

**Manufacturers**

Poland

Boryszew**Hold**

BRS PW; BORY.WA

(Reiterated)

Current price **PLN 0.58****Target price** **PLN 0.60**

Market cap PLN 1.3bn

Free float PLN 0.6bn

Avg daily trading volume (3M) PLN 13.26m

Shareholder Structure

Roman Karkosik 57.06%

Others 42.94%

Sector Outlook

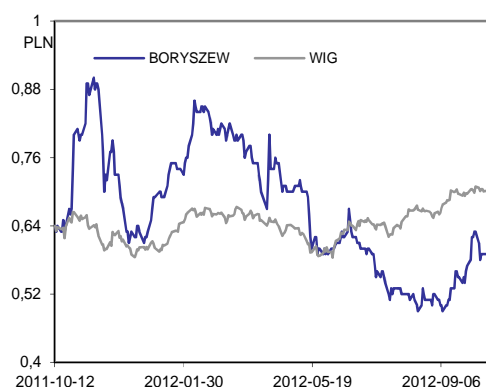
Car sales in the European Union are decreasing from month to month, raising investor concerns about the future revenues of auto parts suppliers. Sentiment to the sector is further undermined by announcements of capacity cutbacks by leading European car producers. As for Boryszew's other market of non-ferrous metals, sales volumes have rebounded after a slump in H1'12.

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

15.11 - consolidated Q3 2012 report

BRS vs. WIG**Jakub Szkopek**

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Slowdown Feared in Auto Parts Industry

Falling sales (down 9.8% y/y in the eight months through August) have forced EU auto makers to temporarily shut down production of selected car models, and reduce workforce (PSA is set to cut 8000 jobs). This has negative implications for the future sales and values of auto parts suppliers. Boryszew's main customer, Volkswagen (which accounted for 62% of the Company's sales in H'12) has experienced a slight downtrend in its EU sales (0.9% y/y in the 8 months to August). Stronger decreases (by 19% and 14%, respectively, in H1 2012) have been recorded by Renault and PSA, which accounted for a combined 15% of Boryszew's H1 revenue. Boryszew's focus in the next two years will be on improving the profitability of its Automotive segment, with a view to expanding the EBITDA margin from 6% in H1'12 to a target 9-10%. We expect EBITDA margins to amount to 5.8% in 2012, followed by an increase to 8.4% in 2013 and further to 8.9% in 2014. Based on our earnings estimates, Boryszew is currently trading at 14.8x estimated 2013 earnings, showing a premium of 37% relative to peers, and its FY2013E EV/EBITDA ratio is 8.1x shows a 45% premium. We are lowering our price target for BST from PLN 0.65 to PLN 0.60, and we are reiterating a hold rating on the stock.

German auto makers still enjoy strong sales

The EU leader in car sales in H1 2012 was Mercedes (which reported a 4.4% increase in new car registrations in the period), followed by VW's Skoda (+1.6%). New car registrations reported by BMW and VW remained close to year-ago levels after respective declines of 0.2% and 2.1%. In turn, sales have been shrinking at rapid rates at PSA's Citroen (-12.3% y/y) and Peugeot (-15.3% y/y), as well as Fiat (-17.8%) and Renault (-19.4%).

Order backlog

Based on the current order backlog, Boryszew revenues can reach EUR 345m in 2012, EUR 345m in 2013, and EUR 325m in 2014. The Company is in the process of negotiating new contracts with its auto industry customers which can add a further EUR 45m to its 2015 revenue. In total, Boryszew is aiming to increase the annual sales of the Automotive segment from EUR 345m in 2012 to EUR 370m in 2015 (+7%).

Restructuring

Boryszew wants to reduce the costs incurred by its Automotive segment by EUR 10-12m in the next two years in hopes of improving the EBITDA margin to 10%. Cost savings will be achieved through capacity cutbacks at loss-making units, finding cheaper suppliers, relocation of part of production to Poland, increasing the ratio of temporary staff, and reducing selling and administrative expenses through centralization of functions.

(PLN m)	2010	2011	2012F	2013F	2014F
Revenue	3 134.8	4 332.8	4 551.7	4 513.5	4 700.0
EBITDA	180.4	351.0	401.2	308.1	341.6
EBITDA margin	5.8%	8.1%	8.8%	6.8%	7.3%
EBIT	100.2	253.3	296.9	196.2	230.4
Net profit	37.7	197.2	212.8	131.7	151.0
Net profit (ex minorities)	5.2	145.4	147.9	89.7	100.8
P/E	126.6	9.0	8.9	14.6	13.0
P/E (adjusted*)	16.3	12.8	40.6	14.8	13.0
P/CE	7.7	5.4	5.2	6.5	6.2
P/BV	1.2	1.8	1.5	1.3	1.2
EV/EBITDA	9.5	7.1	6.3	8.1	7.1
EV/EBITDA (adjusted*)	8.0	8.6	9.8	8.1	7.1
DYield	0.00%	0.00%	0.00%	0.00%	3.85%

*Ex one-offs

H1 2012 results

At PLN 2518.8m, Boryszew's revenue for the first half of 2012 was 22.3% higher than in the same period a year ago. The strongest, 185.9% surge in sales was recorded in the Automotive segment, owing mainly to base effects (Boryszew took over the German auto parts manufacturers AKT and Theysohn in Q3 2011, followed by an acquisition of YMOS in Q1 2012). Within the segment, the A/C duct manufacturing unit Maflow saw a 6.1% year-on-year decline in H1'12 sales to PLN 368.5m. Maflow sells a major portion of its production to the French automakers PSA (which accounts for 15% of total sales) and Renault (22%), who, alongside Fiat, have experienced falling sales throughout 2012. Moreover, the Company failed to secure an order for duct supplies for the new Fiat Panda model at the beginning of the year, resulting in lower capacity utilization rates at its Italian plants.

Boryszew's aluminum unit Impexmetal generated H2 2012 revenue of PLN 1329.5m, marking a decrease of 8.9% from the same period in 2011 led by 4.0% contraction in volumes combined with a global decline in metal prices. Finally, the Chemicals segment recorded a 15.9% y/y increase in sales, while the segment of Polymers and Polyesters saw a 17.7% drop in revenue in H1 2012.

2011 and 2012 quarterly revenues by business segment (PLN m)

Segment	1Q11	2Q11	3Q11	4Q'11	1Q'12	2Q'12
Polymers and Polyesters (Elana, Elana PET, Elana Energetyka, Torlen)	50.0	49.7	46.7	48.7	43.2	38.9
Other Chemicals (Boryszew ERG, Elimer, Nylonbor)	46.0	44.0	57.4	52.2	50.6	53.7
Automotive (Maflow, AKT, Theysohn, Ymos)	157.1	150.8	351.1	449.8	410.7	469.3
Holding Company activities	0.3	1.1	4.2	6.7	9.6	12.3
Aluminum (Impexmetal, NPA Skawina)	313.0	315.7	279.1	262.7	305.6	300.4
Zinc & Lead (Baterpol, Silesia)	147.7	152.7	149.0	147.1	149.8	136.4
Copper (Hutmen, Dziedzice, Szopienice)	225.9	247.2	252.5	222.3	239.3	206.6
Bearings (FŁT)	90.7	98.2	97.2	88.9	88.8	75.7
Other	51.2	38.9	22.0	30.5	36.1	28.6
Intercompany eliminations	-60.2	-60.3	-183.4	-111.4	-75.8	-61.3
Total	1 021.6	1 037.8	1 075.8	1 197.5	1 258.0	1 260.8

Source: Boryszew, BRE Bank Securities

Boryszew's consolidated H1 2012 EBIT was 14.1% lower than in the same period a year ago at PLN 119.5m. The Company booked one-time gains in the period, including negative goodwill on the Q1'12 acquisition of Ymos (PLN 3.8m), reversals of returns allowances at Maflow Brazil (PLN 5.4m), and proceeds from asset divestments (PLN 2.7m). Moreover, a PLN 8.3m one-time gain was provided by carbon emission allowances sold by the heat and power unit Elana Energetyka. By comparison, one-time gains were even higher in H1 2011, when Boryszew recorded a PLN 27.1m gain on property revaluation and a PLN 8.0m gain from disclosure of the value of a property located in Oława. Adjusted for one-time effects, H1 2012 EBIT was 8.2% lower than in H1 2011 at PLN 97.8m. We consider the high, 4.8% profit margin achieved by Automotive segment (the highest level since the acquisitions) to be the highlight of Boryszew's first-half results.

2011 and 2012 quarterly EBIT by business segment (PLN m)

Segment	1Q11	2Q11	3Q11	4Q'11	1Q'12	2Q'12
Polymers and Polyesters (Elana, Elana PET, Elana Energetyka, Torlen)	4.9	37.0	3.7	2.7	9.9	0.4
Other Chemicals (Boryszew ERG, Elimer, Nylonbor)	0.1	0.5	2.4	1.6	0.1	1.1
Automotive (Maflow, AKT, Theysohn, Ymos)	4.4	-5.6	-1.5	6.7	18.7	24.3
Holding Company Activities	7.6	21.6	-5.6	11.2	6.4	9.7
Aluminum (Impexmetal, NPA Skawina)	22.4	35.7	19.3	5.9	12.4	19.4
Zinc & Lead (Baterpol, Silesia)	12.1	38.5	13.3	13.4	7.0	9.1
Miedź (Hutmen, Dziedzice, Szopienice)	1.5	6.7	2.6	6.0	4.2	2.3
Bearings (FŁT)	4.9	5.5	5.3	10.7	4.9	3.5
Other	0.4	0.4	2.3	-3.5	0.1	0.0
Intercompany eliminations	-10.0	-48.9	21.6	-4.5	-11.2	-2.9

Source: Boryszew, BRE Bank Securities

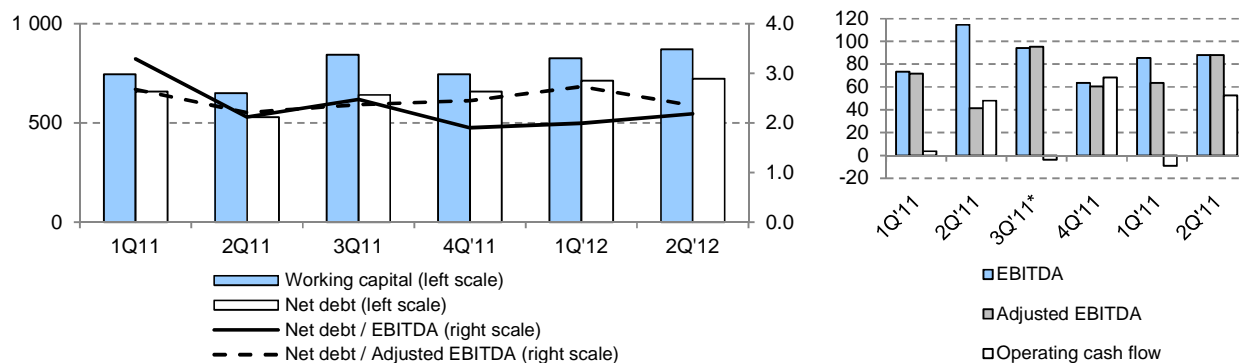
Net profit attributable to the owners of the parent company came in at PLN 48.0m in H1 2012, representing a 31.4% drop from the year before. However, adjusted for one-time effects, the bottom-line figure would have been 23.2% higher at PLN 26.3m. Other factors affecting the first-half profit included a PLN 15.8m loss on discontinued operations connected with a one-time charge recognized by HMN Szopienice which subtracted about PLN 5.1m from the bottom line.

Boryszew generated strong operating cash flow in H1 2012. First-quarter OCF was negative at PLN -9.1m (vs. PLN +3.6m in Q1'11), but, given that the OCF of the Impexmetal unit was a negative PLN 20.7m, this meant that the other Boryszew units achieved positive OCF of PLN +11.6m. In Q2 2012, operating cash flow amounted to a solid PLN 52.7m or PLN 55.8m after adjustment for Impexmetal.

Boryszew's net debt as of 30 September 2012 stood at PLN 722.7m, which was PLN 65m more than at the end of 2011 (an effect of the acquisition of Ymos, higher working capital, and share buybacks at Impexmetal and Boryszew).

Boryszew's ratios of net debt to EBITDA and adjusted EBITDA have remained in the 2x-3x range for the last two years.

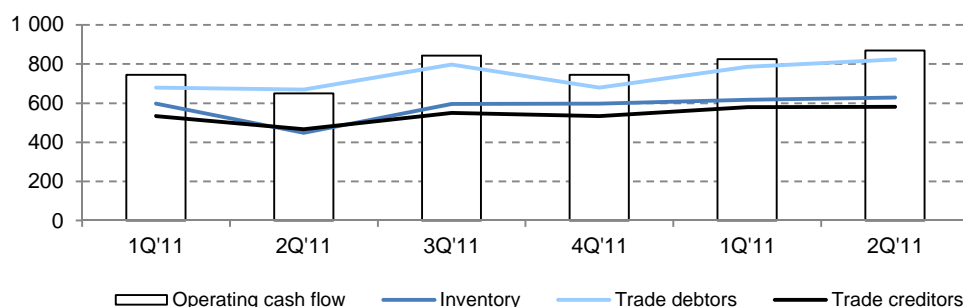
2011-2012 working capital, net debt (PLN m), debt/12M EBITDA and adjusted 12M EBITDA (L), OCF vs. EBITDA (PLN m) (R)



Source: Boryszew, BRE Bank Securities

* Ex. EUR 17m working capital injections to AKT and Theysohn

2011-2012 working capital (PLN m)



Source: Boryszew, BRE Bank Securities

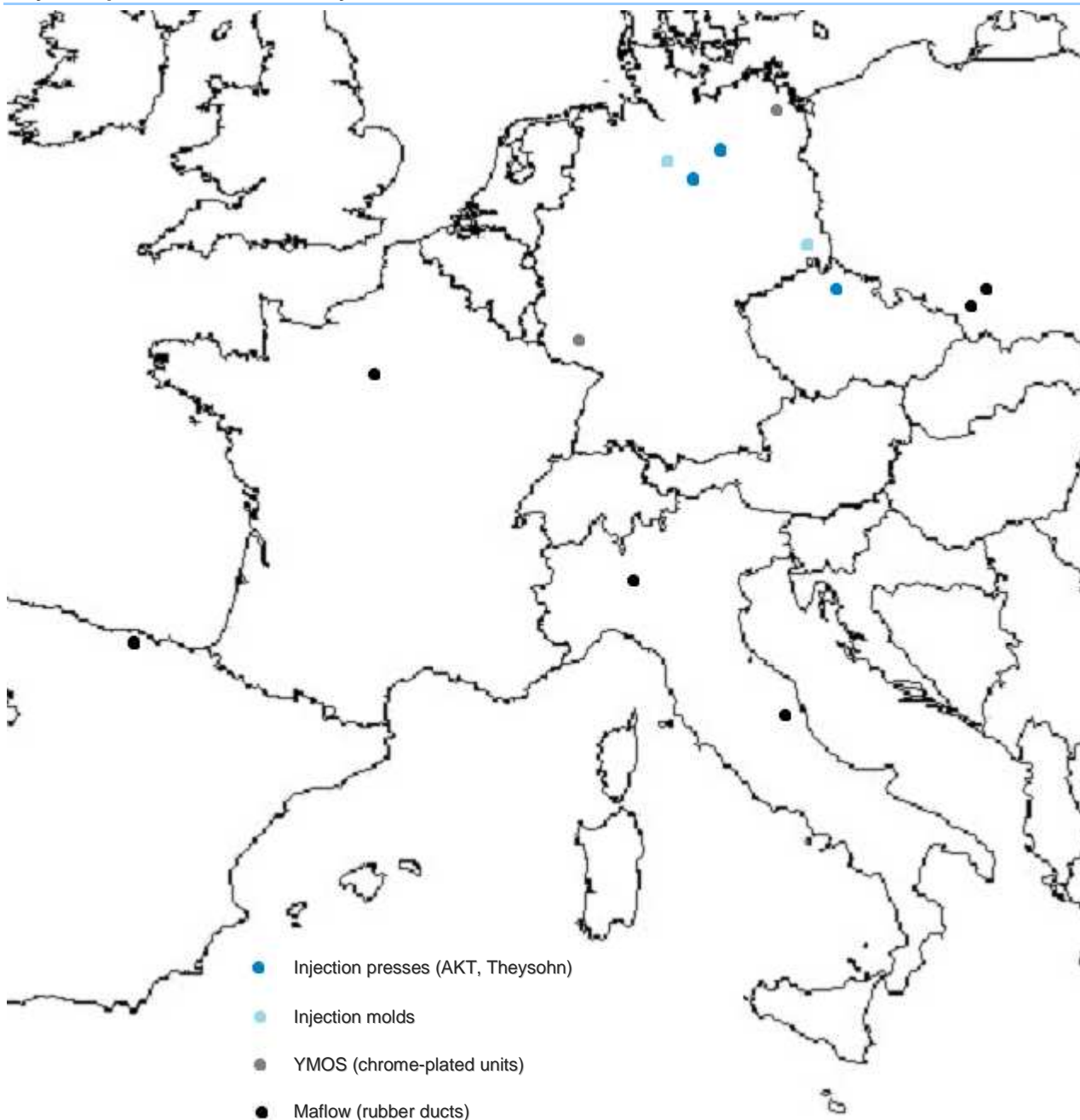
Automotive business post acquisitions

Boryszew's M&A activity in the last three years included acquisitions of the auto parts makers Mafrow in Q3 2010, AKT and Theysohn in Q3 2011, and Ymos in Q1 2012. Largely located in Western Europe and Poland, the production units of these companies manufacture plastic parts for car exteriors and interiors, zinc- and chrome-plated plastic components, air-conditioning ducts, and active suspension pipes.

The additions to the Automotive segment's production mix include:

- AKT's plants in Gardelegen, Germany and Jablonec, Czech Republic (injection presses)
- Theysohn's plants in Salzgitter and Langenhagen, Germany (injection presses)
- Ymos's plants in Idar-Oberstein and Prenzlau, Germany (chrome- and zinc-plated parts)
- The WEDO plant in Doberschau, Germany (injection molds)
- Mafrow's plants in Tychy and Chelmek, Poland, Trezzano Sul Naviglio and Ascoli Piceno, Italy, El Astillero, Spain, Curitiba, Brazil, Dalian, China, and Chartres, France (air conditioning ducts and active suspension pipes).

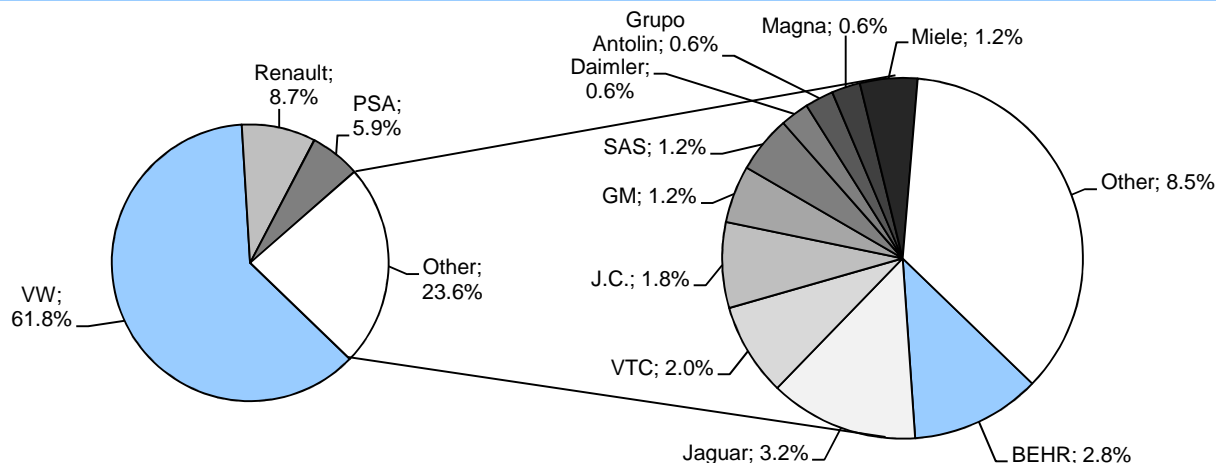
Key European locations of Boryszew's automotive units



Source: Boryszew, BRE Bank Securities

The Automotive segment accounted for 34.9% of Boryszew's consolidated revenue in H1 2012. Its main customer is the Volkswagen Group (whose brand portfolio includes Audi, Porsche, Seat, Skoda, and Bentley), contributing 61.8% of the total sales, followed by Renault and PSA providing 14.6% of the segmental revenues. The shares of the other customers are less than 5%. Maflow, the German unit acquired in 2010 while in bankruptcy protection, has managed to retain all of its customers. AKT, Theysohn, and Ymos are currently working on reestablishing their relationships with automotive customers and reorganizing their existing order books.

H1 2012 Automotive revenue breakdown by customer

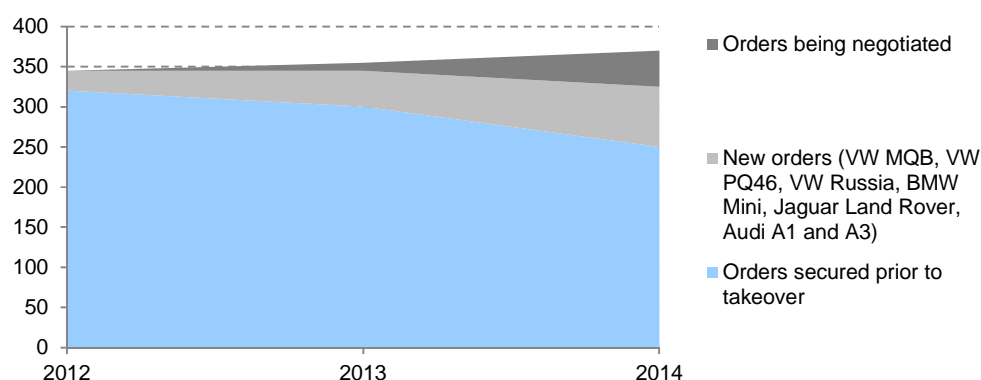


Source: Boryszew, BRE Bank Securities

The engagements secured by the Automotive units prior to their takeover by Boryszew are expected to generate revenue of an estimated EUR 320m in 2012. By 2014, many of the contracts are set to expire as customers discontinue certain car models, but the resulting revenue gap will be bridged by new orders already secured from VW (components for models based on MQB and PQ46 platforms and models including BMW Mini, Jaguar Land Rover, and Audi A1 and A3). Another source of additional revenues will be a new plastic parts plant which Boryszew is developing in Russia at the request of VW. The combined revenues expected to be provided by these newly captured orders are estimated at EUR 25m in 2012, followed by an increase to EUR 75m in 2015. At the same time, Boryszew is working on securing even more orders for parts and components for current and future car platforms, expected to ensure target sales of EUR 45m by 2015. In total, the Company is aiming to increase the annual sales of the Automotive segment from EUR 345m in 2012 to EUR 370m in 2015 (+7%).

Volkswagen's MQB strategy, which is based on a shared architecture (front axle, pedal box and engine positioning) to be used across different car makes and models, reducing the costs of their production, is a major opportunity for suppliers. Whoever can secure orders for the parts and components that will be used in the MQB platforms will position themselves for long-term sustainable business with potential for expansion as new MQB-based models are put into production in the future.

Revenue growth in the Automotive segment projected through 2014 based on existing order backlog (EUR m)



Source: Boryszew, BRE Bank Securities

Restructuring of the Automotive segment

In the course of the next two years, Boryszew wants to focus on improving the profitability of its Automotive segment, with the EBITDA margin expanding to 9-10% from 6.1% in H1 2012. This will be achieved through cost savings, including reductions of EUR 5-6m a year in the costs of direct materials. Boryszew has adopted a four-pronged approach to driving down costs:

- 1) Closures and capacity reductions at loss-making units such as Maflow's Trezzano plant which generates quarterly losses of PLN 10-15m on average due to a shortage of orders

- (the plant's capacity utilization rate ranges from 10% to 20%). After expiration of Maflow's two-year receivership this November, Boryszew will be free to cut back the plant's capacity much further to minimize future losses.
- 2) Replacement of expensive suppliers. About 20-30% of the costs of the Automotive segment are costs of external services. Boryszew's German units have to date mostly relied on the more expensive local suppliers who will eventually be substituted with more cost-effective Polish suppliers, including providers of direct materials.
 - 3) Relocation of certain production units from more cost-intensive countries to Poland, or sourcing Polish workforce for Western European plants. Boryszew is planning to move some of its plastics production units to Poland. The main destination in the first stage will be the former manufacturing site of Elana in Toruń (Boryszew owns investment property spanning a total of 100 hectares), a location whose benefits include relatively low labor costs and readily available workforce with experience in plastics processing. After the launch of a regranulate line, the first unit most likely to be relocated to Toruń will be YMOS. As for the plan to man the German plants with Polish workers, the first few dozen employees were hired in Q3 2012 through Work Service. The goal is for the Automotive segment to eventually employ 20% of its staff through temporary work agencies to allow more flexibility in adjusting the headcount to demand (for example, the third quarter is typically the slowest for the auto industry which reduces capacity for the duration of the vacation season in Western Europe).
 - 4) Reductions in selling and administrative expenses. Each of the four German companies had their own administrative and sales staff prior to acquisition by Boryszew. These processes are currently being centralized and streamlined.

New factory in Russia

In 2011, Volkswagen invited Boryszew to build a factory in Russia to supply parts and components to its car manufacturing plants there. Boryszew's CEO Piotr Szeliga said in a recent interview for the *Parkiet* business daily that production in the Russian factory will be launched in spring 2013. Initial CAPEX will amount to EUR 15-20m, and revenues in the first year of operation, provided by contract-guaranteed purchases by VW, should amount to ca. EUR 20m. Eventually, the Russian factory will be able to offer its services also to other locally based auto makers.

Boryszew remains open to new acquisition opportunities, but it does not see any interesting targets on the market at the moment.

Impexmetal increases holdings in Polimex-Mostostal

Boryszew's listed subsidiary Impexmetal increased its holdings in the infrastructure builder Polimex Mostostal to 6.56% in October. Afterwards, Impexmetal's CEO Małgorzata Iwanejko said in an interview that Polimex may ultimately become a strategic investment for Impexmetal, depending on the success of its restructuring efforts and market conditions. The decision to increase holdings in Polimex was motivated by the fact that its market value at the time of the transaction was considerably lower in the assessment of Impexmetal and Boryszew than its fair value. Impexmetal's controlling shareholder Mr. Roman Karkosik saw the transaction as an investment made after a careful calculation of risks.

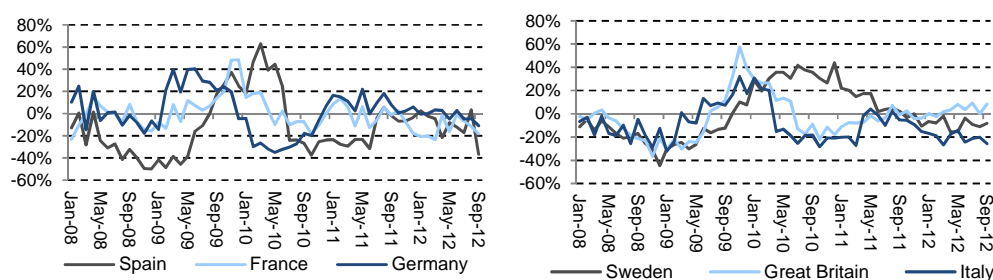
On October 15th, CEO Szeliga was quoted as saying that Boryszew had wanted to acquire a 10% interest in Polimex, but that the structure of the builder's ownership made this impossible, prompting Boryszew to rethink its involvement in Polimex.

Boryszew is expected to recognize a gain on the investment in Polimex-Mostostal in Q3 2012. If we are accurate in estimating that the per-share price at which the Company acquired the shares was PLN 0.60-0.70, Boryszew would have recognized a gain between PLN 5m and PLN 8m at the end of September. Based on statements by CEO Szeliga, we deduced that the investment in Polimex will be recognized as a short-term investment subject to mark-to-market accounting at the end of each quarter.

Situation in the European auto market

Except for Great Britain, where sales increased 2.7%, European car producers experienced falling sales in the first three quarters of 2012 (year-on-year declines amounted to 1.8% in Germany, 9.2% in Sweden, 11.0% in Spain, 13.9% in France, and 19.7% in Italy). In the third quarter alone, sales in Great Britain displayed a 7.5% increase relative to the same quarter in 2011, but elsewhere sales accelerated their downward spiral to 7.0% in Germany, 23.0% in Italy, and 17.8% in Spain. French sales decreased at a slightly slower, but still fairly rapid rate of 12.4%.

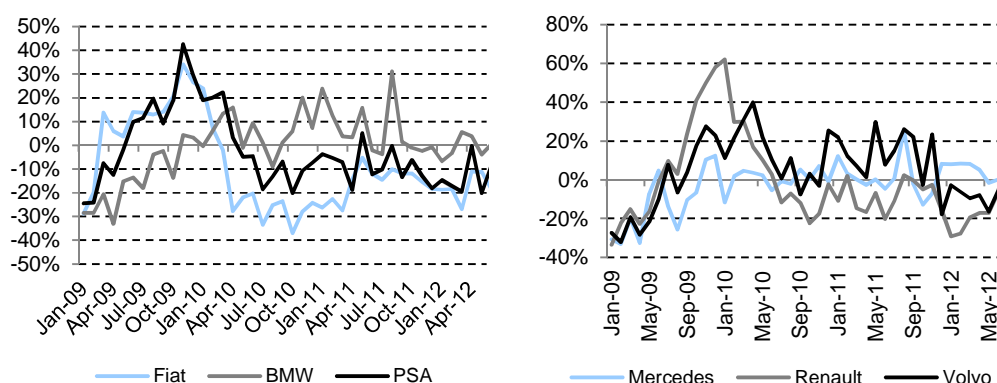
Y/Y growth in monthly new car registrations in Spain, France, and Germany (L) Sweden, Great Britain, and Italy (R)



Source: Bloomberg

New car registrations reported in H1 2012 by Europe-based producers increased at the fastest rate of 4.4% y/y at Mercedes, followed by VW's Skoda which saw a 1.6% increase. New car registrations reported by BMW and VW remained close to year-ago levels after respective declines of 0.2% and 2.1%. In turn, registrations have been shrinking at rapid rates at PSA's Citroen (-12.3% y/y) and Peugeot (-15.3%), as well as VW's Seat (-15.5%), Fiat (-17.8%) and Renault (-19.4%).

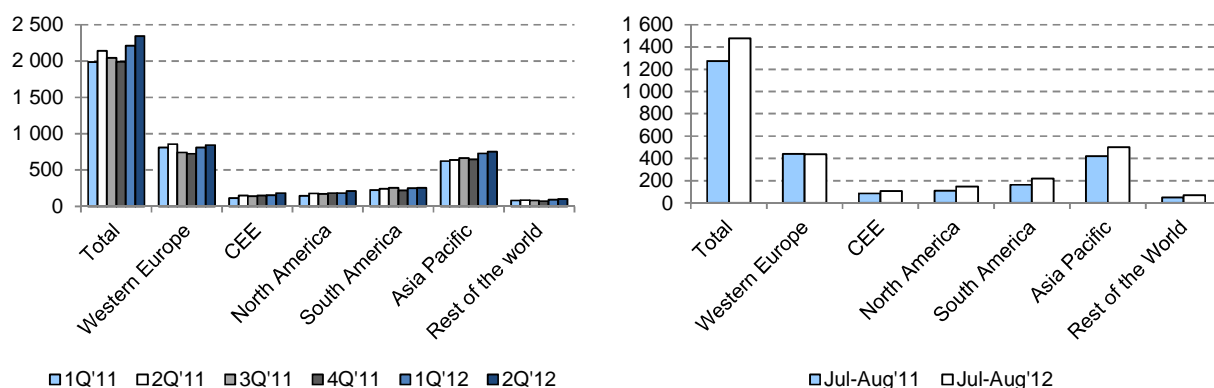
Y/Y changes in monthly new car registrations reported by major European automakers



Source: Bloomberg

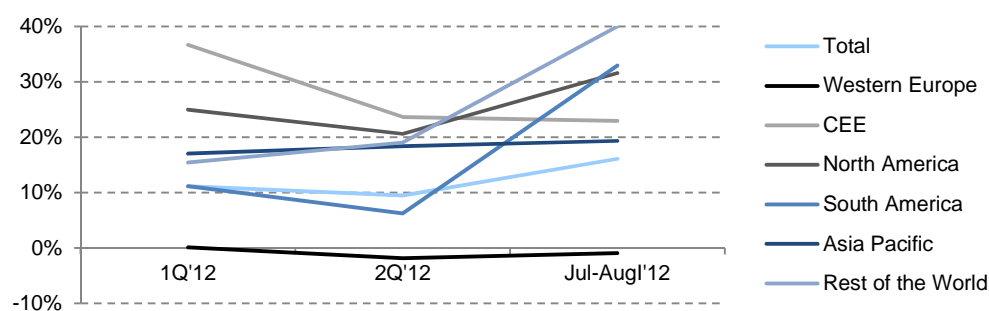
Boryszew's main customer Volkswagen sold 6 million cars in the eight months to August 2012, marking an increase of 11.7% from the same period a year ago. Geographically, the strongest sales growth was observed in Central and Eastern Europe (+27.7% y/y), North America (+24.9%), Asia Pacific (+18.1%), and South America (+14.9%). In turn, sales dwindled the most (0.9%) in Western Europe. VW's sales in July and August were 16.1% higher than in the same period in 2011 at 1.5 million cars. Western European sales recorded a decline of 0.9%.

VW's 2011-2012 new car sales by region



Source: Volkswagen AG

VW's 2012 sales growth by region



Source: Volkswagen AG

Investors' sentiment towards automakers and suppliers of automotive parts has been dampened by announcements of capacity cutbacks by European producers, aimed at adjusting supply to demand to avoid overstocking. For example, Volkswagen shut down its Emden Passat line for two days in October, and VW's Audi stopped production at its Neckarsulm plant, which produces Audi models A6, A7, and A8, for a week. On a related note, the French automaker PSA announced that it was forced to downsize its workforce and reduce capacity due to falling demand.

So far, no plans are being made by any EU member states to provide incentives for consumers to buy more cars. The German government is not likely to consider any stimuli until auto sales go on a rapid downward spiral, especially given that such incentives would probably also benefit producers outside of Germany, e.g. in France and Italy, as well as non-European producers based in countries like Japan, South Korea, and the United States. France and Italy are the more likely candidates to launch stimuli for their respective auto industries, but they will probably not since such measures would put a strain on their government budgets.

Valuation

Based on DCF analysis and relative valuation, we set the nine-month price target for Boryszew at PLN 0.60 per share. DCF valuation yields a value of PLN 0.67 per share.

	weight	price
Relative Valuation (PLN)	40%	0.41
DCF Analysis (PLN)	60%	0.67
	Price	0.56
	9M Target Price	0.60

Relative valuation has a 40% weight, and DCF valuation has a 60% weight, in the valuation formula.

Our relative valuation compares Boryszew to metal producers whose business profiles match Impexmetal's, and to companies resembling Boryszew's other subsidiaries (AKT, Theysohn, Elana, PET, Torlen, Maflow, ERG). Our calculations of trading multiples are based on earnings adjusted for property disposal gains (i.e. the difference between property price and book value less minority interests and tax) and property revaluation gains. 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 the shareholders of the parent (PLN 0.09 per share). Further, our valuation takes into account treasury shares and the investment in Polimex-Mostostal at current market values.

The peer group comprises Aichi Steel Corp, Alcoa, AK Steel Holding Corp, Blue Scope LTD, Crane Group LTD, Grupa Kęty, Kaiser Aluminum, 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, Plastic Omnium SA, and Polytec Holding AG.

Aichi Steel is a Japan-based manufacturer of steel shapes, stainless steel, and forgings, catering mainly to the auto industry. Alcoa is North America's largest integrated producer of alumina, primary aluminum, and aluminum products including packaging. 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. Kaiser Aluminium is a US-based aluminum processor. 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. Reliance Steel & Aluminium is a US manufacturer and distributor of steel and aluminum products as well as brass and copper. 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. Watsin 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. Polytec Holding AG manufactures plastic parts for German auto makers at plants located in Germany and Austria.

Relative valuation of Boryszew

	2011 P/E 2011	2012E P/E	2013E P/E	2014E P/E	2011 EV/ EBITDA	2012E EV/ EBITDA	2013E EV/ EBITDA	2014E EV/ EBITDA
AICHI STEEL CORP	3.8	14.5	11.5	9.2	3.5	4.2	4.4	4.0
AK STEEL HOLDING CORP	-	-	10.0	7.6	8.0	7.5	4.7	4.1
ALCOA INC	12.6	39.4	13.9	9.0	6.4	10.1	6.9	5.5
BLUESCOPE STEEL LTD	-	-	46.8	12.0	8.9	15.0	5.0	3.6
CRANE GROUP LTD	-	-	-	-	-	-	-	-
GRUPA KETY SA	10.7	10.1	11.5	10.7	6.1	5.9	6.2	5.9
KAISER ALUMINUM CORP	25.6	15.7	14.4	13.2	11.3	7.0	6.5	5.8
MITSUI MINING & SMELTING CO	5.2	11.6	12.0	8.1	4.9	6.0	6.0	5.3
NORANDA ALUMINUM HOLDING COR	6.6	42.5	9.8	6.4	4.3	7.0	4.9	3.9
NORSK HYDRO ASA	14.7	81.9	19.5	12.9	4.6	9.5	6.4	5.4
NYRSTAR	8.8	-	7.9	4.7	5.2	5.6	3.5	2.9
ONESTEEL LTD	-	-	-	-	-	-	-	-
RELIANCE STEEL & ALUMINUM	11.9	10.1	8.6	7.6	7.8	6.8	6.0	5.4
SANYO SPECIAL STEEL CO LTD	4.8	4.9	8.2	6.3	4.0	4.0	4.7	4.4
SIDENOR STEEL PRODUCTS MANU	-	-	-	-	19.9	13.6	22.0	10.1
STEEL DYNAMICS INC	10.5	18.6	9.4	7.4	5.8	7.5	5.5	4.8
THAI METAL TRADE PCL	15.1	8.9	8.1	6.8	13.6	10.0	9.4	8.3
DENSO CORP	14.2	23.1	11.5	10.4	4.5	5.4	4.0	3.7
EATON CORP	11.7	10.9	9.9	8.9	8.2	7.8	7.2	6.6
HEXPOL AB	14.4	12.7	12.4	11.6	9.9	8.4	8.3	7.9
KONGSBERG AUTOMOTIVE HOLDING	4.7	6.7	4.8	3.2	4.5	5.4	4.6	4.2
PARKER HANNIFIN CORP	13.2	11.4	11.3	10.3	6.9	6.1	6.2	6.0
PLASTIC OMNIUM	-	6.2	5.7	5.0	-	3.6	3.4	3.0
PLASTICS CAPITAL PLC	7.7	7.0	5.8	-	5.5	5.7	5.3	-
POLYTEC HOLDING AG	3.5	6.1	5.8	5.2	2.0	3.1	2.8	2.5
RIETER HOLDING AG-REG	8.1	26.4	15.8	10.3	4.3	7.9	5.9	4.4
SELAMAT SEMPURNA PT	19.4	16.4	14.0	12.0	10.5	9.5	8.3	7.4
SEMPERIT AG HOLDING	13.0	13.6	12.6	11.4	5.9	6.2	5.6	5.1
STERLITE INDUSTRIES INDIA LT	6.9	6.2	6.1	5.3	5.0	3.7	3.5	3.0
TOKAI RUBBER INDUSTRIES	7.7	9.5	9.8	7.5	1.9	2.4	-	-
VISTEON CORP	-	-	-	-	-	-	-	-
WALSIN LIHWA CORP	33.0	-	12.7	-	-	-	-	-
Maximum	33.0	81.9	46.8	13.2	19.9	15.0	22.0	10.1
Minimum	3.5	4.9	4.8	3.2	1.9	2.4	2.8	2.5
Median	10.7	11.5	10.7	8.5	5.8	6.5	5.6	4.9
Boryszew (adjusted)	12.8	40.6	14.8	13.0	8.6	9.8	8.1	7.1
Boryszew	9.0	8.9	14.6	13.0	7.1	6.3	8.1	7.1
Premium (discount)	-15.5%	-22.9%	36.9%	53.3%	21.4%	-2.1%	44.6%	43.6%
Implied value								
Median	10.7	11.5	10.7	8.5	5.8	6.5	5.6	4.9
Discount	0%	0%	0%	0%	0%	0%	0%	0%
Multiple weight			50%				50%	
Year weight		20%	40%	40%		20%	40%	40%
Relative valaue	0.32							
Investment properties	0.09							
Treasury stock	0.03							
Investment in PXM	0.01							
Value per share	0.44							

Source: BRE Bank Securities, Bloomberg

*ex one-offs

DCF model

Assumptions

- Growth rate after FY2020 = 2%.
- Risk-free rate is 4.7% (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 2012 and 2013 will fetch net gains (after taxes and minority interests) of 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 28.9m in 2012 and PLN 38.8m in 2013.
- 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. 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 5.7 m per year on average).
- Net debt is as at year-end 2011 plus Boryszew's PLN 110m bond payables to Impexmetal.
- Our valuation takes into account the value of noncore assets, i.e. the property in Warsaw (PLN 41m attributable to Boryszew's shareholders), and 100 million shares of treasury stock at current market prices.
- The valuation factors in 34.1 million shares of Polimex-Mostostal purchased for an estimated price of PLN 0.65 a share.
- We expect Boryszew to spend EUR 20m in 2013 on construction of manufacturing facilities in Russia (expected to generate revenue of EUR 15m in the first year of operations).
- We expect the Company to recognize one-time revaluation gains on its investment properties in a combined amount of PLN 120m in 2012.
- We assume that Boryszew will begin paying dividends starting with the profits for 2012.

Additional assumptions

Volume ('000 tons)			2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	+	
Boryszew			26.0	26.6	27.1	27.6	28.2	28.7	29.3	29.9	30.5	31.1	31,7	
Elana PET			6.5	6.6	6.7	6.9	7.0	7.2	7.3	7.4	7.6	7.7	7,9	
Torlen			3.7	3.8	3.8	3.9	4.0	4.1	4.2	4.2	4.3	4.4	4,5	
NPA Skawina			25.1	27.6	30.3	30.6	30.9	31.2	31.6	31.9	32.2	32.5	32,8	
Boryszew ERG			32.5	33.3	34.2	35.0	35.9	36.8	37.7	38.7	39.6	40.4	41,2	
Impexmetal			179.3	188.5	197.5	200.7	203.9	207.2	210.5	213.9	217.3	220.8	223,5	
Automotive sales (EUR m)		2010	2011	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	+
Maflow				131.6	125.0	131.3	135.2	137.9	140.7	143.5	146.4	149.3	152.3	155,3
AKT i Theysohn				182.5	173.3	182.0	187.5	191.2	195.0	198.9	202.9	207.0	211.1	215,3
Ymos				33.3	35.0	36.8	37.9	38.6	39.4	40.2	41.0	41.8	42.6	43,5
Russia					15.0	25.0	26.3	27.0	27.6	28.1	28.7	29.3	29.9	30,4
Metal prices		2010	2011	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	+
Aluminum (3M) USD		2 200	2 401	2 004	1 807	1 895	1 895	1 895	1 895	1 895	1 895	1 895	1 895	1 895
Aluminum (3M) PLN		6 635	7 118	6 560	5 837	5 873	5 873	5 873	5 873	5 873	5 873	5 873	5 873	5 873
Lead (3M) USD		2 171	2 401	1 994	1 798	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833	1 833
Lead (3M) PLN		6 549	7 116	6 528	5 808	5 683	5 683	5 683	5 683	5 683	5 683	5 683	5 683	5 683
Zinc (3M) USD		2 186	2 194	1 922	1 723	1 758	1 758	1 758	1 758	1 758	1 758	1 758	1 758	1 758
Zinc (3M) PLN		6 592	6 504	6 291	5 564	5 449	5 449	5 449	5 449	5 449	5 449	5 449	5 449	5 449
Copper (3M) USD		7 554	8 827	8 016	7 560	7 191	7 191	7 191	7 191	7 191	7 191	7 191	7 191	7 191
Copper (3M) PLN		22 785	26 162	26 239	24 419	22 292	22 292	22 292	22 292	22 292	22 292	22 292	22 292	22 292
Steel (3M) USD		486	561	448	435	457	457	457	457	463	470	477	482	482
Steel (3M) PLN		1 467	1 664	1 465	1 404	1 415	1 415	1 415	1 415	1 436	1 458	1 480	1 495	1 495
Brass (3M) USD		5 407	6 174	5 579	5 225	5 018	5 018	5 018	5 018	5 018	5 018	5 018	5 018	5 018
Brass (3M) PLN		16 308	18 299	18 260	16 877	15 555	15 555	15 555	15 555	15 555	15 555	15 555	15 555	15 555
USD / PLN		3.02	2.96	3.27	3.23	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3,10
change		-3.2%	-1.7%	10.4%	-1.3%	-4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0,0%
Carbon allowances (Elana)		2010	2011	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	+
EUR/t		14.5	13.2	7.5	10.0	11.0	12.2	13.5	14.9	16.4	18.1	20.0	20.0	20,0
EUR/PLN		4.0	4.1	4.2	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4,1
EUA ('000 units)		55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55,0

Employment		2011	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	+
Impexmetal		1 977	1 915	1 994	2 070	2 082	2 095	2 107	2 120	2 133	2 146	2 159	2 164
Other Boryszew units		5 845	7 329	7 342	7 305	7 269	7 232	7 196	7 160	7 124	7 089	7 053	7 018
Total		7 822	9 243	9 336	9 375	9 351	9 327	9 303	9 280	9 257	9 235	9 212	9 182
Average monthly salary		2011	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	+
Impexmetal (PLN '000)		4.1	4.2	4.4	4.5	4.7	4.9	5.0	5.2	5.4	5.6	5.7	5.9
Other Boryszew (PLN '000)		3.9	4.0	4.1	4.3	4.4	4.6	4.7	4.9	5.1	5.3	5.4	5.6
Average for Boryszew (PLN '000)		3.3	4.0	4.2	4.3	4.5	4.6	4.8	5.0	5.2	5.3	5.5	5.7

**DCF Model**

(PLN m)	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	+
Revenue	4 551.7	4 513.5	4 700.0	4 826.5	4 933.4	5 041.7	5 159.1	5 285.1	5 415.5	5 541.1	5 620.9
Change	5.1%	-0.8%	4.1%	2.7%	2.2%	2.2%	2.3%	2.4%	2.5%	2.3%	1.4%
EBITDA	401.2	308.1	341.6	349.3	351.9	355.0	356.0	362.4	370.3	375.4	378.6
EBITDA margin	8.8%	6.8%	7.3%	7.2%	7.1%	7.0%	6.9%	6.9%	6.8%	6.8%	6.7%
D&A expenses	104.4	111.9	111.2	110.0	108.5	106.8	104.5	103.6	102.3	101.5	86.9
EBIT	296.9	196.2	230.4	239.4	243.4	248.3	251.5	258.8	268.0	273.9	291.7
EBIT margin	6.5%	4.3%	4.9%	5.0%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	5.2%
Tax on EBIT	38.0	12.9	28.4	30.4	31.4	32.6	33.4	40.7	42.6	43.9	47.6
NOPLAT	258.8	183.3	202.0	208.9	212.0	215.7	218.1	218.1	225.4	229.9	244.1
CAPEX*	-109.7	-131.7	-76.6	-77.3	-78.1	-78.9	-79.7	-80.5	-81.3	-82.1	-86.9
including divestments*	4.3	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital	-104.3	-63.9	-38.5	-26.1	-22.1	-22.4	-24.2	-26.0	-26.9	-25.9	-16.5
Other**	-141.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF	7.5	99.6	198.2	215.5	220.3	221.2	218.7	215.2	219.5	223.5	227.6
WACC	8.3%	8.5%	8.4%	8.5%	8.6%	8.6%	8.7%	8.7%	8.8%	8.9%	9.0%
Discount factor	0.98	0.90	0.83	0.77	0.71	0.65	0.59	0.55	0.50	0.46	0.41
PV FCF	7.4	90.0	165.2	165.4	155.4	143.3	129.9	117.4	109.6	102.0	94.1
WACC	8.27%	8.45%	8.41%	8.48%	8.55%	8.62%	8.69%	8.71%	8.78%	8.85%	8.99%
Cost of debt	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%
Risk-free rate	4.70%	4.70%	4.70%	4.70%	4.70%	4.70%	4.70%	4.70%	4.70%	4.70%	4.70%
Risk premium	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%
Effective tax rate	14.01%	9.02%	15.83%	16.01%	16.09%	16.18%	16.24%	19.00%	19.00%	19.00%	19.00%
Net debt / EV	33.9%	32.1%	29.7%	28.0%	26.4%	24.8%	23.3%	21.8%	20.2%	18.7%	15.6%
Cost of equity	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%
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 period			2.0%								
Terminal value			3 254.1	FCF growth in perpetuity							
Present value of terminal value (PV TV)			1 484.8			0.0%	1.0%	2.0%	3.0%	5.0%	
Present value of FCF in the forecast horizon			1 185.6	WACC +1.0pp	0.43	0.48	0.55	0.63	0.89		
Enterprise value (EV)			2 670.3	WACC +0.5pp	0.49	0.55	0.62	0.72	1.04		
Net debt			746.8	WACC	0.55	0.62	0.71	0.83	1.24		
Other non-core assets			100.5	WACC -0.5pp	0.62	0.71	0.81	0.96	1.49		
Minority interests			528.1	WACC 1.0pp	0.70	0.80	0.93	1.11	1.83		
Equity value			1 496.0								
Number of shares (millions)			2 256.7								
Equity value per share (PLN)			0.67								
9M cost of equity			7.2%								
Target Price			0.71								
EV/EBITDA ('13) for the target price			7.6								
P/E ('13) for the target price			17.9								
TV / EV			55.6%								
* After minority interests											
** One-offs											

**Income Statement**

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F	2016F
Revenue	2 288.7	3 134.8	4 332.8	4 551.7	4 513.5	4 700.0	4 826.5	4 933.4
change	-28.8%	37.0%	38.2%	5.1%	-0.8%	4.1%	2.7%	2.2%
Polymers and Polyesters(Boryszew - Elana, Elana PET, Elana Energetyka, Torlen)	178.1	177.8	195.1	173.5	178.3	183.4	188.6	193.9
Other Chemicals (Boryszew ERG, Elimer, Nylonbor)	170.2	195.3	199.6	190.7	197.3	204.0	211.0	218.2
Automotive (Maflow)	0.0	194.7	1 108.7	552.0	515.7	531.7	547.6	558.6
Automotive (AKT, Theysohn)	0.0	0.0	0.0	765.3	776.9	838.4	865.6	883.9
Automotive (Ymos)	0.0	0.0	0.0	139.8	144.4	148.8	153.3	156.4
Aluminum (Impexmetal, NPA Skawina)	808.9	1 102.9	1 170.5	1 100.9	1 091.5	1 196.1	1 220.1	1 252.0
Zinc & Lead (Baterpol, Silesia)	341.9	523.7	596.5	539.0	542.6	550.5	562.7	575.1
Copper (Hutmen, Dziedzice, Szopienice)	562.3	745.3	947.8	857.0	831.5	803.0	828.7	841.4
Bearings (F&T)	200.6	300.9	375.0	233.7	235.2	244.2	249.1	254.0
COGS	2 065.0	2 811.3	3 859.0	4 088.8	4 004.9	4 146.7	4 259.1	4 357.5
Administrative expenses	132.7	146.9	215.6	208.7	211.8	217.4	220.1	222.5
Selling expenses	53.7	56.2	79.2	100.9	102.8	108.0	110.7	113.0
Other net operating income/expenses	99.0	-20.2	74.2	143.5	2.3	2.5	2.7	3.0
One offs	59.9	-33.6	61.1	141.7	0.0	0.0	0.0	0.0
EBIT	139.9	100.2	253.3	296.9	196.2	230.4	239.4	243.4
change	-298.1%	-28.4%	152.8%	17.2%	-33.9%	17.4%	3.9%	1.7%
EBIT change	6.1%	3.2%	5.8%	6.5%	4.3%	4.9%	5.0%	4.9%
Financing income/expenses	-68.9	-40.7	-23.1	-50.3	-52.9	-51.0	-49.3	-48.1
Extraordinary income/expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	71.0	59.5	230.1	246.5	143.3	179.4	190.0	195.4
Tax	6.2	14.1	26.3	34.5	12.9	28.4	30.4	31.4
Minority interests	12.0	32.5	51.8	65.0	42.0	50.2	50.4	50.7
Gain on property sales (after tax)	0.0	-7.7	-6.7	0.8	1.3	0.0	0.0	0.0
Net profit	51.7	37.7	197.2	212.8	131.7	151.0	159.6	163.9
Net profit attr. to owners of the parent	39.7	5.2	145.4	147.9	89.7	100.8	109.2	113.2
change	-123.9%	-87.0%	2712.9%	1.7%	-39.3%	12.3%	8.4%	3.7%
margin	1.7%	0.2%	3.4%	3.2%	2.0%	2.1%	2.3%	2.3%
D&A expenses	76.1	80.3	97.7	104.4	111.9	111.2	110.0	108.5
EBITDA	215.9	180.4	351.0	401.2	308.1	341.6	349.3	351.9
change	471.6%	-16.4%	94.5%	14.3%	-23.2%	10.9%	2.3%	0.7%
EBITDA margin	9.4%	5.8%	8.1%	8.8%	6.8%	7.3%	7.2%	7.1%
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	0.0	0.1	0.1	0.0	0.0	0.0	0.1
CEPS	1.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1
ROAE	9.5%	1.0%	20.0%	17.1%	9.2%	9.6%	10.0%	10.1%
ROAA	1.9%	0.2%	5.3%	4.9%	2.9%	3.1%	3.3%	3.4%

**Balance Sheet**

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F	2016F
ASSETS	2 043.7	2 269.6	2 763.6	3 025.1	3 133.9	3 228.6	3 282.5	3 329.5
Fixed assets	1 090.6	1 174.3	1 357.0	1 414.1	1 408.6	1 374.5	1 342.5	1 313.1
Intangible assets	56.7	18.9	23.9	34.0	34.7	33.7	32.7	31.7
Property, plant and equipment	815.4	910.4	979.4	980.8	974.6	941.5	910.5	882.0
Goodwill	23.5	23.5	67.5	187.5	187.5	187.5	187.5	187.5
Long term receivables	0.8	0.3	1.4	1.4	1.4	1.4	1.4	1.4
Long term investment	148.0	184.0	218.8	160.9	160.9	160.9	160.9	160.9
Long term prepayments	46.2	37.3	66.0	49.5	49.5	49.5	49.5	49.5
Current assets	953.2	1 095.3	1 406.6	1 611.0	1 725.4	1 854.2	1 939.9	2 016.4
Inventories	341.1	406.5	600.3	639.6	666.2	693.8	712.4	728.2
Short-term receivables	441.5	588.2	680.9	783.3	815.9	849.6	872.5	891.8
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	32.3	54.5	54.5	54.5	54.5	54.5
Cash	51.5	82.1	88.1	128.3	183.4	250.8	294.8	336.1
Long-term prepayments	1.7	1.3	5.1	5.3	5.3	5.5	5.6	5.8
(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F	2016F
EQUITY AND LIABILITIES	2 043.7	2 269.6	2 763.6	3 025.1	3 133.9	3 228.6	3 282.5	3 329.5
Equity	417.9	532.7	727.7	863.6	977.1	1 048.9	1 087.2	1 121.1
Share capital	15.4	122.0	234.8	234.8	234.8	234.8	234.8	234.8
Supplementary capital	2.8	1.1	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Retained earnings	369.4	381.2	507.1	654.9	744.6	795.0	822.3	844.9
Minority interests	477.7	516.0	537.9	537.9	537.9	537.9	537.9	537.9
Long-term liabilities	122.1	151.4	204.7	215.5	215.5	215.5	215.5	215.5
Debt	113.7	144.5	195.0	195.0	195.0	195.0	195.0	195.0
Current liabilities	923.0	942.4	1 113.5	1 237.6	1 233.0	1 255.5	1 270.7	1 283.6
Trade creditors	280.6	405.9	523.0	549.4	544.8	567.3	582.5	595.4
Debt	534.2	482.4	529.9	627.5	627.5	627.5	627.5	627.5
Provisions for liabilities	90.8	125.2	169.7	159.8	159.8	159.8	159.8	159.8
Other	0.0	2.0	10.2	10.7	10.6	11.1	11.3	11.6
Debt	647.9	626.9	724.9	822.6	822.6	822.6	822.6	822.6
Net debt	596.4	544.8	636.8	694.3	639.1	571.8	527.7	486.4
(Net debt/equity)	142.7%	102.3%	87.5%	80.4%	65.4%	54.5%	48.5%	43.4%
(Net debt / EBITDA)	2.8	3.0	1.8	1.7	2.1	1.7	1.5	1.4
BVPS	6.7	0.5	0.3	0.4	0.4	0.5	0.5	0.5

Cash flows

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F	2016F
Cash flow from operating activity	263.5	56.2	4.9	85.9	206.8	245.3	252.6	258.0
Net profit	39.7	5.2	145.4	147.9	89.7	100.8	109.2	113.2
D&A expenses	76.1	80.3	97.7	104.4	111.9	111.2	110.0	108.5
Working capital	20.0	-80.9	-172.3	-104.3	-63.9	-38.5	-26.1	-22.1
Minority shareholders' dividend	0.0	0.0	-19.7	0.0	-24.7	-29.6	-40.5	-40.6
Other	127.7	51.6	-46.2	-62.0	93.8	101.4	100.0	99.0
Cash flow from investing activity	91.5	6.6	-67.9	-107.2	-98.8	-76.6	-77.3	-78.1
CAPEX	77.6	-89.8	-52.3	-85.0	-98.8	-76.6	-77.3	-78.1
Including divestments	0.0	7.3	9.4	19.4	26.4	0.0	0.0	0.0
Equity investment	13.6	96.5	-15.7	-22.2	0.0	0.0	0.0	0.0
Cash flows from financing activities	-371.2	-30.8	69.1	61.5	-52.9	-101.4	-131.2	-138.7
Debt	-201.6	-59.3	98.0	97.7	0.0	0.0	0.0	0.0
Interest on debt	-47.7	-53.5	-58.4	-27.1	-57.6	-57.6	-57.6	-57.6
Dividends	0.0	0.0	0.0	0.0	0.0	-50.4	-81.9	-90.6
Buy-back	0.1	-25.6	-60.3	-30.8	0.0	0.0	0.0	0.0
Stock issue	0.0	106.6	122.0	0.0	0.0	0.0	0.0	0.0
Other	-122.0	1.0	-32.2	21.7	4.7	6.6	8.2	9.5
Change in cash	-16.2	32.9	6.0	40.2	55.2	67.4	44.0	41.3
Cash at period end	51.5	82.1	88.1	128.3	183.4	250.8	294.8	336.1
DPS (PLN)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF	295.0	40.4	-15.0	7.5	99.6	198.2	215.5	220.3
(CAPEX / Sales)	3.4%	-1.9%	-2.5%	-2.4%	-2.9%	-1.6%	-1.6%	-1.6%

Trading Multiples

	2009	2010	2011F	2012F	2013F	2014F	2015F	2016F
P/E	0.9	126.6	9.0	8.9	14.6	13.0	12.0	11.6
P/CE	0.3	7.7	5.4	5.2	6.5	6.2	6.0	5.9
P/BV	0.1	1.2	1.8	1.5	1.3	1.2	1.2	1.2
P/S	0.0	0.2	0.3	0.3	0.3	0.3	0.3	0.3
FCF/EV	46.6%	3.4%	-0.8%	0.4%	5.1%	10.5%	11.7%	12.3%
EV/EBITDA	5.1	9.5	7.1	6.3	8.1	7.1	6.8	6.6
EV/EBIT	7.9	17.1	9.8	8.6	12.7	10.5	9.9	9.6
EV/S	0.5	0.5	0.6	0.6	0.6	0.5	0.5	0.5
Dyild	0.00%	0.00%	0.00%	0.00%	0.00%	3.85%	6.26%	6.92%
Price (PLN)	0.58							
Share at year-end (m)	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)	36.4	654.4	1 308.9	1 308.9	1 308.9	1 308.9	1 308.9	1 308.9
Minority interests (PLN m)	477.7	516.0	537.9	537.9	537.9	537.9	537.9	537.9
EV (PLN m)	1 110.5	1 715.2	2 483.6	2 541.1	2 485.9	2 418.5	2 374.5	2 333.2

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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	Reduce	Hold
Rating day	2012-03-05	2012-06-05
Price on rating day	0.82	0.60
WIG on rating day	41639.72	37287.97