on rating day | 1.05 | 0.91 |
| WIG on rating day | 45730.96 | 48414.36 |